



MECHANICAL LLOYD CO. LTD.



Annual Report and Financial Statements 2007



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MECHANICAL LLOYD COMPANY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2007



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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

Directors	Charles Bartels Kwesi Zwennes (Chairman) - appointed 20/03/08 Terence Ronald Darko (Managing Director) Charles Sydney Aidoo Yaw Assah - Sam Yaw Manu Sarpong Napoleon Kpakpo Bulley Andrew Lawson
Secretary	Caroline Darko
Solicitor	Gaisie Zwennes Hughes & Co Carlton House Anumansa Street Christianborg 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 No. 12 Aviation Road Una Home 3rd Floor, Airport City 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 Stanbic Bank Limited Fidelity Bank Limited Standard Chartered Bank Limited



NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING OF MECHANICAL LLOYD CO. LTD.

Notice is Hereby given that the **Sixteenth** Annual Genral 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 Tuesday, **May 27, 2008** 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, 2007 together with the Profit and Loss and Income Surplus Accounts for the year ended, 31 December, 2007 and the Report of the Auditors thereon.
2. To declare a dividend for the year ended, 31 December, 2007.
3. To re-elect the following Directors retiring by rotation:
 - i. Mr. Yaw Manu Sarpong.
 - ii. Mr. C.B.K Zwennes.
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 20th day of March, 2008.

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.



BOARD OF DIRECTORS



CHARLES B.K. ZWENNES
Chairman

Mr. Zwennes is a Barrister at Law with over 40 years at the Bar and a Senior Advocate of Ghana (S.A.G.). He is a Director of J. Stanley Owusu & Co. Ltd., African Concrete Products Ltd., and PSC Tema Shipyard Ltd. Previously held positions include, Chairman of the Board of Directors of the State Transport Corporation, Chairman of the Board of the State Housing Corporation and Chairman of the Board of Achimota School. He has served on several Public Commissions of Enquiry appointed by the Government of Ghana.

TERENCE RONALD DARKO
Managing Director

Mr. Darko has over 30 years experience in Management. Before joining Mechanical Lloyd Co. Ltd., he was with Massey Ferguson in the United Kingdom.

He has been the Managing Director of the Company since 1977. He is a Director of Okofoh Estates Ltd.



CHARLES S. AIDOO
Director of Finance and Administration

Mr. Aidoo, a Chartered Accountant since 1972, was a Senior Accountant with Coopers & Lybrand (now PricewaterhouseCoopers) 1972-1975, then Deputy Chief Accountant, Ghana Cargo Handling Company (1976-1979). He joined the Company in 1979 as Financial Controller. He was appointed Director of Finance & Administration in 1983, and Deputy Managing Director in 1989. Previous directorships held include those of Supreme Aluminium Company and Ghana International School.

YAW ASSAH -SAM
Director of Sales and Service

Mr. Assah-Sam joined the Company in June 1990 as Personnel Manager, and was later promoted General Manager, Resource & Planning. He was appointed Director, Sales and Service in 2005. He serves as a member of the Advisory Committee of Ghana Employers Association and also on the Boards of the National Accreditation Board, National Board for Professional & Technician Examinations and Asabre Construction Limited.





BOARD OF DIRECTORS



YAW MANU SARPONG

Non-Executive Director

Mr. Sarpong was appointed Chairman of the Board in 1994 shortly after the listing of the Company on the Ghana Stock Exchange. He is a Banker with 40 years experience, rising to become the Deputy Governor of the Central Bank - the Bank of Ghana. Previous positions held include Chairman of Merchant Bank (Gh) Ltd., Chairman of Accra Brewery Ltd., Chairman of the Foreign Exchange Auction Committee, Bank of Ghana, Chairman, Fidelity Discount House Ltd., Chairman, Revenue Agencies Governing Board. He is currently the Chairman of the Otumfuo Opoku Ware Foundation and also Chairman, Nsutaman Rural Bank Ltd. He stepped down as Chairman of Mechanical Lloyd Co. Ltd. on 20th March, 2008, but remains a Board Member.

