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Alliance Motors Ghana Limited

Report and Financial Statements
31 March 2015

Alliance Motors Ghana Limited

Report and financial statements 2015

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Alliance Motors Ghana Limited

Directors, officials and registered office

Directors:

Xavier Gobile
Behram Sabawala
Paul K Pepera

**Secretary and
registered office:**

Accra Nominees Limited
No.13 Samora Machel Road
Asylum Down
P.O. Box GP 242
Accra

Auditors:

Deloitte & Touche
Chartered Accountants
4 Liberation Road
P. O. Box GP 453
Accra

Bankers:

Bank of Baroda (Ghana) Limited
Stanbic Bank (Ghana) Limited

Alliance Motors Ghana Limited

Directors' report

The directors present herewith the audited financial statements of the company for the year ended 31 March 2015 and report thereon as follows:

1. Nature of business

The company is authorised to deal in motor vehicles, spare parts and servicing of motor vehicles.

2. Holding company

The company is a 60% owned subsidiary of Tata Africa Holdings (Ghana) Limited, a company incorporated in the Republic of Ghana.

3. Results

The results for the period are as set out in the attached financial statements.

4. Dividend

No dividend (2014:NIL) was paid during the year.

The Director's do not recommend dividend for the year ended 31 March 2015.

5. Auditors

In accordance with Section 134 (5) of the Companies Code, 1963 (Act 179) the auditors, Messrs Deloitte & Touche, continue in office as auditors of the company.

6. Approval of the financial statements

The financial statements were approved by the board of directors on 4 May 2015 and are signed on its behalf by:



.....
Director



.....
Director

Alliance Motors Ghana Limited

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether the applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enables them to ensure that the financial statements comply with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) as issued by the International Accounting Standards Board (IASB). They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

The above statement, should be read in conjunction with the statement of the auditors' responsibilities on page 5.

Independent auditors' report **To the members of Alliance Motors Ghana Limited**

We have audited the accompanying financial statements of Alliance Motors Ghana Limited on pages 7 to 26, which comprise the statement of financial position as at 31 March 2015, statement of comprehensive income and cash flow statement for the year ended, and a summary of significant accounting policies on pages 11 to 13 and other explanatory notes on pages 14 to 26.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Code 1963, (Act 179). These responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

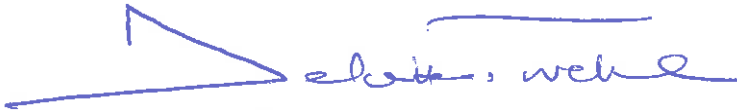
In our opinion, the financial statements present fairly in all material respect, the financial position of the company as at 31 March 2015 and of its financial performance and cash flow for the period then ended in accordance with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB), and in the manner required by the Companies Code, 1963 (Act 179).

Independent auditors report - continued To the members of Alliance Motors Ghana Limited

Report on other legal and regulatory requirements

The Companies Code, 1963 (Act 179) requires that in carrying out our audit work 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 accounts have been kept by the company, so far as appears from our examination of those books; and
- iii. the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss accounts) of the company are in agreement with the books of accounts.



Deloitte & Touche
Licence No. ICAG/F/2015/129
Chartered Accountants
4 Liberation Road
Accra, Ghana

Andrew Opuni-Ampong
Practising Certificate: Licence No. ICAG/P/1132

May, 2015

Alliance Motors Ghana Limited

Statement of comprehensive income

For the year ended 31 March 2015

	Note	2015 GH¢	2014 GH¢
Turnover	3	27,561,150	14,018,971
Cost of sales	4	(17,265,323)	(10,074,990)
Gross profit		10,295,827	3,943,981
Other operating income	5	347,473	273,886
General, administrative and selling expenses	24	(8,771,302)	(6,291,595)
Operating profit		1,871,998	(2,073,728)
Finance income	6	62,824	919
Finance cost	7	(10,989,684)	(6,382,945)
Loss before tax	8	(9,054,862)	(8,455,754)
Tax expense	9	661,798	1,510,903
Loss after tax		(8,393,064)	(6,944,851)

