

**MECHANICAL LLOYD PLC**

Report for the nine months period ended 30 September 2019 - Unaudited

**CORPORATE INFORMATION**

Directors	Terrence Ronald Darko Kalysta Darko O'kell Andrew Lawson Kofi Asamoah Kwesi Amonoo-Neizer Joseph Hyde Jr Edward Kojo Annobil	(Chairman) (Managing Director)
Secretary	Marigold Boakye Anamo	
Solicitor	Gaisie Zwennes Hughes & Co Calton 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	
Auditors	PricewaterhouseCoopers Chartered Accountants Plot 12 Airport City Una Home 3rd Floor PMB CT42, Cantonments Accra	
Registrars	Universal Merchant Bank Limited Registrar's Department P O Box 401 Accra	
Bankers	Barclays Bank of Ghana Limited Stanbic Bank Ghana Limited Universal Merchant Bank (Ghana) Limited Fidelity Bank Limited Zenith Bank Ghana Limited Ecobank Ghana Limited	

**MECHANICAL LLOYD PLC**

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**FINANCIAL HIGHLIGHTS - UNAUDITED**

	<b>2019 GHS</b>	<b>2018 GHS</b>
Revenue	<b>21,918,273</b>	39,817,850
(Loss) before Income Tax	<b>(2,687,786)</b>	(442,705)
(Loss) after Income Tax	<b>(2,688,819)</b>	(443,531)
Retained Profit	<b>(2,688,819)</b>	(443,531)
Shareholders' Funds	<b>27,713,561</b>	35,453,052
Capital Expenditure	<b>1,748</b>	638,310
Total Assets	<b><u>58,470,276</u></b>	<b><u>74,507,509</u></b>
Earnings per share (GHS)	<b>(0.0537)</b>	(0.0089)
Net assets per share(GHS)	<b><u>0.5532</u></b>	<b><u>0.7077</u></b>

## MECHANICAL LLOYD PLC

Report for the nine months period ended 30 September 2019 - Unaudited

### REPORT OF THE DIRECTORS

The directors submit their report together with the unaudited financial statements of the Company for the nine month period ended 30 September 2019

#### Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company 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).

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.

#### Nature of business

The Company is engaged in the distribution and marketing of motor vehicles and farm machinery and in its repair, servicing and maintenance. The Company also builds and acquires properties for rental.

#### Financial results

The financial results of the company are set out below:

	2019 GHS
Loss before tax for the period ended 30 September 2019	(2,687,786)
from which is deducted a tax expense	(1,033)
giving a loss after tax for the quarter of	(2,688,819)
to which is added balance brought forward on income surplus account of	8,341,228
giving a balance of	<u>5,652,409</u>
Dividend paid	0
which leaves a balance carried forward on income surplus account of	<u>5,652,409</u>

**MECHANICAL LLOYD PLC**

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**REPORT OF THE DIRECTORS (continued)**

The company's net worth decreased from GHS 32.3 million as at 1 October 2018 to GHS 27.713 million at the end of September 2019

To the best of our knowledge, the financial statements do not contain untrue statement misleading facts or omit material facts.

By order of the board

Director :



Date : oct 30, 2019

Director :



oct 30, 2019

## **MECHANICAL LLOYD PLC**

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### **CORPORATE GOVERNANCE**

#### **Introduction**

Mechanical Lloyd PLC 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 vision, values and business principles, Mechanical Lloyd PLC'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 that sound internal controls are in place 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 seven directors. The directors are knowledgeable individuals with experience in the automobile industry as well as in their fields of discipline.

#### **The Audit Committee**

The Audit Committee is made up of four non-executive directors, all of whom have strong backgrounds 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 the system of internal control in the company.

#### **System of Internal Control**

Mechanical Lloyd PLC is continuously enhancing its comprehensive risk and control review process. This is aimed at both improving the mechanism for identifying and monitoring risk as well as appraising the system of internal control.

