

2013

ANNUAL REPORT

& FINANCIAL STATEMENTS





Mega African Capital Ltd

MEGA AFRICAN CAPITAL LTD.

**2013 ANNUAL REPORT &
FINANCIAL STATEMENTS**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN of the Fifth Annual General Meeting of the Shareholders of **MEGA AFRICAN CAPITAL LIMITED** (the "Company") to be held on **Thursday, 5th June, 2014 at 10 a.m at the Zero Room, Physicians & Surgeons, Ridge Accra.**

AGENDA:

1. Consideration and adoption of the Audited Accounts of the Company for the year ended 31st December, 2013, and the Reports of the directors and Auditors
2. To re-elect Directors
3. To elect Directors
4. To approve Directors Fees
5. To authorize Directors to determine the remuneration of the Auditors

PROPOSED RESOLUTIONS:

1. To consider and if thought fit, to pass the following as Special Resolution:-
 - a. That the Objectives of the Company be changed to: "the nature of the businesses which the company is authorised to carry on is the development, purchase, sale and rental of real estate and investment in equities and fixed income instruments."

Dated this 16th Day of April, 2014 in Accra.

Trustee Services Limited

.....
Company Secretary

By Order of the Board of Directors

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.

Content

NOTICE OF MEETING	04
DIRECTORS, OFFICIALS AND REGISTERED OFFICES	06
FINANCIAL HIGHLIGHTS	07
CHAIRMAN'S REVIEW	08
REPORT OF DIRECTORS	10
STATEMENT OF DIRECTORS' RESPONSIBILITIES	11
REPORT OF INDEPENDENT AUDITORS	12
STATEMENT OF COMPREHENSIVE INCOME	14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF CASH FLOW	17
NOTES TO THE FINANCIAL STATEMENTS	18
SHAREHOLDERS' INFORMATION	31
FIVE YEAR FINANCIAL SUMMARY	32
PROXY FORM	33

Directors, Officials And Registered Offices

BOARD OF DIRECTORS

Kofi Ampim - Chairman
Opoku-Gyamfi Boateng - Director
Kwesi Amonoo-Neizer – Managing Director
Eugene Addison - Director
Margaret Boateng-Sekyere - Director

COMPANY SECRETARY

Trustee Services Limited
3rd Floor, Teachers' Hall Complex
Education Loop (Off Barnes Road)
P.O. Box 118, Accra

REGISTERED OFFICE

H/no 4/3 BAE, Baatsonaa Estate
P. O. Box CT 2197
Cantonments, Accra

AUDITORS

UHYVoscon Chartered Accountants
No. C806/4, Boundary Road,
Tudu, Accra
Adjacent to City Paints Supply
P. O. Box LA 476
La, Accra.

SOLICITORS

Bentsi-Enchill, Letsa and Ankomah
1st Floor, Teachers Hall
Education Loop (off Barnes Road)
P. O. Box GP 1632
Adabraka, Accra

BANKERS

Standard Chartered Bank (GH) Limited
SG-SSB Limited

Financial Highlights

(All amounts are expressed in thousands of Ghana Cedis unless otherwise stated.)
Year ended 31st December, 2013

	2013	2012	Change %
Revenue	10,146	2,392	324.2
Profit Before Income Tax	8,010	986	712.4
Income Tax Expense	104	53	96.2
Profit for the Year	7,906	933	747.4
Retained Earnings on account	9,013	1,108	718.1
Investments	7,969	9,361	(14.9)
Total Equity	20,834	12,928	61.2
Earnings per share (GHC)	1.0816	0.1276	747.8
Net Assets per share (GHC)	2.8508	1.7690	61.2

Chairman's Statement

Introduction

It is my pleasure to welcome you to the 5th Annual General Meeting of Mega African Capital. In 2013, the performance of your company shows that it has built on the successes of 2012. I am happy to present to you the annual report and Financial Statement for the year 2013.

My report will cover four main areas. At the outset I will touch on the political environment, the second part is an overview of the economy in 2013, and the third part is a review of the performance of the company. I will conclude by outlining our expectations for the economy and the stock market in 2014

Political Environment

After the Presidential and Parliamentary elections in December 2012, 2013 started with a challenge of the elections held and this was followed by eight months wait for the Supreme Court to adjudicate the case. Even though the process of political uncertainty and final acceptance by the electorate slowed down business and economic growth, it showed the world that Ghana was a mature democratic state.

