



Mega African Capital Ltd

2016 ANNUAL REPORT

& FINANCIAL STATEMENTS



Mega African Capital Ltd

2016

ANNUAL REPORT &
FINANCIAL STATEMENTS

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of Mega African Capital Limited will be held on June 8, 2017 at 10:00 GMT in the Zero Room of the Ghana College of Physicians and Surgeons Building at Ridge, Accra

AGENDA

1. Consideration of the Audited Accounts of the Company for the year ended 31st December, 2016, and the Reports of the directors and Auditors;
2. To re-elect Christine Dowuona-Hammond as a Director;
3. To approve Directors Fees; and
4. To authorize Directors to determine the remuneration of the Auditors

Dated this 3rd day of May 2017

BY ORDER OF THE BOARD

Yours faithfully,



Trustee Services Limited (Secretary)
No. 4, Momotse Avenue,
Adabraka

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Corporate Information

For the year ended 31 December 2016

Board of directors	Christine Dowuona- Hammond- Chairman
	Kwesi Amonoo-Neizer - Managing Director
	Opoku-Gyamfi Boateng - Non Executive Director (Resigned on 9th November, 2016)
	Eugene Addison - Non Executive Director
	Margaret Boateng-Sekyere - Non Executive Director
	Rosalyn Darkwa - Non-Executive Director
Company secretary	Trustee Services Limited 4 th Momotse Avenue. Adabraka, Accra P.O.Box GP 1632, Accra
Principal place of business	No. 23 Kanda Estates Sunyani Avenue Kanda Accra, Ghana
Registered office	H/no 4/3 BAE, Baatsonaa Estate P. O. Box CT 2197 Cantonments, Accra
Independent auditors	UHYVoscon Chartered Accountants No. C806/4, Boundary Road, Tudu, Accra Adjacent to City Paints Supply P. O. Box LA 476 La, Accra.
Bankers	Standard Chartered Bank (GH) Limited Societe Generale Ghana
Registrar	Central Securities Depository Co. Ltd 4th Floor, Cedi House, Accra P.O. Box 134, Accra

Financial Highlights

for the year ended 31 December 2016

(All amounts are expressed in thousands of Ghana cedis)

Account	2016	2015	Percentage Change (%)
Revenue	5,665	15,885	-64
Profit/(loss) before income tax	(1,701)	10,398	-116
Income tax expense	-	-	
Profit/(loss) for the year	(1,701)	10,398	-117
Retained earnings	31,390	33,673	-7
Total assets	107,906	96,214	10
Total equity	53,746	54,830	-2
Total equity and liabilities	105,820	96,214	10

Five year financial summary

Account	2016	2015	2014	2013	2012
Revenue	5,665	15,885	18,224	10,146	2,392
Profit/(loss) before taxes	(1,701)	10,398	14,693	8,010	986
Income tax expense	-	-	-	(104)	(53)
Profit/(loss) after tax	(1,701)	10,398	14,693	7,906	933
Financial Position					
At fair value fair value via P/L (non-current assets)	56,016	52,933	46,012	14,842	11,910
Investment property	13,835	12,517	9,237	6,350	3,619
Financial assets at fair value via P/L (current assets)	35,519	28,214	6,401	5,816	4,064
Other current assets	117	1,962	3	96	55
Cash and cash equivalents	229	445	3,120	1,582	762
Property, plant & equipment	104	144	183	-	-
Total assets	105,819	96,214	64,956	28,686	20,410
Total liabilities	52,071	41,384	25,429	7,852	7,481
Stated capital	22,356	21,156	15,821	11,821	11,821
Retained earnings	31,390	33,674	23,706	9,013	1,108
Total equity and liabilities	105,819	96,214	64,956	28,686	20,410

Chairman's Statement

Introduction

I welcome you to the 8th Annual General Meeting of Mega African Capital and it is my pleasure to submit to you the Mega African Capital Annual Report and financial statements for the year 2016.

This statement covers four main areas: I will first touch on the economic environment; the second part will review the stock markets and the third part covers the business operations of the Company in 2016. I will end by outlining the outlook for the economy and the stock markets in 2017.

Economic Review

The global economy declined slightly in 2016 to 3.1% from 3.2% in 2015. This was due to a slowdown in economic activity in the United States of America, China and also negative effects resulting from the Brexit vote. Growth rates in advanced economies declined from 2.1% in 2015 to 1.6% in 2016 while that of emerging markets averaged 4.1% (same in 2015).

In sub-Saharan Africa, economic activity weakened and dropped from 3.4% in 2015 to 1.6 % in 2016. This is due mainly to the challenges faced by the Nigerian economy and a reduction in growth in the South African economy.

GDP growth in Ghana fell in 2016 to 3.6% from 3.9% in 2015; the lowest in 20 years, as ongoing energy challenges made the cost of doing business higher, leading to a struggling private sector and rising unemployment.

The IMF programme, which started in April 2015, with the aim of supporting Ghana to achieve fiscal correction and structural reforms, continued in 2016.

The local currency performed better in 2016 than in 2015 and 2014. The cedi depreciated by 9.6% between January and December 2016 and this compares favorably with 15.7% depreciation in 2015 and 28% recorded in 2014.

From an inflation rate of 17.7% in December, 2015, in 2016 the rate peaked at 19.2% in March and went downwards to end the year at 15.4%. The decline was due to monetary policy tightening and the relative stability of the exchange rate in 2016. The Monetary Policy rate was maintained at 26% from January to October 2016 and reduced to 25.5% in November and remained at that rate in December 2016. (26% - December 2015).

Yields on the short-term Government securities reduced while the medium term to longer GOG bonds increased; the 91-day rates reduced to 16.8% in 2016 from 23.1% in 2015; and 182-day Government of Ghana treasury bill rates reduced to 18.5% in 2016 from 24.4% in 2015, the 1 year bill also reduced to 21.5% from 22.5% in 2015.

Stock Market Review

From a loss of 11.8% in 2015, the Ghanaian stock Market worsened to a loss of 15.3% to close at 1,689.09 points from 1,994.91 points in December 2015. The listed shares market had 3 gainers, 18 decliners and 14 remained unchanged. The high interest rates on the fixed income markets ensured that investors' interest remained on the debt market as opposed to the equities market.