The company has an effective system for identifying, managing and monitoring risk. The system of internal control is implemented and monitored by appropriately trained personnel, suitably segregated as to authority, duties and reporting lines.

#### **Code of Business Ethics**

Mechanical Lloyd PLC 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.

**MECHANICAL LLOYD PLC**

Report for the nine months period ended 30 September 2019 - Unaudited

**Unaudited Statement of Comprehensive Income**

(All amounts are in Ghana cedis)

Period ended 30 September

	Note	2019 GHS	2018 GHS
<b>Revenue</b>	4	<b>21,918,273</b>	39,817,850
Cost of Sales	5	<u>(16,180,849)</u>	<u>(31,082,166)</u>
Gross Profit		<b>5,737,424</b>	8,735,684
Administrative Costs		<u>(7,665,070)</u>	<u>(10,195,868)</u>
Other Income	6	<u>1,030,955</u>	<u>2,083,383</u>
<b>Operating(Loss) / Profit</b>		<b><u>(896,691)</u></b>	<b><u>623,199</u></b>
Finance income	7(a)	<b>20,636</b>	96,246
Finance costs	7(b)	<u>(1,811,731)</u>	<u>(1,162,150)</u>
<b>(Loss)/Profit before income tax</b>		<b><u>(2,687,786)</u></b>	<b><u>(442,705)</u></b>
Income Tax Expense	16	<u>(1,033)</u>	<u>(826)</u>
Loss / Profit after income tax		<b><u>(2,688,819)</u></b>	<b><u>(443,531)</u></b>
<b>Total Comprehensive income for the quarter</b>		<b><u>(2,688,819)</u></b>	<b><u>(443,531)</u></b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	20	<b><u>-0.0537</u></b>	<b><u>-0.0089</u></b>

**MECHANICAL LLOYD PLC**

Report for the nine months period ended 30 September 2019 - Unaudited

**UN-AUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019**

(All amounts are expressed in Ghana cedis)

	Note	2019 GHS	2018 GHS
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	33,572,917	33,173,729
Prepaid operating lease-land	11	2,163,215	2,163,215
Intangible Assets	12	248,880	261,260
		<u>35,985,012</u>	<u>35,598,204</u>
<b>CURRENT ASSETS</b>			
Inventories	13	12,793,468	22,016,125
Trade and other receivables	14	6,940,316	12,415,044
Bank and Cash Balances	24(a)	2,751,480	4,478,135
		<u>22,485,264</u>	<u>38,909,305</u>
<b>TOTAL ASSETS</b>		<u>58,470,276</u>	<u>74,507,509</u>
<b>EQUITY</b>			
Stated capital	19	2,771,486	2,771,486
Capital surplus account	21	19,289,666	19,289,666
Income surplus account	22	5,652,409	10,819,944
<b>TOTAL EQUITY</b>		<u>27,713,561</u>	<u>32,881,096</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax	15(b)	2,859,940	3,623,277
		<u>2,859,940</u>	<u>3,623,277</u>
<b>CURRENT LIABILITIES</b>			
Current income tax	15(a)	1,733,500	1,753,056
Trade and other payables	17	15,359,866	26,794,457
Borrowings	24(b)	3,027,891	3,189,218
Loan	18	7,775,519	6,266,405
		<u>27,896,776</u>	<u>38,003,136</u>
<b>TOTAL LIABILITIES</b>		<u>30,756,716</u>	<u>41,626,413</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>58,470,277</u>	<u>74,507,509</u>

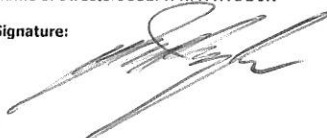
Name of Director: KALYSTA DARKO-'OKELL

Signature:



Name of Director: JOSEPH N. A HYDE JR

Signature:



