



Mechanical Lloyd Co. Ltd.

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Annual Report & Accounts 2001

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TABLE OF CONTENTS

	PAGE
CORPORATE MISSION	4
BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE	5
NOTICE OF THE TENTH ANNUAL GENERAL MEETING	6
FINANCIAL HIGHLIGHTS	7
REPORT OF THE DIRECTORS	8-9
CHAIRMAN'S REVIEW OF 2001	11-14
REPORT OF THE AUDITORS TO THE MEMBERS	15
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001	16
BALANCE SHEET AS AT 31 DECEMBER 2001	17
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	18
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001	19
ACCOUNTING POLICIES	20-21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001	22-26
FINANCIAL SUMMARIES	27
SHAREHOLDING ANALYSIS	28
PROXY FORM	29



CORPORATE MISSION

The Corporate Mission of Mechanical Lloyd is to establish itself as the leader in the Ghanaian Automotive Industry by:

- Providing good quality products and service, competitively priced, and delivered in the most courteous and professional manner.
- Securing for its shareholders the optimum return on their invested capital.
- Maintaining an environment where its human resource is provided with the opportunity to develop to its maximum potential.
- Contributing meaningfully to the welfare of the community in which it operates, and bringing a sense of responsibility to bear on its policies in order to promote what it believes to be in the public interest.



CORPORATE INFORMATION

CHAIRMAN	YAW MANU SARPONG
MANAGING DIRECTOR	TERENCE RONALD DARKO
DIRECTORS	CHARLES SYDNEY AIDOO NAPOLEON KPAKPO BULLEY ANDREW LAWSON CHARLES BARTELS KWESI ZWENNES
SECRETARY	CAROLINE DARKO
SOLICITORS	GAISIE ZWENNES HUGHES & CO. 57 KOJO THOMPSON ROAD 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 GULF HOUSE, 4TH FLOOR ,LEGON ROAD PMB CT42, CANTONMENTS, ACCRA
REGISTRARS	MERCHANT BANK (GHANA) LTD. REGISTRAR'S DEPT. 57 EXAMINATION LOOP NORTH RIDGE P.O. BOX 401, ACCRA
BANKERS	BARCLAYS BANK OF GHANA LIMITED STANDARD CHARTERED BANK GH. LTD.



MECHANICAL LLOYD CO. LTD.

Incorporated in Ghana

Financial Statements
for the year ended 31 December, 2001

**NOTICE OF THE TENTH ANNUAL GENERAL MEETING
OF MECHANICAL LLOYD COMPANY LIMITED.**

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the members of Mechanical Lloyd Company Limited has been convened by the Board of Directors of the Company to be held at the ACCRA INTERNATIONAL CONFERENCE CENTRE, ACCRA on Wednesday, 19 June, 2002 at 11.00 o'clock in the forenoon for the following purposes:

AGENDA

- 1) To receive the Report of the Directors, the Balance Sheet as at 31 December, 2001 together with the Profit and Loss and Income Surplus Accounts for the year ended on that date and the Report of the Auditors thereon.
- 2) To declare a dividend for the year ended, 31 December, 2001.
- 3) To re-elect the following Directors retiring by rotation:
 - i. Mr. Y.M. Sarpong
 - ii. Mr. C.B.K. Zwennes
- 4) To elect Mr. K.S. Asafu- Adjaye who was appointed by the Board as a Director, since the last Annual General Meeting.
- 5) To approve non-executive Directors' Fees.
- 6) To authorise the Directors to fix the remuneration of the Auditors.

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member. A form of proxy is attached and if it is to be valid for the purposes of the meeting, it must be completed and deposited with the REGISTRARS, MERCHANT BANK (GHANA) LIMITED, 57 EXAMINATION LOOP, NORTH RIDGE, P.O. BOX 401, ACCRA not less than 48 hours before the time for holding the Meeting.

Dated this 3rd day of April, 2002.

BY ORDER OF THE BOARD

CAROLINE DARKO
SECRETARY

REGISTERED OFFICE:
No. 2 ADJUMA CRESCENT
RING ROAD WEST
SOUTH INDUSTRIAL AREA
P.O. BOX 2086
ACCRA



FINANCIAL HIGHLIGHTS

	2001	2000	
	¢'000	¢'000	%Change
TURNOVER	56,867,746	34,317,802	+65.71%
PROFIT BEFORE TAX	5,036,798	-1,652,987	+404.71%
PROFIT AFTER TAX	3,614,645	-1,652,987	+318.67%
DIVIDEND	901,727	-	-
RETAINED PROFIT	2,712,918	-1,652,987	+264.12%
SHAREHOLDERS FUNDS	35,384,118	9,831,567	+259.90%
CAPITAL EXPENDITURE	881,750	894,128	-1.38%
TOTAL ASSETS	<u>63,154,076</u>	<u>40,084,536</u>	<u>+57.55%</u>
DIVIDEND PER SHARE	¢22.50	-	-
EARNINGS PER SHARE	¢90.35	-¢41.25	+319.03%
NET ASSETS PER SHARE	¢883.00	¢245.33	+259.92%



REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 2001.

