



PRESS RELEASE

PR. No. 460/2020

**MECHANICAL LLOYD PLC (MLC) -
UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDING 30 SEPTEMBER 2020**

MLC has released its Unaudited Financial Statements for the third quarter ending September 30, 2020 as per the attached.

Issued in Accra, this 3rd
day of November, 2020.

- E N D -

att'd.

Distribution:

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

For enquiries, contact:

Head Listing, GSE on 0302 669908, 669914, 669935

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MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

CORPORATE INFORMATION

Directors	Terrence Ronald Darko Kalysta Darko O'kell Andrew Lawson Kofi Asamoah Kwesi Amonoo-Neizer Joseph Hyde Jr.	(Chairman) (Managing Director)
Secretary	Joseph Hyde Jr.	
Solicitor	Gaisie Zwennes Hughes & Co Calton House Anumansa Street Osu Re P O Box 3238 Accra	
Registered office	No 2 Adjuma Crescent Ring Road West South Industrial Area P O Box 2086 Accra	
Auditors	PricewaterhouseCoopers Chartered Accountants PwC Tower A4 Rangoon Lane, Cantonments City PMB CT42, Cantonments Accra	
Registrars	Universal Merchant Bank Limited Registrar's Department P O Box 401 Accra	
Bankers	ABSA Bank Ghana Limited Stanbic Bank Ghana Limited Universal Merchant Bank (Ghana) Limited Fidelity Bank Limited Zenith Bank Ghana Limited Ecobank Ghana Limited	

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

FINANCIAL HIGHLIGHTS - UNAUDITED

	2020 GHS	2019 GHS
Revenue	17,028,128	21,918,273
(Loss) /Profit before Income Tax	(5,201,472)	(2,687,786)
(Loss) /Profit after Income Tax	(5,201,472)	(2,688,819)
Retained Profit	(5,201,472)	(2,688,819)
Shareholders' Funds	74,382,082	27,713,561
Capital Expenditure	132,908	1,748
Total Assets	<u>124,771,765</u>	<u>58,470,276</u>
Earnings per share (GHS)	(0.1038)	(0.0537)
Net assets per share(GHS)	<u>1.4848</u>	<u>0.5532</u>

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

REPORT OF THE DIRECTORS

The directors submit their report together with the unaudited financial statements of the Company for the Nine months period Ended 30 September 2020

Statement of directors' responsibilities

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

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

Nature of business

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

Financial results

The financial results of the company are set out below:

	2020 GHS
Loss before tax for the period ended 30 September 2020	(5,201,472)
from which is deducted a tax expense	-
giving a loss after tax for the period of	(5,201,472)
to which is added balance brought forward on income surplus account of	561,099
giving a balance of	<u>(4,640,373)</u>
Dividend paid	0
which leaves a balance carried forward on income surplus account of	<u><u>(4,640,373)</u></u>

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

REPORT OF THE DIRECTORS (continued)

The Company's net worth increased from GHS 27.7 million as at 1 October 2019 to GHS 74.3million at the end of September 2020

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

By order of the board

Director :



Director :



Date :

30 October, 2020

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

CORPORATE GOVERNANCE

Introduction

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

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

Board of Directors

The responsibility of good corporate governance is placed in the hands of the Board of Directors and the Management Team. The board comprises seven directors. The directors are knowledgeable individuals with experience in the automobile industry as well as in their fields of discipline.

The Audit Committee

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

System of Internal Control

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

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

Code of Business Ethics

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

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

Unaudited Statement of Comprehensive Income

(All amounts are in Ghana cedis)

		Period Ended 30 September	
	Note	2020 GHS	2019 GHS
Revenue	4	17,028,128	21,918,273
Cost of Sales	5	<u>(13,840,589)</u>	<u>(16,180,849)</u>
Gross Profit		3,187,539	5,737,424
Administrative Costs	6	<u>(6,754,945)</u>	<u>(7,665,070)</u>
Other Income	7	<u>139,782</u>	<u>1,030,955</u>
Operating(Loss) / Profit		<u>(3,427,624)</u>	<u>(896,691)</u>
Finance income	8(a)	20,217	20,636
Finance costs	8(b)	<u>(1,794,064)</u>	<u>(1,811,731)</u>
(Loss)/Profit before income tax		<u>(5,201,472)</u>	<u>(2,687,786)</u>
Income Tax Expense	16	-	<u>(1,033)</u>
Loss after income tax		<u>(5,201,472)</u>	<u>(2,688,819)</u>
Total Comprehensive income for the quarter		<u>(5,201,472)</u>	<u>(2,688,819)</u>
Earnings per share			
Basic and diluted earnings per share	20	<u>(0.1038)</u>	<u>-0.0537</u>