**MECHANICAL LLOYD PLC**

Report for the nine months period ended 30 September 2019 - Unaudited

**UN-AUDITED STATEMENT OF CHANGES IN EQUITY**

(All amounts are expressed in Ghana cedis)

	Note	Stated Capital	Capital Surplus	Income Surplus	Total
Balance at 1 January 2019		2,771,486	19,289,666	8,341,228	30,402,380
Total comprehensive income for 9 months		-	-	(2,688,819)	(2,688,819)
Revaluation Surplus		-	-	-	
Approved dividend paid for 9 months		-	-	-	
At 30 September 2019		<u>2,771,486</u>	<u>19,289,666</u>	<u>5,652,409</u>	<u>27,713,561</u>
Balance at 1 January 2018		2,771,486	21,861,622	11,263,475	35,896,583
Total comprehensive income for 9 months		-	-	(443,531)	(443,531)
Approved dividend paid for 9 months		-	-	-	
At 30 September 2018		<u>2,771,486</u>	<u>21,861,622</u>	<u>10,819,944</u>	<u>35,453,052</u>



**MECHANICAL LLOYD PLC**

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**UN-AUDITED STATEMENT OF CASH FLOW**

(All amounts are expressed in Ghana cedis)

	Notes	2019 GHS	2018 GHS
<b>Operating activities</b>			
Cash generated from operations	23	<b>1,613,956</b>	(2,933,595)
Interest received	7(a)	<b>20,636</b>	96,246
Interest paid	7(b)	<b>(1,811,731)</b>	(1,162,150)
Tax paid		<b>(132,864)</b>	(52,632)
<b>Net cash generated from operating activities</b>		<b>(310,003)</b>	(4,052,131)
<b>Investing activities</b>			
Purchase property, plant and equipment	9	<b>(1,748)</b>	(879,772)
Proceeds from disposal of assets	10	<b>393,908</b>	-
<b>Net cash used in investing activities</b>		<b>392,159</b>	(879,772)
<b>Financing activities</b>			
Loans			6,266,405
<b>Net cash generated from/(used in) financing activities</b>			<b>6,266,405</b>
<b>Net (Decrease)/Increase in cash and cash equivalents</b>		<b>82,157</b>	<b>1,334,502</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		<b>(358,568)</b>	(45,584)
(Decrease)/Increase		<b>82,157</b>	<b>1,334,502</b>
<b>At end of 30 September</b>	24(b)	<b>(276,411)</b>	<b>1,288,918</b>

## MECHANICAL LLOYD PLC

Report for the nine months period ended 30 September 2019 - Unaudited

### 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, 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 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 and investment properties which are measured at fair value.

###### (iii) New and amended standards adopted by the Company

A number of new and amended standards have become effective on or after 1 January 2017. The following are the standards which are applicable to the Company but do not have any material impact on the financial statements for the year ended 31 December 2017:

##### Amendments to IAS12, Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the accounting treatment for deferred tax assets of debt instruments measured at fair value for accounting but measured at cost for tax purposes and confirmed that a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. The adoption of this amendment did not have a material impact on the Company's financial statements.

##### Amendments to IAS 7, Statement of Cash Flows: Disclosure Initiative

The IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities are required to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g. gains and losses due to foreign currency movements). The adoption of this amendment did not have a material impact on the Company's financial statements.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. None of those is expected to have a significant effect on the financial statements of the Company, except the following set out below:

##### IFRS 9, Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

2 The financial assets held by the Company include trade receivables currently classified as loans and receivables and measured at amortised cost which meets the condition for classification at amortised cost under IFRS 9. The Company does not expect the new guidance to affect the classification and measurement of its financial assets. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Company will assess the impact of the adoption of IFRS 9 on the Company's financial statements in 2018.

The new standard also introduces expanded disclosure requirement and changes in presentation. Management is currently assessing the impact of IFRS 9 on the Company's financial statements.

## Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

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

*IFRS 9, 'Financial instruments (continued)*

Mandatory for financial years commencing on or after 1 January 2018. Comparatives for 2017 will not be restated.

#### **IFRS 15, 'Revenue from contracts with customers**

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

The standard permits either a full retrospective or a modified retrospective approach for the adoption. At this stage, the Company is yet to estimate the impact of the new rules on the Company's financial statements.

Management's preliminary assessment of the effects of applying IFRS 15 identified the accounting of Ford's extended service plan (ESP) and BMW Service Inclusive as areas that will be affected. However, based on the total amount received from customers for ESPs and BSIs, management believes accounting for ESPs and BSIs in accordance with IFRS 15 will not have any material impact on the Company's financial statements. The directors will have detailed assessment in 2018.

Mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in income surplus account as of 1 January 2018 and that comparatives will not be restated.

#### *IFRS 16, Leases*

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

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

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

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

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

### 2.2 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts.

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

Revenue is recognised as follows:

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

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

- (ii) Service revenues are recognised in the period in which the services are rendered.
- (iii) Interest income is recognised on a time proportion basis using the effective interest method.
- (iv) Rental income is recognised on a straight line basis over the lease period.

**NOTES (continued)**  
**Summary of significant accounting policies (continued)**

**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 currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing 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 of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings 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 'other expenses'.

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

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a 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 revaluation 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 as follows:

Leasehold land	2%
Buildings	2½ - 4%
Plant and machinery	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 bring to use specific software. These costs are amortised on the basis of expected useful lives. Software has a maximum expected useful life of 3 years. Software are carried at cost less any amortisation and impairment losses, if any.

## 2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (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 Investment properties

Investment properties are land and/or buildings which are held to earn rental income and/or for capital appreciation, and which are not occupied by the Company. Property that is being constructed or developed for future use as investment property is classified as investment property.

Investment properties are stated in the statement of financial position at fair value, based in active market prices, adjusted, if necessary, for any difference in nature, location or condition of the specific asset, determined annually by independent qualified valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in not 2.2. immediately in profit or loss.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences between the carrying amount and the fair value of the item arising at the date of transfer is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to income surplus account. Any loss arising in this manner is recognised immediately in profit or loss.

## 2.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using weighted average cost. Cost of spare parts, trade and non-trading inventories comprises invoice value, freight, insurance, customer duty and all other costs incurred in bringing the inventories to their present location, less provision for impairment, if any. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Borrowing costs are not included in the cost of inventories.

## 2.10 Financial assets

### (i) Classification

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

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

### (ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised in 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.

### (iii) 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.

## 2.11 Financial assets (continued)

### (iv) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

## **2.12 Trade receivables**

Trade receivables are amount due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment is made on a case by case basis and when there is evidence that the amount due will not be fully recovered at the original cost.

## **2.13 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.

## **2.14 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.

## **2.15 Borrowings**

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In the 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.

## **2.16 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.

## **2.17 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). 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.

## **2.18 Income tax**

### **Income tax**

The income tax expense 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 the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate in the basis of amounts expected to be paid to the tax authorities.

## **2.18 Income tax (continued)**

### **Deferred income tax**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for 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 or 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 liability is settled.

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

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

## **2.19 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.

## **2.20 Employee benefits**

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

### **(i) Retirement benefit obligations**

The Company and all its employees contribute to the appropriate pension scheme, which is a defined contribution plan.

A defined contribution plan is a pension plan 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.

### **2.20 (ii) 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.



## **2.21 Segment reporting**

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

## **3 Critical accounting estimates and judgements**

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available and changes subsequent to these estimates may significantly affect future operating results.

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 5 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 recoverable amount of property, plant and equipment is in excess of the carrying amount at the reporting date.

### **Investment properties**

The fair values of investment properties are determined by using valuation techniques. Management believes that no reasonably possible changes in any key assumptions would cause the carrying values of the properties to exceed their recoverable amounts, after giving due consideration to the economic outlook for the real estate industry and the commercial assumptions underpinning the cash flow forecast of the properties.