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 those financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgments and estimates that are reasonable and prudent and followed Ghana Accounting Standards.

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

Nature of business

The company is engaged in the distribution and marketing of motor vehicles and farm machinery and in the repair, servicing and maintenance of same.

Financial results

The financial results of the company are set out below:	2001	2000
	¢'000	¢'000
Profit/(Loss) before tax for the year ended 31 December 2001 is	5,036,798	(1,652,987)
from which is deducted tax of	(1,422,153)	-
giving a Profit/(Loss) after tax for the year of	3,614,645	(1,652,987)
which when added to the balance brought forward on Income Surplus Account of	<u>554,127</u>	<u>2,207,114</u>
gives a balance of	4,168,772	554,127



out of which the Directors recommend to be paid a dividend of ¢22.50 per share amounting in total to	<u>(901,727)</u>	<u>-</u>
which leaves a balance to be carried forward on Income Surplus Account of	<u>3,267,045</u>	<u>554,127</u>

The company's net worth increased from ¢9.8 billion as at 1 January 2001 to ¢35.4 billion at the end of 2001.

Dividend

The directors recommend the payment of dividend of ¢22.50 per share amounting to ¢901,726,650.

Auditors

PricewaterhouseCoopers will continue in office as auditors of the company in accordance with Section 134(5) of the Ghana Companies Code, 1963 (Act 179).

By order of the board

Y.M. SARPONG
(CHAIRMAN)

T.R. DARKO
(MANAGING DIRECTOR)

3rd April, 2002



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CHAIRMAN'S REVIEW – 2001

Once again it is my pleasure to welcome you to the Annual General Meeting of your Company, the Tenth since your Company went public.

2001 witnessed a complete turnaround in the fortunes of your Company. In my 2000 report, I made mention of policies and strategies that your Company adopted during the last quarter of that year to stem the tide of the losses it was making. These policies and strategies which were pursued in 2001, in a much better macro-economic environment greatly enhanced the performance of your company, both in terms of turnover and profitability.

The beginning of 2001 saw the assumption of office of a new Government widely perceived to be more business-friendly. The Government justified the perception by the purposeful and determined manner it set out to grapple with the macro-economic problems of the country. The beneficial fallout was the confidence-building factor engendered in the business sector of the economy. The pragmatic and effective policies adopted by the Government yielded very positive results and did enlist much-needed assistance and support from the donor community.

The free fall of the cedi in 2000 was halted. Inflation which was 40.9% at the beginning of the year, had steadily reduced to 21.2% by the end of the year. Interest rates also fell in sympathy.

Our Turnover for the year increased by 65.7% from ₵34.3 billion to ₵56.87 billion yielding a Gross Profit of ₵15.67 billion. Selling, General and Administrative expenses amounted to ₵12.52 billion, out of which ₵1.37 billion (2000: ₵3.43 billion) was attributable to Bank Interest, and ₵1.31 billion (2000: ₵1.33 billion) to Depreciation. After adjusting for Other Income of ₵1.88 billion, we ended the year with a Net Profit Before Tax of ₵5.037 billion (2000: Net Loss of ₵1.652 billion); and Net Profit After Tax of ₵3.615 billion (2000: Net Loss of ₵1.652 billion).

DIVIDEND

On the basis of this performance, and having regard to our satisfactory cash position, the Directors are glad to recommend a dividend of ₵22.50 per share.

LAND ROVER

Quite out of tune with the performance of the other sectors, Land Rover Sales slumped quite markedly, achieving only 50% of 2000 sales. The Freelander is the best selling model of our Land Rover range. This vehicle, four years after it was launched, still enjoys high worldwide demand which the manufacturer cannot meet and we also suffered from this. We were therefore not able to satisfy our customers' demand; and they, out of frustration turned to other brands.



BMW

BMW picked up from its dismal performance in 2000 and increased its sales by 63%. A successful sales promotion of the 3 Series which accounted for 55% of total sales played a significant part in this. Together with its sale of parts and service which also increased by 63%, BMW recaptured its pre-eminent position as the greatest contributor to our Turnover. It accounted for 39% of the Turnover for the year.