The Malawian stock market did not only experience drought of new entrants in 2016, but also had a bearish performance, registering a negative return on investment of 8.53 percent. This was lower than the -2.17% registered in 2015. Their economy continued to suffer from factors like lack of liquidity, a 25% currency devaluation and below inflation household income growth.

The Zimbabwean stock market registered a gain of 27% in 2016.

Business Operations Review of the Company

The total revenue of the company decreased by 64%; it fell from GH¢15.8 million in 2015 to GH¢5.6 million in 2016. Net profit also decreased by 116% from GH¢10.3 million in 2015 to a loss of GH¢1.7 million in 2016. There was a 10% increase in total assets from GH¢96 million to GH¢105 million.

At the close of the 2016 financial year, 53% of the total assets were held in equities, 13% in investment property and 34% in fixed income securities. Shares were sold in Standard Chartered Bank. The performance of the company was adversely affected by declines in NICO Holdings Limited (NICO) in Malawi and Ghana Union Assurance (GUA) in Ghana. NICO's performance was hit by problems in NBS Malawi, its banking subsidiary, while GUA's net asset value declined as a result of sharp falls in the share prices of its equity holding. Our other private equity stakes continued to perform well.

Outlook for 2017

The Global economy is expected to improve marginally to 3.4% in 2017 and 3.6% in 2018. Crude Oil Prices are expected to average \$56 per barrel in 2017, about 28% increase over the 2016 levels. This is due largely to supply contractions arising from production cuts by OPEC. Gold prices on the world markets are anticipated to decline by 2.4% due to an expected firming of the US dollar. According to the Commodity Markets Outlook by the World Bank, cocoa price is projected to average US\$2,940 per tonne in 2017, up from US\$2,850 in 2016. However there has been a decline of 30% in cocoa prices in 2017 as compared to mid-2016.

Ghana's budget for 2017 aims at improving Ghana's macroeconomic outcomes by reducing the fiscal deficit, growing tax revenues, managing debt and eliminating wasteful practices.

GDP growth rate for 2017 is expected to be 6.3%, inflation is expected to end the year at 11.2% and depreciation is forecasted to be 7%.

The Ghanaian stock market analysts are highly optimistic of a good performance for the stocks in 2017. The debt restructuring by government and the resultant effect in reducing interest rates will reflect positively in the performance of the market. The announced corporate income tax reduction from 25 to 20 percent when implemented is also expected to improve the bottom line of listed companies.

The Malawian Stock exchange is forecasted to perform well following a bearish performance of 8.63% in 2016. Companies such as Press Corp, National Bank and NICO are expected to rebound in 2017. The Kwacha has also remained relatively stable in 2017. The outlook appears to suggest that Zimbabwe's fiscal space will persist to be rigid while disposable incomes remain low and this would adversely affect their stock market.

Closing Comments

I would like to take this opportunity to express my gratitude to the shareholders of Mega African Capital for their continued support and belief in the Company and to thank my fellow directors and the management of Mega Africa Capital for their commitment to Mega African Capital.

Thank you.

Report of Directors

to the members of Mega African Capital Limited

We are pleased to present the annual report of the Company for the year ended 31 December, 2016.

Nature of business

The nature of business the Company is authorized to carry on is the development, purchase, sale and rental of real estate and investment in equities and fixed income investments and any other financial services.

Financial results of operations	GHC
The Company recorded a net loss after taxation of	(1,700,664)
out of which dividend paid of	(582,515)
to which is added balance on retained earnings brought forward of	33,673,292
leaving a balance on retained earnings carried forward of	31,390,113

Directors

The directors who held office during the year end to the date of this report were

Christine Dowuona-Hammond	Chairman
Kwesi Amonoo-Neizer	Managing Director
Opoku-Gyamfi Boateng	Non-executive Director (Resigned on 9 th November, 2016)
Eugene Addison	Non-executive Director
Margaret Boateng Sekyere	Non-executive Director
Rosalyn Darkwa	Non-Executive Director

Directors and their interests

The directors named below held the following number of shares in the Company as at 31 December, 2016.

Directors	Number of Shares
Kwesi Amonoo-Neizer	469,939

Auditors

In accordance with section 134(5) of the Companies Act, 1963, Act 179, UHY Voscon will continue in office as auditors of the Company.

By the order of the Board

Kwesi Amonoo-Neizer



6th April, 2017.

Christine Dowuona-Hammond



6th April, 2017.

Statement of Directors' Responsibilities

Directors' responsibilities in respect of the financial statements

The Directors are required to ensure that adequate accounting records are maintained so as to disclose at reasonable adequacy, the financial position of the Company.

They are also responsible for steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. They must present financial statements for each financial year, which give a true and fair view of the affairs of the Company, and the results for that period. In preparing these financial statements, they are required to:

- ⊙ select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment.
- ⊙ state whether or not the Companies Act 1963 (Act 179) and International Financial Reporting Standards ("IFRS") have been adhered to and explain material departures thereto.
- ⊙ use the going concern basis unless it is inappropriate.

The Board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Board is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business.

The financial statements are prepared from the accounting records on the basis of consistent use of appropriate records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Company. The financial statements have been prepared on a going concern basis and there is no reason to believe that the Company will not continue as a going concern in the next financial year. The Directors confirm that in preparing the financial statements, they have:

- ⊙ selected suitable accounting policies and applied them consistently.
- ⊙ made judgments and estimates that are reasonable and prudent
- ⊙ followed the International Financial Reporting Standards
- ⊙ prepared the financial statements on the going concern basis

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them ensure that the financial statements comply with the Companies Act 1963 (Act 179). They are also responsible for safe guarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By the order of the Board

Kwesi Amorus-Nwire

DIRECTOR

[Signature]

DIRECTOR

Corporate Governance (CG)

The Company is committed to strong corporate governance practices that allocate rights and responsibilities among the Company's shareholders, the Board and Executive Management to provide an effective oversight and management of the Company in a manner that enhances shareholder value and promotes investors' confidence.

The Company's corporate governance principles are contained in a number of corporate documents.

The Board of Directors

The Board oversees the conduct of the Company's business and is primarily responsible for providing effective governance over the Company's key affairs, including the appointment of executive management, approval of business strategies, and evaluation of performance and assessment of major risks facing the Company. In discharging its obligations, the Board exercises judgment in the best interest of the Company and relies on the Company's executive management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, and maintain and promote high ethical standards.

