MECHANICAL LLOYD PLC

Annual Report and Financial Statements for the year ended 31 December 2018

CONTENTS

MISSION STATEMENT

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

- Providing good quality products and service, competitively priced, and delivered in the most courteous and professional manner.

- Securing for its shareholders the optimum return on their invested capital.

- Maintaining an environment where its human resource is provided with the opportunity to develop to its maximum potential.

- Contributing meaningfully to the welfare of the community in which it operates, and bringing a sense of responsibility to bear on its policies in order to promote what it believes to be in the public interest.

CORPORATE INFORMATION

Directors	Terence Ronald Darko	(Chairman)
	Kalysta Darko-O'Kell	(Managing Director)
	Yaw Assah-Sam	
	Andrew Lawson	
	Kofi Asamoah	
	Kwesi Amonoo-Neizer	
	Joseph Hyde Jnr	
	Edward Kojo Annobil	
Secretary	Marigold Boakye Anamo	
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 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-SEVENTH ANNUAL GENERAL MEETING OF MECHANICAL LLOYD PLC

Notice is hereby given that the Twenty-Seventh Annual General Meeting of members of Mechanical Lloyd PLC has been convened by the Board of Directors of the Company to be held at the **ACCRA INTERNATIONAL CONFERENCE CENTRE**, Accra on **Friday, July 19, 2019** at **11.00 o'clock** in the forenoon to transact 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, 2018.

2. To re-elect the following Directors retiring by rotation.
   i. Mrs. Kalysta Darko-O'Kell
   ii. Mr. Joseph Hyde Jnr.
   iii. Mr. Edward Kojo Annobil

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

A member of the Company entitled to vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member. A form of proxy if is to be valid for the purposes of the meeting must be completed and deposited with the **REGISTRARS**, UNIVERSAL MERCHANT BANK LIMITED, 123 KWAME NKRUMAH AVENUE, SETHI PLAZA ADABRAKA, P.O.BOX 401, ACCRA not less than 48 hours before the time for holding the meeting.

Dated at Accra this **18th Day of April, 2019**.

BY ORDER OF THE BOARD

Marigold Boakye Anamo (Mrs)
(Company Secretary)

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

FINANCIAL HIGHLIGHTS

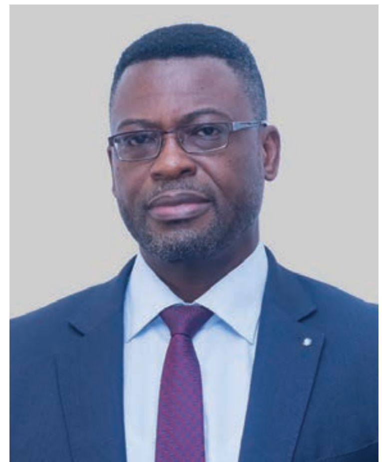
(All amounts are in Ghana cedis unless otherwise stated)

	2018	2017
Revenue	**49,536,401**	34,552,736
Loss before tax	**(3,547,085)**	(4,119,049)
Loss after tax	**(2,922,246)**	(2,971,625)
Shareholders' funds	**30,402,381**	33,324,627
Total assets	**64,438,419**	66,656,999
Loss per share (Ghana pesewas)	**(5.83)**	(5.93)
Net assets per share (Ghana pesewas)	**60.69**	66.52

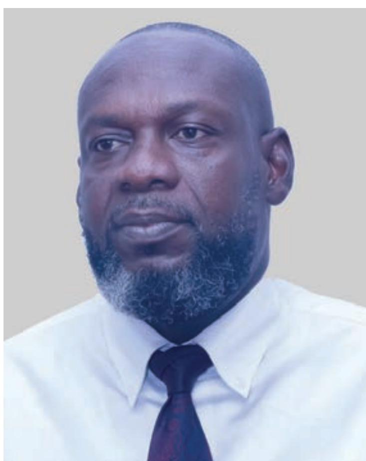
BOARD MEMBERS

Mr. Terence Ronald Darko
CHAIRMAN

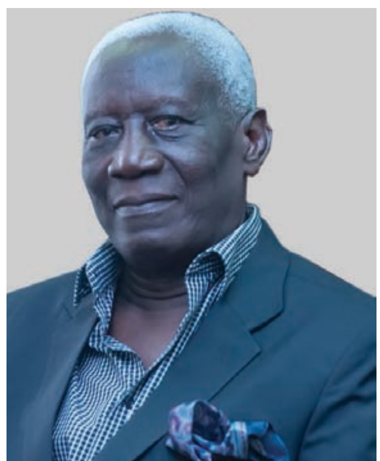
Mrs. Kalysta Y. Darko-O'Kell
MANAGING DIRECTOR



Mr. Joseph Hyde Jr.
EXECUTIVE DIRECTOR



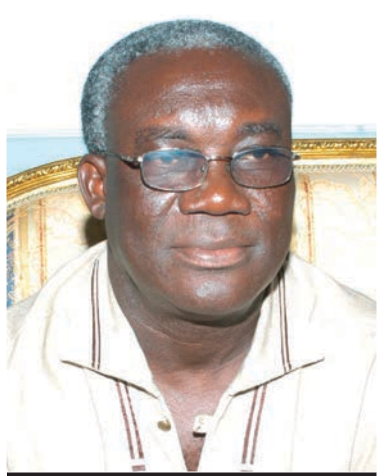
Mr. Edward Kojo Annobil
EXECUTIVE DIRECTOR



Mr. Yaw Assah-Sam
NON-EXECUTIVE DIRECTOR

Mr. Andrew Lawson
NON-EXECUTIVE DIRECTOR

Mr. Kwesi Amonoo-Neizer
NON-EXECUTIVE DIRECTOR



Mr. Kofi Asamoah
NON-EXECUTIVE DIRECTOR

Mrs. Marigold Boakye Anamo
SECRETARY TO THE BOARD

REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements of Mechanical Lloyd PLC (the "Company') for the year ended 31 December 2018.

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.

The directors 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. The directors have no reason to believe the Company will not be a going concern for the next twelve months from the date of approval of the financial statements.

Nature of business

The Company is engaged in the sale and servicing of BMW vehicles, Ford vehicles and Massey Ferguson agricultural machinery, and the related spare parts in Ghana. There was no change in the Company's business during the year.

Financial results

The financial results of the Company for the year ended 31 December 2018 are set out below:

	GH¢
Loss before income tax for the year	**(3,547,085)**
from which is added an income tax credit of	**624,839**
giving a loss after income tax for the year of	**(2,922,246)**
to which is added balance brought forward on income surplus account of	**11,263,475**
leaving a balance carried forward on income surplus account of	**8,341,229**

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2018 (2017: Nil).