ANDREW LAWSON

Non-Executive Director

A former Research Engineer at the University of Science and Technology and a Lecturer at the University of Ghana, Mr. Lawson worked as the General Works Manager and later as Director of Engineering at Mechanical Lloyd between 1978 and 1987. He later became the Factory Manager at Meridian Tobacco. He is a Director of British American Tobacco and of Excel Holding Company. He is also a member of the Energy Foundation Governing Council and a member of Public Utility Regulatory Council.



NAPOLEON KPAKPO BULLEY

Non-Executive Director

Mr. Bulley was until 2002, the Director of Sales & Service at Mechanical Lloyd. He had previously worked with P&T Corporation (now Ghana Telecom) - 1967-1972 and with Shell Ghana Ltd. from 1972-1980 where he rose to the position of Operations Manager. He is currently the Chairman of the Board of the Council for Technical and Vocational Education and Training and a member of the Board of Directors of the Driver and Vehicle Licensing Authority. He also serves on the Governing Council of Accra Polytechnic.

MS. CAROLINE DARKO

Secretary to the Board

Ms. Darko, a lawyer by training, joined the Company in 1987 as a Management Trainee in the then Commercial Department. She was appointed Company Secretary in 1997. She is also the Deputy General Manager, Resource & Planning.



**MECHANICAL LLOYD COMPANY LIMITED.** Incorporated in Ghana

Annual Report and Financial Statements for the year ended 31 December 2007

FINANCIAL HIGHLIGHTS

	2007 GH¢	2006 GH¢	% Change
Turnover	21,706,362	12,527,187	73.27
Profit Before Tax	1,389,951	881,266	57.72
Profit After Tax	1,143,891	750,889	52.34
Dividend	300,576	200,384	50.00
Retained Profit	843,315	550,505	53.19
Shareholders' funds	12,765,820	8,255,782	54.63
Capital expenditure	496,064	553,566	(10.39)
Total assets	<u>22,223,648</u>	<u>15,643,696</u>	<u>42.06</u>
Dividend per share (GH¢)	0.0060	0.0040	50.00
Earnings per share (GH¢)	0.0228	0.0150	52.34
Net assets per share (GH¢)	<u>0.2548</u>	<u>0.1648</u>	<u>54.63</u>



REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 2007

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year 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 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. The company also builds and acquires properties for rental.

Financial results

The financial results of the company are set out below:

	2007 GH¢	2006 GH¢
Profit/(loss) for the year ended 31 December 2007 before tax is	1,389,951	881,266
from which is deducted tax of	<u>(246,060)</u>	<u>(130,377)</u>
giving a profit/(loss) for the year after tax of which when added to the balance brought forward on Income Surplus Account of	<u>1,143,891</u> <u>2,539,278</u>	<u>750,889</u> <u>1,988,773</u>
gives a balance of	3,683,169	2,739,662
out of which the Directors recommend to be paid a dividend of GH¢ 0.0060 per share	<u>(300,576)</u>	<u>(200,384)</u>
which leaves a balance to be carried forward on Income Surplus Account of	<u>3,382,593</u>	<u>2,539,278</u>



REPORT OF THE DIRECTORS (CONT'D.)

The company's net worth increased from GH¢8.25 million as at 1 January 2007 to GH¢12.70 million at the end of December 2007.

Dividend

The directors recommend the payment of a dividend for the year ended 31 December 2007 of GH¢0.0060 per share amounting to GH¢300,575.55.

Directors

Messrs Y.M. Sarpong and C.B.K. Zwennes retire by rotation and being eligible offer themselves for re-election as Directors.

At a meeting of the Board of Directors held on March 20, 2008, Mr. Y.M. Sarpong stepped down as Chairman and Mr. C.B.K. Zwennes was elected as Chairman in his place. However, Mr. Y.M. Sarpong remains a non-executive director of the company.

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

C. B. K. ZWENNES
CHAIRMAN

T.R. DARKO
MANAGING DIRECTOR

20th March, 2008



CHAIRMAN'S REVIEW OF 2007

The credit crunch that afflicted the Western economies, mainly the US, together with the massive continuous increases in the world price of crude oil, made 2007 a very unstable one for the world economy.