The Board delegates authority in management matters to the Company's executive management subject to clear instructions in relation to such delegation of authority and the circumstances in which executive management shall be required to obtain Board approval prior to taking a decision on behalf of the Company.

The Board is made up of majority Non-Executive Directors. For the year ended 31 December 2016, the Board had its full complement of six (6) members, made up of five (5) Non- Executive Directors and one (1) Executive Director. Opoku-Gyamfi Boateng resigned on 9th November, 2016 as Non-Executive Director of the Board. The Board has delegated various aspects of its work to the Audit Committee and Investment Committee.

Board committee members are appointed by the Board. Each Board committee has its own written terms of reference, duties and authorities as determined by the Board.

Audit Committee

The Audit Committee is made up of three members who are Eugene Addison (Chairman), Margaret Boateng-Sekyere and Opoku-Gyamfi Boateng, Opoku-Gyamfi Boateng resigned on 9th November, 2016 as Non-Executive Director of the Board. The Committee carries out the duties set out below for the Company, giving full consideration to relevant laws, regulations and best practices in discharging its responsibilities as below:

- ⦿ To consider the appointment of the external auditor, audit fees and any questions of resignation or dismissal.
- ⦿ To discuss with the external audit programme, its reports and its activities; and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- ⦿ To review internal audit programme, its reports and its activities and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- ⦿ To review internal and external audit reports particularly reports of regulatory authorities and supervising the implementation of recommendations.
- ⦿ To facilitate dialogue between auditors and management on the outcome of audit activities.
- ⦿ To work with the external auditors to finalise the annual financial statements for Board approval.
- ⦿ To review quarterly, half-yearly and annual financial results.

Statement of Directors' Responsibilities

- ⊙ To set up procedures for selecting suppliers, consultants and other service providers and ensuring compliance therewith.
- ⊙ To review, approve and follow up major contracts, procurement and capital expenditures.
- ⊙ To review actual spending against budget
- ⊙ To review and approve proposals for extra-budgetary spending.
- ⊙ To be responsible for the co-ordination of the internal and external auditors.

Investment committee

The investment committee was established as a sub-committee of the board to supervise the investment activities of Mega African Capital Limited. The investment committee is made up of three members who are Rosalyn Darkwa (Chairperson), Kwesi Amonoo-Neizer and Christine Dowuona-Hammond. Below are the duties of the Investment Committee:

- ⊙ Approve investment policies
- ⊙ Approve all Investment transactions in excess of US\$1m with an upper limit of US\$1.5m, above which must be referred to the Board; the limits to be reviewed annually by the Board.

- ⊙ Ensure compliance with all applicable legislation and relevant guidance in respect of compliance with investment policy.
- ⊙ The Committee will review and monitor:
 - » the portfolio performance of all asset classes plus the total portfolio against performance measurement targets (benchmarks) understanding the impacts of external factors;
 - » the investment strategy, including asset allocation and risk management policy;
 - » Conflicts of Interest Guidelines and any insider trading events;
 - » risk limits and the risk appetite;
 - » the effectiveness of the investment policies
 - » such other matters as may be determined by the Board
 - » Review Investment Policies at least once a year

Independent Auditor's report

to the members of Mega African Capital Limited

Report on the audited financial statements

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Mega African Capital Limited as at 31 December, 2016, and of its financial performance and the cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 1963 (Act 179).

What we have audited

We have audited the accompanying financial statements of the Mega African Capital Limited for the year ended 31 December, 2016.

The financial statements comprise:

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Valuation of financial instruments

The Company's disclosures about its equity financial instruments are included in note 20 of the financial statements. The Company's investments in equity financial instruments at market value represent 53.92% of the total amount of its investment portfolio. The market values of unlisted equity financial instruments represents 86.12% of the total equity financial instruments. Because the valuation of the Company's unlisted financial instruments (86.12% of the equity instruments) is not based on quoted prices in active markets, there is significant measurement uncertainty involved in this valuation. As a result, the valuation of these instruments was significant to our audit. The Company has determined it is necessary to use an entity-developed model to value these instruments, due to their unique structure and terms. We challenged management's rationale for using an entity-developed model, and discussed this with those charged with governance, and we concluded the use of such a model was appropriate. Our audit procedures also included, among others, testing

management's controls related to the development and calibration of the model and confirming that management had determined it was not necessary to make any adjustments to the output of the model to reflect the assumptions that market place participants would use in similar circumstances.

Other information

The directors are responsible for the other information. The other information comprises the report of directors and chairman's report and any other information not subject to audit, which are expected to be made available to us after that date 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.

Our opinion on the financial statements does not cover the other information and we have nothing to report in this regard.

In connection with our audit of the financial statements, our responsibility is to read the other information published with the financial statements to identify areas of material inconsistency between the unaudited information and the audited financial statements and obvious misstatements of fact to other information.

Inconsistency is when other information contradicts information contained in the audited financial statements. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements.

Misstatement of fact is when other information that is unrelated to matters appearing in the audited financial statements is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements.

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 on this regard.

When we read the other information like Managing Director's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act, 1963, (Act 179) and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Going concern

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

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether 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 guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- ⊙ identify and assess the risks of material misstatements 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 misstatements resulting from the fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- ⊙ obtain an understanding of internal controls 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 entity's internal controls;
- ⊙ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ⊙ 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
- ⊙ 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 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 conclusion are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ⊙ obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

The Companies Act, 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters. We confirm that:

1. 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;
2. in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
3. the statement of financial position and statement of profit or loss and other comprehensive income of the Company are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is Emmanuel K. D. Abbey (ICAG/P/1167).



Emmanuel K.D. Abbey (ICAG/P/1167)

For and on behalf of:

UHY Voscon (ICAG/F/2017/086)

Chartered Accountants

No. C806/4, Boundary Road, Tudu, Accra

P.O. Box LA 476,

La -Accra

Date: 6th April, 2017

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

(All amounts are expressed in thousands of Ghana cedis)

	Note	2016	2015
Revenue			
Investment and operating income	3.1	855,721	884,314
Gain/loss on investment at market value	3.2	4,809,386	15,000,483
Total revenue		5,665,107	15,884,797
Expenses			
Administrative, legal and professional fees	4	(1,379,149)	(1,897,691)
Operating profit before finance costs and tax		4,285,958	13,987,106
Finance cost		(5,986,622)	(3,588,615)
Profit/(loss) before tax		(1,700,664)	10,398,491
Corporate tax credit/expense		-	-
Profit/(loss) for the year		(1,700,664)	10,398,491
Other comprehensive income		-	-
Total comprehensive income		(1,700,664)	10,398,491

Notes 1 to 24 form an integral part of these financial statements.