REPORT OF THE DIRECTORS (continued)

Directors' and their interests in contracts

The present membership of the Board is set out on page 7. All directors served throughout the year.

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

Directors' shareholding

The directors' interests in the ordinary shares of the Company at 31 December 2018 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. Yaw Assah-Sam	21,500
Mr Kofi Asamoah	10,000
Mr. Joseph Hyde Jnr	8,100
Mr. Edward Kojo Annobil	6,400

Change of name

The Company changed its name from Mechanical Lloyd Company Limited to Mechanical Lloyd PLC on 17 August 2018 in line with a directive from the Registrar of Companies for listed entities to include "Plc" in the entities' names.

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

Approval of financial statements

The financial statements were approved by the Board of Directors for issue on 30th April 2019.

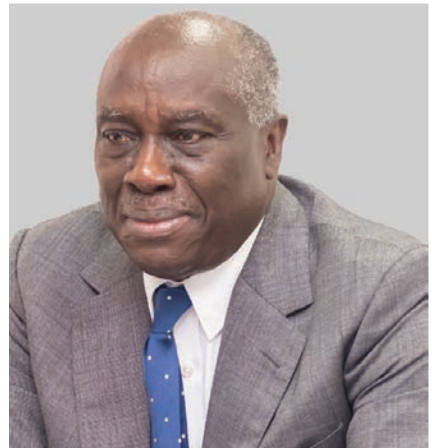
By order of the board

TERENCE RONALD DARKO
CHAIRMAN

KALYSTA Y. DARKO-O'KELL
MANAGING DIRECTOR

30th April, 2019

2018 CHAIRMAN'S REVIEW



Mr. Terence Ronald Darko
Chairman

In 2018 the Government of Ghana steadfastly continued with the three-year International Monetary Fund (IMF) fiscal stabilization and Extended Credit Facility Program which began in April 2015. As widely acknowledged and reported, the program has led to tight government recurrent and capital expenditure control over the past three and a half years and is aimed at restoring the Country's economic slippage over the period preceding the commencement of the stabilization program. The challenges associated with the program were (and are still) being felt throughout the nation.

The national overall revenue mobilization was below government target by 2.9% in 2018 (2017: -14.9%). The stock of public debt increased to GH¢172.9bn (from GH¢142.5bn in 2017). As a percent of GDP, total public debt increased to 57.9 percent in 2018, compared with 54.3 percent at the end of 2017, placing the Country at high risk of suffering debt distress once again.

The Bank of Ghana meanwhile continued with the restructuring exercise of the nation's financial sector in general and the commercial banks in particular – which led to the reduction of licenced Banks from 34 to 23 by the end of the year. The effects of the restructuring exercise are beginning to impact the economy and will continue throughout this year and beyond.

Against this background, the automobile industry as a whole struggled to grow. As a result, reduced pricing and promotions were necessary to move vehicle stocks.

FORD AND BMW DEALERSHIP

In 2018, Ford Motor Company (Ford) and BMW-ZA (BMW) embarked on a "Cluster/ Regional Hub Strategy" for the Sub-Saharan African market. The roll-out of these Strategies was "to achieve economies of scale and efficiencies, whilst addressing regional complexity and market volatility''.

This was to be achieved by grouping countries/ markets in the same geographical area as a block and assigned to one 'Super Distributor/Dealer'. Ford and BMW have divided Africa into four (4) and two (2) clusters/ regions respectively and Tractafric Ghana Ltd. has been appointed the Super-Distributor for the cluster/region Ghana falls within.

Our Company has exclusively represented Ford and BMW in Ghana for many decades. Indeed, we Mechanical Lloyd PLC are responsible for the outstanding and enviable reputation (goodwill) these brands have enjoyed and continue to enjoy in our market. This has been done through the systematic investment in our people, construction of world-class office and workshop facilities, acquisition of modern equipment and the deployment of advanced automobile and communication technology.

The planning, structuring and implementation of the 'one Super-Distributor' strategy by Ford and BMW was not shared with us adequately in advance as expected of our partners to enable us to prepare fully for and address its business implications and associated impact on all our stakeholders.

The implications of this strategy on our business has been and continues to be enormous, throwing our 2018 budget and mid to long-term plans/commitments out of line.

MASSEY FERGUSON (MF)

In 2017 the Governments of Ghana and Brazil commenced with the implementation of the More Food Program (MFP) Phase 1 in Ghana. This is a cooperation aimed at strengthening the productive capacity of

2018 CHAIRMAN'S REVIEW (continued)

small-scale Ghanaian farmers with one hundred and fifty (150) Massey Ferguson tractors through the utilization of a Brazilian government grant.

The second phase of the MFP has commenced with the delivery of an additional eighty (80) tractors to the Government of Ghana through the Ministry of Food and Agriculture (MoFA).

Mechanical Lloyd PLC is responsible for the provision of the aftersales support under the program and provides the service through our Adenta, Kumasi and Tamale branches.

SALE OF WHOLE GOODS

Revenue for the year under review was GHS 49,536, 401 (2017: GHS34,552,736) representing an increase of 43% over 2017. However, the constraints on the local market listed earlier on coupled with the restructuring commenced by Ford and BMW in 2018 negatively impacted on our sales prices and thereby shrinking our gross margin.

AFTERSALES

In 2018, our Aftersales achieved GHS11.1m turnover representing 93% of 2017 reported revenue. This shortfall was primarily due to system-related challenges arising out of the new market strategy being implemented by Ford and BMW - leading to significant delays in shipment of our parts orders.

FINANCIAL PERFORMANCE

Our operating expense for 2018 as a proportion of revenue was 24.15% as against 35.20% for 2017. After adjusting for Other Income of GHS 1,156,880 (2017: GHS 2,530,572), we ended the year with an operating loss of GHS1,618,865 which after adding Finance Income and deducting Finance Costs, resulted in a Loss Before Income Tax of GHS 3,547,085 and after adjusting for an Income Tax credit of GHS 624,839 we ended the year with a Loss of GHS 2,922,246 (2017: GHS 2,760,365).

DIVIDEND

The Board of Directors do not recommend payment of dividend for the year ended December 31, 2018.

2019 OUTLOOK

With the appointment of the Super-Distributor by Ford and BMW for our market, our business model and structures are currently under review by the Board and Management. This process will take some time and effort and may continue well into 2020.

ACKNOWLEDGEMENT

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

Thank you for your attention.

TERENCE RONALD DARKO
CHAIRMAN

CORPORATE GOVERNANCE REPORT

Introduction

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

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

Board of directors

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

The Audit Committee

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

Systems of internal control

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

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

Code of business ethics

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MECHANICAL LLOYD PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Mechanical Lloyd PLC as at 31 December 2018, 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 PLC (the "Company") for the year ended 31 December 2018.

