



**GHANA  
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**PRESS RELEASE**

**PR. No. 110/2014**

**MECHANICAL LLOYD CO. LTD (MLC) -  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

MLC has released its annual Financial Statements for the year ended December 31, 2013 as per the attached.

Issued in Accra, this 29<sup>th</sup>  
day of April, 2014.

**- E N D -**

att'd.

Distribution:

1. All LDMs
2. General Public
3. Company Secretary, MLC
4. MBG Registrars, (Registrars for MLC shares)
5. Central Securities Depository
6. SEC
7. GSE Council
8. GSE Notice Board

**For enquiries, contact:**

**General Manager/Head of Listings, GSE on 669908, 669914, 669935**

**\*JEB**

**MECHANICAL LLOYD COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Mechanical Lloyd Company Limited**

Annual Report

Year ended 31 December 2013

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**Mechanical Lloyd Company Limited**

Annual Report

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**CORPORATE INFORMATION**

<b>Directors</b>	Charles Bartels Kwesi Zwennes Terence Ronald Darko Yaw Assah-Sam Charles Sydney Aidoo Napoleon Kpakpo Bulley Andrew Lawson Kofi Asamoah Kwesi Amonoo-Neizer	(Chairman) (Managing Director)       (Appointed 20 March 2013)
<b>Secretary</b>	Caroline Darko	
<b>Solicitor</b>	Gaisie Zwennes Hughes & Co Carlton House Anumansa Street Osu Re P. O. Box 3238 Accra	
<b>Registered office</b>	No. 2 Adjuma Crescent Ring Road West South Industrial Area P O Box 2086 Accra	
<b>Independent auditor</b>	PricewaterhouseCoopers Chartered Accountants No. 12 Airport City Una Home, 3 <sup>rd</sup> Floor PMB CT42, Cantonments Accra, Ghana	
<b>Registrars</b>	Merchant Bank (Ghana) Limited Registrar's Department 57 Examination Loop, North Ridge P. O. Box 401 Accra	
<b>Principal bankers</b>	Barclays Bank of Ghana Limited Stanbic Bank Ghana Limited Fidelity Bank (Ghana) Limited Merchant Bank (Ghana) Limited Standard Chartered Bank Ghana Limited Zenith Bank (Ghana) Limited	

**FINANCIAL HIGHLIGHTS**

	<b>2013</b>	2012	
	<b>GH¢</b>	GH¢	Change
Revenue	<b>38,410,856</b>	46,951,448	(18%)
(Loss)/profit before income tax	<b>(1,461,297)</b>	7,778,406	(119%)
(Loss)/profit for the year	<b>(1,027,171)</b>	6,214,660	(117%)
Shareholders' funds	<b>38,395,610</b>	40,174,221	(4%)
Capital expenditure (including intangible assets)	<b>2,531,713</b>	4,227,194	(40%)
Total assets	<b><u>78,386,691</u></b>	<u>81,678,410</u>	<u>(4%)</u>
Proposed dividend per share (GH¢)	<b>0.0100</b>	0.0150	(33%)
Earnings per share (GH¢)	<b>(0.0205)</b>	0.1241	(117%)
Net assets per share (GH¢)	<b><u>0.7664</u></b>	<u>0.8019</u>	<u>(4%)</u>

## Mechanical Lloyd Company Limited

Annual Report

Year ended 31 December 2013

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### REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Mechanical Lloyd Company Limited ('the Company') for the year ended 31 December 2013.

#### Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS), and complied with the requirements of the Companies Act, 1963 (Act 179).

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Nature of business

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

#### Financial results

The financial results of the Company are set out below:

	GH¢
Loss before tax for the year ended 31 December is	(1,461,297)
from which is deducted income tax credit of	<u>434,126</u>
giving loss for the year	(1,027,171)
to which is added balance brought forward on income surplus account of	<u>15,541,113</u>
giving a balance of	14,513,942
from which is deducted 2012 final dividend declared of	<u>(751,440)</u>
leaving a balance carried forward on income surplus account of	<u>13,762,502</u>

The Company's equity attributable to owners decreased from GH¢40.2 million as at 1 January 2013 to GH¢38.4 million at 31 December 2013.

#### Dividend

The directors recommend the payment of dividend per share of GH¢0.010 amounting to GH¢500,959 for the year ended 31 December 2013. Dividend per share of GH¢0.015 amounting to GH¢751,440 for the year ended 31 December 2012, which was approved at the 2013 Annual General Meeting, was paid during the year.

**Mechanical Lloyd Company Limited**

Annual Report

Year ended 31 December 2013

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**REPORT OF THE DIRECTORS (continued)**

**Directors and their interests**

The present membership of the Board is set out on page 1. All directors served throughout the year with the exception of Mr. Kwesi Amonoo-Neizer who was appointed a non-executive director on 20 March 2013.

The directors' interests in the ordinary shares of the Company at 31 December 2013 were as follows:

<b>Name</b>	<b>No. of shares</b>
Mr. T.R.K. Darko	15,024,381
Mr. C.S. Aidoo	488,000
Mr. A. Lawson	75,000
Mr. C.B.K. Zwennes (jointly with Mrs Jacqueline Zwennes)	53,557
Mr. N.K. Bulley	33,376
Mr. Yaw Assah-Sam	21,500
Mr. N.K. Bulley (jointly with Mrs Agnes Bulley)	20,600

**Directors' interests in contracts**

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

**Auditor**

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

**By order of the board**

**Name of Director:**

**Name of Director:**

**Signature:**

**Signature:**

**Date:**

## **CORPORATE GOVERNANCE REPORT**

### **Introduction**

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

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

### **Board of directors**

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

### **The Audit Committee**

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

### **Systems of internal control**

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

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

### **Code of business ethics**

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



**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS 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 8 to 38. These financial statements comprise the statement of financial position as at 31 December 2013, 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 2013, 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 OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF MECHANICAL LLOYD COMPANY LIMITED (continued)**

**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.

**Signed by: Oseini Amui (ICAG/P/1139)**

**For and on behalf of:**

**PricewaterhouseCoopers (ICAG/F/028)**

**Chartered Accountants**

**Accra, Ghana**

**29 April 2014**

**Mechanical Lloyd Company Limited**

Financial Statements

Year ended 31 December 2013

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**INCOME STATEMENT**

(All amounts are expressed in Ghana cedis)