MASSEY FERGUSON (MF)

The sector benefited from the new government's commitment to make Agriculture the fulcrum of its economic development policy in order to ensure food security for the nation, promote agro-processing to add value to raw produce and also provide raw materials for industry. To this end, negotiations between the banks and two large Institutional Commercial Farming entities led to the revitalisation of their farms which resulted in a large order for tractors and implements. This transaction helped our MF sector attain a 94% increase in Turnover. With the Government's avowed priority attention to Agriculture, we expect the sector to continue to grow.

HONDA

In May 2001, as most of you know, your Company unilaterally terminated its dealership agreement with Honda.

It might interest you to know that because of the good service we rendered to our Honda customers in the past, most of them still bring their Honda vehicles to us and continue to do so for whatever work they need done, even though they know we are no longer the accredited Honda agents.

FORD

On July 18, 2001, we signed an agreement with Ford Motor Company to be their accredited franchise holder in Ghana. When I referred to "interesting developments in the offing" in my last year's report, this was one of them.

The acquisition of the Ford franchise is very exciting for us as it opens up enormous possibilities and holds great promise for us.

Ford is the second largest automobile manufacturer and the largest manufacturer of trucks and 4 x 4 vehicles, including pick-ups in the world.



The Ford name is a household one in automobile circles throughout the world and its addition to our range of renowned names – BMW, Land Rover and Massey Ferguson can only enhance the reputation and growth of Mechanical Lloyd in the years ahead. We consider Ford's choice of Mechanical Lloyd as its partner in Ghana a major achievement for your company and an endorsement of your Company's pre-eminent position in the Ghanaian Automobile Industry.

Ford's range of vehicles covers the smallest saloon cars, 4 x 4's and light and big trucks. All of these reliable and good value-for-money products will now be available to us and through us, the Ghanaian customer.

Pick-ups make up about 40% of all new vehicle purchases in the country. In the Ford Ranger pick-up which combines excellent specification with a competitive price we have a product that is well suited to take an appreciable portion of this lucrative market. We sold 46 units in the first 4 months of our Ford operation all to individual retail customers, with none to NGO's or government institutions as yet. We believe the future of this franchise is bright.

EXPANSION OF FACILITIES

With the acquisition of the Ford franchise and the expected country-wide demand for its products, not to mention demand for our other marques, we believe the time is now ripe and commercially justifiable to open up the country and establish Sale and Service centres in other areas. Accordingly, our Tamale operation which was closed in 1992 is to be revived and rehabilitated this year to handle Parts Sales and Service of MF, Land Rover and Ford products.

We have already leased premises in Kumasi which are to be revamped, refurbished and equipped to handle BMW, Land Rover and Ford products.

Our Engineering Complex at Adenta is currently undergoing major rehabilitation and upgrading with the view to taking up a portion of the service and maintenance load of Land Rover as well as that of light and heavy Ford trucks.

ACCRA SERVICE CENTRE

Mechanical Lloyd continues to make investments with the view to enhancing the quality of its after-sales support and ensure customer satisfaction. To this end, we started in the last quarter of the year, the construction of a new ultra modern service reception and offices in order to provide maximum comfort for the numerous customers who visit the Service Centre.

The new facility, which is scheduled for completion in September 2002, is designed to have a more customer-friendly atmosphere and make it possible for up to 8 customers to be attended to simultaneously. The construction will also free more parking space for vehicles in our yard.

SERVICE TO THE COMMUNITY

We feel we should apprise shareholders of some of the ways in which as a good Corporate citizen, your company has been contributing towards the development and well-being of the community in which it operates.

In response to an appeal from the Minister of Interior, we made a handsome donation towards the Police Endowment Fund set up to supplement Government efforts to equip and resource the Police.



In addition to a cash donation, we also donated a brand new Ford Ranger pick-up to the Ministry of Agriculture in connection with the 2001 Farmers Day Celebration which is a government sponsored event to encourage our farmers and fishermen to produce more food for the nation. Our donation was what was awarded as the prize to the farmer adjudged to be the 2nd Best National Farmer.

These are in addition to numerous other, but smaller donations we make every year for diverse causes.

INFORMATION TECHNOLOGY (IT)

Your Company continues to invest in and expand its IT capabilities in order to stay at the cutting edge of the industry.

In 2001, following our assumption of the Ford distributorship, we established on-line access to Ford WDMO (Worldwide Dealer Market Operation). This allows us to place orders for both vehicles and spare parts on-line as well as monitor on a continuous basis the status of production and progression of the order. We have been operating a similar facility with BMW since 1999.

We also during the year set up the RDA (Remote Dealer Access) between the Accra Service Centre and the Engineering Complex at Adenta. This system allows Branches and Head Office to share information about parts availability, orders, customer and vehicle history and other information without the need for a WAN (Wide-Area Network) or Internet access. The system will be extended to Kumasi and Tamale Branches when they become operational, and will save the company a lot of money in communication and link costs.

