



MECHANICAL LLOYD CO. LTD.

ANNUAL REPORT AND ACCOUNTS 2004



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Mission Statement

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 Irene Addo (Mrs) (Appointed on 20 October 2004)
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, 4 th 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 Thirteenth Annual General Meeting of Mechanical Lloyd Company Limited

Notice is Hereby given that the **Thirteenth** Annual General Meeting of 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, **15 June, 2005** at **11.0'clock** in the forenoon for the following purposes:

Agenda

1. To receive the Report of the Directors, the Balance Sheet as at 31 December, 2004 together with the Profit and Loss and Income Surplus Accounts for the year ended, 31 December, 2004 and the Report of the Auditors thereon.
2. To declare a dividend for the year ended, 31 December, 2004.
3. To re - elect the following Directors retiring by rotation:
 - i. Mr. Y. M. Sarpong.
 - ii. Mr. C. B. K. Zwennes
4. To elect the following as Directors;
 - i. Mrs Irene Addo
 - ii. Mr. Yaw Assah-Sam
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, 2005.

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**

(All amounts are expressed in thousands of cedis)

	2004	2003	% Change
Turnover	120,401,856	92,290,931	+30.46
Profit Before Tax	7,675,037	7,356,673	+4.33
Profit After Tax	5,573,811	4,921,521	+13.25
Dividend proposed	1,502,878	1,202,302	+25.00
Retained Profit	4,070,933	3,719,219	+9.46
Shareholders' Funds	71,077,813	41,958,918	+69.40
Capital Expenditure	13,654,413	11,846,395	+15.26
Total Assets	133,589,805	111,828,036	+19.46
Dividend per Share	30.00	30.00	0.00
Earnings per Share	111.26	122.80	-9.40
Net Assets per Share	1,418.83	1,046.96	+35.52



Report of the Directors

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 2004.

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:

	2004 ¢'000	2003 ¢'000
Profit before tax for the year ended 31 December 2004 is	7,675,037	7,356,673
from which is deducted tax of	<u>(2,101,226)</u>	<u>(2,435,152)</u>
giving a profit after tax for the year of	5,573,811	4,921,521
which when added to the balance brought forward on Income Surplus Account of	<u>9,841,845</u>	<u>6,122,626</u>
gives a balance of	15,415,656	11,044,147
out of which the directors recommend to be paid a dividend of ¢30.0 per share amounting in total to	<u>(1,502,878)</u>	<u>(1,202,302)</u>
which leaves a balance carried forward on Income Surplus Account of	<u>13,912,778</u>	<u>9,841,845</u>

The company's net worth increased from ¢41.9 billion as at 1 January 2004 to **¢71.0 billion** at the end of 2004.



Report of the Directors (contd.)

Rights Issue

By a special resolution of the shareholders on 23 June 2004 a rights issue of one (1) share for every four (4) shares held was made to the shareholders for a cash consideration of **¢ 2,500** per share.

A total of **10,019,185** ordinary shares were offered and taken, resulting in an increase in stated capital of **¢ 25,047,962,500**.

Dividend

The directors recommend the payment of a dividend of **¢ 30.00** per share amounting to **¢ 1,502,877,750.00**.

Auditors

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

By order of the board

Handwritten signature of Y. M. Sarpong in black ink.

Y. M. Sarpong
(Chairman)

Handwritten signature of T. R. Darko in black ink.

T. R. Darko
(Managing Director)

23rd March 2005



Chairman's Review of 2004

The Ghanaian economy performed creditably during 2004, achieving a growth of 5.8%, the fourth straight year of consistently improving rate of growth. All the major macro-economic indicators moved in the right direction.

Strong export growth was spearheaded by a record cocoa production of 740,000 tonnes. There were in addition increased donor inflows and other inward remittances which helped to raise the country's reserve position to four months worth of imports. These provided the cushion for a relatively stable Cedi which depreciated by only 2.2% against the us Dollar.

Strong fiscal discipline on the part of government saw an increase of over 25% in internally mobilised revenue and a containment within budgetary limits of government expenditure, all the more remarkable during an election year. This resulted in a downward pressure on inflation which fell from 23.6% p.a. as at the beginning of the year, to 11.8% p.a. at the end of the year, and was still falling.