		<b>Year ended 31 December</b>	
	Note	<b>2013</b>	<b>2012</b>
<b>Revenue</b>	4	<b>38,410,856</b>	46,951,448
Cost of sales	5	<b>(27,603,948)</b>	(35,792,259)
<b>Gross profit</b>		<b>10,806,908</b>	11,159,189
Operating costs	6	<b>(11,963,478)</b>	(8,140,154)
Other income	7	<b><u>1,032,981</u></b>	<u>4,569,487</u>
<b>Operating (loss)/profit</b>		<b>(123,589)</b>	7,588,522
Finance income	8	<b>140,812</b>	257,580
Finance costs	8	<b><u>(1,478,520)</u></b>	<u>(67,696)</u>
<b>(Loss)/profit before income tax</b>		<b>(1,461,297)</b>	7,778,406
Income tax credit/ (expense)	18	<b><u>434,126</u></b>	<u>(1,563,746)</u>
<b>(Loss)/profit for the year</b>		<b><u>(1,027,171)</u></b>	<u>6,214,660</u>
<b>Earnings per share</b>			
Basic and diluted earnings per shares	23	<b><u>(0.0205)</u></b>	<u>0.1241</u>

The notes on pages 13 to 38 are an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	2013	2012
<b>(Loss)/profit for the year</b>		<b><u>(1,027,171)</u></b>	<b><u>6,214,660</u></b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Gains on revaluation of buildings	10	-	19,858,700
Deferred income tax relating to other comprehensive income	17(b)	<u>-</u>	<u>(2,978,805)</u>
<b>Other comprehensive income, net of tax</b>		<b><u>-</u></b>	<b><u>16,879,895</u></b>
<b>Total comprehensive income for the year</b>		<b><u>(1,027,171)</u></b>	<b><u>23,094,555</u></b>

The notes on pages 13 to 38 are an integral part of these financial statements.

**Mechanical Lloyd Company Limited**

Financial Statements

Year ended 31 December 2013

**STATEMENT OF FINANCIAL POSITION**

(All amounts are expressed in Ghana cedis)

		<b>At 31 December</b>	
	Note	2013	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	32,337,877	31,748,694
Other prepayments	11	674,631	674,631
Intangible assets	12	632,359	-
Investment properties	13	<u>-</u>	<u>12,960,000</u>
		<b><u>33,644,867</u></b>	<b><u>45,383,325</u></b>
<b>Current assets</b>			
Inventories	15	18,643,018	22,606,934
Trade and other receivables	16	7,442,589	7,456,284
Cash and cash equivalents	27	<u>5,696,217</u>	<u>6,231,867</u>
		<b><u>31,781,824</u></b>	<b><u>36,295,085</u></b>
Non-current asset held for sale	14	<u>12,960,000</u>	<u>-</u>
<b>Total assets</b>		<b><u>78,386,691</u></b>	<b><u>81,678,410</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	22	2,771,486	2,771,486
Capital surplus account	24	21,861,622	21,861,622
Income surplus account	25	<u>13,762,502</u>	<u>15,541,113</u>
<b>Total equity</b>		<b><u>38,395,610</u></b>	<b><u>40,174,221</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	21	2,627,494	932,900
Deferred income tax	17(b)	<u>4,964,148</u>	<u>5,728,580</u>
		<b><u>7,591,642</u></b>	<b><u>6,661,480</u></b>
<b>Current liabilities</b>			
Trade and other payables	20	24,472,148	33,907,227
Current income tax	17(a)	841,610	935,482
Borrowings	21	<u>7,085,681</u>	<u>-</u>
		<b><u>32,399,439</u></b>	<b><u>34,842,709</u></b>
<b>Total Liabilities</b>		<b><u>39,991,081</u></b>	<b><u>41,504,189</u></b>
<b>Total equity and liabilities</b>		<b><u>78,386,691</u></b>	<b><u>81,678,410</u></b>

The notes on pages 13 to 38 are an integral part of these financial statements.

The financial statements on pages 8 to 38 were approved for issue by the Board of Directors on ..... 2014 and signed on its behalf by:

Name of Director:

Name of Director:

Signature:

Signature:

**Mechanical Lloyd Company Limited**

Financial Statements

Year ended 31 December 2013

**STATEMENT OF CHANGES IN EQUITY**

(All amounts are expressed in Ghana cedis)

	<b>Stated capital</b>	<b>Capital surplus account</b>	<b>Income surplus account</b>	<b>Total</b>
<b><u>Year ended 31 December 2013</u></b>				
At 1 January 2013	<u>2,771,486</u>	<u>21,861,622</u>	<u>15,541,113</u>	<u>40,174,221</u>
Profit for the year	-	-	(1,027,171)	(1,027,171)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(1,027,171)</b>	<b>(1,027,171)</b>
<b>Transaction with owners:</b>				
Dividend declared for 2012	-	-	(751,440)	(751,440)
<b>At 31 December 2013</b>	<b><u>2,771,486</u></b>	<b><u>21,861,622</u></b>	<b><u>13,762,502</u></b>	<b><u>38,395,610</u></b>
<b><u>Year ended 31 December 2012</u></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	-	-	6,214,660	6,214,660
Other comprehensive income:				
Gains on revaluation of buildings, net of tax	-	16,879,895	-	16,879,895
Total comprehensive income for the year	-	16,879,895	6,214,660	23,094,555
Transaction with owners:				
Dividend declared for 2011	-	-	(400,767)	(400,767)
At 31 December 2012	<u>2,771,486</u>	<u>21,861,622</u>	<u>15,541,113</u>	<u>40,174,221</u>

The notes on pages 13 to 38 are an integral part of these financial statements.