Alliance Motors Ghana Limited

Statement of financial position

As at 31 March 2015

	Note	2015 GH¢	2014 GH¢
Assets			
Non current assets			
Property, plant and equipment	10	658,091	1,171,666
Intangible assets	11	-	108,228
Deferred taxation	9	2,172,701	1,510,903
		<u>2,830,792</u>	<u>2,790,797</u>
Current assets			
Inventories	12	23,046,760	15,104,018
Trade and other receivables	13	2,713,016	1,540,825
Taxation	9	183,198	57,693
Cash and cash equivalents	14	1,339,536	680,881
		<u>27,282,510</u>	<u>17,383,417</u>
Total current assets		<u>27,282,510</u>	<u>17,383,417</u>
Total assets		<u>30,113,302</u>	<u>20,174,214</u>
Equity and liabilities			
Amount attributable to equity holders			
Stated capital	15	600,000	600,000
Retained earnings		(15,337,915)	(6,944,851)
		<u>(14,737,915)</u>	<u>(6,344,851)</u>
Total equity		<u>(14,737,915)</u>	<u>(6,344,851)</u>
Current liabilities			
Trade and other payables	16	41,825,517	23,629,162
Short term loan	17	-	469,103
Amount owing to related party	18d	3,025,700	2,420,800
		<u>44,851,217</u>	<u>26,519,065</u>
Total current liabilities		<u>44,851,217</u>	<u>26,519,065</u>
Total equity and liabilities		<u>30,113,302</u>	<u>20,174,214</u>

msabawala

.....
Director

[Signature]

.....
Director

Alliance Motors Ghana Limited

Statement of changes in equity

For the year ended 31 March 2015

	Stated capital GH¢	Retained earnings GH¢	Total equity GH¢
1 April 2013	600,000	-	600,000
Loss after tax	-	(6,944,851)	(6,944,851)
31 March 2014	<u>600,000</u>	<u>(6,944,851)</u>	<u>(6,344,851)</u>

	Stated capital GH¢	Retained earnings GH¢	Total equity GH¢
1 April 2014	600,000	(6,944,851)	(6,344,851)
Loss after tax	-	(8,393,064)	(8,393,064)
31 March 2015	<u>600,000</u>	<u>(15,337,915)</u>	<u>(14,737,915)</u>

Alliance Motors Ghana Limited

Statement of cash flows

For the year ended 31 March 2015

	2015 GH¢	2014 GH¢
Operating activities		
Loss before tax	(9,054,862)	(8,455,754)
<i>Adjustments to reconcile loss before tax to net cash flows:</i>		
Depreciation	538,665	514,105
Amortisation	276,542	54,114
Finance income	(62,824)	(919)
Finance expense	<u>1,233,297</u>	<u>465,724</u>
Operating cash flow before changes in working capital	(7,069,182)	(7,422,730)
Increase in inventory	(7,942,742)	(15,104,018)
Increase in trade and other receivables	(1,172,191)	(1,540,825)
Increase in trade and other payables	<u>18,196,355</u>	<u>23,629,162</u>
Cash generated from operations	2,012,240	(438,411)
Tax paid	<u>(125,505)</u>	<u>(57,693)</u>
Net cash flow from operating activities	<u>1,886,735</u>	<u>(496,104)</u>
Investing activities		
Purchase of property, plant and equipment	(25,090)	(1,685,771)
Payment for intangible assets	(168,314)	(162,342)
Interest received	<u>62,824</u>	<u>919</u>
Net cash flow from investing activities	<u>(130,580)</u>	<u>(1,847,194)</u>
Financing activities		
Proceeds from issue of shares	-	600,000
Short term loans	(469,103)	469,103
Amount owing to related party	604,900	2,420,800
Interest paid	<u>(1,233,297)</u>	<u>(465,724)</u>
Net cash flow from financing activities	<u>(1,097,500)</u>	<u>3,024,179</u>
Increase in cash and cash equivalents	<u>658,655</u>	<u>680,881</u>
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents at 1 March	680,881	-
Net cash flow	<u>658,655</u>	<u>680,881</u>
Cash and cash equivalents at 31 March	<u>1,339,536</u>	<u>680,881</u>
Balances of cash and cash equivalents		
Cash and bank	<u>1,339,536</u>	<u>680,881</u>
	<u>1,339,536</u>	<u>680,881</u>