In Ghana the year was a momentous one. We attained 50 years of independent nationhood on March 6, and celebrated the occasion with fitting euphoria and pageantry.

In June the government announced the discovery of oil in commercial quantities off the coast of the Western Region, and in September the country's maiden foray into the International Financial market to raise a \$750 million Eurobond was highly successful, being oversubscribed by over 300%; a veritable endorsement of the success of the sound economic policies pursued by the government since it assumed office.

These events generated a lot of renewed interest and optimism in the country's economic future.

The economy remained robust for most of the year. Inflation dropped progressively and by September was at 10.2%, tantalisingly close to the coveted but elusive single digit projected for December. The Bank of Ghana's measure of economic activity indicated that the economy remained strong - Bank lending was increasing, with a larger portion of it happily going to the private sector. Prices of the country's major export commodities, gold and cocoa, were appreciating nicely, and private inward remittances also remained strong.

However, towards the end of the year, ominous clouds began to appear on the horizon to portend less good times in the immediate future. The continuing growth in the economy which had improved steadily from 4.00% per annum in 2001 to 6.5% per annum in 2006 began to show signs of slowing down. Government's largely unbudgeted expenditure to contain and address the energy crisis which had started in 2006, together with public sector wage increases and anti-poverty expenditure linked to debt relief had resulted in serious fiscal imbalance leading to inflationary upsurge in fiscal deficit to 5.7% of GDP, up from a projected deficit of 3.2% of GDP. As a result inflation inched up to 11.4% in November and 12.75% in December.

The Bank of Ghana, partly in acknowledgement of this fact, and partly to stem the tide of inflation responded by increasing the Prime Rate from 12.5% to 13.5% in December.

Against this background your Company nevertheless had a very good year. We made significant strides in the market and improved our profitability markedly.

For 2007 we achieved a Turnover of GH¢21.7m, as against GH¢12.5m for 2006, an improvement of 73.3%.

Selling general and administrative expenses increased by GH¢1.13m or 44%. The major components of this increase were a stock write-off of GH¢386,374 in respect of obsolete and slow-moving parts, and an increase in Depreciation which went up by GH¢119,612 following a revaluation of our landed property.



CHAIRMAN'S REVIEW OF 2007 (CONT'D.)

As a result of prudent financial management, "shopping around" and negotiating keenly with the banks to obtain the best deals, we were able to achieve a reduction of GH¢168,964 in our interest burden of 2006 which further improved our "bottom line" for 2007.

After adjusting for "Other Operating Income" of GH¢537,478 (2006: GH¢477,342) made up of Fees and sales commission earned from DAF Bus, and "Other Income" of GH¢292,411 (2006 : GH¢180,093) we ended the year with a Net Profit Before Tax of GH¢1.39m (2006: GH¢881,266) and a Net Profit After Tax of GH¢1.144 million which is 52.34% above that of 2006 of GH¢750,889.

DIVIDEND

On the basis of the above results the Directors recommend the payment of a Dividend of GH¢0.006 per share which is 50% above the Dividend for 2006 of GH¢0.004 per share. This will be effected by the end of June 2008.

FORD

Our impressive 73% improvement in total Turnover over that of 2006 was largely attributable to Ford. Ford sales achieved 135% of set target,- and were 85% above those of 2006. When one takes into account the fact that the factory could not supply all the Rangers and Everests that we ordered because it was already producing at 100% capacity, then one gets a better appreciation of the future sales potential of these two models. Luckily, we are now assured by our principals of total availability of whatever quantity we may order from July 2008.

Sales of Ford saloon cars however could not match those of the pick-ups and SUV's. This is because the saloon cars are manufactured in Euro zone countries where the relentless and continuous strengthening of the Euro makes these cars less competitive against cars of other marques which are sourced from Dollar zone countries.