**Mechanical Lloyd Company Limited**

Financial Statements

Year ended 31 December 2013

**STATEMENT OF CASH FLOWS**

(All amounts are expressed in Ghana cedis)

		<b>Year ended 31 December</b>	
	Note	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	26	<b>(4,402,913)</b>	9,968,884
Interest received		<b>140,812</b>	257,580
Interest paid		<b>(873,380)</b>	(67,696)
Income tax paid	17(a)	<b><u>(424,178)</u></b>	<u>(299,694)</u>
<b>Net (cash used in)/generated from operating activities</b>		<b><u>(5,559,659)</u></b>	<u>9,859,074</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	<b>(1,862,550)</b>	(4,227,194)
Purchase of intangible asset – computer software	12	<b>(669,163)</b>	-
Proceeds from disposal of property, plant and equipment	10	<b><u>132,027</u></b>	<u>26,297</u>
<b>Net cash used in investing activities</b>		<b><u>(2,399,686)</u></b>	<u>(4,200,897)</u>
<b>Cash flows from financing activities</b>			
Repayment of loans	21	<b>(12,592,700)</b>	-
Drawdown of loans	21	<b>19,844,000</b>	932,900
Dividend paid	19	<b><u>(751,440)</u></b>	<u>(400,767)</u>
<b>Net cash generated from financing activities</b>		<b><u>6,499,860</u></b>	<u>532,133</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b><u>(1,459,485)</u></b>	<u>6,190,310</u>
<b>Movement in cash and cash equivalents</b>			
At start of year		<b>6,231,867</b>	41,557
(Decrease)/increase during the year		<b><u>(1,459,485)</u></b>	<u>6,190,310</u>
<b>At end of year</b>	27	<b><u>4,772,382</u></b>	<u>6,231,867</u>

The notes on pages 13 to 38 are an integral part of these financial statements.

## Mechanical Lloyd Company Limited

Financial Statements

Year ended 31 December 2013

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### NOTES

#### 1. General information

Mechanical Lloyd Company Limited is a public limited company, which is listed on the Ghana Stock Exchange and incorporated and domiciled in Ghana. The address of its registered office is:

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

#### 2. Summary of significant accounting policies

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

##### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and land and buildings. The financial statements are presented in Ghana cedis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

##### 2.1.1 Changes in accounting policy and disclosures

###### (i) *New and amended standards adopted by the Company*

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2013 and have a material impact on the Company:

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment only affects presentation on the face of the statement of comprehensive income.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The impact has been increased disclosure in the financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of IFRS 13 has increased the extent of fair value disclosures in the financial statements.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2013 that would be expected to have a material impact on the Company.



## **NOTES**

### **2. Summary of significant accounting policies (continued)**

#### **2.1 Basis of preparation (continued)**

##### **(ii) *New standards and interpretations that are not yet effective and have not been early adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2012, it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intend to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The impact of this on the Company relates to the payment of the National Fiscal Stabilisation Levy.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

#### **2.2 Revenue recognition**

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

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

Revenue is recognised as follows:

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

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

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

**NOTES (continued)**

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

**2.3 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana cedi which is the Company's functional currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where the items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

**2.4 Property, plant and equipment**

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

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

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and other directly attributable costs which are capitalised in accordance with the Company's accounting policy.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as capital surplus account in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the capital surplus account directly in equity. All other decreases are charged to profit or loss.

Land is not depreciated (unless it is leasehold). Depreciation on other assets is calculated using the reducing balance method balance as follows:

Leasehold land	2%
Buildings	2 <sup>1</sup> / <sub>2</sub> – 4%
Plant and machinery	10%
Furniture and equipment	10%
Computers	33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	15% – 20%

**NOTES (continued)**

**2. Summary of significant accounting policies (continued)**

**2.4 Property, plant and equipment (continued)**

Depreciation commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in profit or loss.

When revalued assets are sold, the amounts included in the capital surplus account are transferred to the income surplus account.

**2.5 Intangible assets**

***Computer software***

Computer software are capitalised on the basis of the costs incurred to acquire and put to use specific software. These costs are amortised on the basis of expected useful lives. Software has a maximum expected useful life of 3 years. Software are carried at cost less any amortisation and impairment losses, if any.

**2.6 Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**2.7 Non-current assets**

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

**2.8 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**NOTES (continued)**

**2. Summary of significant accounting policies (continued)**

**2.9 Investment properties**

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

Investment properties are stated in the statement of financial position at fair value, based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset, determined annually by independent qualified valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2.2.

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

**2.10 Inventories**

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

Work in progress is valued at materials cost.

**2.11 Financial assets**

**(i) Classification**

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

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

**(ii) Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

**(iii) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**NOTES (continued)**

**2. Summary of significant accounting policies (continued)**

**2.11 Financial assets (continued)**

**(iii) Impairment of financial assets**

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

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

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

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

**2.12 Trade receivables**

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

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

**2.13 Cash and cash equivalents**

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

**2.14 Stated capital and dividend**

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

**NOTES (continued)**

**2. Summary of significant accounting policies (continued)**

**2.15 Borrowings**

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**2.16 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.17 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.18 Income tax**

**Current income tax**

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

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

**NOTES (continued)**

**2. Summary of significant accounting policies (continued)**

**2.18 Income tax (continued)**

**Deferred income tax**

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

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

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

**2.19 Provisions**

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.20 Employee benefits**

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

**(i) Retirement benefit obligations**

The Company and all its employees contribute to the appropriate National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

**NOTES (continued)**

**2. Summary of significant accounting policies (continued)**

**2.20 Employee benefits (continued)**

**(ii) Termination benefits**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**2.21 Segment reporting**

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

**2.22 Post balance sheet events**

Events subsequent to the financial reporting date are reflected only to the extent that they relate directly to the financial statements and the effect is material.



**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**3. Critical accounting estimates and judgements**

**3.1 Critical accounting estimates and assumptions**

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

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

**Property, plant and equipment**

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 2.4.

Were the actual useful lives of the property, plant and equipment to differ by 1% from management's estimates, the carrying amount of the property, plant and equipment would be an estimated GH¢3,476 (2012: GH¢5,462) higher or lower.

**Income taxes**

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

**Fair value of investment property**

The Company has investment property which is measured at fair value with changes in fair value accounted through profit or loss. The fair value of investment property is determined by an independent valuer. A variety of factors are considered in determining the fair value of investment property.

Changes in assumptions about these factors could affect the reported fair value of investment property.

**3.2 Critical judgements in applying the entity's accounting policies**

In the process of applying the Company's accounting policies, management has made judgement in determining:

- the classification of non-current assets;
- whether land and buildings meet the criteria to be classified as investment property;
- whether assets are impaired; and
- provisions.