Against this background, your Company achieved a 30.46% growth in Turnover from ₵92.3 billion in 2003 to ₵120.4 billion in 2004. This however was achieved at some cost in Gross Profit percentage on turnover which declined from 22.8% to 20.9% because of fierce competition especially in the pick-up sector. In absolute terms, Gross Profit increased from ₵21.03 billion to ₵25.16 billion. Selling, General and Administrative Expenses amounted to ₵19.8 billion (2003: ₵16.06 billion) out of which ₵2.098 billion (2003: ₵1.88 billion) was attributable to Depreciation.

After adjusting for Other Operating Income of ₵2.52 billion (2003: ₵3.035 billion) made up of Fees and Sales Commission earned from DAF Bus and Land Rover, and an Exceptional Item of ₵1.029 billion (2003: Nil), we ended the year with a Net Profit Before Tax of ₵7.68 billion (2003: ₵7.35 billion) and a Net Profit After Tax of ₵5.57 billion which is 13.25% above the corresponding figure for 2003 of ₵4.92 billion. The Exceptional Item of ₵1.029 billion mentioned above was the total expenses incurred on a Rights Issue that we undertook during the year.

DIVIDEND

On the basis of the foregoing results the Directors recommend the payment of a Dividend of ₵30.00 per share.

RIGHTS ISSUE

In 1994, the Company was transformed from a Private Company to a Publicly listed Company. Since then there has been a programme of expansion and modernisation of its infrastructural facilities culminating in the opening of a new modern facility in Kumasi in November 2003. Because of lack of long-term funds in the economy, we had to undertake these costly but necessary developments with short-term bank borrowing which exerted enormous pressure on our cash flow and profitability.

At the beginning of 2004, we took advantage of our listing on the Ghana Stock Exchange to undertake a Renounceable Rights Issue to raise long term capital funds to pay off the short-term bank loans. We were helped greatly by the bullish posture of the Stock Exchange then which had seen the price of our share rise astronomically from ₵270.00 in 2002 to ₵700.00 in December 2003 and to ₵3,100.00 in March 2004.



Chairman's Review of 2004 (contd.)

In 2003, we informed you that we had started the development of residential property on a 1.8 acre plot that we owned in Cantonments.

We saw the Rights Issue also as a golden opportunity to raise enough funds to help finance the development of the residential property.

We are glad to report that the Rights Issue was a success. It was 100% subscribed and we raised over ₵25.0 billion. The proceeds have been applied to substantially reduce our short-term debt position, contribute to the construction of our residential property, and to make our Balance Sheet a lot healthier.

DEVELOPMENT OF RESIDENTIAL PROPERTY

The development of our Residential Property could not be completed in December 2004 as we announced to you last year. However it has since been completed. The development is named YAA KOBE GARDENS - after the mother of R.A. Darko who was the founder of the company. All six houses have been rented to a foreign mission under an arrangement which should guarantee safe and predictable additional income to the Company annually.

Your Directors are of the opinion that this line of business is a profitable means of diversification of the company's operations which adds to the stability of its earnings. It therefore proposes to explore the possibility of acquiring more prime lands for similar developments in the future.

FORD

Ford continues to show strong growth. After two successive years of impressive growth, our Ford business grew even more spectacularly in 2004 - registering an increase of 49% in units and 58.9% in value over 2003 figures; and even exceeding the enhanced budget of 2004 by 6.4%.

We believe very strongly that Ford is poised for even better growth in the coming years.

BMW

BMW sales achieved 87% of budget. The new 1 Series launched in the fourth quarter of the year has been very well received in our market but we were unable to obtain adequate allocation from BMW to meet demand.

Generally speaking the sale of the BMW, like all brands in the luxury segment can be said to have reached a plateau, and will grow only in line with real growth in the economy as well as the rate of emergence of the financially better endowed.

MASSEY FERGUSON

Massey Ferguson continues to do unexpectedly well. In 2004 it registered a 51% increase over 2003 in terms of sales value and exceeded budget by 110%; and in the process increased its share of Total Turnover from 7.72% to 8.94%.



Chairman's Review of 2004 (contd.)

DAF BUSES

In 2002 we informed you that your company was instrumental in bringing to fruition a project for the supply of 100 DAF bus chassis by VDL Bus of Holland under Dutch Government concessionary finance for the construction of buses by Neoplan Ghana Limited in furtherance of the Government's Mass Transport policy.