To handle our ever expanding IT operations, we have to engage additional experts in this area in the coming year.

OUTLOOK FOR 2002

Your Company had two very difficult years in 1999 and 2000. We believe we have now turned the corner. If the government stays on track with its pragmatic and effective macro-economic policies, and continues to encourage a business-friendly environment, then together with our unrelenting efforts to promote the products of your company, we can expect a steady growth in the return on your investment in the company.

Thank you.

Y.M. SARPONG (CHAIRMAN)

PricewaterhouseCoopers
Chartered Accountants
Gulf House, 4th Floor
Tetteh Quarshie Roundabout
Legon Road
PMB CT 42, Cantonments
Accra, Ghana
Telephone: +233 21 506217, 506218
Facsimile: +233 21 506216
e-mail: pwc@ghana.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MECHANICAL LLOYD COMPANY LIMITED**

We have audited the financial statements set out on pages 16 to 26. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

Respective responsibilities of directors and auditors

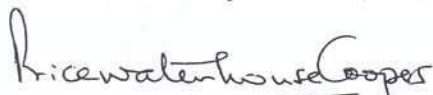
As stated on page 8, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an independent opinion on those financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, proper books of account have been kept and the financial statements which are in agreement therewith give a true and fair view of the state of affairs of the company at 31 December 2001 and of its profit and cash flows for the year then ended and comply with Ghana Accounting Standards and the Ghana Companies Code, 1963 (Act 179).



Chartered Accountants

3rd April, 2002

Resident Partners: F E Addo, C A Egan, J A Y Kilnogo, W Okine **Non Resident Partners:** N Harrison

**MECHANICAL LLOYD CO. LTD.**

Incorporated in Ghana

Financial Statements
for the year ended 31 December, 2001**PROFIT AND LOSS ACCOUNT**

(All amounts expressed in thousands of Cedis)

	<u>NOTES</u>	<u>2001</u>	<u>2000</u>
Turnover	1	56,867,746	34,317,802
Cost of sales		<u>(41,198,599)</u>	<u>(24,260,792)</u>
		15,669,147	10,057,010
Selling, general and administrative expenses	2	<u>(12,517,335)</u>	<u>(9,528,917)</u>
Operating profit		3,151,812	528,093
Exceptional item		-	(3,531,956)
Other income	3	<u>1,884,986</u>	<u>1,350,876</u>
Profit/(Loss) before tax		5,036,798	(1,652,987)
Tax	9	<u>(1,422,153)</u>	<u>-</u>
Net Profit/(Loss) transferred to			
Income Surplus account		<u>3,614,645</u>	<u>(1,652,987)</u>

INCOME SURPLUS ACCOUNT

Balance at 1 January	554,127	2,207,114
Net Profit/(Loss) for the year	3,614,645	(1,652,987)
Dividend proposed	(901,727)	-
Balance at 31 December	<u>3,267,045</u>	<u>554,127</u>

The accounting policies and notes on pages 20 to 26 form an integral part of these financial statements.

**BALANCE SHEET**

(All amounts are expressed in thousands of cedis)

		<u>At 31 December</u>	
	Notes	2001	2000
Fixed assets	5	33,669,446	11,422,544
Investments	6	5,733	5,733
Current assets			
Stocks	7	16,755,145	12,359,154
Debtors	8	8,608,707	4,088,594
Tax recoverable	9	-	205,740
Bank and Cash balances		<u>4,115,045</u>	<u>2,610,503</u>
		<u>29,478,897</u>	<u>19,263,991</u>
Current liabilities			
Creditors	10	18,387,993	7,232,703
Bank overdrafts	11	691,657	4,151,857
Tax payable	9	698,823	-
Dividend payable	12	901,727	-
Current portion of loans	13	<u>5,409,758</u>	<u>7,076,141</u>
		<u>26,089,958</u>	<u>18,460,701</u>
Net Current Assets		3,388,939	803,290
Loans	13	<u>(1,680,000)</u>	<u>(2,400,000)</u>
Net Assets		<u>35,384,118</u>	<u>9,831,567</u>
Shareholders' Funds:			
Stated capital	14	2,666,894	2,666,894
Capital surplus	15	29,450,179	6,610,546
Income Surplus account		<u>3,267,045</u>	<u>554,127</u>
		<u>35,384,118</u>	<u>9,831,567</u>

The financial statements on pages 16 to 26 were approved by the Board of Directors on 3rd April, 2002 and signed on its behalf by:

Y.M. SARPONG (CHAIRMAN)

T.R. DARKO (MANAGING DIRECTOR)

The accounting policies and notes on pages 20 to 26 form an integral part of these financial statements.

