



## **REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF MECHANICAL LLOYD COMPANY LIMITED**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Mechanical Lloyd Company Limited set out on pages 16 to 36. These financial statements comprise the statement of financial position as at 31 December 2012, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Directors' responsibility for the financial statements**

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

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the 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 about 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 of financial statements that give a true and fair view 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 the directors, 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 accompanying financial statements give a true and fair view of the financial position of Mechanical Lloyd Company Limited as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

### **REPORT ON OTHER LEGAL REQUIREMENTS**

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iii) the Company's balance sheet (statement of financial position) and profit and loss account (income statement) are in agreement with the books of account.



*PricewaterhouseCoopers*

**Chartered Accountants**

Accra

25 April 2013

Oseini Amui (100844)

**INCOME STATEMENT**

(All amounts are expressed in Ghana Cedis)

Year ended 31 December

|                                      | Note | 2012                | 2011                |        |
|--------------------------------------|------|---------------------|---------------------|--------|
| Revenue                              | 4    | 46,951,448          | 33,864,804          | 38.61  |
| Cost of sales                        | 5    | <u>(35,792,259)</u> | <u>(26,837,628)</u> | 33.36  |
| Gross profit                         |      | 11,159,189          | 7,027,176           | 58.80  |
| Operating costs                      | 6    | <u>(8,140,154)</u>  | <u>(5,883,508)</u>  | 38.35  |
| Other income                         | 7    | <u>4,569,487</u>    | <u>2,835,412</u>    | 61.15  |
| Operating profit                     |      | 7,588,522           | 3,979,080           | 90.71  |
| Finance income                       | 8(a) | 257,580             | 86,356              |        |
| Finance costs                        | 8(b) | <u>(67,696)</u>     | <u>(123,455)</u>    |        |
| Profit before income tax             |      | 7,778,406           | 3,941,981           | 97.32  |
| Income tax expense                   | 16   | <u>(1,563,746)</u>  | <u>(756,242)</u>    | 106.77 |
| Profit for the year                  |      | <u>6,214,660</u>    | <u>3,185,739</u>    | 95.07  |
| <b>Earnings per share</b>            |      |                     |                     |        |
| Basic and diluted earnings per share | 21   | <u>0.1241</u>       | <u>0.0636</u>       |        |

The notes on pages 21 to 44 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

(All amounts are expressed in Ghana Cedis)

|  | Note | 2012               | 2011             |
|--|------|--------------------|------------------|
| Profit for the year  |      | <u>6,214,660</u>   | <u>3,185,739</u> |
| Other comprehensive income:                                |      |                    |                  |
| Gains on revaluation of buildings                          | 10   | 19,858,700         | -                |
| Deferred income tax relating to other comprehensive income | 15   | <u>(2,978,805)</u> | <u>-</u>         |
| Other comprehensive income, net of tax                     |      | <u>16,879,895</u>  | <u>-</u>         |
| Total comprehensive income for the year                    |      | <u>23,094,555</u>  | <u>3,185,739</u> |

The notes on pages 21 to 44 form an integral part of these financial statements.



## STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in Ghana Cedis)

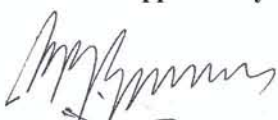
At 31 December

|                                     | Note  | 2012                     | 2011                     |
|-------------------------------------|-------|--------------------------|--------------------------|
| <b>ASSETS</b>                       |       |                          |                          |
| Non-current assets                  |       |                          |                          |
| Property, plant and equipment       | 10    | 31,748,694               | 8,328,773                |
| Other prepayments                   | 11    | 674,631                  | 674,631                  |
| Investment properties               | 12    | <u>12,960,000</u>        | <u>9,152,100</u>         |
|                                     |       | <u>45,383,325</u>        | <u>18,155,504</u>        |
| <b>Current assets</b>               |       |                          |                          |
| Inventories                         | 13    | 22,606,934               | 8,877,280                |
| Trade and other receivables         | 14    | 7,456,284                | 6,468,679                |
| Cash and cash equivalents           | 25    | <u>6,231,867</u>         | <u>1,834,771</u>         |
|                                     |       | <u>36,295,085</u>        | <u>17,180,730</u>        |
| <b>Total assets</b>                 |       | <u><u>81,678,410</u></u> | <u><u>35,336,234</u></u> |
| <b>EQUITY AND LIABILITIES</b>       |       |                          |                          |
| Equity                              |       |                          |                          |
| Stated capital                      | 20    | 2,771,486                | 2,771,486                |
| Revaluation surplus account         | 22    | 21,861,622               | 4,981,727                |
| Income surplus account              | 23    | <u>15,541,113</u>        | <u>9,727,220</u>         |
| <b>Total equity</b>                 |       | <u>40,174,221</u>        | <u>17,480,433</u>        |
| <b>LIABILITIES</b>                  |       |                          |                          |
| <b>Non-current liabilities</b>      |       |                          |                          |
| Borrowings                          | 19    | 932,900                  | -                        |
| Deferred income tax                 | 15(b) | <u>5,728,580</u>         | <u>2,416,011</u>         |
|                                     |       | <u>6,661,480</u>         | <u>2,416,011</u>         |
| <b>Current liabilities</b>          |       |                          |                          |
| Trade and other payables            | 18    | 33,907,227               | 13,641,382               |
| Current income tax                  | 15(a) | 935,482                  | 5,194                    |
| Borrowings                          | 19    | -                        | 1,793,214                |
|                                     |       | <u>34,842,709</u>        | <u>15,439,790</u>        |
| <b>Total Liabilities</b>            |       | <u>41,504,189</u>        | <u>17,855,801</u>        |
| <b>Total equity and liabilities</b> |       | <u><u>81,678,410</u></u> | <u><u>35,336,234</u></u> |

