Annual Report & Accounts 2003

TABLE OF CONTENTS

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 KOFI SIRIBOE ASAFU-ADJAYE (DIED 11/08/03)
SECRETARY	CAROLINE DARKO
SOLICITOR	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 PMB CT42, CANTONMENTS, ACCRA
REGISTRARS	MERCHANT BANK (GHANA) LIMITED REGISTRAR'S DEPARTMENT 57 EXAMINATION LOOP, NORTH RIDGE P O BOX 401, ACCRA
BANKERS	BARCLAYS BANK OF GHANA LIMITED STANDARD CHARTERED BANK (GHANA) LIMITED

NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING OF MECHANICAL LLOYD COMPANY LTD.

NOTICE IS HEREBY GIVEN that the Twelfth 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, 23 June, 2004 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, 2003 together with the Profit and Loss and Income Surplus Accounts for the year ended, 31 December, 2003 and the Report of the Auditors thereon.

2) To declare a dividend for the year ended, 31 December, 2003.

3) To re-elect the following Director who is retiring by rotation:
   Mr. A. Lawson

4) To approve non-executive Directors' Fees.

5) 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 23rd day of March, 2004.

BY ORDER OF THE BOARD

CARALINE DARKO
SECRETARY

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

FINANCIAL HIGHLIGHTS
(All amounts are expressed in thousands of Cedis)

	2003	2002	% Change
TURNOVER	**92,290,931**	84,041,473	+9.82
PROFIT BEFORE TAX	**7,356,673**	5,459,113	+34.76
PROFIT AFTER TAX	**4,921,521**	3,817,423	+28.92
DIVIDEND	**1,202,302**	961,842	+25.00
RETAINED PROFIT	**3,719,219**	2,855,581	+30.24
SHAREHOLDERS' FUNDS	**41,958,918**	38,239,699	+9.73
CAPITAL EXPENDITURE	**11,846,395**	4,943,538	+139.63
TOTAL ASSETS	**111,828,036**	86,160,660	+29.79
DIVIDEND PER SHARE	**30.00**	24.00	+25.00
EARNINGS PER SHARE	**122.80**	95.25	+28.93
NET ASSETS PER SHARE	**1,046.96**	954.16	+9.73

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 2003.

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 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:

	2003	2002
	¢'000	¢'000
Profit before tax for the year ended 31 December 2003 is	**7,356,673**	5,459,113
from which is deducted tax of	**(2,435,152)**	(1,641,690)
giving a Profit after tax for the year of	**4,921,521**	3,817,423
which when added to the balance brought forward on Income Surplus Account of	**6,122,626**	3,267,045
gives a balance of	**11,044,147**	7,084,468
out of which the Directors recommend to be paid a dividend of ¢30.00 per share amounting in total to	**(1,202,302)**	(961,842)
which leaves a balance to be carried forward on Income Surplus Account of	**9,841,845**	6,122,626

The company's net worth increased from ¢38.2 billion as at 1 January 2003 to ¢41.9 billion at the end of 2003.

DIVIDEND

The directors recommend the payment of a dividend of ¢30.00 per share amounting to ¢1,202,302,200.00.

AUDITORS

The 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)

23 March, 2004

CHAIRMAN'S REVIEW - 2003

The Government in 2003 attained a measured and appreciable level of macroeconomic stability in its efforts to lay a solid foundation for economic take-off. But these efforts however, suffered a major set-back earlier in the year. In February 2003, the Government in order to achieve full cost recovery had to increase petroleum prices by almost 100%. By the time these increases had worked themselves through the price mechanism inflation had increased from 15.3% as at December 2002 to 30% p.a. in April 2003.

Thereafter, there was dogged determination on the part of Government to contain expenditure and improve revenue mobilisation. Aided by improved inflow of donor funds, this resulted in a reduction in Government borrowing which in turn led to a steady reduction in the rate of inflation to 23.6% as at year end, and still falling.