**MECHANICAL LLOYD CO. LTD.**

Incorporated in Ghana

Financial Statements

for the year ended 31 December, 2001

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts are expressed in thousands of cedis)

	Stated capital	Capital surplus	Income surplus	Total
Balance at 1 January 2001	2,666,894	6,610,546	554,127	9,831,567
Revaluation Surplus	-	22,839,633	-	22,839,633
Net Profit	-	-	3,614,645	3,614,645
Dividend proposed	-	-	(901,727)	(901,727)
Balance at 31 December 2001	<u>2,666,894</u>	<u>29,450,179</u>	<u>3,267,045</u>	<u>35,384,118</u>
Balance at 1 January 2000	2,666,894	6,610,546	2,207,114	11,484,554
Net Loss	-	-	(1,652,987)	(1,652,987)
Balance at 31 December 2000	<u>2,666,894</u>	<u>6,610,546</u>	<u>554,127</u>	<u>9,831,567</u>

The accounting policies and notes on pages 20 to 26 form an integral part of these financial statements.

**CASH FLOW STATEMENT**

(All amounts expressed in thousands of Cedis)

	<u>NOTES</u>	2001	2000
Operating activities:			
Cash generated from/(used in) operations	16	9,884,888	(1,301,974)
Interest received		35,562	161,420
Interest paid		(1,331,996)	(3,433,130)
Tax paid	9	<u>(517,590)</u>	<u>(317,988)</u>
Net cash generated from/(used in) operating activities		<u>8,070,864</u>	<u>(4,891,672)</u>
Investing activities			
Purchase of tangible fixed assets	5	(881,750)	(894,138)
Proceeds from sale of fixed assets	5	<u>331,136</u>	<u>60,257</u>
Net cash used in investing activities		(550,614)	(833,881)
Financing activities			
Loans received	13	4,260,250	8,074,000
Repayment of loans	13	(6,815,758)	(1,376,642)
Dividend paid		-	-
Net cash (used in)/generated from financing activities		<u>(2,555,508)</u>	<u>6,697,358</u>
Net increase in cash and cash equivalents		<u>4,964,742</u>	<u>971,805</u>
Movement in cash and cash equivalents			
At start of year		(1,541,354)	(2,513,159)
Increase		<u>4,964,742</u>	<u>971,805</u>
At end of year	17	<u>3,423,388</u>	<u>(1,541,354)</u>

The accounting policies and notes on pages 20 to 26 form an integral part of these financial statements.



ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of accounting

The financial statements are prepared in accordance with and comply with Ghana Accounting Standards. They are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Fixed assets and depreciation

Fixed assets are initially recorded at cost. Land and buildings are subsequently shown at market value based on valuation by an external independent valuer less subsequent amortisation.

Furniture, plant, machinery, equipment and motor vehicles are stated at historical cost less depreciation.

Depreciation is calculated on the reducing balance method to write off the cost of each class of fixed asset (other than leasehold buildings) to their residual values over their estimated useful lives as follows.

Plant and machinery	10%
Furniture and equipment	10%
Computers	33%
Motor vehicles	
- Saloon cars	15%
- Others	20%

Leasehold buildings are amortised by equal annual installments over the life of the lease.

(c) Stock and work-in-progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost of spare parts and non-trading stocks includes freight, insurance, customs duty and all other costs incurred in bringing the stocks to their present location. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation. Provision is made where necessary for obsolete, slow-moving and defective stocks.

Work in progress is valued at materials cost.



ACCOUNTING POLICIES (continued)

(d) Trade debtors

Trade debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

(e) Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Provision is only made where it is anticipated that tax will be payable or a recovery will be made within the foreseeable future.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

(f) Foreign currencies

Transactions in foreign currencies during the year are converted into cedis at prevailing rates at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into cedis at the rates of exchange ruling at the balance sheet date. The resulting gains and losses are dealt with in the profit and loss account.

(g) Investments

Investments are shown at cost and provision is only made where in the opinion of the directors there is a permanent diminution in the value of these investments. Where there has been a permanent diminution in the value of investment, it is recognised as an expense in the period in which the diminution is identified.

(h) Revenue recognition

Sales are recognised upon delivery of products and customer acceptance or on the performance of services. Sales are shown net of value added tax and discounts.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, net of bank overdrafts.