Statement of financial position

as at 31 December

(All amounts are expressed in thousands of Ghana cedis)

Assets	Note	2016	2015
Non-current assets			
Investment assets			
Financial assets at fair value through profit or loss	6.1	56,015,668	52,932,434
Investment property	6.3	13,834,605	12,516,427
Total investment assets		69,850,273	65,448,861
Property, plant and equipment	7.1	103,934	143,619
Total non-current assets		69,954,206	65,592,480
Current assets			
Financial assets at fair value through profit or loss	6.2	35,518,642	28,214,131
Other accounts receivable	8	117,411	1,962,184
Cash and cash equivalents	9	229,451	445,248
Total current assets		35,865,504	30,621,563
Total assets		105,819,710	96,214,043
Current liabilities			
Accounts payable and accruals	10	3,335,190	3,541,150
Current taxation	11	(41,530)	(41,530)
Contract borrowings	12	48,779,454	37,884,648
Total current liabilities		52,073,114	41,384,268
Equity			
Stated capital	13	22,356,483	21,156,483
Retained earnings		31,390,113	33,673,292
Total equity		53,746,596	54,829,775
Total liabilities & equity		105,819,710	96,214,043

Notes 1 to 24 form an integral part of these financial statements.

Kwesi Amonoo-Neizer



6th April, 2017.

Christine Dowuona-Hammond



6th April, 2017

Statement of changes in equity

for the year ended 31 December, 2016

(All amounts are expressed in thousands of Ghana cedis)

	Stated capital	Retained earnings	Total equity
For the year end 31 December, 2016			
Balance as at 1 January	21,156,483	33,673,292	54,829,775
Net profit for the year		(1,700,664)	(1,700,664)
Shares issued during year	1,200,000		1,200,000
Dividend paid	-	(582,515)	(582,515)
Balance as at 31 December	22,356,483	31,390,113	53,746,596
For the year ended 31 December, 2015			
Balance as at 1 January	15,820,923	23,706,875	39,527,798
Net profit for the year	-	10,398,491	10,398,491
Dividend paid	-	(432,074)	(432,074)
Right shares issued during year	5,335,560	-	5,335,560
Balance as at 31 December, 2015	21,156,483	33,673,292	54,829,775

Notes 1 to 24 form an integral part of these financial statements

Statement of cash flow

for the year ended 31 December, 2016

(All amounts are expressed in thousands of Ghana cedis)

	Note	2016	2015
Cash flow from operating activities	15	(8,785,068)	(17,929,063)
Tax paid		-	(9,300)
Cash flow from operating activities		(8,785,068)	(17,938,363)
Cash flow from investing activities:			
Purchase of property, plant and equipment		-	-
Additions to investment property		-	-
Purchase of financial assets		(3,449,684)	(24,841,605)
Sale of financial assets		506,664	14,134,278
Net cash flow used in investing activities		(2,943,020)	(10,707,327)
Net cash flow from financing activities:			
Capital contributions received from shareholders		1,200,000	5,335,560
Dividend paid		(582,515)	(432,074)
Contract borrowings		10,894,806	21,067,124
Net cash flow from financing activities		11,512,291	25,970,610
Net increase/ (decrease) in cash and cash equivalents		(215,799)	(2,675,080)
Cash & cash equivalents			
at beginning of the year		445,248	3,120,328
at end of the year		229,451	445,248

Notes 1 to 24 form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER, 2016

1. Reporting entity

Mega African Capital Limited is an investment company domiciled and incorporated as a Private Limited Liability Company in Ghana on 21 April, 2008. It was converted from a Private Limited Liability Company into a Public Limited Liability Company on 19 October, 2011. Mega African Capital Limited was listed on the Ghana Stock Exchange on 23 April, 2014.

The nature of the business which the company is authorized to carry on is the:

- ⊙ development, purchase, sale and rental of real estate and investment in equities and fixed income investments and any other financial services.

For reporting purposes and the Companies Act, 1963, Act 179, the balance sheet is represented by the statement of financial position, profit or loss account by part of the statement of profit or loss and other comprehensive income, in these financial statements.

2. Summary of significant accounting policies

The principal accounting policies used 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 Statement of compliance

The financial statements of Mega African Capital Limited for the year ended 31 December, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and IFRS, interpretations issued by the IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS and with the requirements of the Companies Act, 1963, Act 179. The financial statements are presented in Ghana cedis.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, except the revaluation of financial assets, financial liabilities (including financial instruments at fair value through profit or loss), investment property were held at current market value and contract borrowings at amortised cost.

2.3.1 Use of estimates and judgment

In preparing these financial statements in conformity with IFRS, management makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting policies and estimates are recognized retrospectively and prospectively respectively.

2.3.1 Changes in accounting policies.

There were no changes in the accounting policies of the Company during the year.

2.4 New and amended standards and interpretations

At the date of authorisation of these financial statements the following new standards and amendments to existing standards were in issue, but not yet effective:

IFRS 9 “Financial instruments

IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 1 January 2018). IFRS 9 “Financial instruments” issued on 24 July 2014 is the

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and measurement – IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

Impairment – IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Hedge accounting – IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit – IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016). IFRS 14 “Regulatory Deferral Accounts” issued by IASB on 30 January 2014. This Standard is intended to allow entities that are first-time adopters of IFRS,

and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after 1 January 2018). IFRS 15 “Revenue from Contracts with Customers” issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for Companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements.

IFRS 16, Leases

The International Accounting Standard Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 sets out the principles for the recognition, measurement presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’).

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

IFRS 16 is effective from 1 January, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15. Revenue from contracts with customers, IFRS 16 complete the IASB's project to improve the financial reporting of lease; IFRS 16 replaces the previous lease standard, IAS 17 leases, and related interpretation.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The standard should be applied in an entity's IFRS financial statements for annual reporting periods beginning on or after 1 January, 2018. Earlier application is permitted. An entity that chooses to apply IFRS 15 earlier than 1 January, 2018 should disclose this fact in its relevant financial statements.