Economic Review

The global economic conditions remained mixed in 2013, as recovery in advanced countries continued to be countered by a slowdown in emerging markets.

In 2013, Ghana recorded a fiscal deficit of 12% of GDP. In order to curb the fiscal deficit the Government put in place austerity measures and this included the introduction of new taxes and levies, removal of subsidies on petroleum products and an increase in utility tariffs (78.9% and 52% for water and electricity, respectively). There was the reintroduction of the national stabilization levy and the introduction of the communications tax.

By December 2013, Ghana's inflation was 13.5% above the targeted rate of 9%. The benchmark policy rate was 16% as at December, 2013. The 91 day Treasury bill decreased from 23.12% in December 2012 to 19.22% in December 2013. The one year and two year note averaged 21.2% and 21.4% respectively in 2013. Ghana's increasing imports and decreasing exports caused the cedi to depreciate 19.5% against the US dollar, 17.5% against the pound sterling and 20.2% against the euro.

Business Operation Review

The stock Market in Sub Saharan Markets generally performed well in 2013. The Ghanaian Stock Market made gains of 105%. The Malawian market registered gains of 142% with Tanzania Stock Market recording gains of 58%. The Tanzanian Shillings and Malawian Kwacha depreciated by 0.2% and 22% respectively against the dollar in 2013. The high returns on these stock markets translated into high capital gains on our portfolio of investments.

Total revenue increased by 324% from, GH¢2.39million to GH¢10.14 million. Net profit also increased by 747% from GH¢ 0.933million to GH¢ 7.90 million. There was a 61% increase in net assets from GH¢12.92 million in 2012 to GH¢20.83 million in 2013.

The top gainers in the portfolio were Cal Bank (155%), MLC (153.32%), Benso Oil (129.29%), CRDB (86.67%), and Societe Generale Ghana (56.25%). There were modest gains on Standard Chartered Bank (29.91%) and Nico Holdings (24.48%)

By the end of 2013, 52% of the total assets were held in equities, 22% in investment property and 20% in fixed income securities.

Outlook for 2014

The developments in commodity prices on the international markets continue to pose significant risks to external outlook with direct implications for the domestic economy.

The challenges faced by the Ghanaian economy in 2013 are expected to worsen in 2014. The high levels of fiscal deficits and high utility prices are expected to persist leading to higher inflation levels.

The targeted GDP growth rate in 2014 for Ghana is 8%. The government plans to achieve this by restructuring tax collection, stimulation of the growth sectors of the economy such as SMEs and the energy sectors and by maintaining its austerity program. However, the IMF projects a lower growth rate of about 5%.

In line with the austerity measures valued-added tax has been revised from 15% to 17.5%, while electricity and water tariffs have been increased by an additional 10% and 6.8% respectively since the beginning of 2014.

The Stock Market in Malawi is expected to be subdued until after the elections in May but should pick up after that. Low levels of liquidity in both Malawi and Tanzania stock markets should affect trading. In Ghana we expect the market to be sluggish as a result of the economic slowdown, the austerity measures being imposed by government and the increased macroeconomic instability.

Closing Comments

I am delighted to inform shareholders that on 23rd April 2014, Mega African Capital got listed on the stock exchange and it became the first business of its kind to be listed in Ghana. I believe it marks the dawn of a new era on the Ghana Stock Exchange.

Finally, I am grateful to my fellow directors and management of Mega Africa Capital for the hard work and commitment they have put in to grow Mega African Capital to its current position. I am also grateful to our cherished shareholders for keeping faith with Mega African Capital.



By the end of 2013, 52% of the total assets were held in equities, 22% in investment property and 20% in fixed income securities.



Report of Directors to the Members

We have the pleasure of presenting the annual report of the Company for the year ended December 31, 2013

Nature of Business

The Company is authorized to invest the funds of its members for their mutual benefit and arrange to hold for the management of assets acquired with such funds.

Results of Operations

The net increase in net asset resulting from operations for year of GH¢7,905,942 is shown in the attached financial statements, which resulted in a surplus of GH¢9, 013,453 (2012: GH¢1,107,511) to be carried forward on the retained earnings account as of December 31, 2013.