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

UN-AUDITED STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in Ghana cedis)

	Note	2020 GHS	2019 GHS
NON CURRENT ASSETS			
Property, plant and equipment	10	97,074,088	33,572,917
Prepaid operating lease-land	11	2,183,215	2,163,215
Intangible Assets	12	228,828	248,880
		<u>99,486,131</u>	<u>35,985,012</u>
CURRENT ASSETS			
Inventories	13	12,537,194	12,793,468
Trade and other receivables	14	4,243,220	5,940,316
Bank and Cash Balances	24(a)	2,532,621	2,751,880
		<u>19,313,035</u>	<u>22,485,264</u>
Non-current assets held for resale		<u>5,972,599</u>	<u>0</u>
TOTAL ASSETS		<u>124,771,765</u>	<u>58,470,277</u>
EQUITY			
Stated capital	19	2,771,486	2,771,486
Capital surplus account	21	76,250,969	19,289,666
Income surplus account	22	(4,640,373)	5,652,409
TOTAL EQUITY		<u>74,382,082</u>	<u>27,713,561</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax	15(b)	21,448,141	2,859,940
		<u>21,448,141</u>	<u>2,859,940</u>
CURRENT LIABILITIES			
Current income tax	15(a)	1,722,487	1,733,500
Trade and other payables	17	16,493,587	15,359,866
Borrowings	24(b)	2,949,948	3,027,891
Loan	18	7,775,519	7,775,519
		<u>28,941,541</u>	<u>27,896,776</u>
TOTAL LIABILITIES		<u>50,389,682</u>	<u>30,756,716</u>
TOTAL EQUITY AND LIABILITIES		<u>124,771,765</u>	<u>58,470,277</u>

Name of Director: KALYSTA DARKO-O'KELL

Signature:



Name of Director: JOSEPH N. A. HYDE JR.

Signature:



MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

UN-AUDITED STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in Ghana cedis)

	Note	Stated Capital	Capital Surplus	Income Surplus	Total
Balance at 1 January 2020		2,771,486	76,250,969	561,099	79,583,554
Total comprehensive income for the quarter		-	-	(5,201,472)	(5,201,472)
Revaluation Surplus		-	-	-	-
Approved dividend paid for the quarter		-	-	-	-
At 30 September 2020		<u>2,771,486</u>	<u>76,250,969</u>	<u>(4,640,373)</u>	<u>74,382,082</u>

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

UN-AUDITED STATEMENT OF CASH FLOW

(All amounts are expressed in Ghana cedis)

	Notes	2020 GHS	2019 GHS
Operating activities			
Cash generated from operations	23	3,223,867	1,613,956
Interest received		20,217	20,636
Interest paid		(1,794,064)	(1,811,731)
Tax paid		(9,980)	(132,864)
Net cash generated from operating activities		1,440,040	(310,003)
Investing activities			
Purchase property, plant and equipment		(132,908)	(1,748)
Proceeds from disposal of assets			393,908
Net cash used in investing activities		(132,908)	392,159
Net Increase/(Decrease) in cash and cash equivalents		1,307,132	82,157
Movement in cash and cash equivalents			
At start of year		(1,724,459)	(358,568)
Increase/(Decrease)		1,307,132	82,157
At end of quarter		(417,327)	(276,411)

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

NOTES

1. General information

Mechanical Lloyd PLC (the "Company") is a public limited liability company, listed on the Ghana Stock Exchange and incorporated and domiciled in Ghana. The address of its registered office is No. 2 Adjuma Crescent, Ring Road West, South Industrial Area, and P. O. Box 2086, Accra.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

(i) Statement of compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment which are measured at fair value.