The Cedi enjoyed mixed success in 2003. Whereas it depreciated by only 5.4% against the dollar, a marked improvement on the 13% depreciation in 2002, it depreciated by 16.5% against Sterling and as much as 26.5% against the rejuvenated Euro.

This was the background to your Company's performance in 2003.

Our Turnover for the year increased by 9.82% from ¢84.04 billion to ¢92.29 billion, yielding a Gross Profit of ¢21.035 billion. Selling, General and Administrative Expenses amounted to ¢16.06 billion, out of which ¢1.88 billion (2002: ¢1.37 billion) was attributable to Depreciation.

After adjusting for Other Operating Income of ¢3.04 billion (2002: ¢2.73 billion) made up of Fees and Sales Commissions earned from DAF Bus and Land Rover, we ended the year with a Net Profit Before Tax of ¢7.35 billion (2002: ¢5.46 billion) and Net Profit After Tax of ¢4.94 billion which is 29.6% above the corresponding figure for 2002 of ¢3.82 billion.

It is worth noting that whereas our Turnover increased by only 9.82% over that of 2002, our Gross Profit increased by a substantial 31.35%. As we stated in our review for 2002, that year was the first full year of our Ford products on the Ghanaian market. We therefore priced them with very modest margins in order to introduce them to potential customers. The result was positive and the Ford products have now gained acceptability for reliability and value for money, to the extent that we were able to inch up our margins on them to match those of the competition without suffering loss of sales.

DIVIDEND

On the basis of our performance for the year and having regard to our satisfactory cash position the Directors recommend the payment of a Dividend of ¢30.00 per share.

FORD

Our Ford products consolidated their dominant position in our range of franchises though the various models had mixed fortunes. Our star performer continues to be the Ranger Pickup which achieved 96% of budgeted sales. This model faces a very challenging future though, due to the introduction into the market of other brands of pickups which are more competitively priced though of unequal quality. The smaller SUV (Sports Utility Vehicle), the Ford Escape also did very well achieving 83% of budget. With the bigger SUV, the Ford Explorer, nonavailability of stock at a crucial time caused us to lose a large order.

The delay in the introduction of unleaded fuel in the country has caused a corresponding delay in the take-off of the sales of the Ford saloon cars.

In the year 2003, we won a Ministry of Local Government tender for the supply of 23 Ford Cesspit Emptiers.

BMW

Just as we predicted in last year's report, the massive and continuing appreciation of the Euro dealt a very heavy blow to our BMW sales although it must be pointed out that this equally affected other marques in the luxury car market of the country, all of which are made in the Euro zone.

We introduced the new exciting and trail blazing 5 Series in September and it was the demand for this in the last quarter that pushed sales up to the attainment of 78% of total budgeted BMW sales.

LAND ROVER

The logistical parts supply problems that had afflicted Land Rover for about 18 months and which I commented upon in my last year's report were resolved eventually in the second half of the year; but by then they had caused a lot of disaffection among our Land Rover customers. Added to this was the considerable appreciation of Sterling, which further increased the already high dollar cost of Land Rover vehicles. These two reasons combined to drastically reduce sales of new Land Rover vehicles to only 53% of the target for the year.

The long-awaited availability of Land Rover parts in the second half of the year enabled the rehabilitation of the 100 broken down Ghana Police Land Rovers as well as the delayed repair of many other customers' vehicles to be tackled. This is progressing steadily and has improved the throughput of our workshops.

We are working very hard with our principals to devise strategies to restore the image and good name of Land Rover in Ghana.

MASSEY PERGUSON

Though the smallest of our franchises, Massey Ferguson put up the best performance for the year achieving 123.9% of budgeted sales.

FACILITIES DEVELOPMENT

In July our ultra-modem Service Reception and Offices for the Accra Service Centre were opened. We also took the opportunity to re-furbish our three vehicle showrooms to bring them up to the standard of and blend with the new Service Reception. Customers and visitors to the new facilities are highly impressed.