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts are expressed in thousands of cedis)

1. Turnover

	2001	2000
Motor vehicles and farm machinery sales	42,792,571	24,676,585
Spare parts sales and workshop earnings	<u>14,075,175</u>	<u>9,641,217</u>
	<u>56,867,746</u>	<u>34,317,802</u>

2. Selling, general and administrative expenses

Selling, general and administrative expenses include:

Directors' emoluments	478,470	277,542
Auditors' remuneration	85,000	70,000
Depreciation	1,314,506	1,326,370
Donations	86,246	32,474
Interest payable	1,370,422	3,433,130
Stock write off	1,373,937	52,225
National reconstruction levy	<u>129,149</u>	<u>-</u>

3. Other income

Exchange gain	194,271	-
Profit on disposal of fixed assets	171,161	-
Interest income	949,878	730,773
Commissions and fees	507,288	610,661
Rental income	<u>62,388</u>	<u>9,442</u>
	<u>1,884,986</u>	<u>1,350,876</u>

4. Staff costs

Wages and salaries	2,062,540	1,234,672
Social security contributions	<u>265,616</u>	<u>175,342</u>
	<u>2,328,156</u>	<u>1,410,014</u>

The average number of persons employed by the company during the year was 140 (2000: 140)



NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Fixed Assets	Leasehold land and buildings	Plants and machinery furniture, equipment and vehicles	Capital work in progress	Total
Cost/valuation				
At 1 January 2000	9,792,816	6,107,362	-	15,900,178
Additions	-	802,651	79,099	881,750
Disposals	-	(221,147)	-	(221,147)
Revaluation surplus	22,839,633	-	-	22,839,633
At 31 December 2001	<u>32,632,449</u>	<u>6,688,866</u>	<u>79,099</u>	<u>39,400,414</u>
Depreciation				
At 1 January 2001	2,432,168	2,045,466	-	4,477,634
Charge during year	668,251	646,255	-	1,314,506
Disposals	-	(61,172)	-	(61,172)
At 31 December 2000	<u>3,100,419</u>	<u>2,630,549</u>	<u>-</u>	<u>5,730,968</u>
Net book value at 31 December 2001	<u>29,532,030</u>	<u>4,058,317</u>	<u>79,099</u>	<u>33,669,446</u>
31 December 2000	<u>7,360,648</u>	<u>4,061,896</u>	<u>-</u>	<u>11,422,544</u>

The leasehold land and buildings were last revalued at 31 December 2001 by independent valuers. Valuations were made on the basis of open market value. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2001	2000
Cost	3,295,330	3,295,330
Accumulated depreciation	<u>1,220,197</u>	<u>932,238</u>
Net book amount	<u>2,075,133</u>	<u>2,363,092</u>
Profit and loss on disposal of fixed assets		
Cost	221,147	94,152
Accumulated depreciation	<u>(61,172)</u>	<u>(33,895)</u>
Net book value	159,975	60,257
Proceeds of sales	<u>331,136</u>	<u>(60,257)</u>
Profit	<u>171,161</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2001	2000
6. Investments		
At 1 January and 31 December	<u>5,733</u>	<u>5,733</u>
7. Stocks		
Trade stock	8,926,823	9,741,581
Non trade stock	512,483	223,940
Goods in transit	7,192,126	2,283,770
Work in-progress	<u>123,713</u>	<u>109,863</u>
	<u>16,755,145</u>	<u>12,359,154</u>
8. Debtors		
Trade debtors	8,171,098	3,788,389
Staff debtors	199,734	220,420
Other debtors and prepayments	<u>237,875</u>	<u>79,785</u>
	<u>8,608,707</u>	<u>4,088,594</u>

The maximum amount of staff debtors during the year did not exceed ₵199,800 (2000: ₵220,420).

Year of assessment	Balance at 1 January	Payments	Charge for the Year	Balance at 31 December
Current tax				
1999	112,248	-	-	112,248
2000	(317,988)	-	-	(317,988)
2001	<u>-</u>	<u>(517,590)</u>	<u>1,422,153</u>	<u>904,563</u>
	<u>(205,740)</u>	<u>(517,590)</u>	<u>1,422,153</u>	<u>698,823</u>

	2001	2000
10. Creditors		
Trade creditors	17,280,355	6,623,555
Sundry creditors	606,095	430,889
Accrued charges	230,784	153,368
Bills payable	<u>270,759</u>	<u>24,891</u>
	<u>18,387,993</u>	<u>7,232,703</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Bank overdrafts

The Company had as at the balance sheet date certain banking facilities not exceeding **¢4,000 million** (2000 : ¢4,000 million). The facilities are secured by a debenture over the floating assets of the Company, and a legal mortgage over specified properties.

12. Dividend

The directors propose a dividend per share of ¢22.50 (2000 : Nil) amounting to ¢901,726,650 (2000 : Nil).