Directors

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

Kofi Ampim, Chairman, non-executive Director
Kwesi Amonoo-Neizer, Managing Director
Opoku-Gyamfi Boateng, Non-executive Director
Eugene Addison, Non-executive Director
Margaret Boateng Sekyere, Non-executive Director

The directors to retire by rotation in accordance with the regulations of the company are Opoku-Gyamfi Boateng and Margaret Boateng Sekyere who being eligible, offer themselves for re-election.

Directors and their interests

The directors named below held the following number of shares in the Company as at December 31, 2013.

Number of Shares

Kwesi Amonoo-Neizer	410,874
Opoku-Gyamfi Boateng	360,203
Eugene Addison	1,736
Margaret Boateng Sekyere	5,788

Directors' Interest in Contracts

Some of the Directors had consulting arrangements with the Company in 2013. Total amount paid during the year under these contracts amounted to GH¢25,054. Opoku-Gyamfi Boateng and Margaret Boateng Sekyere had consulting arrangements with Mega African Capital during 2013.

Auditors

Auditors for the year ended December 31, 2013 will be confirmed at the AGM in office pursuant to section 134 of the company's code, 1963 (Act 179). These financial statements were approved by the Board of Directors on April 16, 2014.

Signed on behalf of the board by:

Kwesi Amonoo-Neizer

DIRECTOR

Kofi Ampim

DIRECTOR

Statement of Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial year which give 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 applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards 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.

Kwesi Amonoo-Nire

DIRECTOR

Kampw

DIRECTOR

Report of Independent Auditors to the Members

We have audited the accompanying financial statements of Mega African Capital Limited on pages 14 to 30 which comprise the statement of financial position as at December 31, 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Directors' responsibility for the financial statements

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

Auditors' responsibilities

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

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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and report in the prescribed manner, information required by the Companies Code, 1963 (Act 179). The financial statements give a true and fair view of the financial position of the company as at December 31, 2013, and of its financial performance and statement of cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB).

Report on other legal and regulatory requirements

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

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. In our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
3. The statement of financial position and statement of comprehensive income of the Company are in agreement with the books of accounts.

UHY Voscon

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

For and on behalf of UHYVoscon (ICAG/F/086)

Chartered Accountants

Accra, Ghana

Date: April 9, 2014

Statement of Comprehensive Income

For the year ended December 31, 2013

	NOTE	2013 GH¢	2012 GH¢
Revenue			
Investment and Operating Income	3(a)	526,477	1,808,468
Gain/ (Loss) on Investments at Market Value	3(b)	9,619,677	583,868
Total Revenue		10,146,154	2,392,336
Expenses			
Administrative, legal & professional expenses	4	(826,866)	(703,295)
Net profit before finance costs and Tax		9,319,288	1,689,041
Finance Costs	5	(1,309,385)	(702,855)
		8,009,903	986,186
Corporate Tax	12	(103,961)	(53,492)
Profit for the year		7,905,942	932,694
Other Comprehensive Income			
Profit for the year		7,905,942	932,694
Total Comprehensive Income		7,905,942	932,694

Notes 1 to 21 form an integral part of these financial statements.

Statement of Financial Position

As at December 31, 2013

	NOTE	2013 GH¢	2012 GH¢
ASSETS			
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss	6(a)	14,842,675	11,910,182
Investment property	6(c)	6,350,000	3,618,951
Total Non-Current Assets		21,192,675	15,529,133
CURRENT ASSETS			
Financial assets held for trading	6(b)	5,816,080	4,064,118
Other account receivables	7	-	54,566
Trade receivables		96,250	-
Cash & Cash equivalents	8	1,581,788	761,913
Total Current Assets		7,494,118	4,880,597
TOTAL ASSETS		28,686,793	20,409,730
CURRENT LIABILITIES			
Accounts payable and accruals	9	87,396	74,618
Taxation		(32,095)	-
Tenured deposits	10	7,797,117	7,406,679
Total Current Liabilities		7,852,418	7,481,297
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS			
Stated capital	11	11,820,922	11,820,922
Retained earnings		9,013,453	1,107,511
Total Net Assets Attributable to shareholders		20,834,375	12,928,433
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS		28,686,793	20,409,730

Kwesi Amonus-Nire

DIRECTOR

Kampw

DIRECTOR

Notes 1 to 21 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended December 31, 2013

	Stated Capital GH¢	Retained Earnings GH¢	Total Equity GH¢
2013			
Balance as at January 1, 2013	11,820,922	1,107,511	12,928,433
Net profit for the year	-	7,905,942	7,905,942
Balance as at December 31, 2013	11,820,922	9,013,453	20,834,375