When first applying IFRS 15, entities should apply the standard in full for the current period, including retrospective application to all contracts that were not yet complete at the beginning of that period. In respect of prior periods, the transition guidance allows entities an option to either:

apply IFRS 15 in full to prior periods (with certain limited practical expedients being available); or retain prior period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).

Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative issued by IASB on 18 December 2014. The amendments to IAS 1 are designed to further encourage Companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial

disclosures. Furthermore, the amendments clarify that Companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation issued by IASB on 12 May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

Amendments to IAS 16 "Property, Plant and Equipment" is effective for annual periods beginning on or after 1 January 2016.

2.5 Foreign currency translation

2.5.1 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

2.5.2 Functional and presentation currency

These financial statements are presented in Ghana Cedis (the primary economic environment in which the Company operates) which is the Company's functional currency. All amounts have been rounded to the nearest Cedi, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

2.6 Cash and cash equivalents

Cash and cash equivalents comprise foreign currency and local cedi accounts and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of short-term commitments, other than cash collateral provided in respect of derivatives, securities sold.

2.7 Taxation

2.7.1 Current taxation

Current tax is the expected tax payable on taxable income for the year using tax rates enacted or substantially enacted at the year end, and any adjustment to tax payable in respect of previous years.

2.7.2 Deferred Taxation

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.8 Financial assets and financial liabilities at fair value through profit or loss (FVTPL)

2.8.1 Classification

The Company classifies its investments in debt and equity securities, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the Company's Management at Fair Value Through Profit or Loss at inception.

This category has two sub-categories: financial assets and financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

i. Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for purpose of selling or repurchasing in the short term; or if, on initial recognition, it is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

ii. Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed; their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

Assets and liabilities in this category are classified as current assets and current liabilities if they are expected to be realized within 12 months of the balance sheet date. Those not expected to be realized within 12 months of the balance sheet date will be classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

2.8.2 Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date - the date on which the Company commits to purchase or sell the investment. Financial assets at Fair Value through Profit or Loss at inception are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statement of comprehensive income.

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

Financial liabilities are derecognized when they are extinguished - that is, when the obligation specified in the contract is discharged or cancelled or expires.

Subsequent to the initial recognition, all financial assets at Fair Value through Profit or Loss at inception are measured at fair value. Gains and losses arising from changes in the fair value 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within other net changes in fair value of financial assets through the profit or loss' in the period in which they arise.

Dividend income from financial assets at Fair Value through Profit or Loss at inception is recognized in the statement of comprehensive income within dividend income when the Company's right to receive payments is established. Interest income on debt securities at Fair Value through Profit or Loss at inception is recognized in the consolidated statement of comprehensive income with interest income based on the effective interest rate.

2.9 Fair value estimation

Fair value is 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. The fair value of financial assets traded in active markets (such as publicly traded derivatives and equity securities publicly traded on a stock exchange) are based on quoted market prices at the close of trading on the reporting date.

As per IFRS 13 fair values for unlisted equity securities are determined by the Company's management using valuation techniques. Such valuation techniques may include earnings multiples (based on the budget earnings or historical earnings of the issuer and earnings multiples of comparable listed Companies) and discounted cash flows.

The Company adjusts the valuation model as deemed necessary for factors such as non-maintainable earnings, tax risk, growth stage and cash traps.

The valuation techniques also consider the original transaction price and take into account the relevant developments since the acquisitions of the investments and other factors pertinent to the valuation of the investments, with reference to such rights in connection with realization, recent third-party transactions of comparable types of instruments, and reliable indicative offers from potential buyers. In determining fair valuation, management in many instances relies on the financial data of investees and on estimates by the management of the investee Companies as to the effect of future developments. Although management uses its best judgment, and cross-references results of primary valuation models against secondary models in estimating the fair value of investments, there are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of an amount the Company could realize in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the financial statements.

Impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower indicates that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in the statement of profit or loss and other comprehensive income and reflected in an allowance against receivables. When an event occurring after the impairment was recognized causes the amount impairment loss to decrease, the decrease in impairment loss is reversed in the Statement of profit or loss and other comprehensive income.

2.10 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognized initially at fair value. They are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or a company of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument - or, when appropriate, a shorter period - to the net carrying amount of the financial

asset of financial liability. When calculating the effective interest rate, Management estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and interest rate points paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.11 Offsetting

Financial assets and liabilities are offset and the net amount reported in the financial position when there is currently a legal enforceable right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

2.13 Investment property

Investment property comprises completed property and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, an entity can elect to measure investment property at cost model or fair value model. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Investment property is derecognized when it has been disposed of or

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of investment property are recognized in the income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

2.14 Interest

Interest income and expense are recognized in the statement of profit or loss and other comprehensive income using the contractual rate.

Interest received or receivable and interest paid or payable are recognized in statement of profit or loss and other comprehensive income as interest income and interest expense respectively.

2.15 Dividend income

Dividend income is recognized in the statement of profit or loss and other comprehensive income on the date that the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date when the shareholders have approved the payment of a dividend or when a dividend warrant is received.

2.16 Rental income

Rental income arising from the investment property is accrued on a straight line basis over the contract period.

2.17 Net gain from financial instruments

Net gain from financial instruments at fair value through profit or Loss includes all realized and unrealized fair value changes in the market value of the securities.

2.18 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset 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 in monetary terms.

Property, plant and equipment is initially measured at cost. Costs include cost incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replace part is derecognized.

2.18.1 Depreciation

Property, plant and equipment is depreciated on the straight line basis over their expected economic useful lives to their estimated residual value (if any).

The useful lives of items of property, plant and equipment have been assessed as follows:

Class of assets	Economic useful life (%)
Computer systems	33.333
Office equipment	20
Furniture and fittings	20
Generator set	15

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate with the effect of any change in estimate accounted on a prospective basis.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of profit or loss when the item is derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

An item of property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

2.19 Earnings per share

This is the profit attributable to ordinary shareholders less tax and dividend on redeemable preferences shares divided by the weighted average number of shares. Shares are time apportioned if they were not issued at the beginning of the year.