In 2004 the second phase of this project - also for the supply of 100 more DAF buses materialised. Again your Company stands to earn a Sales and Service commission in 2005 for its services.

You would also be interested to know that in July 2004 the Agreement for the third phase of this project involving 150 more DAF Bus Chassis was signed between the Ghana Government and the VDL Bus of Holland. We look forward to the third phase of this project receiving the approval of the Dutch Government in 2005 and taking off in 2006.

OUTLOOK FOR 2005

With the country having achieved a stable and propitious macroeconomic environment, and having also reached HIPC completion point resulting in the cancellation of a significant portion of the country's debts, it is believed that the country is poised for take-off in 2005 for sustained and appreciable continuous economic growth.

Within this environment, your Company expects to maintain its pre-eminent position in the country's motor industry, with the expected growth in our Ford business leading the onslaught.

CONCLUSION

I wish on behalf of the Board to express the Board's gratitude to Management and Staff whose hard work made possible the satisfactory performance of the Company during the year. Thank you.

A handwritten signature in black ink, appearing to read 'Y. M. Sarpong'.

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 seven directors. The directors are knowledgeable individuals with experience in the auto industry as well as in their fields of discipline.

The Audit Committee

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

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

Code of Business Ethics

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



Report of the Auditors

To the Members of Mechanical Lloyd Company Limited

We have audited the financial statements of Mechanical Lloyd Company Limited set out on pages 15 to 26 .

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 of material misstatement. 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 statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 December 2004 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 (Act 179).

Price Waterhouse Coopers

Chartered Accountants

23rd March 2005

PRICEWATERHOUSECOOPERS 



Profit and Loss Account

(All amounts are expressed in thousands of cedis)

	Notes	Year ended 31 December	
		2004	2003
Turnover	1	120,401,856	92,290,931
Cost of sales		<u>(95,241,086)</u>	<u>(71,255,887)</u>
Gross profit		25,160,770	21,035,044
Selling, general and administrative expenses	2	<u>(19,753,234)</u>	<u>(16,060,967)</u>
		5,407,536	4,974,077
Other operating income	4	<u>2,516,862</u>	<u>3,035,855</u>
Operating profit		7,924,398	8,009,932
Share Issue expenses	3	<u>(1,029,591)</u>	-
Other Income	5	185,048	86,382
Finance income / (costs) - net	6	<u>595,182</u>	<u>(739,641)</u>
Profit before tax		7,675,037	7,356,673
Tax	12	<u>(2,101,226)</u>	<u>(2,435,152)</u>
Net Profit after tax transferred to			
Income Surplus Account		<u>5,573,811</u>	<u>4,921,521</u>

Income Surplus Account

At 1 January	9,841,845	6,122,626
Net profit for the year	<u>5,573,811</u>	<u>4,921,521</u>
	15,415,656	11,044,147
Dividend proposed	<u>(1,502,878)</u>	<u>(1,202,302)</u>
At 31 December	<u>13,912,778</u>	<u>9,841,845</u>

The accounting policies and notes on pages 19 to 26 form an integral part of these financial statements.

**Balance Sheet**

(All amounts are expressed in thousands of cedis)

At 31 December

	Notes	2004	2003
Non - Current Assets			
Property, plant and equipment	8	57,462,093	46,344,712
Investment	9	-	5,733
		<u>57,462,093</u>	<u>46,350,445</u>
Current Assets			
Stocks	10	34,542,828	34,247,449
Debtors	11	37,864,323	22,126,425
Bank and Cash Balances		<u>3,720,561</u>	<u>9,103,717</u>
		<u>76,127,712</u>	<u>65,477,591</u>
Current Liabilities			
Creditors	13	41,068,334	36,219,668
Bank Overdrafts	14	921,801	4,245,129
Tax Payable	12	518,368	727,298
Dividend Payable	15	1,502,878	1,202,302
Current Portion of Loans	16	<u>7,326,560</u>	<u>8,369,441</u>
		<u>51,337,941</u>	<u>50,763,838</u>
Net Current Assets			
Non-current portion of loans	16	<u>(11,174,051)</u>	<u>(19,105,280)</u>
Net assets		<u>71,077,813</u>	<u>41,958,918</u>
Shareholders' Funds:			
Stated capital	17	27,714,856	2,666,894
Capital Surplus account	18	29,450,179	29,450,179
Income Surplus account		<u>13,912,778</u>	<u>9,841,845</u>
		<u>71,077,813</u>	<u>41,958,918</u>