BMW

BMW sales, bedevilled by the ever appreciating Euro, nevertheless managed to achieve a respectable 76% of target. Though more and more potential customers are turned off by the exchange rate-induced price increases, we believe the innovations that BMW keeps bringing to the auto industry and the sheer driving pleasure of the vehicle will eventually reverse this trend.

LAND ROVER

For the 3 years before 2007, Land Rover had been marketing its products in Africa not directly, but through appointed trading companies in UK. This all but killed the Land Rover business for us, as aftersales support was very poor and prices of both whole goods and parts were higher than need be because of the extra margins the trading companies put on them.

Towards the end of 2007 Land Rover decided to re-engage directly in the African Market. This is already having a more positive impact on aftersales, and also providing us with more competitive prices for whole goods. We are therefore more confident of the re-establishment of the Land Rover brand in Ghana and of a steady growth in its sales.



CHAIRMAN'S REVIEW OF 2007 (CONT'D.)

MASSEY FERGUSON

MF achieved only 70% of target. Sales of generators which constitutes a sizeable portion of MF sales ground to a halt once the end of the energy crisis seemed to be in sight. Sales of tractors picked up strongly during the last quarter such that we could not meet all orders. With a lot of pent-up demand, we expect 2008 to register good results.

We have also recently taken advantage of the policy of the Export Development and Investment Fund (EDIF) in the financing of the purchase of agricultural equipment for Farmers' groups around the country. We believe that as our relationship with EDIF grows, we will win more sales from them and improve our performance in this sector.

OTHER DEVELOPMENTS

In furtherance of our policy to take our products and service wherever they would be needed in the country, we organised an Open Day in our Kumasi Branch in November, to re-emphasise and deepen our presence in that region of Ghana. For the same reason, following the penetration of our products, especially the Ford, to all areas of the country, we have deemed it prudent to refurbish, modernise and re-open, as a full branch, our facility at Tamale, which had hitherto been reduced to only a spare parts sales outpost, in order to bring service to the doorstep of our customers in the north.

We are in the process of recruiting a full complement of staff to man the branch which will be under the supervision of the Kumasi Branch Manager. The branch is scheduled to start business on 1st June 2008.

The burgeoning sales of our Ford products have made us outgrow our workshop facilities at the Accra Service Centre much sooner than we expected. To deal with this problem we have had to transfer our bodyworks and spraying section to our Adenta branch in order to create room for the construction of a 3rd Section of our workshop facility. This facility will have 20 workshop bays. It will also have a canteen, changing rooms and recreational facilities for the staff.

OUTLOOK FOR 2008

We believe that in the coming year the country will face greater challenges not least because it is an election year and therefore the economy could be susceptible to widening fiscal deficits, but also because oil prices show no sign of abating. These will not be helped by the threat of recession in the US which might also affect EU and Japan. Your Company however is well positioned to deal with and weather these challenges and to, at the very least, match its performance of 2007.

I would like to place on record the appreciation of your Board for the hard work put in by the staff which resulted in the impressive performance for the year. I trust we can count on them to face the challenges of the future.

Thank you.

A handwritten signature in black ink, appearing to read 'C.B.K. Zwennes', written over a light blue background.

C.B.K. Zwennes (CHAIRMAN)



CORPORATE GOVERNANCE REPORT

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 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 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 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 controls 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 SHAREHOLDERS OF MECHANICAL LLOYD COMPANY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Mechanical Lloyd Company Limited on pages 17 to 28, which comprise the balance sheet as of 31 December 2007 and the profit and loss account, statement of changes in shareholder's equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 10, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with Ghana Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair representation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error.

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

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

Opinion


In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with Ghana Accounting Standards and comply with the Ghana Companies Code, 1963 (Act 179).

Report on other legal requirements

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

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. in our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books;
- iii. the balance sheet and profit and loss account of the company are in agreement with the books of accounts.