3. Income

(All amounts are expressed in thousands of Ghana cedis)

3.1 Investment and operating income comprises

	2016	2015
Listed Dividends- Ghana	135,812	171,105
Listed Dividends-Overseas	205,800	317,582
Rental income	514,109	378,554
Other income	-	17,074
Total investment income	855,721	884,314

3.2 Changes in market value of investments and other income

	2016	2015
Realised gain	43,617	4,131,020
Unrealised gain	8,719,287	17,174,667
	8,762,904	21,305,687
Other attributable income		
Exchange gain or loss	(3,953,518)	(6,350,204)
	4,809,386	15,000,483

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

(All amounts are expressed in thousands of Ghana cedis)

4.1 Administrative, legal and professional expenses	2016	2015
Auditors remuneration	29,375	23,500
Bank charges	14,174	109,113
Board fees	58,900	81,763
Consultancy	61,259	82,321
Corporate finance & advisory	180,000	199,981
Custodial fees	24,923	34,946
Company administration charges	204,000	354,000
Shareholders meeting expenses	7,113	1,888
Listing expenses	73,020	231,556
Cleaning and sanitation	1,765	1,621
Depreciation	39,685	39,575
Insurance	3,642	8,845
Communication	17,813	30,705
Utilities	23,489	14,355
Capital duty	44,010	2,668
Repairs and maintenance	8,963	51,485
Registration and license	6,000	550
Staff cost(4.2)	409,626	406,094
Travel and transport	101,090	100,805
Marketing and publicity	-	42,075
Office supplies	10,662	10,395
Security	3,900	3,900
Penalty charges		800
Generator running expenses	2,175	3,810
Investment property management fee	38,835	26,196
Printing and stationery	9,089	24,984
Subscriptions	2,112	1,873
Other expenses	3,528	6,787
Food and entertainment	-	1,100
	1,379,148	1,897,691
4.2 Staff cost		
Staff salaries	310,800	307,187
Staff training	-	80
SSF	36,926	36,926
Staff bonus	25,900	25,900
Staff medical insurance	36,000	36,000
	409,626	406,093

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

*(All amounts are expressed in thousands of Ghana cedis)***5. Finance cost**

This represents interest paid on contract borrowings.

6. Investments**6.1 Financial assets designated at fair value through profit or loss**

	2016	2015
Equity securities traded in a quoted market	8,066,788	11,942,929
Equity securities not traded in a quoted market	47,948,880	40,989,505
	<u>56,015,668</u>	<u>52,932,434</u>

6.2 Financial assets held for trading

Commercial paper	35,518,642	28,214,131
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6.3 Investment property

The Alberts	13,834,605	12,516,427
Total investments	<u>105,368,915</u>	<u>93,662,992</u>

7.1 Property, plant and equipment**2016**

Cost/valuation	1 January	Additions	Disposal	31 December
Computer	11,686	-	-	11,686
Equipment	21,601	-	-	39,361
Furniture and fittings		-	-	48,816
Generator	120,323	-	-	120,323
	<u>220,186</u>			<u>220,186</u>

Accumulated depreciation	1 January	Charge for the year	Disposal	31 December
Computer	7,196	3,903	-	11,099
Equipment	8,382	4,332	-	12,714
Furniture and fittings	25,634	13,352	-	38,986
Generator	35,355	18,098	-	53,453
	<u>76,567</u>	<u>39,685</u>	-	<u>116,252</u>

Carrying amount**At 31 December,****2016****103,934****2015****143,619**

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

*(All amounts are expressed in thousands of Ghana cedis)***7.2 Property, plant and equipment****2015**

Cost/valuation	1 January	Additions	Disposal	31 December
Computer	11,686	-	-	11,686
Equipment	21,601	-	-	21,601
Furniture and fittings	66,576	-	-	66,576
Generator	120,323	-	-	120,323
	<u>220,186</u>	<u>-</u>	<u>-</u>	<u>220,186</u>

Accumulated depreciation	1 January	Charge for the year	Disposal	31 December
Computer	3,304	3,892	-	7,196
Equipment	4,062	4,320	-	8,382
Furniture and fittings	12,319	13,315	-	25,634
Generator	17,307	18,048	-	35,355
	<u>36,992</u>	<u>39,575</u>	<u>-</u>	<u>76,567</u>

Carrying amount**At 31 December,****2015****143,619****2014****183,194****8. Other accounts receivable & prepayment**

	2016	2015
Trade receivables	110,094	-
Insurance prepayment	2,602	-
Dividend receivable	2,214	-
Staff loan	2,500	-
Others	-	1,962,184
	<u>117,411</u>	<u>1,962,184</u>

9. Cash and cash equivalents**Bank**

	2016	2015
Foreign currency accounts	152,928	80,568
Local cedi accounts	31,070	214,497
	<u>183,998</u>	<u>295,065</u>

Cash

	2016	2015
Malawi	37,739	132,399
Tanzania	6,199	6,199
Kenya	-	11,586
	<u>43,938</u>	<u>150,183</u>
Local petty cash	1,515	-
	<u>45,453</u>	<u>150,183</u>
Total cash and cash equivalents	<u>229,451</u>	<u>445,248</u>

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

(All amounts are expressed in thousands of Ghana cedis)

10. Accounts payable and accruals	2016	2015
Accounting fee	24,748	33,590
Rental income received in advance	(84,890)	106,494
Board fees	15,988	12,838
SSF	4,967	4,967
PAYE	2,926	3,440
Management fee payable	55,046	42,295
Withholding tax payable	(4,988)	1,295
Audit fees	29,375	23,100
Custody fees	4,169	25,615
Investment	3,274,168	3,274,168
Capital duty	-	4,667
Staff medical	6,000	3,000
Others	7,681	5,681
	3,335,190	3,541,150

11. Taxation

Y/A	Balance as at 1 January 2016	Payments during the year	Balance at 31 December
2013	(32,091)	-	(32,091)
2014	(139)	-	(139)
2015	(9,300)	-	(9,300)
2016	-	-	-
	41,530	-	41,530

The tax liability is subject to the agreement with the Domestic Tax Revenue Division of the Ghana Revenue Authority (DTRD).

12. Contract borrowings	2016	2015
Borrowings	45,837,849	35,198,002
Interest payable	2,941,605	2,686,646
	48,779,454	37,884,648

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

*(All amounts are expressed in thousands of Ghana cedis)***13.1 Stated capital**

	2016 Number	Amount
Authorised number of shares of no par value	100,000,000	
Issued and fully paid		
Issued for cash	9,948,576	22,356,482

13.2 Stated capital

	2015 Number	Amount
Authorised number of shares of no par value	100,000,000	
Issued and fully paid		
Issued for cash	9,708,576	21,156,483

There are no treasury shares on any unpaid call on any share.