The financial statements on pages 18 to 57 comprise:

- statement of financial position as at 31 December 2018;
- 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 PLC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for impairment of trade receivables - GH¢1,878,439 Gross trade receivables at 31 December 2018 amounts to GH¢6,920,401 against which allowance for impairment of GH¢1,878,439 was recognised. Allowance for impairment on trade receivables is a key area of focus due to the judgement management exercises in determining the appropriate amount of allowance for impairment. The Company determined allowance for impairment on trade receivables using lifetime expected credit loss allowance. Management exercised the following judgements in determining the allowance for impairment at the reporting date: • grouping trade receivables on the basis of similar risk profile and the days past due; • determining historical loss rates based on the payment profile of sales over 24 months; and • adjusting historical loss rates to reflect current and forward looking information using economic variable. Notes 2.10 and 3.2 set out the accounting policies and the judgement used in determining allowance for impairment respectively, while note 30.2 sets out an analysis of credit quality of trade receivables at the reporting date.	Our audit procedures included evaluating the design of selected controls, and testing the operating effectiveness of selected controls over the extension of credit facilities to customers. We examined the ageing analysis of trade receivables to assess the appropriateness of classification of trade receivable balances. We assessed the appropriateness and reasonableness of management's judgements over the segmentation of outstanding trade receivable balances using shared credit risk characteristics in the determination of historical loss rates experienced within the defined period. We examined the data used to derive payment profiles of selected customers to evaluate the reasonableness of the payment profile for each customer grouping. We assessed the reasonableness of adjustment made to historical loss rates to incorporate forward looking information. We examined subsequent receipts from selected customers to assess the recoverability of the selected trade receivable balances. We re-performed the calculation of allowance for impairment on trade receivables and assessed the adequacy of amount recognised as allowance for impairment. We checked the appropriateness of relevant disclosures for compliance with International Financial Reporting Standard.

Other information

The directors are responsible for the other information. The other information comprises the Financial Highlights, Report of the Directors, Corporate Governance Report and Shareholders'

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

Other information (continued)

Information but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the Chairman's Review, which 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.

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.

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act, 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 George Kwesi Arhin (ICAG/P/1187).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2019/028)
Chartered Accountants
Accra, Ghana.
15 May, 2019

STATEMENT OF FINANCIAL POSITION
(All amounts are in Ghana cedis)

	Note	At 31 December 2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	**32,860,469**	33,577,609
Intangible assets	5	**267,389**	166,596
Other prepayments	6	**2,163,215**	2,056,425
Other receivables	8	**302,584**	877,409
		35,593,657	36,678,039
Current assets			
Inventories	7	**19,049,808**	22,345,678
Trade and other receivables	8	**6,620,226**	5,282,951
Cash and bank balances	9	**3,174,728**	2,350,331
		28,844,762	29,978,960
Total assets		**64,438,419**	66,656,999
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	10	**2,859,940**	3,623,277
Current liabilities			
Trade and other payables	11	**18,001,952**	25,508,318
Current income tax liability	12	**1,865,331**	1,804,862
Borrowings	13	**11,308,815**	2,395,915
		31,176,098	29,709,095
Total liabilities		**34,036,038**	33,332,372
Net assets		**30,402,381**	33,324,627
EQUITY			
Stated capital	14	**2,771,486**	2,771,486
Capital surplus account	15	**19,289,666**	19,289,666
Income surplus account	16	**8,341,229**	11,263,475
Total equity		**30,402,381**	33,324,627

The notes on pages 22 to 57 are an integral part of these financial statements.

The financial statements on pages 18 to 57 were approved for issue by the Board of Directors on 30th April 2019 and signed on its behalf by:

Terance Ronald Darko
(Chairman)

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

STATEMENT OF COMPREHENSIVE INCOME
(All amounts are in Ghana cedis)

		Year ended 31 December	
	Note	**2018**	2017
Revenue	17	**49,536,401**	34,552,736
Cost of sales	18	**(40,349,302)**	(28,176,220)
Gross profit		**9,187,099**	6,376,516
Administrative costs	19	**(11,962,844)**	(12,394,315)
Other income	20	**1,156,880**	2,530,572
Operating loss		**(1,618,865)**	(3,487,227)
Finance income	21	**130,090**	305,439
Finance costs	21	**(2,058,310)**	(937,261)
Loss before income tax		**(3,547,085)**	(4,119,049)
Income tax credit	23	**624,839**	1,147,424
Loss after income tax		**(2,922,246)**	(2,971,625)
Other comprehensive income:			
Deferred income tax credit/(charge)	10	-	(2,571,956)
Total comprehensive income for the year-(loss)		**(2,922,246)**	(5,543,581)
Loss per share			
Basic and diluted loss per share (Ghana pesewas)	24	**(5.83)**	(5.93)

The notes on pages 22 to 57 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
(All amounts are in Ghana cedis)

Year ended 31 December 2018	**Stated capital**	**Capital surplus account**	**Income surplus account**	**Total**
Balance at 1 January 2018	2,771,486	19,289,666	11,263,475	**33,324,627**
Loss for the year	-	-	(2,922,246)	**(2,922,246)**
Other comprehensive income – (loss)	-	-	-	-
Total comprehensive income for the year – (loss)	-	-	(2,922,246)	**(2,922,246)**
Balance at 31 December 2018	**2,771,486**	**19,289,666**	**8,341,229**	**30,402,381**
Year ended 31 December 2017				
Balance at 1 January 2017	2,771,486	21,861,622	14,235,100	38,868,208
Loss for the year	-	-	(2,971,625)	(2,971,625)
Other comprehensive income	-	(2,571,956)	-	(2,571,956)
Total comprehensive income for the year – (loss)	-	(2,571,956)	(2,971,625)	(5,543,581)
Balance at 31 December 2017	2,771,486	19,289,666	11,263,475	33,324,627

The notes on pages 22 to 57 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
(All amounts are in Ghana cedis)

		Year ended 31 December	
	Note	**2018**	2017
Cash flow from operating activities			
Cash used in operations	25	**(5,082,000)**	(513,693)
Interest received	21	**130,090**	305,439
Interest paid		**(2,058,310)**	(903,020)
Income tax paid	12	**(78,029)**	(286,611)
Net cash used in operating activities		**(7,088,249)**	(1,397,885)
Cash flow from investing activities			
Incidental costs for purchase of leasehold land	6	**(106,790)**	-
Purchase property, plant and equipment	4	**(737,694)**	(755,899)
Purchase of intangible assets	5	**(155,770)**	(11,875)
Proceeds from disposal of property, plant and equipment	4	**-**	52,300
Net cash used in investing activities		**(1,000,254)**	(715,474)
Cash flow from financing activities			
Loan drawdown	13	**12,937,280**	-
Repayment of bank loan	13	**(5,161,761)**	-
Net cash flows from financing activities		**7,775,519**	-
Net decrease in cash and cash equivalents		**(312,984)**	(2,113,359)
Cash and cash equivalents at start of year		**(45,584)**	2,067,775
Cash and cash equivalents at end of year	27	**(358,568)**	(45,584)

The notes on pages 22 to 57 are an integral part of these financial statements.