**4 Revenue**

	2019 GHS	2018 GHS
Motor vehicles and farm machinery sales	14,464,813	31,402,371
Spare parts sales and workshop earnings	7,443,132	8,405,152
Rental Income from investment properties	10,328	10,328
	<u>21,918,273</u>	<u>39,817,850</u>

**5 Cost of sales**

Vehicle and farm machinery	10,674,035	23,174,606
Spare parts	2,448,577	4,866,365
Staff costs (Note 9)	1,728,047	1,889,336
Other direct expenses	243,633	512,251
Overheads	1,086,557	639,608
	<u>16,180,849</u>	<u>31,082,166</u>

**6 Other income**

Miscellaneous income	521,094	150,145
Commission And Fees	369,060	1,827,575
Income from clinic services	32,554	105,663
Profit on disposal	108,248	0
	<u>1,030,955</u>	<u>2,083,383</u>

**7 Finance income and costs**

(a) Finance income:		
Interest income on credit sales	20,636	96,246
	<u>20,636</u>	<u>96,246</u>
(b) Finance costs:		
Bank interest expense	1,612,580	566,263
Interest on outstanding payables	199,151	595,887
	<u>1,811,731</u>	<u>1,162,150</u>

**9 Property, plant and equipment**

	Buildings	Plant and Machinery	Furniture and Equipment	Computers	Motor Vehicles	Total
<b>Cost/Valuation</b>						
At 1 January 2019	33,760,464	563,120	3,111,913	1,189,138	3,266,093	41,890,728
Additions				1,748		1,748
Disposal					(498,061)	(498,061)
At 30 September 2019	<u>33,760,464</u>	<u>563,120</u>	<u>3,111,913</u>	<u>1,190,886</u>	<u>2,768,032</u>	<u>41,394,415</u>
<b>Accumulated depreciation</b>						
At 1 January 2019	4,974,585	283,097	1,666,469	899,600	1,206,508	9,030,259
Charge for the year	598,511	19,750	109,821	73,887	194,390	996,360
Disposal					(212,401)	(212,401)
At 30 September 2019	<u>4,376,074</u>	<u>263,347</u>	<u>1,556,648</u>	<u>825,713</u>	<u>799,716</u>	<u>7,821,498</u>
<b>Net book value</b>						
At 30 September 2019	<u>29,384,390</u>	<u>299,773</u>	<u>1,555,265</u>	<u>365,174</u>	<u>1,968,316</u>	<u>33,572,917</u>

The buildings were last revalued at 30 November 2012 by independent valuers, Barnicom Property Valuation and Consultancy Services. Valuations were made on the basis of open market value. If buildings were stated on historical cost basis, the amount would be as follows:

	2019	2018
Cost	3,618,200	3,618,200
Accumulated depreciation	(1,657,712)	(1,597,078)
Net book value	<u>1,960,488</u>	<u>2,021,122</u>

#### 10 (Profit)/Loss on disposal of motor vehicles

	2019	2018
Cost	498,061	0
Accumulated depreciation	(212,401)	0
Net book value	285,660	0
Proceeds of Sales	(393,908)	0
Profit on disposal	<u>108,248</u>	<u>0</u>

#### 11 Other Prepayments

Other prepayments represent land in the course of acquisition for which the Company is yet to secure all the legal registration requirements

	2019	2018
	GHS	GHS
At 1 January	2,163,215	2,056,425
Additions	-	106,790
At 30 September	<u>2,163,215</u>	<u>2,163,215</u>

#### 12 Intangible Assets - Software Package

<b>Cost</b>		
At 1 January	959,834	804,064
Additions	0	134,672
At 30 September	<u>959,834</u>	<u>938,736</u>
<b>Amortisation</b>		
At 1 January	692,445	637,468
Charge for the year	18,509	40,008
At 30 September	<u>710,954</u>	<u>677,476</u>
<b>Net Book Value 30 September</b>	<u>248,880</u>	<u>261,260</u>