In November our new Kumasi Branch, comprising workshop facilities and offices was commissioned by a representative of Otumfuo the Asantehene. Built to the same high standard of finishing and quality for which Mechanical Lloyd, has come to be known, it comes complete with a full dealership management system which allows it to operate a fully computerised service centre. It is a refreshing addition to our facilities. It has made a modest start and we are quietly optimistic that it will do well.

In the coming year we are going to tackle the construction of the third and final phase of our programme for the rehabilitation, refurbishment and modernisation of our workshop at the Accra Service Centre. This will comprise the demolition of the existing body works section and the construction in its place of a third wing of the workshop with fourteen service bays. A new staff canteen and changing rooms will be constructed on top of it. Thereafter the existing staff canteen and old changing rooms will be demolished to create an enlarged yard to accommodate more vehicles.

DEVELOPMENT OF RESIDENTIAL PROPERTY

The Company owns a 1.8 acre plot of prime land in the Cantonments area of Accra. For several years we have considered various schemes for the development of this piece of land in order to actualise and derive maximum benefit from its real intrinsic economic value.

These schemes have varied from a hotel, to a collection of seven single storey bungalows. Finally we decided on six executive two-storey houses whose construction we started in February 2003. As at year end they had been roofed and completion is scheduled for December 2004.

OUTLOOK FOR 2004

2004 is an election year and in an election year potential customers adopt a cautious and sit-on-the-fence attitude with regard to capital expenditure. Moreover the delay in the introduction of unleaded fuel means the expected increase in the sale of our Ford saloon cars will not materialise; but should do so in 2005. We therefore expect our 2004 operational performance to be at about the same level as for 2003 in real terms.

RIGHTS ISSUE

To raise additional working capital for the Company's operations and also reduce its borrowing, your Directors deemed it prudent and opportune to take advantage of the current stable macro-economic environment to undertake a Renounceable Rights Issue of additional shares to its shareholders.

The Directors would like to urge shareholders to take up their rights in order to continue to enjoy the fortunes of the Company.

Thank You.

Y.M. SARPONG (CHAIRMAN)

CORPORATE GOVERNANCE

Introduction

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

In line with our corporate vision, values and business principles, Mechanical Lloyd's vision is to be first or among the first in its field. Planning takes place and resources are allocated towards achievement of accountability and reporting standards. The business adopts standard accounting practices and ensures sound internal controls 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 six directors. The directors are knowledgeable individuals with experience in the auto industry as well as in their fields of discipline.

The Audit Committee

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

Systems of Internal Control

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

The company has effective systems for identifying, managing and monitering risks. The systems of internal controls are implemented and monitored by appropriately trained personel, suitably segregated as to authority, duties and reporting lines.

Code of Business Ethics

Mechanical Lloyd Company Limited continues to develop procedures for the purpose of eliminating the potential for corrupt and illegal practices on the part of employees.

PRICEWATERHOUSECOOPERS

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 Mechanical Lloyd Company Limited set out on pages 16 to 28.

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 these 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.

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.

OPINION

In our opinion, proper books of account have been kept and the financial staements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 December 2003 and of its profit and cash flows for the year then ended in accordance with Ghana Accounting Standards and comply with the Ghana Companies Code, 1963 (Act179).

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
23rd March, 2004

PROFIT AND LOSS ACCOUNT

(All amounts are expressed in thousands of Cedis)

	NOTES	Year ended 31 December 2003	2002
TURNOVER	1	**92,290,931**	84,041,473
Cost of Sales		**(71,255,887)**	(68,027,436)
Gross Profit		**21,035,044**	16,014,037
Selling, General and Administrative Expenses	2	**(16,060,967)**	(12,966,753)
		4,974,077	3,047,284
Other Operating Income	3	**3,035,855**	2,731,376
Operating Profit		**8,009,932**	5,778,660
Other income	4	**86,382**	63,968
Finance costs - net	5	**(739,641)**	(383,515)
Profit before tax		**7,356,673**	5,459,113
Tax	11	**(2,435,152)**	(1,641,690)
Net/Profit after tax transfered to Income Surplus Account		**4,921,521**	3,817,423

INCOME SURPLUS ACCOUNT

		2003	2002
Balance at 1 January		6,122,626	3,267,045
Net Profit for the year		4,921,521	3,817,423
		11,044,147	7,084,468
Dividend proposed		**(1,202,302)**	(961,842)
Balance at 31 December		**9,841,845**	6,122,626

The accounting policies and notes on pages 20 to 27 form an integral part of these financial statements.