NOTES

1. General information

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

(i) 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

The Company has applied the following standards for the first time for the reporting period commencing on 1 January 2018.

- IFRS 9 - Financial Instruments – Replaces IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 15 - Revenue from Contract with customers, replaces IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts.

The directors have assessed the effects of the new standards and have applied them in the Company's financial statements. The Company applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be reported in accordance with the Company's previous accounting policy.

(iv) New and amended standards not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. Those that are likely to have an impact on the Company's financial statements when the standards become effective are set out below:

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New and amended standards not yet adopted by the Company (continued)

IFRS 16, Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are 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. As at the reporting date, the Company has non-cancellable operating lease commitments of GH¢132,480 (Note 33). Other operating leases relate to payments in respect of rental agreements which are usually up to one year and considered short-term and of low value and as such will be recognised on a straight-line basis as an expense in profit or loss.

However, for non-cancellable operating lease commitments, the Company has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's profit or loss and classification of cash flows going forward. The Company will carry out the assessment in 2019.

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. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption, even in instances where the leases qualify to be recognised on the balance sheet.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.
Entities can choose to apply the interpretation:

- retrospectively for each period presented
- prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New and amended standards not yet adopted by the Company (continued)

- prospectively from the beginning of a prior reporting period presented as comparative information.

It is unlikely that the interpretation will have any material impact on the Company's financial statements.

The standard is mandatory for financial years commencing on or after 1 January 2018.

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 Changes in accounting policy

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Company's financial statements.

2.2.1 IFRS 9 Financial Instruments

(i) Impact on the financial statements

IFRS 9 was generally adopted without restating comparative information.

(ii) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies as set out in Note 2.9. In accordance with the transitional provisions in IFRS 9 (7.2.15), comparative figures have not been restated.

The total impact on the Company's income surplus account as at 1 January 2018 and 1 January 2017 is not material.

(iii) Impairment of financial assets

The Company has one type of financial asset that is subject to IFRS 9's new expected credit loss model, which is trade receivables. The Company was required to revise its impairment methodology under IFRS 9 for this class of assets. The impact of the change in impairment methodology on the Company's retained earnings and equity is not material.
While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 30.2 provides details about the calculation of the allowance.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy (continued)

2.2.2 IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies as disclosed in Note 2.18. There was no impact on the amounts recognised in the financial statements.

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 gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

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

(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 gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

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

2.4 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 at reasonable intervals to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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%

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

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

2.7 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.

2.8 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.

2.9 Financial assets

(i) Classification

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

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

Financial assets at amortised cost

Financial assets at amortised cost are those assets which are held only for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Trade and other receivables, and cash and bank balances are classified as financial assets at amortised cost.

The Company does not currently have any financial instruments classified as fair value through other comprehensive income (FVOCI) and fair value through profit or loss.

(iv) Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(v) Accounting policies applied up to 31 December 2017

Classification

Until 31 December 2017, the Company accounted for its financial assets as disclosed below.

All financial assets of the Company are classified as loans and receivables based on the purpose for which the financial assets were acquired.

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.

The Company's loans and receivables comprise 'trade and other receivables' excluding prepayments in the statement of financial position.

Recognition and measurement

The measurement at initial recognition did not change on adoption of IFRS 9. 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.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

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.

Financial assets carried at amortised cost

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost ***(continued)***

Evidence of impairment may include indications that the debtors or a group of debtors are 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.

For loans and receivables category, 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.

2.10 Trade receivables

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

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of trade receivables over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (where data is available and is obtained without undue effort or cost) affecting the ability of the customers to settle the receivables.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.10 Trade receivables (continued)

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 180 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

2.11 Cash and cash equivalents

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

2.12 Stated capital and dividend

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

2.13 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.

2.14 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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.14 Trade payables (continued)

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.

2.15 Income tax

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

Current income tax

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

Deferred income tax

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.16 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.

2.17 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.

2.18 Revenue from contracts with customers

(i) Vehicle and part sales

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.18 Revenue from contracts with customers

(i) Vehicle and part sales

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

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

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

(ii) Servicing

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

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

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

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

Financing components

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.18 Revenue from contracts with customers (continued)

consequence, the Company does not adjust any of the transaction prices for the time value of money.

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

2.19 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.

2.20 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.

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

3. Critical estimates, judgements and errors

3.1 Critical accounting estimates and assumptions

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

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

Income taxes

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

Fair value of property, plant and equipment

Management has adopted a five year cycle to assess fair values of property, plant and equipment. 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

Expected credit loss provision

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

To measure expected credit losses, trade receivables have been grouped based on similar credit risk characteristics and the days past due. The expected loss rates are based on payment profile of sales over 24 months and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic indicators affecting the ability of customers to settle

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

3. Critical estimates, judgements and errors (continued)

3.2 Critical judgements in applying the entity's accounting policies (continued)

outstanding receivables. The Company considered rate of depreciation of the Ghana cedi against the major foreign currencies, mainly the Euro, and accordingly adjust the historical loss rates based on the expected changes in the rate of depreciation.

The impact on the adoption of IFRS 9 on amount recognised as allowance for impairment at 31 December 2017 is not material and as such, the Company's income surplus account at 1 January 2018 has not been restated.

Note 30.2 sets out how the loss allowance as at 31 December 2018 was determined.