(iii) New and amended standards adopted by the Company

The Company has applied the following standards for the first time for the reporting period commencing on 1 January 2019.

IFRS 16 "Leases"

The Company adopted IFRS 16 during the year and changed its accounting policy for leases where the Company is a lessee. IFRS 16 removes the distinction between operating and finance leases as was the case up to 31 December 2018 and requires recognition of an asset (right of use the leased item) a financial liability to pay rentals for virtually all lease contracts.

In adopting the standard, the Company exempted certain lease contracts in accordance with the optional exemption which exists for short term and low-value leases. The adoption of the standard did not have any significant impact on the Company's financial statements.

IFRIC 23, "Uncertainty over income tax treatments"

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities when there is uncertainty over a tax treatment. The adoption of IFRIC 23 did not result in any material impact on the financial statements.

The following improvements were finalised in December 2017 and effective for accounting period beginning on or after 1 January 2019. These did not have any material impact on the results or financial position of the Company and its subsidiary for the year ended 31 December 2019.

IFRS 3 Business Combinations - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

- IFRS 11 Joint Arrangements - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 Disclosure of Interests in Other Entities - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 Borrowing Costs - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings

The directors have assessed the effects of other new and amended standards and interpretations that are effective for reporting period commencing 1 January 2019, and have determined that the new and amended standards and interpretations do not have any material impact on the Company's financial statements or are not relevant to the Company.

(v) New standards, amendments and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. Those that are likely to have an impact on the Company's financial statements when the standards become effective are set out below:

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

(v) New standards, amendments and interpretations not yet adopted by the Company (continued)

Definition of Material – Amendments to IAS 1 and IAS 8 (continued)

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

These standards are mandatory for financial years commencing on or after 1 January 2020.

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 Foreign currency translation

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 and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates 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 generally 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 'administrative costs'.

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

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

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

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

Leasehold land	Over the lease period
Buildings	21/2 – 4%
Plant and machinery	10%
Furniture and equipment	10 - 331/3%
Computers	331/3%
Motor vehicles	15% – 20%

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

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

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

2.4 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.

2.5 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 separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cashgenerating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.6 Leases

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2.7 Inventories

Vehicles, spare parts and other inventory are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. 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. The cost of work in progress comprises cost of spares, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Borrowing costs are not included in the cost of inventories.

2.8 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

2.9 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal (for non-interest bearing financial assets) or solely payment of principal and interest (for interest bearing financial assets).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

The Company did not have any financial assets subsequently measured at fair value at the reporting date.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures its financial assets at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurements depends on the Company's business model in managing the asset and the cash flow characteristics of the asset.

Currently, the Company's financial assets are classified in the measurement category of financial assets at amortised cost.

Financial assets at amortised cost

Financial assets at amortised cost are those assets which are held only for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any impairment losses charged to profit or loss. Trade and other receivables, and cash and bank balances are classified as financial assets at amortised cost.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. 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.

2.10 Trade receivables

Trade receivables are amounts due from customers for merchandise sold 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 allowance for impairment. The Company holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost. The impairment allowance is determined using the expected credit loss model by considering cash short falls in various default scenarios.

Receivables for which an impairment provision have been recognised are written off against the provision

2.11 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.

2.12 Stated capital and dividend

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

2.13 Financial liabilities

Financial liabilities comprise trade and other payables (excluding provisions), and borrowings. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

2.14 Offsetting financial instruments

Offsetting of financial assets and liabilities is applied 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. The net amount is reported in the statement of financial position.

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 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.

2.17 Income tax

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

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates 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.

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 income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of goodwill 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 asset is realised, or the 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.

2.18 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.

2.19 Employee benefits

Short-term employment of benefits

Short-term employee benefits, such as salaries and other benefits, are accounted for on an accrual basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably.

Retirement benefit obligations

The Company operates defined contribution retirement benefit schemes for its employees. The Company and all its employees contribute to a defined contribution plan.