	Stated Capital GH¢	Retained Earnings GH¢	Total Equity GH¢
2012			
Balance as at January 1, 2012	11,211,868	174,817	11,386,685
Net profit for the year	-	932,694	932,694
Shares issued during year	385,017	-	385,017
Conversion of interest on preference shares to Ordinary shares	224,037	-	224,037
Balance as at December 31, 2013	11,820,922	1,107,511	12,928,433

Cash Flow Statement

For the year ended December 31, 2013

	NOTE	2013 GH¢	2012 GH¢
CASH FLOW FROM OPERATING ACTIVITIES	14	(1,638,680)	1,263,804
Tax paid		(136,056)	(59,093)
Cash flow from operating activities		(1,774,736)	1,204,711
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of financial assets		(7,865,373)	(9,361,454)
Sale of financial assets		10,069,546	873,180
Net Cash flow used in Investing Activities		2,204,173	(8,488,274)
NET CASH FLOW FROM FINANCING ACTIVITIES:			
Capital Contributions received from shareholders		-	609,054
Tenured deposit		390,438	5,473,175
Net cash flow from Financing Activities		390,438	6,082,229
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		819,875	(1,201,334)
CASH & BANK BALANCES			
at beginning of year Cash and bank		761,913	1,963,247
at end of year Cash and bank		1,581,788	761,913

Notes 1 to 21 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2013

NOTE 1 - NATURE OF BUSINESS

Mega African Capital Limited is an investment company domiciled and incorporated as a Private Limited liability Company in Ghana on 21 April 2008. It was converted from a private company into a public company on 19th October, 2011; The Company has applied to list its shares on the Ghana Stock Exchange.

The nature of the Company's operations and its principal activities are as follows:

- To invest the funds of its members for their mutual benefit and arrange to hold for the management of assets acquired with such funds.

NOTE 2 - BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of Mega African Capital Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

2.2 Basis of Measurement

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments at fair value through profit or loss). These financial statements are presented in Ghana Cedi the primary economic environment in which the Company operates.

2.3 Use of Estimates and Judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect

the application of policies and reported amounts of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2.4 Standards, amendments and interpretations effective in 2013

IAS 24 – Related party disclosures (amendment) effective January 1, 2011.

New and Amended Standards and Interpretations

The accounting policies are consistent with those of the previous financial year, except the following new and amended IFRS effective as of January 1, 2013:

IFRS 7 – Financial Instruments

IFRS 8 – Operating segments (amendment) effective date applies to annual periods beginning on or after January 1, 2010.

IFRS 9 – Financial Instruments: Recognition and measurement

IFRS 12 – Disclosure of interest in other entities was issued in May 2011 but amended and applies to annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair value measurement was originally issued in May 2011 but amended and applies to annual periods beginning on or after January 1, 2013.

IAS 40 – Investment Property

2.5 Foreign currency translation

a. Transactions and balances

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

2.6 Cash and cash equivalents

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

2.7 Taxation

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

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

a. Classification

The Company classifies its investments in debt and equity securities, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the Fund Manager at FVTPL at inception.

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

i. Financial assets and liabilities held for trading

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

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

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

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

b. Recognition, derecognition and measurement

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

Financial assets are derecognized when the rights to receive cash flows from the investments have

Notes to the Financial Statements cont.

expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

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

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

c. Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded derivatives and equity securities publicly traded on a stock exchange) are based on quoted market prices at the close of trading on the reporting date. Prior to 1 January 2011, the quoted market price used for financial assets held by the Company was the current bid price. The Company early adopted IFRS 13, 'Fair value'.

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

and earnings multiples of comparable listed companies) and discounted cash flows. The Company adjusts the valuation model as deemed necessary for factors such as non-maintainable earnings, tax risk, growth stage and cash traps.

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

2.9 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognized initially at fair value. They are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or

Notes to the Financial Statements cont.

financial reorganization, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or a company of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument – or, when appropriate, a shorter period – to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, Management estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and interest rate points paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.10 Offsetting

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

2.11 Borrowings

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

2.12 Investment property

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

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

Subsequent to initial recognition, an entity can elect to measure investment property at cost model or fair value model. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the income statement in the year of retirement or disposal.

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

Notes to the Financial Statements cont.