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**4. Revenue**

	2013	2012
Motor vehicles and farm machinery sales	30,276,418	39,392,072
Spare parts sales and workshop earnings	7,633,217	7,077,442
Rental income from investment properties	<u>501,221</u>	<u>481,934</u>
	<u><b>38,410,856</b></u>	<u><b>46,951,448</b></u>

**5. Cost of sales**

Vehicles and farm machinery	21,635,496	29,717,793
Spare parts	3,574,771	3,573,476
Staff costs (Note 9)	1,028,502	1,275,906
Other direct expenses	1,054,492	1,043,634
Overheads	<u>310,687</u>	<u>181,450</u>
	<u><b>27,603,948</b></u>	<u><b>35,792,259</b></u>

**6. Operating costs**

Operating costs include:

Provision for doubtful debts	-	337,282
Bad debts written off	16,674	19,541
Staff costs (excluding executive directors' emoluments)	3,454,218	2,417,076
Directors' emoluments - fees (Note 32)	144,200	129,035
- other emoluments (Note 32)	319,489	270,887
Depreciation (Note 10)	1,151,679	546,161
Amortisation of intangible asset (Note 12)	36,804	-
Auditors' remuneration	77,960	59,500
Operating lease rentals	-	64,626
Loss on disposal of property, plant and equipment (Note 10)	-	93,515
Exchange loss	2,937,769	548,734
Donations	<u>20,698</u>	<u>57,040</u>

**7. Other income**

Miscellaneous income	112,387	188,444
Fair value gain on investment property	-	3,807,900
Income from clinic services	300,490	206,601
Bad debt written off recovered	4,979	-
Commission and fees earned on special projects	604,786	366,542
Profit on disposal of property, plant and equipment (Note 10)	<u>10,339</u>	<u>-</u>
	<u><b>1,032,981</b></u>	<u><b>4,569,487</b></u>

**Mechanical Lloyd Company Limited**

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**8. Finance income and costs**

	2013	2012
<b>Finance income</b>		
Interest on treasury bills	106,981	207,260
Interest income on credit sales	33,831	24,104
Interest income from staff loans	-	<u>26,216</u>
	<u>140,812</u>	<u>257,580</u>
<b>Finance costs</b>		
Interest on loans	873,380	67,696
Exchange loss on loans	<u>605,140</u>	-
	<u>1,478,520</u>	<u>67,696</u>

**9. Staff costs**

Wages and salaries (including executive directors' salaries)	4,321,685	3,566,549
Social security contributions	<u>480,524</u>	<u>397,320</u>
	<u>4,802,209</u>	<u>3,963,869</u>

The number of persons employed by the Company at the year end was 191 (2012: 174).

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

	2013	2012
Cost of sales	1,028,502	1,275,906
Operating costs	<u>3,773,707</u>	<u>2,687,963</u>
	<u>4,802,209</u>	<u>3,963,869</u>

**10. Property, plant and equipment**

	Buildings	Plant, machinery, equipment, furniture and vehicles	Capital work- in-progress	Total
<b>Cost/valuation</b>				
At 1 January 2013	26,585,868	3,506,398	3,420,616	33,512,882
Additions	75,871	824,647	962,032	1,862,550
Disposals	-	<u>(334,941)</u>	-	<u>(334,941)</u>
<b>At 31 December 2013</b>	<u>26,661,739</u>	<u>3,996,104</u>	<u>4,382,648</u>	<u>35,040,491</u>
<b>Accumulated depreciation</b>				
At 1 January 2013	98,458	1,665,730	-	1,764,188
Charge for year	802,908	348,771	-	1,151,679
Disposals	-	<u>(213,253)</u>	-	<u>(213,253)</u>
<b>At 31 December 2013</b>	<u>901,366</u>	<u>1,801,248</u>	-	<u>2,702,614</u>
<b>Net book amount</b>				
<b>At 31 December 2013</b>	<u>25,760,373</u>	<u>2,194,856</u>	<u>4,382,648</u>	<u>32,337,877</u>

**Mechanical Lloyd Company Limited**

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Year ended 31 December 2013

**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**10. Property, plant and equipment (continued)**

	Buildings	Plant, machinery, equipment, furniture and vehicles	Capital work-in- progress	Total
Cost/valuation				
At 1 January 2012	7,654,841	2,895,006	344,711	10,894,558
Additions	274,554	876,735	3,075,905	4,227,194
Revaluation surplus	19,858,700	-	-	19,858,700
Release on revaluation	(1,202,227)	-	-	(1,202,227)
Disposals	-	(265,343)	-	(265,343)
At 31 December 2012	<u>26,585,868</u>	<u>3,506,398</u>	<u>3,420,616</u>	<u>33,512,882</u>
Accumulated depreciation				
At 1 January 2012	1,028,785	1,537,000	-	2,565,785
Charge for year	271,900	274,261	-	546,161
Release on revaluation	(1,202,227)	-	-	(1,202,227)
Disposals	-	(145,531)	-	(145,531)
At 31 December 2012	<u>98,458</u>	<u>1,665,730</u>	<u>-</u>	<u>1,764,188</u>
Net book amount				
At 31 December 2012	<u>26,487,410</u>	<u>1,840,668</u>	<u>3,420,616</u>	<u>31,748,694</u>

The buildings were revalued on 30 November 2012 by independent professional valuers. Valuation is on the basis of open market value.

	2013	2012
<b>(Profit) / loss on disposal of property, plant and equipment</b>		
Cost	<b>334,941</b>	265,343
Accumulated depreciation	<b>(213,253)</b>	(145,531)
Net book value	<b>121,688</b>	119,812
Disposal proceeds	<b>(132,027)</b>	(26,297)
<b>(Profit)/loss on disposal</b>	<b><u>(10,339)</u></b>	<u>93,515</u>

Borrowings are secured on property, plant and equipment (Note 21).

**11. Other prepayments**

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

	2013	2012
At 1 January and 31 December	<b><u>674,631</u></b>	<u>674,631</u>

**Mechanical Lloyd Company Limited**

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**12. Intangible assets – software package**

<b>Cost</b>	<b>2013</b>	<b>2012</b>
At 1 January	-	-
Additions	<u>669,163</u>	-
<b>At 31 December</b>	<u>669,163</u>	-
<b>Amortisation</b>		
At 1 January	-	-
Charge for the year	<u>36,804</u>	-
<b>At 31 December</b>	<u>36,804</u>	-
<b>Net book value</b>		
<b>31 December</b>	<u>632,359</u>	-

**13. Investment properties**

At 1 January and 31 December	<b>12,960,000</b>	9,152,100
Fair value gains	-	3,807,900
Transfer to non-current held for sale	<u>(12,960,000)</u>	-
<b>At 31 December</b>	<u>-</u>	<u>12,960,000</u>

Investment properties were revalued on 30 November 2012 by independent professional valuers. Valuation is on the basis of open market value.