131.14

129.52

The financial statements on pages 16 to 44 were approved by the Board of Directors on 20 March 2013 and signed on its behalf by:

  
C.B.K. Zwennes (Chairman)

  
T.R. Darko (Managing Director)

The notes on pages 21 to 44 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

(All amounts are expressed in Ghana Cedis)

|  | Stated<br>capital       | Revaluation<br>surplus<br>account | Income<br>surplus<br>account | Total                    |
|--|-------------------------|-----------------------------------|------------------------------|--------------------------|
| <b>Year ended 31 December 2012</b>                 |                         |                                   |                              |                          |
| At 1 January 2012                                  | <u>2,771,486</u>        | <u>4,981,727</u>                  | <u>9,727,220</u>             | <u>17,480,433</u>        |
| Profit for the year                                | <u>-</u>                | <u>-</u>                          | <u>6,214,660</u>             | <u>6,214,660</u>         |
| <b>Other comprehensive income:</b>                 |                         |                                   |                              |                          |
| Gains on revaluation of buildings,<br>net of tax   | <u>-</u>                | <u>16,879,895</u>                 | <u>-</u>                     | <u>16,879,895</u>        |
| <b>Total comprehensive income for<br/>the year</b> | <u>-</u>                | <u>16,879,895</u>                 | <u>6,214,660</u>             | <u>23,094,555</u>        |
| <b>Transaction with owners:</b>                    |                         |                                   |                              |                          |
| Dividend declared for 2011                         | <u>-</u>                | <u>-</u>                          | <u>(400,767)</u>             | <u>(400,767)</u>         |
| <b>At 31 December 2012</b>                         | <u><u>2,771,486</u></u> | <u><u>21,861,622</u></u>          | <u><u>15,541,113</u></u>     | <u><u>40,174,221</u></u> |
| <b>Year ended 31 December 2011</b>                 |                         |                                   |                              |                          |
| At 1 January 2011                                  | <u>2,771,486</u>        | <u>4,981,727</u>                  | <u>6,842,057</u>             | <u>14,595,270</u>        |
| Profit for the year                                | <u>-</u>                | <u>-</u>                          | <u>3,185,739</u>             | <u>3,185,739</u>         |
| <b>Other comprehensive income:</b>                 |                         |                                   |                              |                          |
| Total comprehensive income for<br>the year         | <u>-</u>                | <u>-</u>                          | <u>3,185,739</u>             | <u>3,185,739</u>         |
| <b>Transaction with owners:</b>                    |                         |                                   |                              |                          |
| Dividend declared for 2009                         | <u>-</u>                | <u>-</u>                          | <u>(300,576)</u>             | <u>(300,576)</u>         |
| <b>At 31 December 2011</b>                         | <u><u>2,771,486</u></u> | <u><u>4,981,727</u></u>           | <u><u>9,727,220</u></u>      | <u><u>17,480,433</u></u> |

The notes on pages 21 to 44 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

(All amounts are expressed in Ghana Cedis)

|  |       | <b>Year ended 31 December</b> |                    |
|--|-------|-------------------------------|--------------------|
|  | Note  | <b>2012</b>                   | <b>2011</b>        |
| <b>Cash flows from operating activities</b>                        |       |                               |                    |
| Cash generated from operations                                     | 24    | <b>9,968,884</b>              | 2,641,657          |
| Interest received  |       | <b>257,580</b>                | 86,356             |
| Interest paid  |       | <b>(67,696)</b>               | (123,455)          |
| Income tax paid  | 15(a) | <b><u>(299,694)</u></b>       | <u>(231,278)</u>   |
| <b>Net cash generated from operating activities</b>                |       | <b><u>9,859,074</u></b>       | <u>2,373,280</u>   |
| <b>Cash flows from investing activities</b>                        |       |                               |                    |
| Purchase of property, plant and equipment                          | 10    | <b>(4,227,194)</b>            | (556,298)          |
| Prepayment for land  | 11    | -                             | (254,631)          |
| Proceeds from disposal of property,<br>plant and equipment         | 10    | <b><u>26,297</u></b>          | <u>159,923</u>     |
| <b>Net cash used in investing activities</b>                       |       | <b><u>(4,200,897)</u></b>     | <u>(651,006)</u>   |
| <b>Cash flows from financing activities</b>                        |       |                               |                    |
| Repayment of loans   | 19    | -                             | (2,004,840)        |
| Drawdown of loans  | 19    | <b>932,900</b>                | -                  |
| Dividend paid  | 17    | <b><u>(400,767)</u></b>       | <u>(300,576)</u>   |
| <b>Net cash generated from/<br/>(used in) financing activities</b> |       | <b><u>532,133</u></b>         | <u>(2,305,416)</u> |
| Net increase / (decrease) in cash<br>and cash equivalents          |       | <b><u>6,190,310</u></b>       | <u>(583,142)</u>   |
| <b>Movement in cash and cash equivalents</b>                       |       |                               |                    |
| At start of year   |       | <b>41,557</b>                 | 624,699            |
| Increase / (decrease) during the year                              |       | <b><u>6,190,310</u></b>       | <u>(583,142)</u>   |
| At end of year   | 25    | <b><u>6,231,867</u></b>       | <u>41,557</u>      |

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