Notes to the financial statements

For the year ended 31 March 2015

1. Operations

Alliance Motors Ghana Limited (“the Company”) is authorised to deal in motor vehicles, spare parts and servicing of motor vehicles. The Company is domiciled in Ghana with its registered office at Asylum Down, Accra and incorporated as a limited liability company in Ghana.

2. Accounting policies

The significant accounting policies which have been adopted and consistently applied are as follows:

2.1 Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities (IFRS for SMEs) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historic cost basis. Historic cost is the fair value of the consideration given to acquire the asset. The financial statements are presented in Ghana Cedis, except when otherwise indicated.

2.1.1 Foreign currency translation

The functional and presentation currency of the company is Ghana Cedis.

Transactions denominated in currencies other than the functional currency are recorded in Ghana Cedi at the rates of exchange ruling at the dates of the transactions.

Monetary assets and liabilities denominated in other currencies at period end are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit or loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2.1.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured, regardless of when the payment is being made (when the significant risks and rewards of ownership of the goods have passed to the buyer).

Sales of goods

Revenue from the sale of goods is recognised in the period in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Notes to the financial statements

For the year ended 31 March 2015

2.1 Summary of significant accounting policies – continued

Rendering of services

Revenue from services rendered is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2.1.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Costs includes direct cost and any other related cost.

Depreciation is calculated using the reducing balance method at rates calculated to write-off the cost of each asset over its estimated useful life. The annual rates generally in use are as follows:

Motor vehicles	30%
Furniture & equipment	30%
Buildings	10%

2.1.4 Inventories

Inventories are assets held for sale in the ordinary course of business or in the rendering of services. Inventories are stated at the lower of cost and net realisable value. Inventory cost is measured by the average cost method.

Cost in this case consists of direct purchase cost and other costs incurred to bring inventory to its present condition and location. Inventory in transit are valued at the invoiced price.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. Allowances are made for obsolete, slow moving or defective items where appropriate.

2.1.5 Financial instruments

Financial assets

Financial assets include cash and cash equivalents, trade receivables and other receivables. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost. Gains and losses are recognised in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables and deposits.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

The rights to receive cash flows from the asset have expired;

Notes to the financial statements

For the year ended 31 March 2015

2.1 Summary of significant accounting policies – continued

Financial Liabilities

Financial liabilities include trade and other payables and accruals. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus transaction costs. Subsequent measurement is at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.1.6 Provision

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less and bank overdrafts shown in the statement of financial position.

2.1.8 Trade and other receivables

Trade receivables are carried at original invoice amounts using the amortised cost method, less any allowance for impairment. When a trade receivable is determined to be uncollectable, it is written off, firstly against any provision available and then to profit or loss.

The allowance for doubtful accounts is recorded, based on management judgment and analysis of individual receivable balances based on an individual customer's prior payment record, risk of each operation, current economic trends and analysis of historical bad debts of a similar type in an amount considered adequate to cover probable losses on realisation of trade and other receivables, where applicable.

Subsequent recoveries of amounts previously provided for are credited to profit or loss in the period of recovery.

2.1.9 Prepaid expenses

Prepaid expenses refer mainly to amounts paid in advance, which are amortised equally over the term of the contracts.