**14. Non-current asset held for sale**

	<b>2013</b>	<b>2012</b>
Investment properties (Note 13)	<u>12,960,000</u>	-

Investment properties have been presented as non-current asset held for sale following the commencement of the sale process in November 2013. The directors of the Company consider the fair value less costs to sell to be higher than the carrying amount.

**15. Inventories**

	<b>2013</b>	<b>2012</b>
Trade inventories	<b>17,714,457</b>	17,554,586
Goods in transit	<b>610,639</b>	4,802,002
Work-in-progress	<b>271,471</b>	163,063
Non-trade inventories	<u>46,451</u>	<u>87,283</u>
	<u>18,643,018</u>	<u>22,606,934</u>

The cost of inventories recognised as an expense and included in cost of sales amount to GH¢25,210,267 (2012: GH¢33,291,269). No amount was charged to profit and loss for damaged and obsolete inventories during the year (2012: Nil).

**Mechanical Lloyd Company Limited**

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**16. Trade and other receivables**

	<b>2013</b>	2012
Trade receivables	<b>6,874,690</b>	6,990,986
Staff receivables	<b>483,545</b>	420,505
Prepayments	<b><u>84,354</u></b>	<u>44,793</u>
	<b><u>7,442,589</u></b>	<u>7,456,284</u>

The maximum amount of staff indebtedness during the year did not exceed GH¢500,000 (2012: GH¢500,000).

The fair value of trade receivables or staff receivables approximates their carrying value.

**17. Income tax****(a) Current income tax**

	<b>At 1 January</b>	<b>Charge for the year</b>	<b>Payments for the year</b>	<b>At 31 December</b>
<b><u>Year ended 31 December 2013</u></b>				
Up to 2012	935,482	-	(44,685)	<b>890,797</b>
2013	<u>-</u>	<u>330,306</u>	<u>(379,493)</u>	<b><u>(49,187)</u></b>
	<u>935,482</u>	<u>330,306</u>	<u>(424,178)</u>	<b><u>841,610</u></b>
<b><u>Year ended 31 December 2012</u></b>				
Up to 2011	5,194	-	-	5,194
2012	<u>-</u>	<u>1,229,982</u>	<u>(299,694)</u>	<u>930,288</u>
	<u>5,194</u>	<u>1,229,982</u>	<u>(299,694)</u>	<u>935,482</u>

**(b) Deferred income tax**

	<b>At 1 January</b>	<b>Charged/ (credited) to profit or loss</b>	<b>Charged/ (credited) to other comprehen- sive income</b>	<b>At 31 December</b>
<b><u>Year ended 31 December 2013</u></b>				
Property, plant and equipment				
- on historical cost basis	148,150	(147,113)	-	<b>1,037</b>
- on revaluation surpluses	3,857,933	-	-	<b>3,857,933</b>
Intangible assets	-	55,764	-	<b>55,764</b>
Investment properties	1,944,000	-	-	<b>1,944,000</b>
Other timing differences	<u>(221,503)</u>	<u>(673,083)</u>	<u>-</u>	<b><u>(894,586)</u></b>
	<u>5,728,580</u>	<u>(764,432)</u>	<u>-</u>	<b><u>4,964,148</u></b>

**Mechanical Lloyd Company Limited**

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Year ended 31 December 2013

**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**17. Income tax (continued)****(b) Deferred income tax (continued)**

	At 1 January	Charged/ (credited) to profit or loss	Charged/ (credited) to other comprehen- sive income	At 31 December
<u>Year ended 31 December 2012</u>				
Property, plant and equipment				
- on historical cost basis	137,339	10,811		148,150
- on revaluation surpluses	879,128	-	2,978,805	3,857,933
Investment properties	1,372,815	571,185	-	1,944,000
Other timing differences	<u>26,729</u>	<u>(248,232)</u>	<u>-</u>	<u>(221,503)</u>
	<u>2,416,011</u>	<u>333,764</u>	<u>2,978,805</u>	<u>5,728,580</u>

**18. Income tax expense**

	<b>2013</b>	2012
Current income tax (Note 17(a))	<b>330,306</b>	1,229,982
Deferred income tax (Note 17(b))	<b>(764,432)</b>	<u>333,764</u>
	<b>(434,126)</b>	<u>1,563,746</u>

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

	<b>2013</b>	2012
(Loss)/profit before income tax	<b>(1,461,297)</b>	<u>7,778,406</u>
Tax charged at corporate tax rate of 25% (2012:25%)	<b>(365,324)</b>	1,944,602
Expenses not deductible for tax purposes	<b>20,865</b>	81,863
Income taxed at different rate	<b>(85,207)</b>	(462,719)
Utilisation of previous unrecognised tax losses	<b>(4,460)</b>	-
	<b>(434,126)</b>	<u>1,563,746</u>

**19. Dividend**

Payment of dividend is subject to the deduction of withholding taxes at the rate of 8%. At the next Annual General Meeting, dividend per share of GH¢0.010 amounting to GH¢500,959 is to be proposed for the year ended 31 December 2013.

Dividend per share of GH¢0.015 (2012: GH¢0.0080) amounting to GH¢751,439 (2012: GH¢400,767) was declared for the year ended 31 December 2012 and paid during the year.

	<b>2013</b>	2012
At 1 January	-	-
Dividend declared for 2012	<b>751,440</b>	-
Dividend declared for 2011	-	400,767
Payment	<b>(751,440)</b>	<u>(400,767)</u>
<b>At 31 December</b>	<b>=====</b>	<b>=====</b>

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**20. Trade and other payables**

	2013	2012
Trade payables	13,787,107	33,517,908
Accrued charges	115,968	362,328
Sundry payables	456,611	26,991
Advance receipts	<u>10,112,462</u>	-
	<u>24,472,148</u>	<u>33,907,227</u>

The carrying amount of the above payables and accrued expenses approximate to their fair values.