Ordinary shares and distribution payable

Holders of these shares are entitled to one vote per share at general meetings of the Company. Dividend distribution of 582,515 were paid during the year. Additional shares of 240,000 were issued in 2016.

14. Contingent liabilities and capital commitments

There were no contingent assets and liabilities or capital commitments at 31 December, 2016 (2015: Nil).

15. Reconciliation of net profit to cash flow from operations

	2016	2015
Profit for the year before tax	(1,700,664)	10,398,491
Adjustments for Valuation of investments		
Depreciation	39,685	39,575
Valuation of investments	(8,762,904)	(21,305,686)
	(10,423,883)	(10,867,620)
Changes in working capital		
(Increase)/decrease in trade and other accounts receivable	1,844,775	(1,958,891)
Increase/(decrease) in payables & accruals	(205,960)	(5,102,552)
Cash flow from operating activities	(8,785,068)	(17,929,063)

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

*(All amounts are expressed in thousands of Ghana cedis)***16. Financial risk management**

The objective of the Company is to achieve medium to long - term capital growth through investing in selected listed and unlisted private Companies mainly in Africa.

The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk, interest rate risk), credit risk and liquidity risk and other risks.

16.1 Market risk

Below are the market risks faced by the Company:

16.1.2 Price risk

The Company's investments and financial instruments are susceptible to market price risk arising from uncertainties about future values of the instruments. The Company's management provides the Company with investment recommendations. The Management's recommendations are reviewed by the Board of Directors. To manage the market price risk, management reviews the performance of the portfolio Companies on a monthly basis and is in regular contact with the management of the portfolio Companies for business operational matters. The performance of investments held by the Company is monitored by the Company's management consistently and is reviewed by the Directors.

16.1.3 Foreign currency risk

The Company holds assets (both monetary and non-monetary) denominated in currencies other than the functional currency (the US Dollar, Tanzanian Shilling, Kenya Shilling and Malawian Kwacha). It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates. On behalf of the Company, Management closely monitors the net position of the monetary and non-monetary positions in each foreign currency.

In accordance with the Company's policy, management monitors the Company's currency position, including monetary and non-monetary items, on a weekly basis; the Directors review it on a quarterly basis.

The table below presents monetary and non-monetary items to meet the requirement of IFRS 7.

2016

Non- Monetary *FAFVTPL	Monetary		Trade and other receivables	Trade and other payables	Gross exposure
	Cash	Bank			
56,015,667	45,110	183,998	117,409	(3,335,190)	53,026,994

2015

Non-Monetary *FAFVTPL	Monetary		Trade & other receivables	Trade & other payables	Gross exposure
	Cash	Bank			
52,932,434	150,183	295,065	1,962,184	(3,541,152)	51,798,714

*FAFVTPL - Financial Assets at Fair value through Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

*(All amounts are expressed in thousands of Ghana cedis)***16.1.4 Regulatory risk**

Mega African Capital Limited is subject to laws and regulations in various countries in which it operates and invests. Management has put in place regulatory policies and procedures aimed at compliance with local and other laws.

16.1.5 Interest rate risk

The Company is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. All debt instruments included in the category financial assets at fair value through profit or loss and all borrowings have fixed interest rates.

16.1.7 Investment credit risk

The Company takes on exposure to investment credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to the risk of non-payment of debt instruments or the interest due on commercial papers and other securities to Companies.

The Company has no significant concentration of investment credit risk. Cash transactions are limited to credit worthy Companies with the ability to comply with the contractual requirements in terms of principal and interest repayment.

The Company assesses all counterparties, including its investors (partners), for investment credit risk before contracting with them.

The credit quality of these investments is based on the financial performance of the individual portfolio company. For those assets that are not past due, it is believed that the risk of default is low, and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions have been renegotiated.

16.1.8 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company has the ability to borrow in the short term to ensure settlement of investment transactions; however the company has not used this option to date.

The table below presents the Company's financial assets and liabilities into relevant maturities based on the remaining period at the statements of financial position date to the contractual maturity date. Unfunded capital commitments to investee Companies represent the maximum amount and can be called on demand. The amounts in the table are the contractual undiscounted cash flows.

Financial assets	less than 60 days	61-180 days	180-365 days	Above 365 days	Total
GHC	406,613	1,417,326			1,823,939
USD	4,044,026	1,858,237	476,124	1,384,105	7,762,492
Malawi Kwacha	187,420,475				187,420,475
Financial liabilities	less than 60 days	61-180 days	180-365 days	Above 365 days	Total
GHC	1,742,422	2,519,235			4,261,658
USD	6,415,811	2,594,707	1,355,613		10,366,132
Malawi Kwacha	168,168,896				168,168,896

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

(All amounts are expressed in thousands of Ghana cedis)

17.0 Capital risk management

The capital of the Company is represented by the net assets attributable to the Shareholders. The Company's objective when managing the capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company. The Directors monitor capital on the basis of the value of net assets attributable to the shareholders.

18.0 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

18.1 Administration

OAK Partners Limited, an investment manager is a related party of the Company, being responsible for some administrative decisions of the Company. OAK Partners Limited is entitled to receive a monthly fee equal to GH¢17,000 subject to review annually.

OAK Partners Limited received a fee of GH¢ 204,000 (2015: GH¢204,000). The balance due to OAK Partners Limited as at 31 December 2016 is GH¢55,046.

18.2 Key management personnel and director transactions

Some of the key management personnel, or their related parties, hold positions in other related entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

All outstanding balances with these related parties are priced on an arm's length basis.

18.3 Cross Directorship

The following directors of Mega African Capital Limited served on the board of OAK Partners Limited.

- ⊙ Opoku Gyamfi Boateng (Resigned on 9th November, 2016)
- ⊙ Kwesi Amonoo-Neizer

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

*(All amounts are expressed in thousands of Ghana cedis)***19. Fair value of financial instruments**

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 a measurement date. The exit price notion embodies the expectations about the future cash flows associated with the asset or liability from the perspective of market participants at the measurement date under current market conditions.