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

3. Turnover	2015 GH¢	2014 GH¢
Vehicles - Land rover	21,307,362	11,289,730
Vehicles - Jaguar	3,495,706	1,499,191
Spares	2,250,356	800,683
Service and workshop	507,726	429,367
	<u>27,561,150</u>	<u>14,018,971</u>
4. Cost of sales	2015 GH¢	2014 GH¢
Opening stock	15,104,018	-
Purchases	24,691,188	24,932,290
Less: closing stock	(23,046,760)	(15,104,018)
	<u>16,748,446</u>	<u>9,828,272</u>
Cost of goods sold	16,748,446	9,828,272
Direct expenses	516,877	246,718
	<u>17,265,323</u>	<u>10,074,990</u>
5. Other operating income	2015 GH¢	2014 GH¢
TSA commission	2,910	11,957
Insurance claims received	36,999	-
Variable dealer margin	307,564	261,929
	<u>347,473</u>	<u>273,886</u>
6. Finance income	2015 GH¢	2014 GH¢
Interest income	62,824	919
	<u>62,824</u>	<u>919</u>

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

7. Finance cost		2015	2014	
		GH¢	GH¢	
Exchange loss (net)		(9,756,387)	(5,917,221)	
Interest expense		(1,233,297)	(465,724)	
		<u>(10,989,684)</u>	<u>(6,382,945)</u>	
		<u><u>(10,989,684)</u></u>	<u><u>(6,382,945)</u></u>	
8. Loss before tax		2015	2014	
is stated after charging:		GH¢	GH¢	
Auditors' remuneration		40,000	20,000	
Depreciation and amortisation		815,207	568,219	
Donations		6,500	2,200	
		<u>861,707</u>	<u>590,419</u>	
		<u><u>861,707</u></u>	<u><u>590,419</u></u>	
9. Taxation				
	At 1 April	Payment	Charge for	At 31 March
	2014	during	the year	2015
	GH¢	the year	the year	GH¢
		GH¢	GH¢	GH¢
Income tax				
2014	-	(57,693)	-	(57,693)
2015	-	(125,505)	-	(125,505)
	<u>-</u>	<u>(183,198)</u>	<u>-</u>	<u>(183,198)</u>
	<u>-</u>	<u>(183,198)</u>	<u>-</u>	<u>(183,198)</u>
Deferred tax	(1,510,903)	-	(661,798)	(2,172,701)
	<u>(1,510,903)</u>	<u>(183,198)</u>	<u>(661,798)</u>	<u>(2,355,899)</u>
	<u><u>(1,510,903)</u></u>	<u><u>(183,198)</u></u>	<u><u>(661,798)</u></u>	<u><u>(2,355,899)</u></u>

Provision for income tax for the year ended 31 March 2015 has been made by adjusting the operational results of the company in accordance with current tax laws. This provision is, however, subject to agreement with the Ghana Revenue Authority.

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

9.1 Reconciliation of tax charge	2015	2014
	GH¢	GH¢
Loss before tax	(9,054,862)	(8,455,754)
Tax at Ghanaian statutory income tax rate of 25%	(2,263,716)	(2,113,939)
Non deductible expenses for tax purposes	1,625	550
Other non-deductible expenses (permanent tax losses)	89,389	602,485
Tax charged	(2,172,702)	(1,510,903)
Effective tax rate	-	-

9.2 Analysis of deferred tax balance				
Deferred tax attributable to:	At			At
	1/4/2014	Assets	Liabilities	31/3/15
	GH¢	GH¢	GH¢	GH¢
Fixed assets	128,526	45,676	-	174,202
Intangible assets	13,528	55,607	-	69,135
Exchange gain/loss	1,368,849	611,052	50,537	1,929,364
Net tax assets	1,510,903	712,335	50,537	2,172,701

10. Property, plant & equipment	At		At
Cost	1/4/2014	Additions	31/3/15
	GH¢	GH¢	GH¢
Motor vehicles	335,412	-	335,412
Furniture, tools and equipment	1,099,150	25,090	1,124,240
Building improvement	251,209	-	251,209
	1,685,771	25,090	1,710,861
Depreciation	At	Charge for	At
	1/4/2014	the year	31/3/15
	GH¢	GH¢	GH¢
Motor vehicles	100,624	70,436	171,060
Furniture, tools and equipment	329,745	300,756	630,501
Building improvement	83,736	167,473	251,209
	514,105	538,665	1,052,770
Net book value			658,091
At 31 March 2015			1,171,666
At 31 March 2014			1,171,666