**21. Borrowings**

	2013	2012
<b>Current</b>		
Bank overdrafts	923,835	-
Loans	<u>6,161,846</u>	-
	<u>7,085,681</u>	-
<b>Non-current</b>		
Loans	<u>2,627,494</u>	932,900
<b>Total borrowings</b>	<u>9,713,175</u>	<u>932,900</u>

**(i) Bank overdrafts**

At the financial reporting date, the Company had certain overdraft facilities not exceeding GH¢2.5 million (2012: GH¢2.5 million). The facilities are secured by a debenture over the floating assets of the Company, a legal mortgage over specified properties and a lien over trading stocks.

The Company's bankers have provided guarantees not exceeding €2 million (2012: €2 million) and US\$12.3 million (2012: US\$12.3 million).

**(ii) Bank loans****(a) Stanbic medium term loan 1 (MTL1) facility of US\$2 million**

The Company secured a term loan facility of US\$2.0 million in 2012 from Stanbic Bank Ghana Limited to finance the construction of a full branch operational office in Takoradi. The facility is to be repaid in thirty-six (36) equal instalments after two years principal moratorium period. The facility attracts interest at 3 months LIBOR plus 6.25% per annum. The facility is secured by a floating charge over the Company's inventories, and a first legal mortgage over the Takoradi operational office under construction with funds from the facility.

As of 31 December 2013, US\$1.7 million had been drawn down. The repayment of principal will commence in May 2014.

**(b) Stanbic medium term loan 2 (MTL 2) facility of US\$3.5 million**

The Company secured an additional term loan facility of US\$3.5 million from Stanbic Bank Ghana Limited during the year for the Takoradi branch operational office. The principal amount is to be repaid in four quarterly equal instalments of US\$875,000 commencing from March 2014. Interest is payable monthly in arrears. The facility attracts interest at 3 months LIBOR plus 6.25% per annum. The facility is secured by a floating charge over the Company's inventories, and a first legal mortgage over the Takoradi operational office under construction with funds from the facility. As at 31 December 2013, US\$2.5 million remained outstanding.



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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**21. Borrowings (continued)****(c) Stanbic short term loan facility of GH¢ 3.5 million**

The Company secured a short term loan facility of GH¢3.5 million from Stanbic Bank Ghana Limited to augment its working capital. The facility had a maximum tenor of six months commencing from the date of acceptance. The facility attracted interest at Stanbic Bank's base rate. The facility was repaid during the year.

**(d) Ecobank short term loan facility of US\$3.5 million**

The Company secured a short term loan facility of US\$3.5 million from Ecobank Ghana Limited to finance stocks, payment of operational and trade bills. The facility had a maximum tenor of twelve months commencing from the date of acceptance. The facility attracted interest at Ecobank's USD base rate. The facility was secured by a legal mortgage over a residential property in Cantonments. The facility was repaid during the year.

The movement in loan account during the year is as follows:

	At 1 January	Drawdown	Repayment	Exchange rate adjustment	At 31 December
<b><u>Year ended 31 December 2013</u></b>					
(a) Stanbic medium term loan 1	932,900	2,384,250	-	240,440	<b>3,557,590</b>
(b) Stanbic medium term loan 2	-	6,987,750	(2,092,700)	336,700	<b>5,231,750</b>
(c) Stanbic medium term loan	-	3,500,000	(3,500,000)	-	-
(d) Ecobank short term	-	<u>6,972,000</u>	<u>(7,000,000)</u>	<u>28,000</u>	-
Term loan	932,900	<u>19,844,000</u>	<u>(12,592,700)</u>	<u>605,140</u>	<b>8,789,340</b>
Current portion of loans	-				<b>(6,161,846)</b>
Non-current portion of loans	<u>932,900</u>				<u>2,627,494</u>
<b><u>Year ended 31 December 2012</u></b>					
Term loan	-	<u>932,900</u>	-	-	932,900
Current portion of loans	-				-
Non-current portion of loans	-				<u>932,900</u>

The Company has the following undrawn bank loan facility:

	2013	2012
Floating rate loan	<u>627,810</u>	<u>2,801,850</u>

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Year ended 31 December 2013

**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**22. Stated capital**

The Company has 100,000,000 authorised ordinary shares of no par value out of which 50,095,925 (2012: 50,095,925) have been issued as follows:

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

There was no change in stated capital during the year (2012: Nil).

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

**23. Earnings per share**

	<b>2013</b>	<b>2012</b>
(Loss)/profit for the year	<u>(1,027,171)</u>	<u>6,214,660</u>
Number of ordinary shares (Number)	<u><b>50,095,925</b></u>	<u><b>50,095,925</b></u>
Basic and diluted earnings per share (GH¢)	<u><b>(0.0205)</b></u>	<u><b>0.1241</b></u>

There were no potentially dilutive shares outstanding at 31 December 2013 or 2012. Diluted earnings per share are the same as basic earnings per share.

**24. Capital surplus account**

	<b>2013</b>	<b>2012</b>
At 1 January	21,861,622	4,981,727
Revaluation surplus	-	19,858,700
Deferred income tax charge (Note 17 (b))	<u>-</u>	<u>(2,978,805)</u>
<b>At 31 December</b>	<u><b>21,861,622</b></u>	<u><b>21,861,622</b></u>

The capital surplus account is the reserve account for the revaluation of the Company's land and buildings. The revaluation surplus arose from an independent professional valuation of the Company's land and buildings. The latest valuation was performed on 30 November 2012. The reserve was not available for distribution to the shareholders of the Company at the reporting date.

**25. Income surplus account**

	<b>2013</b>	<b>2012</b>
At 1 January	15,541,113	9,727,220
(Loss)/profit for the year	(1,027,171)	6,214,660
Dividend declared for 2012	(751,440)	-
Dividend declared for 2011	<u>-</u>	<u>(400,767)</u>
<b>At 31 December</b>	<u><b>13,762,502</b></u>	<u><b>15,541,113</b></u>

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**26. Cash (used in)/generated from operations**

	2013	2012
(Loss)/profit before income tax	(1,461,297)	7,778,406
Depreciation charge	1,151,679	546,161
Amortisation of intangible assets	36,804	-
(Profit)/loss on disposal of property, plant and equipment	(10,339)	93,515
Finance income	(140,812)	(257,580)
Finance costs	1,478,520	67,696
Fair value gains on investment properties	-	(3,807,900)
Decrease/(increase) in inventories	3,963,916	(13,729,654)
Decrease/(increase) in trade and other receivables	13,695	(987,605)
(Decrease)/increase in trade and other payables	<u>(9,435,079)</u>	<u>20,265,845</u>
<b>Cash (used in)/generated from operations</b>	<b><u>(4,402,913)</u></b>	<b><u>9,968,884</u></b>

**27. Cash and cash equivalents**

Cash in hand	8,630	11,650
Cash at bank	5,687,587	4,012,959
Treasury bills	-	<u>2,207,258</u>
	<u>5,696,217</u>	<u>6,231,867</u>

Cash and cash equivalents include the following for the purposes of statement of cash flows:

	2013	2012
Cash and cash equivalents	5,696,217	6,231,867
Bank overdrafts	<u>(923,835)</u>	-
	<u>4,772,382</u>	<u>6,231,867</u>

**28. Commitments****Capital commitments**

There were no capital commitments at the reporting date (2012: Nil).