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

4. Property, plant and equipment

Year ended 31 December 2018

	Buildings	**Plant and machinery**	**Furniture and equipment**	**Computers**	**Motor vehicles**	**Total**
Cost/valuation						
At 1 January 2018	33,623,512	563,120	3,087,644	1,120,381	2,758,377	41,153,034
Additions	136,952	-	24,269	68,757	507,716	737,694
At 31 December 2018	**33,760,464**	**563,120**	**3,111,913**	**1,189,138**	**3,266,093**	**41,890,728**
Accumulated depreciation						
At 1 January 2018	4,158,343	261,509	1,507,430	772,498	875,645	7,575,425
Charge for year	816,242	21,588	159,039	127,102	330,863	1,454,834
At 31 December 2018	**4,974,585**	**283,097**	**1,666,469**	**899,600**	**1,206,508**	**9,030,259**
Net book amount						
At 31 December 2018	**28,785,879**	**280,023**	**1,445,444**	**289,538**	**2,059,585**	**32,860,469**
Cost/valuation						
At 1 January 2017	33,623,512	497,170	2,953,388	1,059,408	2,303,698	40,437,176
Additions	-	65,950	134,256	60,973	494,720	755,899
Disposals	-	-	-	-	(40,041)	(40,041)
At 31 December 2017	33,623,512	563,120	3,087,644	1,120,381	2,758,377	41,153,034
Accumulated depreciation						
At 1 January 2017	3,317,193	235,254	1,337,131	620,555	625,253	6,135,386
Charge for year	841,150	26,255	170,299	151,943	272,889	1,462,536
Released on disposal	-	-	-	-	(22,497)	(22,497)
At 31 December 2017	4,158,343	261,509	1,507,430	772,498	875,645	7,575,425
Net book amount						
At 31 December 2017	29,465,169	301,611	1,580,214	347,883	1,882,732	33,577,609

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:

	2018	2017
Cost	**3,618,200**	3,618,200
Accumulated depreciation	**(1,657,712)**	(1,597,078)
Net book amount	**1,960,488**	2,021,122

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

4. Property, plant and equipment (continued)

	2018	2017
Profit on disposal of property, plant and equipment		
Cost	-	40,041
Accumulated depreciation	-	(22,497)
Net book amount	-	17,544
Disposal proceeds	-	(52,300)
Gains on disposal	-	(34,756)

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 15). The directors are of the view that the fair value of buildings at 31 December 2018 is not materially different from their carrying value. The fair value levels of hierarchy are 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:

	2018	2017
Fair value measurement using other observable input (Level 2)	**28,785,879**	29,465,169

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)

5. Intangible assets

The intangible assets represents capitalised computer software.

	2018	2017
Cost		
At 1 January	**804,064**	792,189
Additions	**155,770**	11,875
At 31 December	**959,834**	804,064
Amortisation		
At 1 January	**637,468**	557,850
Charge for the year	**54,977**	79,618
At 31 December	**692,445**	637,468
Net book amount 31 December	**267,389**	166,596

6. Other prepayments

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

	2018	2017
At 1 January	**2,056,425**	2,056,425
Additions	**106,790**	-
At 31 December	**2,163,215**	2,056,425

7. Inventories

Vehicles	**11,149,453**	12,338,014
Spare parts	**7,084,364**	6,331,555
Goods in transit	**606,668**	3,147,058
Work-in-progress	**68,346**	382,834
Non-trade inventories	**140,977**	146,217
	19,049,808	22,345,678

The cost of inventories recognised as an expense and included in cost of sales amount to GH¢37,037,028 (2017: GH¢24,157,339). No amount was charged to profit or loss for damaged and obsolete inventories during the year (2017: Nil).

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

8. Trade and other receivables

	2018	2017
Trade receivables - gross	**6,920,401**	4,820,631
Less allowance for impairment of trade receivables	**(1,878,439)**	(1,299,827)
Trade receivables - net	**5,041,962**	3,520,804
Staff receivables	**620,408**	1,206,866
Other receivables	**1,145,239**	1,358,717
Prepayments	**115,201**	73,973
	6,922,810	6,160,360

The maximum amount of staff indebtedness during the year did not exceed GH¢1,206,866 (2017: GH¢1,210,000).

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:

	2018	2017
At 1 January	**1,299,827**	1,207,816
Increase during the year	**828,929**	92,011
Recoveries	**(250,317)**	-
At 31 December	**1,878,439**	1,299,827
Current		
Trade receivables	**5,041,962**	3,520,804
Staff receivables	**317,824**	329,457
Other receivables	**1,145,239**	1,358,717
Prepayments	**115,201**	73,973
	6,620,226	5,282,951
Non-current		
Staff receivables	**302,584**	877,409
	6,922,810	6,160,360

9. Cash and bank balances

Cash in hand	**14,712**	45,038
Cash at bank	**3,160,016**	2,305,293
	3,174,728	2,350,331

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

10. Deferred income tax

	At 1 January	Charged/ (credited) to profit or loss	Charged to other comprehensive income	At 31 December
Year ended 31 December 2018				
Property, plant and equipment				
- on historical cost basis	196,561	(19,086)	-	**177,475**
- on revaluation surpluses	6,429,889	-	-	**6,429,889**
Intangible assets	39,671	(8,622)	-	**31,049**
Carry forward tax losses	(2,263,419)	(156,874)	-	**(2,420,293)**
Provision for doubtful debts	(324,957)	(144,653)	-	**(469,610)**
Other provisions	(46,989)	34,879	-	**(12,110)**
Finance cost	(407,479)	(468,981)	-	**(876,460)**
	3,623,277	(763,337)	-	**2,859,940**
Comprising:				
Deferred income tax asset	(3,042,844)	(735,629)	-	**(3,778,473)**
Deferred income tax liability	6,666,121	(27,708)	-	**6,638,413**
	3,623,277	(763,337)	-	**2,859,940**
Year ended 31 December 2017				
Property, plant and equipment				
- on historical cost basis	117,202	79,359	-	196,561
- on revaluation surpluses	3,857,933	-	2,571,956	6,429,889
Intangible assets	48,333	(8,662)	-	39,671
Carry forward tax losses	(1,282,615)	(980,804)	-	(2,263,419)
Provision for doubtful debts	(301,954)	(23,003)	-	(324,957)
Other provisions	(201,775)	154,786	-	(46,989)
Finance cost	-	(407,479)	-	(407,479)
	2,237,124	(1,185,803)	2,571,956	3,623,277
Comprising:				
Deferred income tax asset	(1,786,344)	(1,256,500)	-	(3,042,844)
Deferred income tax liability	4,023,468	70,697	2,571,956	6,666,121
	2,237,124	(1,185,803)	2,571,956	3,623,277

Deferred income tax charged to other comprehensive income represents the impact of change in capital gains tax rate applicable to corporate entities from 15% to 25% during the year.