A defined contribution plan is a pension scheme 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.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

2.20 Revenue from contracts with customers

Sale of vehicles and parts

The Company retails vehicles and parts. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer. Delivery occurs when the goods have been made available at the specified location, the risks of obsolescence and loss have been transferred to the customer, and there are no unfulfilled obligations that could affect the customer's acceptance of the products. Payment of the transaction price is due immediately when the customer purchases and takes delivery of the goods. It is the Company's policy to sell its products to the end customer with no right of return. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Servicing

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts (sold under the extended service plan (ESP) for Ford and BMW servicing inclusive (BSI) for BMW, revenue is recognised based on the actual service provided to the end of the reporting period as a For fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. Customers are invoiced on a regular basis and consideration is payable when invoiced.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Financing components

No significant element of financing is deemed present as all sales are made within credit terms, which is consistent with the market practice. The Company does not operate any loyalty programmes. The Company does not expect to have any contracts where the period between the transfer of the products to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

2.21 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.

2.22 Segment reporting

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

3 Critical estimates, judgements and errors

3.1 Critical accounting estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

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

Income taxes

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

Fair value of property, plant and equipment

Management has adopted a five year cycle to assess fair values of property, plant and equipment. The fair

value was determined by using the higher of replacement cost and income valuation techniques. The calculation of fair value using income valuation technique is subject to the following key assumptions: Discount rate of 16.87% and forced sale value at 70%.

3.2 Critical judgements in applying the entity's accounting policies

Expected credit loss provision

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses, trade receivables have been grouped based on similar credit risk characteristics and the days past due. The expected loss rates are based on payment profile of sales over 24 months and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic indicators affecting the ability of customers to settle outstanding receivables. The Company considered rate of depreciation of the Ghana cedi against the major foreign currencies, mainly the Euro, and accordingly adjust the historical loss rates based on the expected changes in the rate of depreciation.

Note 30.2 sets out how the loss allowance as at 31 December 2019 was determined.

Non-current assets held for sale

Non-current asset held for sale is in respect of the Company's branch building in Takoradi in the course of disposal. The disposal process commenced in December 2019 and the transaction met the recognition and measurement criteria under IFRS 5. The property has been presented as non-current asset held for sale at the reporting date because the directors are of the opinion that the sale will be concluded before the end of the 2020 financial year.

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

10 Property, plant and equipment

Cost/Valuation	Buildings GHS	Plant And Machinery GHS	Furniture and Equipment GHS	Computers GHS	Motor Vehicle GHS	Total GHS
At 1 January 2020	98,307,000	563,120	3,114,410	1,190,899	2,526,249	105,701,678
Additions	10,631				102,276	112,908
At 30 September 2020	98,317,631	563,120	3,114,410	1,190,899	2,628,525	105,814,586
Accumulated depreciation						
At 1 January 2020	1,865,015	339,408	1,819,139	996,994	1,308,036	6,328,592
Charge for the year	2,135,412	10,172	66,448	48,133	151,741	2,411,905
At 30 September 2020	4,000,427	349,580	1,885,587	1,045,127	1,459,777	8,740,497
Net book value						
At 30 September 2020	94,317,204	213,540	1,228,823	145,772	1,168,748	97,074,088

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

	2020 GHS	2019 GHS
At 1 January	2,163,215	2,163,215
Additions	20,000	0
At 30 September	<u>2,183,215</u>	<u>2,163,215</u>

12 Intangible Assets - Software Package
Cost

At 1 January	959,834	959,834
Additions	0	0
At 30 September	<u>959,834</u>	<u>959,834</u>

Amortisation

At 1 January	718,605	692,445
Charge for the year	12,401	18,509
At 30 September	<u>731,006</u>	<u>710,954</u>

Net Book Value 30 September

	<u>228,828</u>	<u>248,880</u>
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13 Inventories

	2020 GHS	2019 GHS
Trade inventories	11,774,164	11,966,324
Goods In transit	590,965	591,233
Work-in-progress	89,749	150,000
Non trade inventories	82,315	85,911
	<u>12,537,194</u>	<u>12,793,468</u>

14 Trade and other receivables

Trade receivables	3,608,248	4,139,314
Staff debtors	92,482	384,753
Prepayments	163,155	182,405
Other Debtors	379,334	355,405
	<u>4,243,220</u>	<u>5,061,877</u>