NOTE 3 - INCOME

a. Investment and Operating Income comprises	2013 GH¢	2012 GH¢
Listed Dividends - Ghana	180,429	120,716
Listed Dividends - Overseas	457,998	604,393
Interest Income	73	-
Total dividend & Interest Income	638,500	725,109
Other Attributable Income		
Exchange Gain/ (Loss)	(112,023)	1,082,998
Interest on bank accounts	73	361
Total other attributable income	(111,950)	1,083,359
Total other operating income		
Investment Income comprises:		
Listed investments	638,500	725,109
Attributable income	(112,023)	1,083,359
	526,477	1,808,468
b. Changes in market value of investments (Fair Value adjustment)		
	2013 GH¢	2012 GH¢
Fair Value Change	9,619,677	583,868

NOTE 4 - ADMINISTRATIVE, LEGAL & PROFESSIONAL EXPENSES

	2013 GH¢	2012 GH¢
Auditors Remuneration	11,750	9,775
Bank Charges	12,535	10,147
Board Fees	33,420	32,308
Consultancy	136,503	217,513
Corporate finance & Advisory	25,842	62,196
Custodial fees	46,915	40,006
Fund administration charges	414,419	298,037
Shareholders meeting expenses	11,001	9,650
Listing expenses	83,250	-
Other Expenses	-	23,663
Impairment on receivables	51,231	-
	826,866	703,295

Notes to the Financial Statements cont.

NOTE 5 – FINANCE COST

This represents interest paid on tenured deposits.

NOTE 6 – INVESTMENTS

6a	financial assets designated at fair value through profit or loss	2013	2012
		GH¢	GH¢
	Equity securities traded in a quoted market	12,905,100	11,199,086
	Equity securities not traded in a quoted market	1,937,575	711,096
		<u>14,842,675</u>	<u>11,910,182</u>
6b	financial assets held for trading	2013	2012
		GH¢	GH¢
	Commercial paper	5,816,079	4,064,118
6c	Investment Properties	2013	2012
		GH¢	GH¢
	Investment Property	6,350,000	3,618,951
	Total Investments	<u>27,008,754</u>	<u>19,593,251</u>

NOTE 7 – OTHER ACCOUNTS RECEIVABLE & PREPAYMENT

	2013	2012
	GH¢	GH¢
Other Receivables	-	54,566

NOTE 8 – CASH & CASH EQUIVALENTS

	2013	2012
	GH¢	GH¢
Bank		
Foreign Currency Accounts	1,435,807	672,457
Local cedi Accounts	133,379	46,017
	<u>1,569,186</u>	<u>718,474</u>
Cash		
Malawi	4,919	7,734
Tanzania	7,683	35,705
	<u>12,602</u>	<u>43,439</u>
Total cash & cash equivalents	<u>1,581,788</u>	<u>761,913</u>

Notes to the Financial Statements cont.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUALS

	2013 GH¢	2012 GH¢
Accrued Expenses	84,477	66,168
Withholding tax Payable	2,919	8,450
	<u>87,396</u>	<u>74,618</u>

NOTE 10 - TENURED DEPOSITS

	2013 GH¢	2012 GH¢
Client Deposits	5,933,554	6,703,824
Interest Payable	1,863,563	702,855
	<u>7,797,117</u>	<u>7,406,679</u>

NOTE 11 - STATED CAPITAL

	2013		2012	
	Number	GH¢	Number	GH¢
Authorised number of shares of no par value:	<u>100,000,000</u>		<u>100,000,000</u>	
Issued and fully paid				
Issued for cash	<u>7,308,135</u>	<u>11,820,922</u>	<u>7,308,135</u>	<u>11,820,922</u>

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

Distribution payable

There was no distribution paid during the period.

Notes to the Financial Statements cont.

NOTE 12 - TAXATION

Y/A	Balance 1/1/13 GH¢	Payments during the year GH¢	Adjustment GH¢	Income Statement GH¢	Balance 31/12/13 GH¢
2010	-	(4,884)	4,884	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	(32,095)	-	-	(32,095)
	-	(36,979)	4,884	-	(32,095)
*Tax Charge		GH¢			
Current year		-			
Adjustment to agree with DTRD		103,961			
		103,961			

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

NOTE 13 - CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent assets and liabilities or capital commitments at December 31, 2013 (2012 nil).