BALANCE SHEET
(All amounts are expressed in thousands of Cedis)

	NOTES	At 31 December 2003	2002
NON CURRENT ASSETS			
Property, plant and equipment	7	**46,344,712**	37,033,753
Investments	8	**5,733**	5,733
		46,350,445	37,039,486
CURRENT ASSETS			
Stocks	9	**34,247,449**	20,206,822
Debtors	10	**22,126,425**	20,765,194
Bank and Cash Balances		**9,103,717**	8,149,158
		65,477,591	49,121,174
CURRENT LIABILITIES			
Creditors	12	**36,219,668**	28,436,473
Bank Overdraft	13	**4,245,129**	3,683,066
Tax Payable	11	**727,298**	461,686
Dividend Payable	14	**1,202,302**	961,842
Current portion of loans	15	**8,369,441**	3,417,148
		50,763,838	36,960,215
NET CURRENT ASSETS		**14,713,753**	12,160,959
Non-current portion of loans	15	**(19,105,280)**	(10,960,746)
Net Assets		**41,958,918**	38,239,699
SHAREHOLDERS' FUNDS:			
Stated capital	16	**2,666,894**	2,666,894
Capital surplus	17	**29,450,179**	29,450,179
Income Surplus Account		**9,841,845**	6,122,626
		41,958,918	38,239,699

The financial statements on pages 16 to 27 were approved by the Board of Directors on 23rd March, 2004 and were signed on its behalf by:

Y. M. Sarpong

Y. M. SARPONG
(CHAIRMAN)

T. R. DARKO
(MANAGING DIRECTOR)

The accounting policies and notes on pages 20 to 27 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts are expressed in thousands of Cedis)

	Stated Capital	Capital Surplus Account	Income Surplus Account	Total
Year ended 31 December 2003				
Balance at 1 January 2003	**2,666,894**	**29,450,179**	**6,122,626**	**38,239,699**
Net Profit	-	-	**4,921,521**	**4,921,521**
Dividend proposed	-	-	**(1,202,302)**	**(1,202,302)**
Balance at 31 December 2003	**2,666,894**	**29,450,179**	**9,841,845**	**41,958,918**
Year ended 31 December 2002				
Balance at 1 January 2002	2,666,894	29,450,179	3,267,045	35,384,118
Net Profit	-	-	3,817,423	3,817,423
Dividend proposed	-	-	(961,842)	(961,842)
Balance at 31 December 2002	2,666,894	29,450,179	6,122,626	38,239,699

The accounting policies and notes on pages 20 to 27 form an integral part of these financial statements.

CASH FLOW STATEMENT

(All amounts are expressed in thousands of Cedis)

	NOTES	Year ended 31 December 2003	2002
OPERATING ACTIVITIES:			
Cash generated from operations	18	**4,826,700**	3,473,429
Interest received		**49,651**	20,740
Interest paid		**(2,986,992)**	(1,729,379)
Tax paid	11	**(2,169,540)**	(1,878,827)
Net cash used in operating activities		**(280,181)**	(114,037)
INVESTING ACTIVITIES:			
Purchase of tangible property, plant and equipment	7	**(11,846,395)**	(4,943,538)
Proceeds from disposal of property, plant and equipment	7	**725,045**	207,435
Net cash used in investing activities		**(11,121,350)**	(4,736,103)
FINANCING ACTIVITIES:			
Loans received	15	**16,182,413**	12,009,522
Repayment of loans	15	**(3,426,544)**	(5,214,951)
Dividend paid		**(961,842)**	(901,727)
Net cash generated financing activities		**11,794,027**	5,892,844
Net Increase in cash and cash equivalents		**392,496**	1,042,704
Movement in cash and cash equivalents			
At start of year		**4,466,092**	3,423,388
Increase		**392,496**	1,042,704
At end of year	19	**4,858,588**	4,466,092

The accounting policies and notes on pages 20 to 27 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 have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with Ghana Accounting Standards.