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

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

15 Income Tax

(a) Current income tax	Balance at January 2020 GHS	Payments GHS	Charge for the period GHS	Balance at September 2020 GHS
Up to 2019	1,732,467	(9,980)	-	1,722,487
	<u>1,732,467</u>	<u>(9,980)</u>	<u>-</u>	<u>1,722,487</u>
(b) Deferred income tax				
Property, plant and equipment on historical cost basis	1,245,911			1,245,911
on revaluation surpluses	25,416,990			25,416,990
Intangible assets	60,307			60,307
Carry forward tax losses	(4,000,913)			(4,000,913)
Provision for doubtful debts	(626,643)			(626,643)
Other Provisions	(31,330)			(31,330)
Finance Cost	(616,181)			(616,181)
	<u>21,448,141</u>	<u>-</u>	<u>-</u>	<u>21,448,141</u>

16 Income tax expense

	2020	2019
Current tax (Note 16(a))	0	1,033
Deferred tax (Note 16(b))	0	0
	<u>0</u>	<u>275</u>

17 Trade and other payables

	2020	2019
Trade creditors	15,039,289	11,917,427
Accrued charges	1,154,761	1,001,500
Sundry payables	299,538	562,500
	<u>16,493,587</u>	<u>13,481,427</u>

18 Loans

	Balance at 01/01/2020	Drawdown	Repayment	Exchange Rate Adjustment	Balance at 30/09/2020
Bank loan	7,775,519	0	0	0	7,775,519

19 Stated capital

The number of authorised shares of the Company is 100,000,000 ordinary shares of no par value out of which 50,095,925 (2019: 50,095,925) have been issued as follows:

	2020 No. of shares	2019 No. of shares	2020 GHS	2019 GHS
Issued for cash	11,426,643	11,426,643	47,792	47,792
Rights issue	34,011,865	34,011,865	2,708,790	2,708,790
Transfer from income surplus	4,657,417	4,657,417	14,904	14,904
	<u>50,095,925</u>	<u>50,095,925</u>	<u>2,771,486</u>	<u>2,771,486</u>

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

20 Earnings per share

	2020	2019
(Loss)/Profit after tax	<u>(5,201,472)</u>	<u>(2,688,819)</u>
Number of ordinary shares (Number)	<u>50,095,925</u>	<u>50,095,925</u>
Basic and diluted earnings per share (GHS)	<u>(0.1038)</u>	<u>(0.0537)</u>

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

MECHANICAL LLOYD PLC

Report for the Nine months period Ended 30 September 2020 (Unaudited)

21 Capital surplus account	2020	2019
	GHS	GHS
Balance at 1 January	76,250,969	19,289,666
Revaluation Surplus	0	56,961,303
Balance at 30 September	<u>76,250,969</u>	<u>76,250,969</u>

The revaluation surplus account has arisen from independent revaluations of the company's land and buildings, the latest of which was performed on 30 November 2019. The reserve is not available for distribution to the shareholders of the Company.

22 Income surplus account	2020	2019
	GHS	GHS
Balance at 1 January	561,099	8,341,228
Loss for the period	(5,201,472)	(2,688,819)
Approved dividend paid during the quarter	0	0
Balance at 30 September	<u>(4,640,373)</u>	<u>5,652,409</u>

23 Cash generated from operations	2020	2019
	GHS	GHS
(Loss)/Profit before tax	(5,201,472)	(2,687,786)
Depreciation charge	2,411,905	996,360
Amortisation of intangible assets	12,401	18,509
Finance income	(20,217)	(20,636)
Finance cost	1,794,064	1,811,731
Profit on disposal of assets	0	(108,248)
Change in working capital		
Decrease/(Increase) in inventories	2,785,201	6,256,340
Decrease/(Increase) in trade and other receivables	1,141,164	(2,010,226)
(Decrease)/Increase in trade and other payables	300,819	(2,642,088)
Cash generated from operations	<u>3,223,867</u>	<u>1,613,956</u>

24 Cash and cash equivalents

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

	2020	2019
	GHS	GHS
Bank and cash balances	<u>2,532,621</u>	<u>2,751,480</u>
	<u>2,532,621</u>	<u>2,751,480</u>

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

Cash and cash equivalent	<u>2,532,621</u>	2,751,480
Bank Overdraft	<u>(2,949,948)</u>	(3,027,891)
	<u>(417,327)</u>	<u>(276,411)</u>