<b>13 Inventories</b>	<b>2019</b>	<b>2018</b>
	<b>GHS</b>	<b>GHS</b>
Trade inventories	<b>11,966,324</b>	20,974,504
Goods in transit	<b>591,233</b>	855,810
Work-in-progress	<b>150,000</b>	56,951
Non trade inventories	<b>85,911</b>	128,860
	<b><u>12,793,468</u></b>	<b><u>22,016,125</u></b>

#### 14 Trade and other receivables

Trade receivables	<b>6,017,753</b>	10,481,692
Staff debtors	<b>384,753</b>	567,269
Prepayments	<b>182,405</b>	255,043
Other Debtors	<b>355,405</b>	1,111,039
	<b><u>6,940,316</u></b>	<b><u>12,415,045</u></b>

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

#### 15 Income Tax

	<b>Balance at January 2019</b>	<b>Payments</b>	<b>Charge for the period</b>	<b>Balance at September 2019</b>
<b>(a) Current income tax</b>				
Up to 2018	<u>1,865,331</u>	<u>(132,864)</u>	<u>1,033</u>	<u>1,733,500</u>
	<b><u>1,865,331</u></b>	<b><u>(132,864)</u></b>	<b><u>1,033</u></b>	<b><u>1,733,500</u></b>
<b>(b) Deferred income tax</b>				
Property, plant and equipment				
on historical cost basis	177,475			177,475
on revaluation surpluses	6,429,889			6,429,889
Intangible assets	31,049			31,049
Carry forward tax losses	(2,420,293)			(2,420,293)
Provision for doubtful debts	(469,610)			(469,610)
Other Provisions	(12,110)			(12,110)
Finance Cost	<u>(876,460)</u>			<u>(876,460)</u>
	<b><u>2,859,940</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,859,940</u></b>

#### 16 Income tax expense

	<b>2019</b>	<b>2018</b>
	<b>GHS</b>	<b>GHS</b>
Current tax ( Note 16(a) )	<b>1,033</b>	826
Deferred tax (Note 16(b) )	<b><u>0</u></b>	<b><u>0</u></b>
	<b><u>1,033</u></b>	<b><u>826</u></b>

<b>17 Trade and other payables</b>	<b>2019</b>	<b>2018</b>
		GHS
Trade creditors	13,795,866	25,568,713
Accrued charges	1,001,500	678,854
Sundry payables	562,500	546,890
	<u>15,359,866</u>	<u>26,794,457</u>

<b>18 Loans</b>	<b>Balance at 01/01/2019</b>	<b>Drawdown</b>	<b>Repayment</b>	<b>Exchange Rate Adjustment</b>	<b>Balance at 30/09/2019</b>
Bank loan	7,775,519	0	0	0	7,775,519

#### 19 Stated capital

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

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>No. of shares</b>		<b>GHS</b>	<b>GHS</b>
Issued for cash	11,426,643	11,426,643	47,792	47,792
Rights issue	34,011,865	34,011,865	2,708,790	2,708,790
Transfer from income surplus	4,657,417	4,657,417	14,904	14,904
	<u>50,095,925</u>	<u>50,095,925</u>	<u>2,771,486</u>	<u>2,771,486</u>

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

<b>20 Earnings per share</b>	<b>2019</b>	<b>2018</b>
(Loss)/Profit after tax	<u>(2,688,819)</u>	<u>(443,531)</u>
Number of ordinary shares (Number)	<u>50,095,925</u>	<u>50,095,925</u>
Basic and diluted earnings per share (GHS)	<b>-0.0537</b>	<b>-0.0089</b>

There are no share options, potential rights issues or bonus issues, hence diluted earnings per share are the same as basic earnings per share.