(B) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value based on valuation by an external independent valuer less subsequent depreciation.

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:-

Buildings	-	2%
Plant and Machinery	-	10%
Furniture and equipment	-	10%
Computers	-	33%
Motor vehicles:		
• Saloon cars	-	15%
• Others	-	20%

(C) STOCK

Stocks are stated at the lower of cost and net realisable value. Cost of spare parts, trade 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 cost of realisation.

Work in progress is valued at materials cost.

Provision is made where necessary for obsolete, slow-moving and defective stocks.

(D) DEBTORS

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

ACCOUNTING POLICIES (continued)

(E) DEFERRED INCOME TAX

Deferred income tax is provided, using the liability method, for 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.

Currently enacted tax rates are used in determining deferred tax.

(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 such 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 and 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, and other short-term highly liquid investments, net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in the notes are shown in thousands of cedis unless otherwise stated)

1 Turnover

	2003	2002
Motor vehicles and farm machinery sales	73,693,268	69,398,625
Spare parts sales and workshop earnings	18,597,663	14,642,848
	92,290,931	84,041,473

2 Selling, general and administrative expenses

Selling, general and administrative expenses include:

Directors' emoluments	809,037	784,454
Auditors' remuneration	135,000	105,000
Depreciation	1,879,203	1,371,781
Donations	53,030	54,929
National Reconstruction Levy	188,496	139,977

3 Other operating income

This represents commission and fees earned by the company on special projects embarked upon during the year.

4 Other income

Profit on disposal of fixed assets	68,812	-
Rental income	17,570	63,968
	86,382	63,968

5 Finance costs/(income)

Interest cost on bank borrowing	3,054,258	1,775,074
Interest income on credit sales	(2,314,617)	(1,391,559)
	739,641	383,515

6 Staff costs

Wages and salaries	4,468,933	3,578,422
Social security contributions	679,566	409,481
	5,148,499	3,987,903

The accounting policies and notes on pages 20 to 27 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Property, plant and equipment

	Buildings	Plant & machinery equipment furnitur & vehicles	Capital work in progress	Total
Cost/Valuation				
At 1 January 2003	33,044,796	8,755,737	2,208,205	**44,008,738**
Additions	2,161,082	4,145,181	5,540,132	**11,846,395**
Transfers	2,208,205	-	(2,208,205)	**-**
Disposals	-	(1,104,978)	-	**(1,104,978)**
At 31 December 2003	37,414,083	11,795,940	5,540,132	**54,750,155**
Depreciation				
At 1 January 2003	3,810,461	3,164,524	-	**6,974,985**
Charge for Year	809,948	1,069,255	-	**1,879,203**
Disposals	-	(448,745)	-	**(448,745)**
At 31 December 2003	**4,620,409**	**3,785,034**	-	**8,405,443**
Net book value at 31 December 2003	**32,793,674**	**8,010,906**	**5,540,132**	**46,344,712**
31 December 2002	29,234,335	5,591,213	2,208,205	37,033,753

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

	2003	2002
Cost	8,076,964	3,707,677
Accumulated depreciation	(1,765,817)	(1,590,965)
Net book amount	6,311,147	2,116,712

Profit / (Loss) on disposal of property, plant and equipment

	2003	2002
Cost	1,104,978	335,214
Accumulated depreciation	(448,745)	(127,764)
Net book value	656,233	207,450
Proceeds of sales	725,045	207,435
Profit	68,812	(15)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Investments

This represents cost of 148,000 ordinary shares held by the company in CFAO Ghana Limited, a company listed on the Ghana Stock Exchange. The shares had a market value of ¢11,100,000 at 31 December 2003.