Chartered Accountants

PRICEWATERHOUSECOOPERS 



PROFIT AND LOSS ACCOUNT

(All amounts are expressed in Ghana Cedis unless otherwise stated)

Year ended 31 December

	Notes	2007	2006
Turnover	1	21,706,362	12,527,187
Cost of Sales		<u>(17,329,586)</u>	<u>(9,474,728)</u>
Gross Profit		4,376,776	3,052,459
Selling, General and Administrative Expenses	2	<u>(3,725,118)</u>	<u>(2,591,075)</u>
		651,658	461,384
Other Operating Income	3	<u>537,478</u>	<u>477,342</u>
Operating Profit		1,189,136	938,726
Other Income	4	292,411	180,093
Finance costs - net	5	<u>(91,596)</u>	<u>(237,553)</u>
Net Profit Before Tax		1,389,951	881,266
Tax	11	<u>(246,060)</u>	<u>(130,377)</u>
Net Profit After Tax Transferred to Income Surplus Account		<u>1,143,891</u>	<u>750,889</u>

INCOME SURPLUS ACCOUNT

Balance at 1 January	<u>2,539,278</u>	<u>1,988,773</u>
Net Profit for the Year	1,143,891	750,889
	3,683,169	2,739,662
Dividend proposed	<u>(300,576)</u>	<u>(200,384)</u>
Balance at 31 December	<u>3,382,593</u>	<u>2,539,278</u>

The accounting policies and notes on pages 21 to 28 form an integral part of these financial statements.



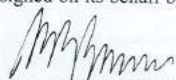
BALANCE SHEET

(All amounts are expressed in Ghana Cedis unless otherwise stated)

At 31 December

	Notes	2007	2006
Non-Current Assets			
Property, Plant and Equipment	7	<u>7,439,114</u>	<u>4,581,563</u>
Investment Properties	8	<u>2,642,640</u>	<u>1,891,754</u>
Current Assets			
Stocks	9	6,447,277	4,965,497
Tax Receivable	11	314,091	203,387
Debtors	10	4,516,083	3,559,517
Bank and Cash Balances		<u>864,443</u>	<u>441,978</u>
		<u>12,141,894</u>	<u>9,170,379</u>
Current Liabilities			
Creditors	12	7,162,050	4,629,895
Bank Overdraft	13	38,840	185,736
Dividend Payable	14	300,576	200,384
Current portion of loans	15	<u>695,246</u>	<u>1,011,745</u>
		<u>8,196,712</u>	<u>6,027,760</u>
Net Current Assets			
Non-Current Portion of Loans	15	<u>3,945,182</u>	<u>3,142,619</u>
		<u>(1,261,116)</u>	<u>(1,360,154)</u>
Net Assets			
		<u>12,765,820</u>	<u>8,255,782</u>
Shareholders' Funds:			
Stated capital	16	2,771,486	2,771,486
Capital surplus	17	6,611,741	2,945,018
Income Surplus Account		<u>3,382,593</u>	<u>2,539,278</u>
		<u>12,765,820</u>	<u>8,255,782</u>

The financial statements on pages 17 to 28 were approved by the Board of Directors on 20th March 2008 and signed on its behalf by:


C. B. K. ZWENNES (Chairman)


T.R. Darko (Managing Director)

The accounting policies and notes on pages 21 to 28 form an integral part of these financial statements.



MECHANICAL LLOYD COMPANY LIMITED. Incorporated in Ghana

Annual Report and Financial Statements for the year ended 31 December 2007

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts are expressed in Ghana Cedis unless otherwise stated)

	Stated Capital	Capital Surplus	Income Surplus	Total
Balance at 1 January 2007	2,771,486	2,945,018	2,539,278	8,255,782
Revaluation Surplus	-	3,666,723	-	3,666,723
Net Profit	-	-	1,143,891	1,143,891
Dividend proposed	-	-	(300,576)	(300,576)
Balance at 31 December 2007	<u>2,771,486</u>	<u>6,611,741</u>	<u>3,382,593</u>	<u>12,765,820</u>
Balance at 1 January 2006	2,771,486	2,945,018	1,988,773	7,705,277
Net Profit	-	-	750,889	750,889
Dividend proposed	-	-	(200,384)	(200,384)
Balance at 31 December 2006	<u>2,771,486</u>	<u>2,945,018</u>	<u>2,539,278</u>	<u>8,255,782</u>

The accounting policies and notes on pages 21 to 28 form an integral part of these financial statements.