**Operating lease commitments**

The Company leases various outlets under non-cancellable operating lease. The lease terms are between 5 and 10 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2013	2012
Not later than 1 year	66,234	65,021
Later than 1 year and not later than 5 years	200,899	197,059
Later than 5 years	<u>150,674</u>	<u>182,515</u>

**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**29. Contingent liabilities**

There were no contingent liabilities at the reporting date (2012: Nil).

**30. Financial risk management**

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The primary risks faced by the Company are exchange rate risk and credit risk.

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

**(a) Market risk management**

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

**(i) Sensitivity analysis – currency risk**

The Company seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies. The Company imports vehicles, spare parts and equipment from overseas and therefore is exposed to foreign exchange risk arising from Euro, GBP and USD exposures. Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for purchases of motor vehicles and farm machinery. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

At 31 December 2013, if the currency had weakened/strengthened by 1% against the Euro with all other variables held constant, post tax profit for the year would have been GH¢42,051 (2012: GH¢46,619) lower/higher, mainly as a result of Euro denominated trade payables and bank balances.

At 31 December 2013, if the currency had weakened/strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been GH¢100,233 (2012: GH¢153,912) higher/lower, mainly as a result of US dollar denominated trade payables and bank balances.

The Company hedges the currency risk using the practice stated above in order to mitigate currency risk as a result of changes in foreign exchange rates.

**(ii) Sensitivity analysis - interest rate risk**

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

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

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

The Company calculates the impact on profit or loss of a defined interest rate shift. Based on the simulation performed, the impact on post-tax profit of a 1% shift would be a maximum increase or decrease in finance cost of GH¢8,734 (2012: GH¢677) per annum.

**NOTES (continued)**

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(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**30. Financial risk management (continued)****(b) Credit risk management**

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

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2013 and 2012 is the carrying value of the trade receivables, staff receivables and cash and cash equivalents in the statement of financial position.

**(i) Trade receivables**

The carrying value of trade receivables comprise:

	2013	2012
Neither past due nor impaired	6,171,658	6,402,788
Past due but not impaired	<u>703,032</u>	<u>588,198</u>
	<u>6,874,690</u>	<u>6,990,986</u>

At 31 December 2013, trade receivables of GH¢20,871 (2012: GH¢337,282) were impaired and fully provided for. Trade receivables past due but not impaired were in arrears up to 6 months.

The Company extends credit to customers up to one year. Irrecoverable debts are assessed on case by case basis. As of 31 December 2013, trade receivables amounting to GH¢16,674 (2012: GH¢19,541) were written off as irrecoverable debt in profit or loss.

**(ii) Staff receivables**

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

**(iii) Cash and cash equivalents**

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

**(c) Liquidity risk management**

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

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

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

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

Details of bank overdrafts and loan facilities taken on by the Company are shown in Notes 21.

**NOTES (continued)**

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(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**30. Financial risk management (continued)****(c) Liquidity risk management (continued)****Maturity analysis of financial liabilities**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows.

	<b>Less than 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>
<b><u>At 31 December 2013</u></b>				
Bank loan	1,969,398	4,552,463	1,521,734	1,196,036
Bank overdraft	923,835	-	-	-
Trade and other payables	<u>23,899,569</u>	-	-	-
	<b><u>26,792,802</u></b>	<b><u>4,552,463</u></b>	<b><u>1,521,734</u></b>	<b><u>1,196,036</u></b>
<b><u>At 31 December 2012</u></b>				
Bank loan	15,791	47,372	872,293	103,773
Trade and other payables	<u>33,517,908</u>	-	-	-
	<b><u>33,533,699</u></b>	<b><u>47,372</u></b>	<b><u>872,293</u></b>	<b><u>103,773</u></b>

**(d) Management of capital**

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The Company's strategy, which remained unchanged during the year, was to maintain a gearing ratio of less than 45%. The gearing ratios at 31 December 2013 and 2012 were as follows:

	<b>2013</b>	2012
Borrowings (Note 21)	<b>9,713,175</b>	932,900
Less: Cash and cash equivalents (excluding overdrafts)	<b><u>(5,696,217)</u></b>	<u>(6,231,867)</u>
Net (cash)/debt	<b>4,016,958</b>	(5,298,967)
Total equity	<b><u>38,395,610</u></b>	<u>40,174,221</u>
<b>Total capital</b>	<b><u>42,412,568</u></b>	<b><u>34,875,254</u></b>
<b>Gearing ratio</b>	<b><u>9.48%</u></b>	<u>Nil</u>

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**30. Financial risk management (continued)****(e) Fair value of financial assets and liabilities**

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in an arms-length transaction between willing parties. The methods and assumptions used to calculate fair values can be summarised as follows:

***Current assets and liabilities***

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

***Borrowings***

The estimated fair value of bank loans not quoted in an active market is based on discounted cash flows using three months LIBOR (USD) plus 6.25% at the reporting date. The estimated fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

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

**At 31 December 2013**

	<b>Loans and receivables</b>	<b>Other liabilities amortised cost</b>	<b>Total</b>	<b>Fair value</b>
Trade and other receivables	7,358,235	-	<b>7,358,235</b>	<b>7,358,235</b>
Cash and bank balances	<u>5,696,217</u>	-	<u><b>5,696,217</b></u>	<u><b>5,696,217</b></u>
<b>Total financial assets</b>	<u><b>13,054,452</b></u>	-	<u><b>13,054,452</b></u>	<u><b>13,054,452</b></u>
Trade and other payables	-	23,899,569	<b>23,899,569</b>	<b>23,899,569</b>
Bank overdraft	-	923,835	<b>923,835</b>	<b>923,835</b>
Bank loans	-	<u>8,789,340</u>	<u><b>8,789,340</b></u>	<u><b>8,706,599</b></u>
<b>Total financial liabilities</b>	-	<u><b>33,612,744</b></u>	<u><b>33,612,744</b></u>	<u><b>33,530,003</b></u>