9 Stocks

	2003	2002
Trade Stock	**28,625,407**	12,738,124
Goods in transit	**4,596,161**	4,600,524
Work in-progress	**736,782**	2,616,380
Non trade stock	**289,099**	251,794
	34,247,449	20,206,822

10 Debtors

	2003	2002
Trade debtors	**20,652,306**	20,159,685
Staff debtors	**913,862**	288,076
Other debtors and prepayments	**560,257**	317,433
	22,126,425	20,765,194

The maximum amount of staff debtors during the year did not exceed ¢1,000 million (2002: ¢289 million).

11 Tax

Year of assessment Current tax	Balance at 01/01/2003	Payments	Charge for the Year	Balance at 31/12/2003
Up to 2000	(205,740)			**(205,740)**
2001	904,563			**904,563**
2002	(237,137)			**(237,137)**
2003		(2,169,540)	2,435,152	**265,612**
	461,686	**(2,169,540)**	**2,435,152**	**727,298**

12 Creditors

	2003	2002
Trade creditors	35,216,484	26,567,839
Accrued Charges	316,396	1,081,502
Sundry creditors	686,788	787,132
	36,219,668	28,436,473

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Bank overdrafts

The Company had as at the balance sheet date certain banking facilities not exceeding **¢5,500 million** (2002: ¢5,500 million). The facilities are secured by a debenture over the floating assets of the Company, a legal mortgage over specified properties and a lien over trading stocks.

14 Dividend

The directors propose a dividend per share of ¢30.00 (2002:¢24.00) amounting to ¢1,202,302,200 (2002:¢961,841,760).

15 Loans

	Balance at 01/01/2003	Balance at Drawdown	Repayment	Exchange Rate Adjustment	Balance at 31/12/2003
Bank loans	14,377,894	16,182,413	(3,426,544)	340,958	27,474,721
Current portion of loans	(3,417,148)				(8,369,441)
Non-current portion of loans	10,960,746				19,105,280

The bank loans comprise the following facilities:

(a) US$416,672 to be paid by August 2005
(b) US$500,000 to be paid by August 2007
(c) US$1,796,632 to be paid by January 2010
(d) A Stock loan of ¢3.1 billion to be paid by April 2004

The stock loan attracts interest at 31% p.a. The other loans attract interest at the higher of 6 months LIBOR plus 3% p.a and 7% p.a.The loans are secured by a floating charge on certain fixed assets of the company.

16 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** (2002: 40,076,740) have been issued as follows:

	2003	2002	**2003**	2002
	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	**4,657,417**	4,657,417	**149,037**	149,037
	40,076,740	40,076,740	**2,666,894**	2,666,894

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Capital surplus

The capital surplus arose from a professional revaluation of the company's landed property as at 31 December 2001.

18 Cash generated from operations

	2003	2002
Operating profit before tax	7,356,673	5,459,113
Depreciation charge	1,879,203	1,371,781
Exchange loss on bank borrowings	340,958	493,565
Profit on disposal of fixed assets	(68,812)	15
Interest paid	2,986,992	1,729,379
Interest received	(49,651)	(20,740)
Net increase in stock and work-in-progress	(14,040,627)	(3,451,677)
Net increase in debtors	(1,361,231)	(12,156,487)
Net increase in creditors	7,783,195	10,048,480
Cash generated from operations	4,826,700	3,473,429

19 Cash and cash equivalents

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

	2003	2002
Bank and cash balances	9,103,717	8,149,158
Bank overdrafts	(4,245,129)	(3,683,066)
	4,858,588	4,466,092

20 Deferred tax

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

	2003		2002	
	Potential liability/assets	Provision made	Potential liability/assets	Provision made
Accelerated capital allowance	6,208,989	-	4,704,908	-
Other timing differences	-	-	-	-
	6,208,989	-	4,704,908	-