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

11. Trade and other payables

	2018	2017
Trade payables	**16,902,022**	24,228,809
Accrued charges and provisions	**694,153**	827,865
Sundry payables	**405,777**	451,644
	18,001,952	25,508,318

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

12. Current income tax

	At 1 January	Charge for the year	Payments during the year	At 31 December
Year ended 31 December 2018				
Corporate income tax:				
Up to 2017	(1,002,746)	138,498	-	**(864,248)**
2018	-	-	(78,029)	**(78,029)**
	(1,002,746)	138,498	(78,029)	**(942,277)**
Capital gains tax:				
Up to 2017	2,807,608	-	-	**2,807,608**
	1,804,862	138,498	(78,029)	**1,865,331**
Year ended 31 December 2017				
Corporate income tax:				
Up to 2016	(754,514)	38,379	-	(716,135)
2017	-	-	(286,611)	(286,611)
	(754,514)	38,379	(286,611)	(1,002,746)
Capital gains tax:				
Up to 2016	2,807,608	-	-	2,807,608
	2,053,094	38,379	(286,611)	1,804,862

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

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

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

13. Borrowings

	2018	2017
Current		
Bank loan	**7,775,519**	-
Bank overdrafts	**3,533,296**	2,395,915
	11,308,815	2,395,915

(a) Bank loan

During the year, the Company secured a GH¢12.9 million short term facility from Stanbic Bank Ghana Limited payable over a nine month period with three (3) months moratorium. The facility attracts an interest rate of 20.11% per annum and is secured by:

- First rank legal mortgage over the Company's Accra workshop, showroom, offices and head office
- First rank legal mortgage over the Company's Takoradi property

(b) Bank overdraft

The Company's overdraft facilities not exceeding GH¢4 million (2017: GH¢4 million) are secured by a debenture over the floating assets of the Company, registered and stamped to cover GH¢8 million.

The movement in loans during the year are as follows:

	2018	2017
At 1 January	-	-
Drawdown	**12,937,280**	-
Principal repayments	**(5,161,761)**	-
Interest charged	**515,872**	-
Interest paid	**(515,872)**	-
At 31 December	**7,775,519**	-

All borrowings are due within one year.

14. Stated capital

Stated capital represents share capital of the Company. The authorised ordinary shares of the Company is 100,000,000 ordinary shares of no par value out of which 50,095,925 (2017: 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 (2017: Nil).

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

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

15. Capital surplus account

	2018	2017
At 1 January	**19,289,666**	21,861,622
Deferred income tax charge (Note 10)	**-**	(2,571,956)
At 31 December	**19,289,666**	19,289,666

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.

16. 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 22 of these financial statements.

17. Revenue

	2018	2017
Sale of goods – motor vehicles and farm equipment	**38,424,388**	22,554,290
– spare parts	**9,234,548**	9,740,398
Total revenue from sale of goods	**47,658,936**	32,294,688
Revenue from services	**1,877,465**	2,258,048
	49,536,401	34,552,736

18. Cost of sales

	2018	2017
Vehicles and farm machinery	**28,721,560**	17,046,576
Spare parts	**7,708,980**	7,110,763
Staff costs (Note 22)	**2,549,761**	2,472,293
Other direct expenses	**657,280**	802,393
Overheads	**711,721**	744,195
	40,349,302	28,176,220

19. Administrative costs

Administrative costs include:

	2018	2017
Staff costs (excluding executive directors' emoluments)	**3,196,445**	3,263,707
Executive directors' emoluments (Note 28)	**1,061,929**	1,233,951
Non-executive directors' emoluments (Note 28)	**153,300**	119,000
Depreciation (Note 4)	**1,454,834**	1,462,536
Amortisation of intangible assets (Note 5)	**54,977**	79,618
Auditor's remuneration	**164,880**	164,880
Other consultant fees	**92,496**	33,681
Bank charges	**749,742**	783,651
Electricity and power	**568,882**	787,806
Net exchange losses	**992,484**	820,214
Donations	**21,194**	2,000

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

20. Other income

	2018	2017
Miscellaneous income	**231,708**	494,469
Income from clinic services	**137,348**	216,934
Commission and fees earned on special projects	**774,054**	1,771,131
Rental income	**13,770**	13,282
Gains on disposal of property, plant and equipment (Note 4)	**-**	34,756
	1,156,880	2,530,572

21. Finance income and costs

Finance income:		
Interest income on credit sales	**130,090**	305,439
Finance costs:		
Interest on loan (Note 13)	**515,872**	-
Interest on overdraft	**530,912**	170,019
Interest charges on accounts payable	**1,011,526**	767,242
	2,058,310	937,261

22. Staff costs

Wages and salaries (including executive directors' salaries)	**5,977,601**	6,107,095
Pension contributions	**830,533**	862,856
	6,808,134	6,969,951

The number of persons employed by the Company at the year-end was 149 (2017: 157).

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

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

	2018	2017
Cost of sales	**2,549,761**	2,472,293
Administrative costs	**4,258,373**	4,497,658
	6,808,134	6,969,951

23. Income tax credit

Current income tax charge (Note 12)	**138,498**	38,379
Deferred income tax credit (Note 10)	**(763,337)**	(1,185,803)
	(624,839)	(1,147,424)

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

23. Income tax credit (continued)

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

	2018	2017
Loss before income tax	(3,547,085)	(4,119,049)
Tax charged at corporate tax rate of 25% (2017:25%)	(886,771)	(1,029,762)
Expenses not deductible for tax purposes	123,434	77,834
Utilisation of previously unrecognised temporary difference	-	(228,875)
Adjustment in respect of prior years	138,498	33,379
	(624,839)	(1,147,424)

24. Loss per share

	2018	2017
Loss for the year	(2,922,246)	(2,971,625)
Number of ordinary shares (Number)	50,095,925	50,095,925
Basic and diluted loss per share (Ghana pesewas)	(5.83)	(5.93)

There were no potentially dilutive shares outstanding at 31 December 2018 or 2017. Diluted earnings per share are the same as basic earnings per share.

25. Cash used in operations

	2018	2017
Loss before income tax	(3,547,085)	(4,119,049)
Depreciation charge (Note 4)	1,454,834	1,462,536
Amortisation of intangible assets (Note 5)	54,977	79,618
Gains on disposal of property, plant and equipment (Note 4)	-	(34,756)
Finance income (Note 21)	(130,090)	(305,439)
Finance costs (Note 21)	2,058,310	937,261
Decrease/(increase) in inventories	3,295,870	(5,082,029)
(Increase)/decrease in trade and other receivables	(762,450)	73,733
(Decrease)/increase in trade and other payables	(7,506,366)	6,474,432
Cash used in operations	**(5,082,000)**	(513,693)

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

26. Dividend

No dividends were declared for the years ended 31 December 2018 (2017: Nil).

27. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2018	2017
Cash and bank balances (Note 9)	**3,174,728**	2,350,331
Bank overdrafts (Note 13)	**(3,533,296)**	(2,395,915)
	(358,568)	(45,584)

28. Related party transactions

The Board Chairman owns 29.99% (2017: 29.99%) of the Company's issued shares as of the reporting date.