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

11. Intangible assets	At		At
	1/4/2014	Additions	31/3/15
Cost	GH¢	GH¢	GH¢
Computer Software	108,228	168,314	276,542
	<hr/>	<hr/>	<hr/>
	108,228	168,314	276,542
	<hr/>	<hr/>	<hr/>
Amortisation	At	Charge for	At
	1/4/2014	the year	31/3/15
	GH¢	GH¢	GH¢
Computer software	-	276,542	276,542
	<hr/>	<hr/>	<hr/>
	-	276,542	276,542
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2015			-
			<hr/>
At 31 March 2014			108,228
			<hr/>
			<hr/>
12. Inventories		2015	2014
		GH¢	GH¢
Vehicles-Land Rover		12,433,670	9,445,690
Vehicles-Jaguar		3,046,062	1,064,550
Spare parts		2,595,291	1,799,773
Consumables & accessories - vehicles		14,034	11,237
Goods in transit		4,957,703	2,782,768
		<hr/>	<hr/>
		23,046,760	15,104,018
		<hr/>	<hr/>
		<hr/>	<hr/>
13. Trade and other receivables		2015	2014
		GH¢	GH¢
Trade receivables		366,471	393,561
Other receivables		1,695,566	501,571
Prepayments		656,518	645,693
		<hr/>	<hr/>
		2,718,555	1,540,825
Provision for bad debts		(5,539)	-
		<hr/>	<hr/>
		2,713,016	1,540,825
		<hr/>	<hr/>

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

14. Cash and cash equivalents	2015 GH¢	2014 GH¢
Cash balance	15,081	1,671
Bank balance	1,218,855	679,210
Fixed deposit	105,600	-
	<u>1,339,536</u>	<u>680,881</u>

15. Issued capital	Number of shares		Proceeds	
	2015 '000	2014 '000	2015 GH¢	2014 GH¢
Authorised				
Ordinary shares of no par value	<u>3,000</u>	<u>3,000</u>		
Issued				
Issued for cash and fully paid	<u>600</u>	<u>600</u>	<u>600,000</u>	<u>600,000</u>
	<u>600</u>	<u>600</u>	<u>600,000</u>	<u>600,000</u>

There is no unpaid liability on any shares and there are no calls or instalments in arrears.

15.1 Earnings per share

Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date. The following reflects the income and share data used in the basic earnings per share computations:

Basic	2015 GH¢	2014 GH¢
Net (loss) attributable to ordinary shareholders	(8,393,064)	(6,344,851)
Weighted average number of ordinary shares	600,000	600,000
Basic earnings per ordinary share	(13.99)	(10.57)

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

16. Trade and other payables

	2015 GH¢	2014 GH¢
Trade payables	24,715,486	13,777,074
Sundry creditors	1,011,570	243,694
Advances from customers	2,003,727	1,558,755
Accruals	1,685,473	1,930,896
Due to related parties (Note 18c)	12,409,261	6,118,743
	<u>41,825,517</u>	<u>23,629,162</u>

The carrying amounts approximate the fair value because the terms and conditions of payment is within 1 year for trade and other payables.

17. Short term loan

	2015 GH¢	2014 GH¢
Bank of Baroda (Ghana) Limited	-	469,103
	<u>-</u>	<u>469,103</u>

Repaid fully during 2014-15 (2013-14: US\$ 174,464).