Assets as per statement of financial position	Loans and receivables	Assets at fair value profit or loss through
31 December 2016		
Financial assets at fair value through profit or loss		56,015,667
Investment properties		13,834,605
Commercial paper		35,518,642
Other accounts receivable	117,409	-
Cash & bank		229,108
Total		107,684,680
Liabilities as per statement of financial position		
31 December 2016		
Accounts payable & accruals		3,333,190
Contract borrowings		48,779,454
Total		52,112,644

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

*(All amounts are expressed in thousands of Ghana cedis)***20. Portfolio valuation- Valuation of equity securities and sector analysis as at 31 December 2016**

Foreign Financial/Insurance sector(listed)	Number of shares	Market valuation
DCB Bank-Tanzania(Listed)	85,000	64,427
National Insurance Company Ltd-Malawi(Listed)	63,281,377	6,288,696
Axis-Malawi-unlisted	133,333	406,522
Agricultural engineering		
Zimplotw-Zimbabwe(Listed)	6,846,965	862,759
Local securities		
Insurance		
Ghana Union Assurance-Unlisted	1,283,162	4,038,466
Pension		
Axis Pension Group-Unlisted	439,272	12,042,642
Real estate		
Edendale properties-Unlisted	2,547,761	31,461,251
Automobile		
Mechanical Lloyd Ghana (Listed)	5,672,700	850,905
Total equities	80,289,570	56,015,668
Investments Property-The Alberts		13,834,605
Money market instruments		
Commercial paper		35,518,642
Total portfolio		105,368,915

NB: Unlisted securities are valued at the end of the reporting year.

21. Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- ⊙ **Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange).
- ⊙ **Level 2** - 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). The Company did not hold any financial assets/liabilities as at the end of the period. This hierarchy requires the use of observable market data when available. The Company considers relevant observable market prices in its valuation where possible.

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

(All amounts are expressed in thousands of Ghana cedis)

- ⊙ **Level 3** - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Year to 2016	Level 1	Level 2	Level 3	Total
Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss		
Quoted	8,066,787	-	-	8,066,787
Unquoted		47,948,880	-	47,948,880
				56,015,668

22. Comparative figures

Some of the comparative figures in 2015 have been reclassified in line with the 2016 presentation.

23. Events after the end of the reporting year

Events subsequent to the statement of financial position date are reflected only to the extent that they are material. There were no such events as at the date the financial statements were signed.

24.1 Shareholders' information**24.2 Shareholding distribution as at 31 December, 2016**

Holding	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of holding (%)
1-1,000	33	27	10,953	0.1
1,0001-5,000	22	18	57,263	0.6
5,001-10,000	11	9	82,651	0.8
10,001-50,000	27	22.1	745,812	7.5
Over 50,000	29	23.8	9,051,897	91
	122	100	9,948,576	100

24.3 Twenty largest Shareholders as at 31 December, 2016

Number	Shareholders	Number of shares	Percentage of shareholding
1.	OAK PARTNERS LIMITED	2,960,377	29.76
2.	OMEGA PARTNERS LTD	1,101,828	11.08
3.	REHOBOTH CAPITAL LIMITED	742,500	7.46
4.	SCGN/EPACK INVESTMENT FUND LIMITED	640,000	4.59

NOTES TO THE FINANCIAL STATEMENTS *cont.*

FOR THE YEAR ENDED 31 DECEMBER, 2016

(All amounts are expressed in thousands of Ghana cedis)

5.	AMONOO-NEIZER KWESI & RITA	445,274	4.48
6.	OMEGA CAPITAL LIMITED	337,594	3.48
7.	SCGN/GHANA MEDICAL ASSOCIATION PENSION FUND	300,000	3.09
8.	KINGSLEY - NYINAH PATRICK	295,290	3.04
9.	ISABELLA NYAN	262,570	2.70
10.	ALL AFRICA FINANCIALS FUND LTD	159,010	1.64
11.	DAMSEL/KITCHER EMMANUEL DUGBATEY	158,305	1.63
12.	DAMSEL/YAMSON ISHMAEL & LUCY	145,317	1.59
13.	LAMPTEY EMMANUEL	139,933	1.44
14.	BOATENG OPOKU-GYAMFI	127,447	1.31
15.	ZBGC/CEDAR PROVIDENT FUND-SIMS	126,000	1.30
16.	OTENG-GYASI ANTHONY	114,544	1.18
17.	ENTERPRISE TIER 2 OCCUPATIONAL PENSION SCHEME	114,281	1.14
18.	ZIGMA INVESTMENT CLUB	110,660	0.99
19.	HFCN/ GPHA STAFF PROVIDENT FUND	96,242	0.99
20.	YAMSON MICHAEL HARRY	90,149	0.94
		8,467,321	85.11%
	Others	1,481,255	14.89
		9,948,576	100%

Proxy Form

Annual General Meeting to be held on June 8, 2017 at 10:00 GMT

I/We
(insert full name)

of
(insert full address)

being a member(s) of Mega African Capital Limited, hereby appoint

..... or failing him the Chairman of the meeting as my/
our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on
June 8, 2017 and at any and every adjournment thereof.

Resolutions	For	Against
Ordinary resolutions		
a. Consideration of the Audited Accounts of the Company for the year ended 31st December, 2016, and the Reports of the directors and Auditors;		
b. To re-elect Christine Dowuona-Hammond as a Director;		
i. To approve Directors Fees; and		
ii. To authorize Directors to determine the remuneration of the Auditors;		
Please indicate with an "X" in the appropriate square how you wish your votes to be cast on the resolution referred to above. Unless otherwise instructed the proxy will vote or abstain from voting at his discretion.		

Dated this day of 2017

.....
Shareholder's Signature

THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE SECRETARY IF THE MEMBER WILL BE ATTENDING THE MEETING

NOTES:

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The above Proxy Form has been prepared to enable you to exercise your vote if you cannot personally attend.

Provision has been made on the form for the chairman of the Meeting to act as your proxy but, if you wish, you may insert in the blank space marked (*) the name of any person, whether a member of the Company or not, who will attend the Meeting and vote on your behalf instead of the chairman of the Meeting.

In the case of joint holders, each joint holder should sign.

If executed by a Corporation, the Proxy Form should bear its Common Seal or be signed on its behalf by a Director.

Please sign the above proxy Form and post it so as to reach the address shown overleaf not later than 10 am or *[not less than 48 hours before the meeting date]*.

The Proxy must produce the Admission Card sent with the Notice of the Meeting to obtain entrance to the Meeting.

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Notes

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