The financial statements on pages 15 to 26 were approved by the Board of Directors on 23 March 2005 and signed on its behalf by:

Y. M. Sarpong
(Chairman)

T. R. Darko
(Managing Director)

The accounting policies and notes on pages 19 to 26 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	Income Surplus	Total
Balance at				
1 January 2004	2,666,894	29,450,179	9,841,845	41,958,918
Proceeds of rights issue	25,047,962	-	-	25,047,962
Net profit	-	-	5,573,811	5,573,811
Dividend proposed	-	-	(1,502,878)	(1,502,878)
At 31 December 2004	<u>27,714,856</u>	<u>29,450,179</u>	<u>13,912,778</u>	<u>71,077,813</u>
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)
At 31 December 2003	<u>2,666,894</u>	<u>29,450,179</u>	<u>9,841,845</u>	<u>41,958,918</u>

The accounting policies and notes on pages 19 to 26 form an integral part of these financial statements.

**Cash Flow Statement**

(All amounts are expressed in thousands of cedis)

Year ended 31 December

	Notes	2004	2003
Operating Activities			
Cash generated from operations	19	514,535	4,826,700
Interest received		84,026	49,651
Interest paid		(2,068,065)	(2,986,992)
Tax paid	12	(2,310,156)	(2,169,540)
Net cash used in operating activities		<u>(3,779,660)</u>	<u>(280,181)</u>
Investing Activities			
Purchase of property, plant and equipment	8	(13,654,413)	(11,846,395)
Proceeds from disposal of property, plant and equipment	8	386,386	725,045
Proceeds from disposal of investment	9	16,654	-
Net cash used in investing activities		<u>(13,251,373)</u>	<u>(11,121,350)</u>
Financing Activities			
Proceeds from rights issue of shares		25,047,962	-
Loans received	16	11,799,658	16,182,413
Repayment of loans	16	(20,674,113)	(3,426,544)
Dividend paid		(1,202,302)	(961,842)
Net cash generated from financing activities		<u>14,971,205</u>	<u>11,794,027</u>
Net (decrease)/increase in cash and cash equivalents		<u>(2,059,828)</u>	<u>392,496</u>
Movement in cash and cash equivalents			
At start of year		4,858,588	4,466,092
(Decrease)/ Increase		(2,059,828)	392,496
At end of year	20	<u>2,798,760</u>	<u>4,858,588</u>

The accounting policies and notes on pages 19 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 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. Buildings on leasehold land are amortised over the lease period of the land.

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	3%
Plant and machinery	10%
Furniture and equipment	10%
Computers	33%
Motor vehicles	
• Saloon cars	15%
• Others	20%

C Stocks and Work - in - Progress

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 the cost of realisation.

Work in progress is valued at materials cost.

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



Accounting Policies (contd.)

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.

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 from the translation 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 Equivalent

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	2004	2003
Motor vehicles and farm machinery sales	96,335,375	73,693,268
Spare parts sales and workshop earnings	<u>24,066,481</u>	<u>18,597,663</u>
	<u>120,401,856</u>	<u>92,290,931</u>

2 Selling, General and Administrative Expenses

Selling, general and administrative expenses include:

Depreciation	2,098,479	1,879,203
Directors' emoluments	1,256,627	809,037
National reconstruction levy	175,432	188,496
Auditors' remuneration	156,000	135,000
Donations	<u>79,000</u>	<u>53,030</u>

National reconstruction levy is assessed under the National Reconstruction Levy Act of 2001, (Act 597) at 2.5% of profit before tax.

3 Share Issue Expenses

This represents expenses incurred in connection with a rights issue undertaken during the year.