NOTE 14 - RECONCILIATION OF NET PROFIT TO CASH FLOW FROM OPERATIONS

	2013 GH¢	2012 GH¢
Profit for the year before tax	8,061,133	986,186
Adjustments for Valuation of investments	(9,619,677)	(21,139)
	(1,558,544)	965,047
Changes in working capital		
(Increase)/Decrease in receivables	(51,231)	308,404
Increase/(Decrease) in payables & accruals	12,779	(9,647)
Increase/(Decrease) in other account receivables	(41,684)	298,757
Cash flow from operating activities	(1,638,680)	1,263,804

Notes to the Financial Statements cont.

NOTE 15 - FINANCIAL RISK MANAGEMENT

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

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

MARKET RISK

a. Price risk

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

The performance of investments held by the Company is monitored by the Company's management on a weekly basis and is reviewed by the Directors on a quarterly basis.

b. Foreign Currency Risk

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

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

Notes to the Financial Statements cont.

The table below has therefore been analysed between monetary and non-monetary items to meet the requirement of IFRS 7.

2013

Non-Monetary	Monetary		Trade Receivables GH¢	Trade Payables GH¢	Gross Exposure GH¢
	Cash GH¢	Bank GH¢			
*FAFVTPL GH¢					
14,842,675	12,602	1,569,186	96,250	-	16,520,713

2012

Non-Monetary	Monetary		Trade Receivables GH¢	Trade Payables GH¢	Gross Exposure GH¢
	Cash GH¢	Bank GH¢			
*FAFVTPL GH¢					
46,017	43,439	748,719	60,753	(819,251)	79,677

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

a. INTEREST RATE RISK

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

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to the risk of non-payment of debt instrument or the interest due on loans given to portfolio companies.

The Company has no significant concentration of credit risk. Cash transactions are limited to financial institutions registered with the Bank of Ghana.

All debt investment represents private equity investments. The Company assesses all counterparties, including its investors (partners), for credit risk before contracting with them. The Company does not include any collateral or other credit risk enhancers, which may reduce the Company's exposure.

Notes to the Financial Statements cont.

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

Liquidity risk

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

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

NOTE 16 - The table below analyses the Company's financial liabilities into relevant maturity funds based on the remaining period at the statements of financial position date to the contractual maturity date. Unfunded capital commitments to investee companies represent the maximum amount and can be called on demand. The amounts in the table are the contractual undiscounted cash flows.

	2013		2012	
	GH¢	GH¢	GH¢	GH¢
Current (less than 60 days)				
Between 61 – 180 days				
More than 180 days		7,797,117		7,406,679

CAPITAL RISK MANAGEMENT

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

The Directors monitor capital on the basis of the value of net assets attributable to the shareholders.

Notes to the Financial Statements cont.

NOTE 17 - RELATED PARTIES

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

OAK Partners limited, is a related party of the Company, being responsible for some operating decisions of the Company. OAK Partners is entitled to receive a Management fee equal to 2.0% per annum of average net asset value. The investment management agreement expired on 31 December 2013.

OAK partners Limited received a fee of GH¢414,419 (2012: GH¢298,037). The balance due to OAK Partners as at 31st December 2013 is GH¢40,290.

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

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

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances is secured. During the financial year there were transactions and outstanding balances with Mega African Capital and its associated companies.

NOTE 18 - SUBSEQUENT EVENT

Mega Africa Capital Limited issued a prospectus on March 10, 2014 the offer ended on March 28, 2014. The shares of the company will be traded on the Ghana Stock Exchange on April 23, 2014.

NOTE 19 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The exit price notion embodies the expectations about the future cash flows associated with the asset or liability from the perspective of market participants at the measurement date under current market conditions.

Notes to the Financial Statements cont.

Assets as per statement of financial position	Loans and	Value through	Total
31- Dec - 13	Receivables	Profit or Loss	Equity
	GH¢	GH¢	GH¢
Financial assets at fair value through profit or loss		14,842,675	14,842,675
Investment Properties		6,350,000	6,350,000
Trade Investments	5,816,080	-	5,816,080
Receivables	96,250	-	96,250
Cash & bank	1,581,788	-	1,581,788
Total	7,494,118	21,192,675	28,686,793
31- Dec - 13			
Accounts payable & accruals	87,397	231,095	
Tenured deposits	7,797,117	5,933,555	
Total	7,884,514	6,164,650	