CASH FLOW STATEMENT

(All amounts are expressed in Ghana Cedis unless otherwise stated)

	Notes	Year ended 31 December	
		2007	2006
Operating Activities:			
Cash generated from operations	18	2,237,850	1,730,631
Interest received		10,897	5,420
Interest paid		(259,060)	(417,870)
Tax paid	11	<u>(356,764)</u>	<u>(362,288)</u>
Net Cash Generated from Operating Activities		<u>1,632,923</u>	<u>955,893</u>
Investing Activities:			
Purchase of tangible property, plant and equipment	7	(496,064)	(553,566)
Proceeds from disposal of property, plant and equipment	7	<u>176,140</u>	<u>47,592</u>
Net Cash used in Investing Activities		<u>(319,924)</u>	<u>(505,974)</u>
Financing Activities:			
Loans received	15	1,860,000	3,217,876
Repayment of loans	15	(2,403,254)	(2,395,487)
Dividend paid		<u>(200,384)</u>	<u>(200,384)</u>
Net Cash (Used in)/Generated from Financing Activities		<u>(743,638)</u>	<u>622,005</u>
Net Increase in Cash and Cash Equivalents		<u>569,361</u>	<u>1,071,924</u>
Movement in Cash and Cash Equivalents			
At start of year		256,242	(815,682)
Increase		<u>569,361</u>	<u>1,071,924</u>
At end of year	19	<u>825,603</u>	<u>256,242</u>

The accounting policies and notes on pages 21 to 28 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 under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the 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, 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	3%
Plant and Machinery	10%
Furniture and equipment	10%
Computers	33%
Motor vehicles:	
- Saloon cars	15%
- Others	20%

(c) Investment properties

Investment properties are stated at their open market value which is determined annually by a qualified person having recent experience of valuing similar properties and at least every five years by an external valuer.

Changes in the value of investment properties will be disclosed as a movement on an investment revaluation reserve. Where a deficit on revaluation exceeds the balance on the reserve, the difference will be disclosed in the profit and loss account.

(d) Stock and work-in-progress

Stocks 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 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 (CONT'D.)

(e) 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.

(f) 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.

(g) 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 rate of exchange ruling at the balance sheet date. The resulting gains and losses are dealt with in the profit and loss account.

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



NOTES TO THE FINANCIAL STATEMENTS

(All amounts are expressed in Ghana Cedis unless otherwise stated)

1 Turnover	2007	2006
Motor vehicles and farm machinery sales	17,981,334	9,878,613
Spare parts sales and workshop earnings	3,500,055	2,428,392
Rental income	224,973	220,182
	<u>21,706,362</u>	<u>12,527,187</u>
2 Selling, general and administrative expenses		
Selling, general and administrative expenses include:		
Depreciation	422,821	303,209
Directors' emoluments	267,240	236,333
Amount paid to auditors - audit fees	26,641	23,806
Amount paid to auditors - other services	15,000	0
Donations	5,400	16,120
	<u>737,102</u>	<u>580,468</u>
3 Other operating income		
This represents commission and fees earned by the company on special projects embarked upon during the year.		
4 Other income		
Miscellaneous income	34,272	28,297
Exchange gain	116,005	157,642
Profit/(Loss) on clinic services	97,523	0
Profit/(Loss) on sale of property, plant & equipment	44,611	(5,846)
	<u>292,411</u>	<u>180,093</u>
5 Finance (costs)/income		
Interest cost on bank borrowing	(259,060)	(428,024)
Interest income on credit sales	167,464	190,471
	<u>(91,596)</u>	<u>(237,553)</u>
6 Staff costs		
Wages and salaries (includes executive directors emoluments)	1,338,251	1,051,516
Social security contributions	143,752	117,196
	<u>1,482,003</u>	<u>1,168,712</u>

The average number of persons employed by the company during the year was 178 (2006:165).



NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

(All amounts are expressed in Ghana Cedis unless otherwise stated)

7. Property, Plant and Equipment

	Buildings	Plant and Machinery, Equipment, Furniture and vehicles	Capital Work-in-progress	Total
Cost/Valuation				
At 1 January 2007	3,833,927	2,216,924	80,001	6,130,852
Additions	0	398,147	97,917	496,064
Transfers	177,918	0	(177,918)	0
Revaluation surplus	2,237,409	0	0	2,237,409
Disposals	(50,406)	(196,055)	0	(246,461)
At 31 December 2007	<u>6,198,848</u>	<u>2,419,016</u>	<u>0</u>	<u>8,617,864</u>
Depreciation				
At 1 January 2007	709,990	839,300	0	1,549,290
Revaluation surplus	(678,429)	0	0	(678,429)
Charge during the period	181,293	241,528	0	422,821
Disposals	(20,162)	(94,770)	0	(114,932)
At 31 December 2007	<u>192,692</u>	<u>986,058</u>	<u>0</u>	<u>1,178,750</u>
Net book value				
At 31 December 2007	<u>6,006,156</u>	<u>1,432,958</u>	<u>0</u>	<u>7,439,114</u>
At 31 December 2006	<u>3,123,938</u>	<u>1,377,624</u>	<u>80,001</u>	<u>4,581,563</u>

The buildings were revalued at 31st December, 2007 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:

	2007	2006
Cost	1,028,047	900,535
Accumulated depreciation	(234,909)	(206,716)
Net book value	<u>793,138</u>	<u>693,819</u>
Loss/(profit) on disposal of property, plant & equipment		
Cost	246,461	83,142
Accumulated depreciation	(114,932)	(29,704)
Net book value	131,529	53,438
Proceeds of sales	(176,140)	(47,592)
	<u>(44,611)</u>	<u>5,846</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**

(All amounts are expressed in Ghana Cedis unless otherwise stated)

8 Investment properties

	2007	2006
Cost/Valuation		
At 1 January 2007	1,891,754	1,891,754
Additions	0	0
Disposals	0	0
Revaluation surplus	750,886	0
At 31 December 2007	<u>2,642,640</u>	<u>1,891,754</u>

9 Stocks

Trade Stock	4,789,408	4,623,340
Goods in transit	1,377,755	250,121
Work in-progress	181,274	72,000
Non trade stock	<u>98,840</u>	<u>20,035</u>
	<u>6,447,277</u>	<u>4,965,496</u>

10 Debtors

Trade debtors	4,324,975	3,460,727
Staff debtors	60,033	72,713
Other debtors and prepayments	<u>131,075</u>	<u>26,077</u>
	<u>4,516,083</u>	<u>3,559,517</u>

The maximum amount of staff debtors during the year did not exceed GH¢100,000 (2006: GH¢100,000).

11 Tax

Year of assessment	Balance at 1/1	Payments	Charge for the Year	Balance at 31/12
Up to 2004	51,836			51,836
2005	(23,312)			(23,312)
2006	(231,911)			(231,911)
2007	-	(356,764)	246,060	(110,704)
	<u>(203,387)</u>	<u>(356,764)</u>	<u>246,060</u>	<u>(314,091)</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

(All amounts are expressed in Ghana Cedis unless otherwise stated)

12 Creditors	2007	2006
Trade creditors	7,081,282	4,513,848
Accrued Charges	5,935	32,655
Sundry creditors	<u>74,833</u>	<u>83,392</u>
	<u>7,162,050</u>	<u>4,629,895</u>

13 Bank overdrafts

At the balance sheet date the Company had certain banking facilities not exceeding **GH¢1.8 million** (2006: GH¢1.2 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.

The overdraft attracts interest at 17.50% per annum.

The Banks have provided some of the company's suppliers with guarantees of payment up to \$370,000 from Fidelity Bank Limited and \$10.0 million from Barclays Bank of Ghana Limited.