13. Loans

	Balance at 1/1/01	Drawdown	Repayment	Exchange Rate Adjustment	Balance at 31/12/01
Bank loans	9,476,141	<u>4,260,250</u>	<u>(6,815,758)</u>	<u>169,125</u>	7,089,758
Current portion of loans	<u>(7,076,141)</u>				<u>(5,409,758)</u>
Non-current portion of loans	<u>2,400,000</u>				<u>1,680,000</u>

The bank loans comprise the following facilities:

- (a) Barclays Bank of Ghana loan of US\$422,000 to be paid by July 2002.
- (b) Standard Chartered Bank of Ghana loan of US\$400,000 to be paid by February 2004; and
- (c) Barclays Bank of Ghana Stock loan of ¢0.4 million to be paid by February 2002.

The Barclays Bank of Ghana stock loan attracts interest at base rate plus 3%. The other loans attract interest at 6 months LIBOR plus 3%. The loans are secured by a floating charge on certain fixed assets of the company.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****14. Stated capital**

The number of authorised shares of the company is 100,000,000 ordinary shares of no par value out of which **40,076,740** (2000: 40,076,740) have been issued as follows:

	2001	2000	2001	2000
	No. of shares		Amount	
Issued for cash	11,426,643	11,426,643	477,920	477,920
Rights issue	23,992,680	23,992,680	2,039,937	2,039,937
Transfer from income surplus	<u>4,657,417</u>	<u>4,657,417</u>	<u>149,037</u>	<u>149,037</u>
	<u>40,076,740</u>	<u>40,076,740</u>	<u>2,666,894</u>	<u>2,666,894</u>

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

15. Capital surplus

The capital surplus arose from a professional revaluation of the company's land and buildings as at 31 December 2001.

16. Cash generated from operations

	2001	2000
Operating profit / (loss) before tax	5,036,798	(1,652,987)
Depreciation charge	1,314,506	1,326,370
Exchange loss on bank borrowings	169,125	410,000
Profit on disposal of fixed assets	(171,161)	-
Interest paid	1,331,996	3,433,130
Interest received	(35,562)	(161,420)
(Increase) / decrease in stock	(4,395,991)	(585,206)
(Increase) / decrease in debtors	(4,520,113)	1,660,420
Increase / (decrease) in creditors	<u>11,155,290</u>	<u>(5,732,281)</u>
Cash generated from / (used in) operations	<u>9,884,888</u>	<u>1,301,974</u>

17. Cash and cash equivalents

For purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2001	2000
Bank and cash balances	4,115,045	2,610,503
Bank overdrafts	<u>(691,657)</u>	<u>(4,151,857)</u>
	<u>3,423,388</u>	<u>(1,541,354)</u>

18. Deferred tax

Details of the full potential liability/(asset) and that provision made are as follows:

	2001		2000	
	Potential liability	Provision made	Potential liability	Provision made
Accelerated capital allowances	2,139,874	-	1,611,834	-
Other timing differences	-	-	-	-
	<u>2,139,874</u>	-	<u>1,611,834</u>	-

No provision has been made in the financial statements for the potential deferred tax liability because, it is not expected to crystallise within the foreseeable future based on the company's capital expenditure projections.

19. Capital commitments

There were no capital commitments at the balance sheet date. (2000 : nil)

20. Contingent Liabilities

There were no contingent liabilities at the balance sheet date. (2000 : nil)



FINANCIAL SUMMARIES

	31.12.97	31.12.98	31.12.99	31.12.00	31.12.01
	₹'000	₹'000	₹'000	₹'000	₹'000
Turnover	18,765,092	29,519,780	33,031,964	34,317,802	56,867,746
P/(L) before Taxation	486,736	744,444	1,177,580	(1,652,987)	5,036,798
Taxation	133,587	322,518	648,011	-	1,422,153
P/(L) after Taxation	353,149	421,926	529,569	(1,652,987)	3,614,645
Dividends	240,460	280,537	-	-	901,727
P/(L) Transferred	112,689	141,389	529,569	(1,652,987)	2,712,918

BALANCE SHEET

Fixed Assets	10,288,519	11,610,771	11,915,033	11,422,544	33,669,446
Cash/Investments	151,230	288,898	604,487	2,616,236	4,120,778
Other Current Assets	9,496,546	14,170,936	17,522,962	16,653,488	25,363,852
Total Assets	19,936,295	26,070,605	30,042,482	30,692,268	63,154,076
Less C/Liabilities	9,115,770	14,714,173	17,361,906	18,460,701	26,089,958
TOTAL NET ASSETS	10,820,525	11,356,432	12,680,576	12,231,567	37,064,118

Financed as follows:

Stated Capital	2,666,894	2,666,894	2,666,894	2,666,894	2,666,894
Capital Surplus	6,610,546	6,610,546	6,610,546	6,610,546	29,450,179
Income Surplus	1,536,156	1,677,545	2,207,114	554,127	3,267,045
	10,813,596	10,954,985	11,484,554	9,831,567	35,384,118
Medium Term Loans	-	401,447	1,196,022	2,400,000	1,680,000
Deferred Income	6,929	-	-	-	-
	10,820,525	11,356,432	12,680,576	12,231,567	37,064,118

STATISTICS

	1997	1998	1999	2000	2001
Earnings/Share	₹8.81	₹10.53	₹13.21	-₹41.25	₹90.35
Net Assets/Share	₹269.82	₹273.36	₹268.57	₹245.33	₹883.00
Current Assets/Current Liabilities	1.06	0.96	1.04	1.05	1.13
Return on S/Holders' Fund	3.27%	3.85%	4.61%	-16.82%	9.75%
Return on Turnover	1.88%	1.43%	1.60%	-4.82%	6.36%



SHAREHOLDING ANALYSIS AS AT 31 DECEMBER 2001

CATEGORIES OF SHARES	NO. OF HOLDERS	HOLDING	% OF TOTAL HOLDING
1-1,000	2,873	1,240,056	3.10
1,001-5,000	609	1,331,321	3.32
5,001-10,000	75	585,191	1.46
10,001 and over	78	36,920,172	92.12
	<u>3,635</u>	<u>40,076,740</u>	<u>100.00</u>

DIRECTORS' SHAREHOLDINGS

The following Directors held shares as at 31 December, 2001

NAME		NO. OF SHARES
1) Mr. Y.M. Sarpong	—	112,000
2) Mr. T.R. Darko	—	9,727,202
3) Mr. C.S. Aidoo	—	340,918
4) Mr. N.K. Bulley	—	15,000
Mr. N.K. Bulley (jointly with Mrs. Agnes Jane Bulley)	—	20,600
5) Mr. A. Lawson	—	50,000
6) Mr. C.B.K Zwennes (jointly with Mrs. Jacqueline Zwennes)	—	53,557



PROXY FORM

ANNUAL GENERAL MEETING TO BE HELD AT 11.00 A.M. on Wednesday, 19 June, 2002 at the **Accra International Conference Centre, Accra**

I/WE

of.....

being a member(s) of MECHANICAL LLOYD and entitled to attend and vote at Annual/Extra-Ordinary General Meetings of the Company hereby appoint:-

.....

of.....

as my proxy to attend and vote for me and on my behalf at the Annual General Meeting of the Company to be held on 19 June, 2002.

DATED this Day of 2002

.....

Shareholder's Signature

THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE REGISTRAR'S IF THE MEMBER WILL BE ATTENDING THE MEETING.

For Company's Use	No. of Shares	
	For	Against
RESOLUTION		
1. To receive the Accounts		
2. To declare a dividend		
3. To re-elect Mr. Y.M Sarpong as Director.		
4. To re-elect Mr. C.B.K. Zwennes as Director.		
5. To elect Mr. K.S. Asafu-Adjaye as Director.		
6. To approve non-executive Directors' Fees		
7. To authorise the Directors to fix the remuneration of the Auditors.		

Please indicate with an "X" in the space above how you wish your votes to be cast on each of the above resolutions.

NOTE:

Please sign the above Proxy Form and post it so as to reach the address shown below not later than 48 hrs. before the meeting.

REGISTRAR'S DEPT.,
MERCHANT BANK (GHANA) LIMITED,
57 EXAMINATION LOOP,
NORTH RIDGE, P.O. BOX 401, ACCRA



MECHANICAL LLOYD COMPANY LIMITED

ADMISSION FORM

ANNUAL GENERAL MEETING

to be held at the **Accra International Conference Centre, Accra** on Wednesday, 19 June, 2002 at 11.00 o'clock in the forenoon.

Full name and address of shareholder.....

Number of shares held.....

MLC/7377
NATIONAL TRUST HOLDING COMPANY LTD 2554
P.O. BOX 9563
AIRPORT-ACCRA

IMPORTANT: This Admission Form must be produced by the Shareholder or his proxy holder to obtain entrance to the Annual General Meeting.



MECHANICAL LLOYD CO. LTD.

Incorporated in Ghana

Financial Statements
for the year ended 31 December, 2001

SECOND FOLD HERE

FIRST FOLD
HERE

Please
affix
stamp

MERCHANT BANK (GHANA) LTD.
REGISTRAR'S DEPT.
57 EXAMINATION LOOP
NORTH RIDGE
P.O. BOX 401, ACCRA

BUILT
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