4 Other Operating Income

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

5 Other Income

Other income includes :

	2004	2003
Miscellaneous income	120,219	32,182
(Loss) / profit on sale of property, plant and equipment	(52,167)	68,812
Profit on disposal of investments	10,921	-
Rental income	<u>6,420</u>	<u>17,570</u>

**Notes to the Financial Statements (contd.)**

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

6 Finance Income (cost) - Net

	2004	2003
Bank interest	(2,068,065)	(3,054,258)
Interest income on credit sales	<u>2,663,247</u>	<u>2,314,617</u>
	<u>595,182</u>	<u>(739,641)</u>

7 Staff Costs

Wages and salaries (including executive directors salaries)	5,808,599	4,468,933
Social security contributions	<u>654,914</u>	<u>503,868</u>
	<u>6,463,513</u>	<u>4,972,801</u>

The average number of persons employed by the company during the year was 162 (2003: 140).

8 Property, Plant and Equipment

	Buildings	Plant and machinery, equipment, furniture and vehicles	Capital work in-progress	Total
Cost/valuation				
At 1 January 2004	37,414,083	11,795,940	5,540,132	54,750,155
Additions	928,390	2,629,961	10,096,062	13,654,413
Disposals	<u>-</u>	<u>(619,674)</u>	<u>-</u>	<u>(619,674)</u>
At 31 December 2004	<u>38,342,473</u>	<u>13,806,227</u>	<u>15,636,194</u>	<u>67,784,894</u>
Accumulated depreciation				
At 1 January 2004	4,620,409	3,785,034	-	8,405,443
Charge for year	827,865	1,270,614	-	2,098,479
Disposals	<u>-</u>	<u>(181,121)</u>	<u>-</u>	<u>(181,121)</u>
At 31 December 2004	<u>5,448,274</u>	<u>4,874,527</u>	<u>-</u>	<u>10,322,801</u>
Net book value				
At 31 December 2004	<u>32,894,199</u>	<u>8,931,700</u>	<u>15,636,194</u>	<u>57,462,093</u>
At 31 December 2003	<u>32,793,674</u>	<u>8,010,906</u>	<u>5,540,132</u>	<u>46,344,712</u>



Notes to the Financial Statements (contd.)

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

8 Property, Plant and Equipment (contd.)

The buildings were last revalued at 31 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:

	2004	2003
Cost	9,005,354	8,076,964
Accumulated depreciation	<u>(1,859,115)</u>	<u>(1,765,817)</u>
Net book value	<u>7,146,239</u>	<u>6,311,147</u>

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

Cost	619,674	1,104,978
Accumulated depreciation	<u>(181,121)</u>	<u>(448,745)</u>
Net book value	438,533	656,233
Proceeds of sales	<u>(386,386)</u>	<u>(725,045)</u>
Loss/(profit)	<u>52,167</u>	<u>(68,812)</u>

9 Investment

	2004	2003
Cost	5,733	-
Proceeds of sales	<u>(16,654)</u>	-
Profit	<u>(10,921)</u>	-

The 148,000 ordinary shares owned by the company in CFAO Ghana Limited, a company listed on the Ghana Stock Exchange, were sold during the year.

10 Stocks

Trade stocks	22,599,620	28,625,407
Goods in transit	10,655,170	4,596,161
Work in-progress	850,890	736,782
Non-trade stocks	<u>437,148</u>	<u>289,099</u>
	<u>34,542,828</u>	<u>34,247,449</u>

**Notes to the Financial Statements (contd.)**

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

11 Debtors

	2004	2003
Trade debtors	36,441,440	20,652,306
Staff debtors	977,332	913,862
Other debtors and prepayments	445,551	560,257
	<u>37,864,323</u>	<u>22,126,425</u>

The maximum amount of staff indebtedness during the year did not exceed c1,000,000,000 (2003: c914,000,000).

12 Tax

Year of assessment	Balance at 1 Jan. 2004	Payments	Charge for the year	Balance at 31 Dec. 2004
Current tax Up to				
2002	461,686	-	-	461,686
2003	265,612	-	-	265,612
2004	-	(2,310,156)	2,101,226	(208,930)
	<u>727,298</u>	<u>(2,310,156)</u>	<u>2,101,226</u>	<u>518,368</u>

13 Creditors

	2004	2003
Trade creditors	37,617,338	35,216,484
Accrued charges	2,010,012	316,396
Sundry creditors	1,440,984	686,788
	<u>41,068,334</u>	<u>36,219,668</u>

14 Bank Overdraft

At the balance sheet date the company had certain banking facilities not exceeding **¢5,500 million** (2003: ¢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

15 Dividend

The directors propose a dividend per share of **¢30.00** (2003: ¢30.00) amounting to **¢1,502,877,750** (2003: ¢1,202,302,200).