18. Related party transactions and balances

(a) Purchases:

The following purchases were made from Jaguar Land Rover Limited and Tata Africa Holdings (Ghana) Limited during the year:

	2015 GH¢	2014 GH¢
Vehicles - Land Rover	14,850,303	17,501,150
Vehicles - Jaguar	3,678,940	2,436,234
	<u>18,529,243</u>	<u>19,937,384</u>

(b) Expenses & recoverables:

Interest expenses	227,378	145,480
Rent expenses	248,507	-
Bank guarantee expenses	152,763	-
Office expenses	17,482	-
Reimbursement - Warranty	(1,236,200)	-
Reimbursement - Marketing	(307,564)	-

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

(c) Due to related parties:

	2015 GH¢	2014 GH¢
Jaguar Land Rover Limited	11,876,489	5,479,257
Tata Africa Holdings (Ghana) Limited	532,772	639,486
	<u>12,409,261</u>	<u>6,118,743</u>

(d) Amount owing to related party

	2015 GH¢	2014 GH¢
Tata Africa Holdings (Ghana) Limited - Loan Account	<u>3,025,700</u>	<u>2,420,800</u>

19. Financial instruments

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework, including implementation and monitoring of these policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations and arises principally from the company's receivables from customers.

The company's principal exposure to credit risk is in its trade and other receivables and loans to related parties. Trade receivables principally represent amounts owing to the company by their customers and credit risk is managed at that level. Credit evaluations are performed on all customers requiring credit over a certain amount. The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

19. Financial instruments - continued

Exposure to credit risk

The carrying value of the company's financial assets represents its maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	2015 GH¢	2014 GH¢
Trade receivables	366,471	393,561
Less: impairments	(5,539)	-
Other receivables	2,352,084	1,147,264
Cash and cash equivalents	1,339,536	680,881
	<u>4,052,552</u>	<u>2,221,706</u>

The maximum exposure to credit risk for trade receivables at the reporting date by type of receivables was:

	Carrying amount	
	2015 GH¢	2014 GH¢
Corporates	283,999	301,805
SME	82,472	88,895
Government and parastatals	-	2,861
	<u>366,471</u>	<u>393,561</u>

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2015 GH¢	Impairment allowance 2015 GH¢	Gross 2014 GH¢	Impairment allowance 2014 GH¢
Not past due	352,084	-	349,537	-
Past due 0-30 days	8,199	-	36,773	-
Past due 31-60 days	-	-	2,424	-
Past due 61-90 days	-	-	538	-
Past due 91 days and above	6,188	(5,539)	4,289	-
	<u>366,471</u>	<u>(5,539)</u>	<u>393,561</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 March 2015

19. Financial instruments - continued

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company manages its cash position and future outflows on an ongoing daily basis. The company ensures that it has sufficient cash on demand to meet expected operational expenses and liabilities as they fall due.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements.

31 March 2015	Carrying amount GH¢	Contractual cash flow GH¢	less than 6 months GH¢
Trade payables to related parties	12,409,261	12,409,261	12,409,261
Trade payables - others	24,715,486	24,715,486	15,661,117
Advances from customers	2,003,727	2,003,727	2,003,727
Accrued expenses	1,685,473	1,685,473	1,685,473
Sundry creditors	1,011,570	1,011,570	1,011,570
Interest bearing liabilities	3,025,700	3,088,798	3,088,798
	<u>44,851,217</u>	<u>44,914,315</u>	<u>35,859,946</u>
31 March 2014	Carrying amount GH¢	Contractual cash flow GH¢	less than 6 months GH¢
Trade payables to related parties	6,118,743	6,118,743	6,118,743
Trade payables - others	13,777,074	13,777,074	13,777,074
Advances from customers	1,558,755	1,558,755	1,558,755
Accrued expenses	1,930,896	1,930,896	1,930,896
Sundry creditors	243,694	243,694	243,694
Interest bearing liabilities	2,889,903	2,947,493	2,947,493
	<u>26,519,065</u>	<u>26,576,655</u>	<u>26,576,655</u>

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

19. Financial instruments - continued

Market risk

Market risk is the risk that changes in market prices, such as interest rates etc. will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in the foreign exchange rates.