**At 31 December 2012**

Trade and other receivables	7,411,491	-	7,411,491	7,411,491
Cash and bank balances	<u>6,231,867</u>	-	<u>6,231,867</u>	<u>6,231,867</u>
<b>Total financial assets</b>	<u><b>13,075,323</b></u>	-	<u><b>13,643,358</b></u>	<u><b>13,643,358</b></u>
Trade and other payables	-	33,517,908	33,517,908	33,517,908
Bank loans	-	<u>923,835</u>	<u>923,835</u>	<u>932,462</u>
<b>Total financial liabilities</b>	-	<u><b>34,441,743</b></u>	<u><b>34,441,743</b></u>	<u><b>34,450,370</b></u>

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**31. Segmental reporting**

Management has determined the operating segments based on the franchise held at each reporting date. The Company's primary reporting segments are based on products under the franchise, namely BMW, Ford, Massey Ferguson, and servicing of vehicles.

<u>Year ended 31 December 2013</u>	<b>BMW</b>	<b>Ford</b>	<b>Massey Ferguson</b>	<b>Servicing</b>	<b>Total</b>
Revenue	8,762,722	20,875,119	638,577	7,633,217	<b>37,909,635</b>
Rental income	-	-	-	-	<b>501,221</b>
Cost of sales	<u>(6,055,976)</u>	<u>(15,153,302)</u>	<u>(426,236)</u>	<u>(5,968,434)</u>	<b><u>(27,603,948)</u></b>
<b>Gross profit</b>	<b><u>2,706,746</u></b>	<b><u>5,721,817</u></b>	<b><u>212,341</u></b>	<b><u>1,664,783</u></b>	<b>10,806,908</b>
Operating costs					<b>(11,963,478)</b>
Other income					<b><u>1,032,981</u></b>
<b>Operating loss</b>					<b>(123,589)</b>
Finance income					<b>140,812</b>
Finance costs					<b><u>(1,478,520)</u></b>
<b>Loss before income tax</b>					<b>(1,461,297)</b>
Income tax credit					<b><u>434,126</u></b>
<b>Loss for the year</b>					<b><u>(1,027,171)</u></b>
<u>Year ended 31 December 2012</u>					
Revenue	4,470,597	31,162,037	3,719,998	7,116,882	46,469,514
Rental income	-	-	-	-	481,934
Cost of sales	<u>(3,394,164)</u>	<u>(23,532,994)</u>	<u>(2,790,635)</u>	<u>(6,074,466)</u>	<b><u>(35,792,259)</u></b>
Gross profit	<b><u>1,076,433</u></b>	<b><u>7,629,043</u></b>	<b><u>929,363</u></b>	<b><u>1,042,416</u></b>	11,159,189
Operating costs					<b>(8,140,154)</b>
Other income					<b><u>4,569,487</u></b>
Operating profit					7,588,522
Finance income					257,580
Finance costs					<b><u>(67,696)</u></b>
Profit before income tax					7,778,406
Income tax expense					<b>(1,563,746)</b>
Profit for the year					<b><u>6,214,660</u></b>



**Mechanical Lloyd Company Limited**

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**NOTES (continued)**

(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

**31. Segmental reporting (continued)**

The Chief operating decision maker in assessing the performance of the reportable segments does not allocate assets and liabilities to these segments but rather manages the financial position in totality.

There is no revenue from a single customer which exceeds 10% of total revenue.

**32. Related party transactions**

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	<b>2013</b>	2012
Salaries	<b>944,606</b>	871,373
Defined contributions scheme	<b><u>50,885</u></b>	<u>62,417</u>
	<b><u>995,491</u></b>	<u>933,790</u>
<b>Directors' remuneration</b>		
Fees for services as a director	<b>144,200</b>	129,035
Other emoluments (included in key management compensation above)	<b><u>319,489</u></b>	<u>270,887</u>
	<b><u>463,689</u></b>	<u>399,922</u>

**Mechanical Lloyd Company Limited**

Shareholders' information

Year ended 31 December 2013

**SHAREHOLDERS INFORMATION****1. Details of 20 largest shareholders**

The twenty largest shareholders in the Company and the respective number of shares held at 31 December 2013 are as follows:

<b>Names</b>	<b>Number of shares</b>	<b>% Shareholding</b>
Mr Terence R.K. Darko	15,024,381	29.99
Mega Africa Capital Ltd	3,700,000	7.39
Mr. Michael O. Darko	2,441,600	4.87
Mr. D. M. Darko	1,925,000	3.84
Mr. G. A. Darko	1,925,000	3.84
K. Y. Darko – O’Kell	1,925,000	3.84
Mr T. R. Darko	1,925,000	3.84
BBGM/ Mega African Capital	1,862,700	3.72
Mr. C. N. Darko	1,198,752	2.39
Ms S. A. Darko	1,198,745	2.39
Ms R. J. Darko	961,305	1.92
Ms Caroline B. Darko	845,967	1.69
Ms E. A. Darko	600,000	1.20
Coco-Mutual Fund Trust	583,200	1.16
Mr. Daniel Ofori	554,300	1.11
Alpine Properties Limited	550,700	1.10
Zigma Investment Club	526,600	1.05
Ms Lucy S. Darko	508,465	1.01
Ms Esther S. Darko	504,561	1.01
Mr C. S. Aidoo	488,000	0.97
Reported totals	39,249,276	78.35
Not reported	<u>10,864,649</u>	<u>21.65</u>
	<u>50,095,925</u>	<u>100.00</u>

**2. Number of shareholders**

The number and distribution of ordinary shareholders with equal voting rights as at 31 December 2013 was as shown below:

	<b>No. of holders</b>	<b>Total holding</b>	<b>% Holdings</b>
1 - 1,000	3,187	1,313,266	2.62
1,001 - 5,000	709	1,560,118	3.11
5,001 - 10,000	104	820,572	1.64
10,001 and above	<u>131</u>	<u>46,401,969</u>	<u>92.63</u>
	<u>4,131</u>	<u>50,095,925</u>	<u>100.00</u>