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Capital commitments

Capital commitments at the balance sheet date amounted to ¢8,000 million (2002: nil)

22 Contingent Liabilities

There were no contingent liabilities at the balance sheet date. (2002: nil)

23 Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

SHAREHOLDING ANALYSIS AS AT 31 DECEMBER 2003

CATEGORIES OF SHARES	NO. OF HOLDERS	HOLDING	% OF TOTAL HOLDING
1–1,000	2,857	1,228,017	3.1
1,001–5,000	604	1,336,280	3.3
5,001–10,000	76	593,694	1.5
10,001 and over	89	36,918,749	92.1
	3,626	**40,076,740**	**100.00**

DIRECTORS' SHAREHOLDINGS

The following Directors held shares as at 31 December, 2003

	NAME		NO. OF SHARES
1)	Mr. Y.M. Sarpong	–	112,000
2)	Mr. T.R. Darko	–	9,727,202
3)	Mr. C.S. Aidoo	–	405,417
4)	Mr. N.K. Bulley	–	32,300
	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

FINANCIAL SUMMARIES

	31.12.99	31.12.00	31.12.01	31.12.02	31.12.03
	¢'000	¢'000	¢'000	¢'000	¢'000
Turnover	33,031,964	34,317,802	56,867,746	84,041,473	92,290,931
P/(L) before Taxation	1,177,580	(1,652,987)	5,036,798	5,459,113	7,356,673
Taxation	648,011	-	1,422,153	1,641,690	2,435,152
P/(L) after Taxation	529,569	(1,652,987)	3,614,645	3,817,423	4,921,521
Dividends	-	-	901,727	961,842	1,202,302
P/(L) Transferred	529,569	(1,652,987)	2,712,918	2,855,581	3,719,219

BALANCE SHEET

Fixed Assets	11,915,033	11,422,544	33,669,446	37,033,753	46,344,712
Cash/Investments	604,487	2,616,236	4,120,778	8,154,891	9,109,450
Other Current Assets	17,522,962	16,653,488	25,363,852	40,972,016	56,373,874
Total Assets	30,042,482	30,692,268	63,154,076	86,160,660	111,828,036
Less C/Liabilities	17,361,906	18,460,701	26,089,958	36,960,215	50,763,838
TOTAL NET ASSETS	12,680,576	12,231,567	37,064,118	49,200,445	61,064,198

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	29,450,179	29,450,179	29,450,179
Income Surplus	2,207,114	554,127	3,267,045	6,122,626	9,841,845
	11,484,554	9,831,567	35,384,118	38,239,699	41,958,918
Medium Term Loans	1,196,022	2,400,000	1,680,000	10,960,746	19,105,280
	12,680,576	**12,231,567**	**37,064,118**	**49,200,445**	**61,064,198**

STATISTICS	1999	2000	2001	2002	2003
Earnings/Share	13.21	(41.25)	90.35	95.25	122.80
Net Assets/Share	268.57	245.33	882.93	954.16	1,046.96
Current Assets/Current Liabilities	1.04	1.05	1.13	1.33	1.29
Return on S/Holders' Fund	4.61%	-16.82%	10.22%	9.98%	11.73%
Return on Turnover	1.60%	-4.82%	6.36%	4.54%	5.33%

PROXY FORM

ANNUAL GENERAL MEETING TO BE HELD AT 11.00 A.M. on Wednesday, 23 June, 2004 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 23 June, 2004.

DATED this ...... Day of 2004

....

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	
RESOLUTION	**For**	**Against**
1. To receive the Accounts 2. Declare a dividend 3. To re-elect Mr. A. Lawson as Director. 4. To approve non-executive Directors' Fees. 5. 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 MLC/200864
to be held at the **Accra International** Conference Centre, Accra on Wednesday, 23 June, 2004
MS. M. NARTEY 2625
at 11.00 o'clock in the forenoon. C/O DATABANK
PMB MIN ACCRA

Full name and address of shareholder...

....

Number of shares held...

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

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

Hemmingway Press • Tel:225521