The company's exposure to foreign currency risk was as follows based on notional amounts:

	2015 US\$	2014 US\$
Trade receivables	451,525	1,645
Foreign currency bank accounts	252,313	129,234
Interest bearing liabilities	(790,000)	(1,062,464)
Advances from customers	(294,758)	(240,535)
Sundry creditors	-	(220,290)
Trade payables - others	(6,397,634)	(5,058,515)
Trade payables to related parties	(3,240,016)	(2,249,538)
Net balance sheet exposure	<u>(10,018,569)</u>	<u>(8,700,463)</u>

The following exchange rates were applied during the year:

Ghana Cedi	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
US\$ 1	<u>3.2939</u>	<u>2.0908</u>	<u>3.8300</u>	<u>2.7200</u>

Notes to the financial statements

For the year ended 31 March 2015

19. Financial instruments - continued

Sensitivity analysis

A 10 percent strengthening in the Ghana Cedi against the US Dollar would have increased equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in Ghana Cedis	Profit/(loss) GH¢
31 March 2015	
US\$	3,717,181
	<u> </u>
31 March 2014	
US\$	2,366,526
	<u> </u>

A 10 percent weakening in the Ghana Cedi against the US Dollar at the reporting date would have had the equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates.

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2015 GH¢	2014 GH¢
Variable rate instruments		
Financial liabilities	3,025,700	2,889,903
	<u> </u>	<u> </u>

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Effect in Ghana Cedis	Profit or (loss)	
	100 basis point increase	100 basis point decrease
31 March 2015		
Variable rate instruments	(7,648)	7,648
	<u> </u>	<u> </u>
31 March 2014		
Variable rate instruments	(9,299)	9,299
	<u> </u>	<u> </u>

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015.

19. Financial instruments - continued

Fair value

The fair value of financial assets and liabilities, together with the carrying amounts in the statement of financial position, are as follows:

	2015 Carrying value GH¢	2015 Fair value GH¢	2014 Carrying value GH¢	2014 Fair value GH¢
Trade and other receivables	2,718,555	2,713,015	1,540,824	1,540,824
Cash and cash equivalents	1,339,536	1,339,536	680,881	680,881
	<u>4,058,091</u>	<u>4,052,551</u>	<u>2,221,705</u>	<u>2,221,705</u>
Trade and other payables	(29,416,256)	(29,416,256)	(23,629,162)	(23,629,162)
Due to related parties	(12,409,261)	(12,409,261)	(8,539,543)	(8,539,543)
Short term loan	(3,025,700)	(3,025,700)	(2,889,903)	(2,889,903)
	<u>(44,851,217)</u>	<u>(44,851,217)</u>	<u>(35,058,608)</u>	<u>(35,058,608)</u>

The fair value of the assets and liabilities approximates their carrying amounts.

20. Contingent liabilities

There were no contingent liabilities at the balance sheet date and at 31 March 2014.

21. Staff strength

The total number of employees as at 31 March 2015 was 51 (31 March 2014: 46).

22. Exchange control

All remittances outside Ghana are subject to the approval of the exchange control authorities.

23. Warranties

Warranty expenses include extended warranties granted to various customers during the year. Provision for warranties is not recognised as and when the underlying products are sold, as the cost of warranties is borne by the manufacturers of those products.

Alliance Motors Ghana Limited

Notes to the financial statements

For the year ended 31 March 2015

24. General, administrative and selling expenses	2015	2014
	GH¢	GH¢
Auditors' remuneration	40,000	20,000
Bank charges	200,641	90,401
Communication	169,643	59,744
Depreciation	538,665	514,105
Amortisation	276,542	54,114
Donations	6,500	2,200
Employee related costs	2,843,246	1,799,254
Entertainment	32,965	15,447
Insurance	183,589	116,220
Legal and professional fees	285,910	547,695
Office expenses	407,501	309,242
Pre-incorporation expenses	-	166,280
Printing and stationery	35,171	39,066
Rent & rates	1,676,499	1,252,977
Repairs & maintenance	77,910	83,721
Sales promotion	1,203,028	606,687
Security	126,120	105,399
Travelling expenses	617,959	457,133
Warranty cost	49,413	51,910
	<u>8,771,302</u>	<u>6,291,595</u>