Notes to the Financial Statements (contd.)

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

16 Loans

	Balance at 1/1/2004	Drawdown	Repayment	Exchange Rate Adjustment	Balance at 31/12/2004
Bank Loans	27,474,721	<u>11,799,658</u>	<u>(20,674,113)</u>	<u>(99,655)</u>	18,500,611
Current Portion of Loans	<u>(8,369,441)</u>				<u>(7,326,560)</u>
Non-current Portion of Loans	<u>19,105,280</u>				<u>11,174,051</u>

The bank loans comprise the following facilities:

- US\$166,676 with Standard Chartered Bank Limited to be paid by August 2005;
- US\$263,890 with Standard Chartered Bank Limited to be paid by December 2005;
- US\$1,511,936 with Barclays Bank of Ghana Limited to be paid by January 2010; and
- A stock loan of c¢0.8 billion with Standard Chartered Bank Limited to be paid by April 2005.

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 8% p.a. The loans are secured by a floating charge on certain fixed assets of the company.

17 Stated Capital

The company has 100,000,000 authorised ordinary shares of no par value out of which 50,095,925 (2003: 40,076,740) have been issued as follows:

	2004 No. of shares	2003 No. of shares	2004 Amount	2003 Amount
Issued for cash	11,426,643	11,426,643	477,920	477,920
Rights issue	34,011,865	23,992,680	27,087,899	2,039,937
Transfer from income surplus	4,657,417	4,657,417	149,037	149,037
	<u>50,095,925</u>	<u>40,076,740</u>	<u>27,714,856</u>	<u>2,666,894</u>

By a special resolution of the shareholders on 23 June 2004 a rights issue of one (1) share for every four (4) shares held was made to the shareholders for a cash consideration of **c¢2,500** per share. A total of **10,019,185** ordinary shares were offered and taken, resulting in an increase in stated capital of **c¢25,047,962,500**.

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

18 Capital Surplus Account

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

**Notes to the Financial Statements (contd.)**

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

19 Cash Generated from Operations

	2004	2003
Profit before tax	7,675,037	7,356,673
Depreciation charge	2,098,479	1,879,203
Exchange (gain) / loss on bank borrowings	(99,655)	340,958
Loss / (profit) on disposal of property, plant and equipment	52,167	(68,812)
Profit on disposal of investments	(10,921)	-
Bank interest expense	2,068,065	2,986,992
Bank interest income	(84,026)	(49,651)
Net decrease/(increase) in stocks and work-in-progress	(295,379)	(14,040,627)
Net increase in debtors	(15,737,898)	(1,361,231)
Net increase in creditors	4,848,666	7,783,195
Cash generated from operations	<u>514,535</u>	<u>4,826,700</u>

20 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	2004	2003
Bank and cash balances	3,720,561	9,103,717
Bank overdrafts	(921,801)	(4,245,129)
	<u>2,798,760</u>	<u>4,858,588</u>

21 Deferred Tax

Details of the full potential liability and the provision made are as follows:

	2004		2003	
	Potential liability	Provision made	Potential liability	Provision made
Accelerated capital allowances	8,795,371	-	5,973,635	-
Other timing differences	27,903	-	235,354	-
	<u>8,823,275</u>	<u>-</u>	<u>6,208,989</u>	<u>-</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.

22 Capital CommitmentsCapital commitments at the balance sheet date amounted to **¢1,400,000,000** (2003: ¢8,000,000,000).**23 Contingent Liabilities**

There were no contingent liabilities at the balance sheet date (2003: Nil).

24 Segmental Reporting

During the year the company's revenue and profit were derived primarily from its principal activity of the sales, servicing and maintenance of motor vehicles and farm machinery. However, during the year the company embarked on a programme to build property for the purposes of generating future revenue.

At the balance sheet date total assets relating to this venture accounted for 12% of the company's total assets.