Key management compensation

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

Key management	**2018**	2017
Salaries	**1,616,530**	1,951,713
Defined contributions scheme	**75,743**	81,013
	1,692,273	2,032,726
Directors' remuneration		
Fees for services as non-executive directors	**153,300**	119,000
Other emoluments (included in key management compensation above)	**1,061,929**	1,233,951
	1,215,229	1,352,951

Car loans to key management

At 1 January	**1,006,815**	491,653
Loans advanced during the year	**182,596**	1,401,147
Interest charged	**52,259**	70,345
Loan repayments received	**(628,824)**	(956,330)
At 31 December	**612,846**	1,006,815

Car loans are recovered through monthly payroll in accordance with the payment plan. No provision was required in 2018 (2017: Nil) for car loans given to key management personnel.

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

29. Segmental reporting

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

Year ended 31 December 2018

	BMW	Ford	Massey Ferguson	Servicing	Total
Revenue	14,137,970	19,690,877	4,595,541	11,112,013	**49,536,401**
Cost of sales	(10,299,690)	(15,301,110)	(3,120,760)	(11,627,742)	**(40,349,302)**
Gross profit	3,838,280	4,389,767	1,474,781	(515,729)	**9,187,099**
Administrative costs					**(11,962,844)**
Other income					**1,156,880**
Operating loss					**(1,618,865)**
Finance income					**130,090**
Finance costs					**(2,058,310)**
Loss before income tax					**(3,547,085)**
Income tax credit					**624,839**
Loss for the year					**(2,922,246)**

Year ended 31 December 2017

	BMW	Ford	Massey Ferguson	Servicing	Total
Revenue	9,088,036	12,551,742	914,512	11,998,446	34,552,736
Cost of sales	(7,133,486)	(9,641,451)	(722,050)	(10,679,233)	(28,176,220)
Gross profit	1,954,550	2,910,291	192,462	1,319,213	6,376,516
Administrative costs					(12,394,315)
Other income					2,530,572
Operating loss					(3,487,227)
Finance income					305,439
Finance costs					(937,261)
Loss before income tax					(4,119,049)
Income tax credit					1,147,424
Loss for the year					(2,971,625)

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

29. 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.

30. Financial risk management

30.1 Market risk

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

Foreign exchange risk

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

At 31 December 2018, 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¢68,162 (2017: GH¢82,252) higher/lower, mainly as a result of Euro denominated trade payables and bank balances.

At 31 December 2018, 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¢18,717 (2017: GH¢51,060) higher/lower mainly as a result of US dollar denominated trade payables and bank balances.

At 31 December 2018, if the currency had weakened/strengthened by 1% against the British pound with all other variables held constant, post-tax loss for the year would have been GH¢3,302 (2017: GH¢658) higher/lower mainly as a result of pound denominated trade payables and bank balances.

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

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)

30.1 Market risk (continued)

	USD (US$	GBP (£)	EURO (€)	GHS (GH¢)	Total
Year ended 31 December 2018					
Financial assets					
Trade and other receivables	-	-	-	6,742,329	**6,742,329**
Cash and bank balances	1,663,351	346,059	753,168	412,150	**3,174,728**
Total financial assets	1,663,351	346,059	753,168	7,154,479	**9,917,057**
Financial liabilities					
Trade and other payables	832,204	94,292	8,335,214	8,341,742	**17,603,452**
Borrowings	-	-	-	11,308,815	**11,308,815**
Total financial liabilities	832,204	94,292	8,335,214	19,650,557	**28,912,267**
Year ended 31 December 2017					
Financial assets					
Trade and other receivables	-	-	-	5,978,427	5,978,427
Cash and bank balances	1,488,500	65,854	306,848	489,129	2,350,331
Total financial assets	1,488,500	65,854	306,848	6,467,556	8,328,758
Financial liabilities					
Trade and other payables	5,319,796	21,905	10,660,118	8,728,402	24,730,221
Bank overdrafts	-	-	-	2,395,915	2,395,915
Total financial liabilities	5,319,796	21,905	10,660,118	11,124,317	27,126,136

Interest rate risk

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

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

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

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)

30.1 Market risk (continued)

Interest rate risk (continued)

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¢20,583 (2017: GH¢1,700) per annum.

Price risk

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

30.2 Credit risk

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

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

Trade receivables consist of invoiced amounts from normal trading activities. Strict credit control is exercised through monitoring of cash received from customers and, when necessary, provision is made for specific doubtful accounts. As at 31 December 2018, management was unaware of any significant unprovided credit risk (2017: Nil).

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

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

	2018	2017
Trade and other receivables	**7,103,382**	5,978,427
Bank balances	**3,160,016**	2,305,293
	10,263,398	8,283,720

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)

30.2 Credit risk (continued)

Analysis of credit quality is as follows:

(i) Trade receivables

On the basis of the policy in Note 2.10, the loss allowance as at 31 December 2018 was determined as follows for trade receivables. There were no adjustments on 1 January 2018 (on adoption of IFRS 9) because it was not significant.

Gross value of trade receivables comprise:

	Gross carrying amount	Loss rate	Lifetime expected losses	Carrying amount (net)
At 31 December 2018				
Neither past due nor impaired	**1,111,125**		**-**	**1,111,125**
Fully performing trade receivables	1,111,125	Nil	-	1,111,125
Past due but not impaired	**5,509,023**		**1,578,186**	**3,930,837**
31 – 60 days				
Government agencies	723,123	Nil	-	723,123
Corporate entities	62,051	5%	3,103	58,948
Individuals	22,763	6%	1,366	21,397
61 – 90 days				
Government agencies	22,077	Nil	-	22,077
Corporate entities	227,061	10%	22,706	204,355
Individuals	14,923	15%	2,238	12,685
Over 90 days				
Government agencies	1,257,233	1%	8,298	1,248,935
Corporate entities	2,691,504	40%	1,076,601	1,614,903
Individuals	488,288	95%	463,874	24,414
Impaired				
Individuals	300,253	100%	300,253	-
Total	**6,920,401**		**1,878,439**	**5,041,962**

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)

30.2 Credit risk (continued)

At 31 December 2018, if there was an increase or decrease in the expected credit loss rate by 1% (100 basis points) with all other variables held constant, profit for the year and equity would have been GH¢ 12,998 lower/ higher for the Company.

	Gross carrying amount	Loss rate	Lifetime expected losses	Carrying amount (net)
At 31 December 2017				
Neither past due nor impaired	1,019,733		-	1,019,733
Past due but not impaired	2,501,071		-	2,501,071
Impaired	1,299,827		1,299,827	-
Total	4,820,631		1,299,827	3,520,804

Staff receivables

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

Other receivables

Sundry receivables are neither past due nor impaired.