<b>21 Capital surplus account</b>	<b>2019</b>	<b>2018</b>
	<b>GHS</b>	<b>GHS</b>
Balance at 1 January	19,289,666	19,289,666
Revaluation Surplus	0	0
Balance at 30 September	<u>19,289,666</u>	<u>19,289,666</u>

The revaluation surplus account has arisen from independent revaluations of the company's land and buildings, the latest of which was performed on 30 November 2012. The reserve is not available for distribution to the shareholders of the Company.

<b>22 Income surplus account</b>	<b>2019</b>	<b>2018</b>
	<b>GHS</b>	<b>GHS</b>
Balance at 1 January	8,341,228	11,263,475
Loss for the period	(2,688,819)	(443,531)
Approved dividend paid during the quarter	0	0
Balance at 30 September	<u>5,652,409</u>	<u>10,819,944</u>

**23 Cash generated from operations**

	2019 GHS	2018 GHS
(Loss)/Profit before tax	(2,687,786)	(442,705)
Depreciation charge	996,360	1,042,189
Amortisation of intangible assets	18,509	40,008
Finance income	(20,636)	(96,246)
Finance cost	1,811,731	1,162,150
Profit on disposal of assets	(108,248)	
<b>Change in working capital</b>		
Decrease/(Increase) in inventories	6,256,340	329,552.52
(Increase)/Decrease in trade and other receivables	(2,010,226)	(6,254,684)
(Decrease)/Increase in trade and other payables	(2,642,088)	1,286,139
<b>Cash generated from operations</b>	<b>1,613,956</b>	<b>(2,933,595)</b>

**24 Cash and cash equivalents**

(a) For purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2019 GHS	2018 GHS
Bank and cash balances	2,751,480	4,478,135
	<u>2,751,480</u>	<u>4,478,135</u>

(b) Cash and cash equivalents include the following for the purposes of statement of cash flow:

	2019	2018
Cash and cash equivalent	2,751,480	4,478,135
Bank Overdraft	(3,027,891)	(3,189,218)
	<u>(276,411)</u>	<u>1,288,918</u>

**25 Capital commitments**

Provision for capital commitments at the balance sheet date amounted to nil (2018: nil)

**26 Contingent liabilities**

There were no contingent liabilities at the balance sheet date (2018: nil)

**27 Financial risk management****Financial risk factors**

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on its financial performance.

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

#### Total exposure to credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and accounts receivables. Accounts receivables are mainly derived from sales to customers. The Company maintains a provision for impairment of trade receivables based upon the expected collectivity of all trade receivables.

Trade receivables consist of invoiced amounts from normal trading activities. The Company has customers throughout Ghana. Strict credit control is exercised through monitoring of cash received from customers and, when necessary, provision is made for specific doubtful accounts. As at September, 2019 management was unaware of any significant unprovided credit risk.

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

	2019	2018 GHS
Bank balances (excluding cash)	(291,411)	4,484,886
Trade and other receivables (excluding prepayments)	<u>6,757,911</u>	<u>11,048,962</u>
Total credit risk exposure	<u>6,466,501</u>	<u>15,533,848</u>

#### Liquidity risk

The Company has incurred indebtedness but also has positive cash balances. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations the Company devises strategies to manage its liquidity risk.

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

#### 28 Comparative figures

Where necessary, comparatives have been reclassified to conform with changes in presentation in the current year and to take account of the implementation of IFRS.

#### 29 Management of capital

The primary objectives of the company's equity capital management are to ensure that the company is able to meet its debts as they fall due and to maximise shareholder value. No changes were made in the objectives, policies and processes from the previous years.

#### 30 Fair value of financial assets and liabilities

The carrying amounts of all financial assets and liabilities are reasonable approximation of their fair value, because of their short term nature. The carrying amount of all financial assets and liabilities equals their fair value, as the impact of discounting is not significant.