Financial Summaries

	31.12.00	31.12.01	31.12.02	31.12.03	31.12.04
	¢'000	¢'000	¢'000	¢'000	¢'000
Turnover	34,317,802	56,867,746	84,041,473	92,290,931	120,401,856
P/(L) before Taxation	(1,652,987)	5,036,798	5,459,113	7,356,673	7,675,037
Taxation	0	1,422,153	1,641,690	2,435,152	2,101,226
P/(L) after Taxation	(1,652,987)	3,614,645	3,817,423	4,921,521	5,573,811
Dividends	0	901,727	961,842	1,202,302	1,502,878
P/(L) Transferred	(1,652,987)	2,712,918	2,855,581	3,719,219	4,070,933
BALANCE SHEET					
Fixed Assets	11,422,544	33,669,446	37,033,753	46,344,712	57,462,093
Cash / Investments	2,616,236	4,120,778	8,154,891	9,109,450	3,720,561
Other Current Assets	16,653,488	25,363,852	40,972,016	56,373,874	72,407,151
Total Assets	30,692,268	63,154,076	86,160,660	111,828,036	133,589,805
Less C / Liabilities	18,460,701	26,089,958	36,960,215	50,763,838	51,337,941
TOTAL NET ASSETS	12,231,567	37,064,118	49,200,445	61,064,198	82,251,864
Financed as follows:					
Stated Capital	2,666,894	2,666,894	2,666,894	2,666,894	27,714,856
Capital Surplus	6,610,546	29,450,179	29,450,179	29,450,179	29,450,179
Income Surplus	554,127	3,267,045	6,122,626	9,841,845	13,912,778
Medium Term Loans	9,831,567	35,384,118	38,239,699	41,958,918	71,077,813
	2,400,000	1,680,000	10,960,746	19,105,280	11,174,051
	12,231,567	37,064,118	49,200,445	61,064,198	82,251,864
STATISTICS					
	2000	2001	2004	2003	2004
Earnings / Share	(41.25)	90.35	95.25	122.80	111.26
Net Assets / Share	245.33	882.93	954.16	1,046.96	1,418.83
Current Assets / Current Liabilities	1.05	1.13	1.33	1.29	1.48
Return on S / Holders' Fund	-16.82%	10.22%	9.98%	11.73%	7.84%
Return on Turnover	-4.82%	6.36%	4.54%	5.33%	4.63%



Shareholding Analysis as at 31 December 2004

Categories of Shares	No. of Holders	Holding	% Of Total Holding
1 - 1,000	3,115	1,323,447	2.64
1,001 - 5000	782	1,736,607	3.47
5,001 - 10,000	109	848,701	1.69
10,001 and over	152	46,187,170	92.20
	<u>4,158</u>	<u>50,095,925</u>	<u>100.00</u>

Directors' Shareholdings

The following Directors held shares as at 31 December, 2004

Name	No. of Shares
Mr. Y. M. Sarpong	140, 000
Mr. T. R. Darko	9,727, 202
Mr. C. S. Aidoo	438, 000
Mr. N. K. Bulley	44, 300
Mr. N. K. Bulley(jointly with Mrs Agnes Jane Bulley)	20, 600
Mr. A. Lawson	75, 000
Mr. C. B. K. Zwennes(jointly with Mrs. Jacqueline Zwennes)	53, 557



Proxy Form

Annual General Meeting to be held at 11.00 am. on Wednesday, 15 June, 2005 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 15 June, 2005.

Dated this Day of 2005

Shareholder's Signature

This Proxy form should not be completed and sent to the Registrar's if the member will be attending the meeting.

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**

For Company's Use Resolution	No. of Shares	
	For	Against
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 Mrs Irene Addo as Director		
6. To elect Mr. Yaw Assah-Sam as Director		
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.



MECHANICAL LLOYD COMPANY LIMITED

Admission Form

Annual General Meeting to be held at the **Accra International Conference Centre, Accra** on Wednesday, 15 June, 2005 at 11.00 o'clock in the forenoon.

Full name and address of shareholder.....

Number of shares held 962

IMPORTANT: This Admission Form must be produced by the Shareholder at the company's office to obtain entrance to the Annual General Meeting.

MLE/2006733
MR. C. ASANTE
C/O DANIEL O TETTEH
DATABANK PMB
MIN, ACCRA



Second Fold Here

First Fold Here

Please Affix
Stamp

**Merchant Bank(Ghana) Limited,
Registrar's Dept.
57 Examination Loop,
North Ridge,
P.O. Box 401,Accra**