NOTE 20 - INVESTMENTS IN SHARES

	Cost	2013	Cost	2012
	GH¢	Market	GH¢	Market
		Value		Value
		GH¢		GH¢
Societe Generale Ghana Limited	603,429	921,075	603,429	589,388
Mechanical Lloyd Ghana	1,650,628	2,113,826	564,942	834,405
Benso Oil Ghana	507,030	1,682,072	366,954	600,614
CAL Bank Limited Ghana	-	-	330,739	514,091
NBS Bank Malawi	720,239	563,578	720,239	396,495
NICO Holdings Malawi	2,746,022	3,078,183	2,490,090	2,470,674
Press Corporation Malawi	2,049,992	1,936,825	2,049,992	1,443,893
CRDB Bank (Tanzania)	159,174	2,472,025	3,923,896	4,243,856
Standard Chartered Bank Ghana	66,475	137,516	66,475	105,570
Ghana Union Assurance	1,321,771	1,937,575	668,663	711,096
	9,824,760	14,842,675	11,785,418	11,910,182

NOTE 21 - COMPARATIVE FIGURES

Some of the comparative figures have been reclassified in line with the 2013 presentation.

Shareholders' Information

Shareholding distribution as at 31 December 2013

Holding	No. of Shareholders	%Holders	No. of Shares	% of Holding
1-1000	18	21.69	5,287	0.07
1,001-5,000	18	21.69	36,056	0.49
5,001-10,000	7	8.43	45,981	0.63
10,0001-50,000	20	24.10	580,012	7.94
Over 50,000	20	24.10	6,040,800	90.87
	83	100.00	7,308,135	100.00

Ten largest shareholders as at 31 December 2013

Shareholders	Numbers of shares	%Holding
OAK Partners/Trading	2,837,168	38.82
Rehoboth Capital	733,300	10.03
Omega Partners Ltd	463,954	6.35
Kwesi & Rita Amonoo-Neizer	410,874	5.62
Opoku-Gyamfi Boateng	344,505	4.71
UT Bank/Patrick Kingsley-Nyinah	295,290	4.04
Ishmael & Lucy Yamson	278,117	3.81
Isabella Nyan	262,570	3.59
Emmanuel & Alice Kitcher	158,305	2.17
Emmanuel Lamptey	139,933	1.91

Five Year Financial Summary

(All amounts are expressed in thousands of Ghana Cedis)

	2013	2012	2011	2010	2009
Revenue	10,146	2,392	1,276	1,285	(407)
Profit before Taxes	8,010	986	584	623	(1,006)
Income Tax Expense	(104)	(53)	(8)	(12)	(1)
Profit After Tax	7,906	933	576	611	(1,007)

Financial Position

Financial Assets					
At Fair Value	14,843	11,910	9,815	8,670	4,743
Investment Property	6,350	3,619	-	-	-
Financial Assets For Trading	5,816	4,004	1,269	436	688
Other Current Assets	96	55	363	282	15
Cash and Cash Equivalents	1,582	762	1,963	534	3,033
Total Assets	28,686	20,410	13,410	9,951	8,479
Total Liabilities	7,852	7,481	2,023	780	1,641
Stated Capital	11,821	11,821	11,212	10	10
Preference shares	-	-	-	9,562	7,841
Retained Earnings	9,013	1,108	175	(401)	(1,013)
Total Equity and Liabilities	28,686	20,410	13,410	9,950	8,479

Proxy Form

Mega African Capital Limited

I/We being a member/members of Mega African Capital Limited hereby appoint (or failing him the duly appointed chairman of the meeting) as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at **Physicians & Surgeons, Ridge, Accra on Thursday the 5th of June 2014 at 10:00am prompt** and any adjournment thereof.

I/We direct that my/our votes be cast on the specified resolution as indicated by an x in the appropriate space

Resolutions	For	Against
To receive the Accounts		
To re-elect Mr. Opoku-Gyamfi Boateng as Director		
To re-elect Mrs. Margaret Boateng Sekyere as Director		
To elect Rosalyn Darkwa as Director		
To elect Christine Dowuona-Hammond as Director		
To approve Director's fees		
Authorize the Directors to fix remuneration of Auditors		
To consider and if thought fit, to pass the following as a special resolution: that the objectives of the company be changed to: "the nature of the business which the company is authorized to carry on is the development, purchase, sale and rental of real estate and investment in equities and fixed income investments."		

Signed thisday of, 2014

Signature

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