Bank balances

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

30.3 Liquidity risk

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

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

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

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

Details of bank overdrafts and loan facilities taken on by the Company are shown in Notes 13.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)

30.3 Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity 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.

	Carrying amount
At 31 December 2018	
Trade and other payables	17,603,452
Borrowings	12,670,884
Total financial liabilities	**30,274,336**
At 31 December 2017	
Trade and other payables	24,730,221
Borrowings	2,934,996
Total financial liabilities	27,665,217

All financial liabilities are payable within twelve months.

31. Capital management

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

There is no externally imposed capital requirement.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018	2017
Borrowings (Note 13)	**11,308,815**	2,395,915
Less: Cash and bank balances (Note 9)	**(3,174,728)**	(2,350,331)
Net debt	**8,134,087**	45,584
Total equity	**30,402,381**	33,324,627
Total capital	**37,773,131**	33,370,211
Gearing ratio	**26.75%**	0.14%

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

32. Fair values of financial assets and liabilities

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments utilised by the Company during the years ended 31 December 2018 and 31 December 2017 with information regarding the methods and assumptions used to calculate fair values are summarised as follows:

Current assets and liabilities

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

Staff loans

The fair values of staff loans are based on discounted cash flows using 22.11% (2017: 22.5%) at the reporting date.

Borrowings

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

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

At 31 December 2018	**Financial assets at amortised cost**	**Financial liabilities amortised cost**	**Total**
Financial assets			
Trade and other receivables	**6,742,239**	-	**6,742,239**
Cash and bank balances	**3,174,728**	-	**3,174,728**
Financial liabilities			
Trade and other payables	-	**17,603,452**	**17,603,452**
Borrowings	-	**11,308,815**	**11,308,815**
At 31 December 2017	Loans and receivables	Other financial liabilities at amortised cost	
Trade and other receivables	5,978,427	-	5,978,427
Cash and bank balances	2,350,331	-	2,350,331
Financial liabilities			
Trade and other payables	-	24,730,221	24,730,221
Borrowings	-	2,395,915	2,395,915

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

33. Commitments

Capital commitments

Capital commitments at the reporting date amounted to nil (2017: nil)

Operating lease commitments

The Company leases 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:

	2018	2017
Not later than 1 year	**132,480**	108,960
Later than 1 year and not later than 5 years	**-**	326,880

34. Contingent liabilities

Claims

The Company is defending legal actions brought by various persons for claims of GH¢1,827,744 (2017: GH¢1,718,409). Management has assessed the likelihood of these legal proceedings resulting in financial commitments and payments by the Company and concluded that this is not probable. No provision has been made in the financial statements following professional advice and management's assessment of these proceedings.

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 2018 are as follows:

Names	**Number of shares**	**% Shareholding**
Mr. Terence R.K. Darko	15,024,381	29.99
Mega African Capital Ltd	3,774,500	7.53
Mr. Michael O. Darko	2,441,600	4.87
Mr. T. R. Darko (Jnr)	2,062,000	4.12
Mr. D. M. Darko	2,052,000	4.10
Mr. G. A. Darko	2,052,000	4.10
Mrs. K. Y. Darko – O'Kell	2,052,000	4.10
SCBN/ Mega African Capital	1,862,700	3.72
Mr. C. N. Darko	1,198,752	2.39
Ms. S. A. Darko	1,198,745	2.39
Ms. R. J. Darko	961,305	1.92
Ms. Caroline B. Darko	845,967	1.69
Mr. P. K. Abosi-Appeadu	635,300	1.27
Ms. E. A. Darko	600,000	1.20
Mr. M. O. Ansah	597,740	1.19
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
Reported totals	40,080,755	80.01
Not reported	10,015,170	19.99
	50,095,925	100.00

2. **Number of shareholders**

The number and distribution of ordinary shareholders with equal voting rights as at 31 December 2018 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)

	2018	2017	2016	2015	2014
Statement of comprehensive income					
Revenue	**49,536**	34,553	50,965	46,827	30,641
(Loss)/profit before income tax	**(3,457)**	(4,119)	(2,673)	9,632	(4,076)
(Loss)/profit after income tax	**(2,922)**	(2,972)	(2,803)	8,785	(3,506)
Other comprehensive income – (loss)	**-**	(2,572)	-	-	-
Total comprehensive income – (loss)	**(2,922)**	(5,544)	(2,803)	8,785	(3,506)
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 (Ghana pesewas)	**(5.83)**	(5.93)	(5.60)	17.54	(7.00)
Statement of financial position					
Assets					
Non-current assets					
Property, plant and equipment	**32,860**	33,578	34,302	34,420	32,955
Intangible assets	**267**	167	234	350	522
Other prepayments	**2,163**	2,056	2,057	1,657	675
Other receivables	**303**	877	388	-	-
Total non-current assets	**35,593**	36,678	36,981	36,427	34,152
Current assets	**28,845**	29,979	26,478	33,874	33,539
Non-current asset held for sale	**-**	-	-	-	12,960
Total assets	**64,438**	66,657	63,459	70,301	80,651
Liabilities					
Non-current liabilities	**2,860**	3,623	2,237	2,109	6,822
Current liabilities	**31,176**	29,709	22,354	26,020	39,440
Total liabilities	**34,036**	33,332	24,591	28,129	46,262
Net assets	**30,402**	33,325	38,868	42,172	34,389
Equity					
Stated capital	**2,771**	2,771	2,771	2,771	2,771
Capital surplus account	**19,290**	19,290	21,862	21,862	21,862
Income surplus account	**8,341**	11,264	14,235	17,539	9,756
Total equity	**30,402**	33,325	38,868	42,172	34,389
Dividend paid per share (Ghana pesewas)	**-**	-	1.00	2.00	1.00
Net assets per share (Ghana pesewas)	**60.69**	66.52	77.59	84.18	68.65

PROXY FORM

Annual General Meeting to be Held at 11.00 am. On Friday 19 July, 2019 at Accra **International Conference Centre,** Accra.

I / We..

....

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

....

of.. as my proxy to attend and vote for me and on my behalf at the Annual General Meeting of the Company to be held on Friday 19 July, 2019.

Dated this .... Day of 2019

....
Shareholder's Signature

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

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

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

For Company's Use	No. of Shares	
Resolution	**For**	**Against**
1. To recieve the Accounts		
2. To re-elect Mrs. Kalysta Darko-O'Kell as Director		
3. To re-elect Mr. Joseph Hyde Jr. as Director.		
4. To re-elect Mr. Edward Kojo Annobil as Director.		
5. 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 PLC

Admission Form

Annual General Meeting to be held at **Accra International Conference Centre,** Accra on **Friday 19 July, 2019** 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