14 Dividend

The directors propose a dividend per share of GH¢0.006 (2006: GH¢0.004) amounting to GH¢300,575.55 (2006: GH¢200,383.70)

15 Loans

	Balance at	Drawdown 1/1/2007	Repayment	Exchange Rate Adjustment	Balance at 12/31/2007
Bank loans	2,371,899	<u>1,860,000</u>	<u>(2,403,254)</u>	<u>127,717</u>	1,956,362
Current portion of loans	<u>(1,011,745)</u>				<u>(695,246)</u>
Non-current portion of loans	<u>1,360,154</u>				<u>1,261,116</u>

The bank loans comprise the following facilities:

(a) US\$1,500,000 with Fidelity Bank Ltd to be paid by July 2009

(b) US\$2,000,000 with Stanbic Bank Ltd to be paid by March 2012

The loans interest at US Prime rate (presently at 8%) plus 1% per annum. The loans are secured by both fixed and floating charges on certain fixed assets of the company.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

(All amounts are expressed in Ghana Cedis unless otherwise stated)

16 Stated capital

The number of authorised shares of the Company is 100,000,000 ordinary shares of no par value out of which 50,095,925 (2006: 50,095,925) have been issued as follows:

	2007	2006	2007	2006
	Number of Shares		Amount	
Issued for cash	11,426,643	11,426,643	47,792	47,792
Rights issue	34,011,865	34,011,865	2,708,790	2,708,790
Transfer from income surplus	<u>4,657,417</u>	<u>4,657,417</u>	<u>14,904</u>	<u>14,904</u>
	<u>50,095,925</u>	<u>50,095,925</u>	<u>2,771,486</u>	<u>2,771,486</u>

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

17 Capital surplus

The capital surplus arose from a professional revaluation of the company's landed property as at 31 December 2007.

18 Cash generated from operations

	2007	2006
Operating profit/(loss) before tax	1,389,951	881,266
Depreciation charge	422,821	303,209
Exchange loss on bank borrowings	127,717	29,282
Profit on disposal of fixed assets	(44,611)	5,846
Interest payable	259,060	428,024
Interest received	(10,897)	(5,420)
Net increase in stock and work-in-progress	(1,481,781)	(78,265)
Net increase in debtors	(956,566)	(19,469)
Net increase in creditors	<u>2,532,155</u>	<u>186,158</u>
Cash (used in)/generated from operations	<u>2,237,850</u>	<u>1,730,631</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

19 Cash and cash equivalents

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

	2007	2006
Bank and cash balances	864,443	441,978
Bank overdrafts	<u>(38,840)</u>	<u>(185,736)</u>
	<u>825,603</u>	<u>256,242</u>

20 Deferred tax

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

	2007		2006	
	Potential liability	Provision made	Potential liability	Provision made
Accelerated capital allowance	745,937	-	432,525	-
Other timing differences	<u>2,316</u>	<u>-</u>	<u>32,058</u>	<u>-</u>
	<u>748,253</u>	<u>-</u>	<u>464,583</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.

21 Capital commitments

Provision for capital commitments at the balance sheet date amounted to nil (2006: nil)

22 Contingent Liabilities

There were no contingent liabilities at the balance sheet date (2006: nil)

23 Comparative figures

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

**MECHANICAL LLOYD COMPANY LIMITED.** Incorporated in Ghana

Annual Report and Financial Statements for the year ended 31 December 2007

FINANCIAL SUMMARIES

	31.12.03	31.12.04	31.12.05	31.12.06	31.12.07
	GH¢	GH¢	GH¢	GH¢	GH¢
Turnover	9,229,093	12,040,186	11,175,371	12,527,187	21,706,362
P/(L) before Taxation	735,667	780,614	1,005,832	881,266	1,389,951
Taxation	243,515	214,156	207,954	130,377	246,060
P/(L) after Taxation	492,152	566,457	797,879	750,889	1,143,891
Dividends	120,230	150,288	200,384	200,384	300,576
P/(L) Transferred	371,922	416,169	597,495	550,505	843,315
BALANCE SHEET					
Fixed Assets	4,634,471	5,747,209	4,384,644	4,581,563	7,439,114
Investment Properties	0	0	1,891,754	1,891,754	2,642,640
Cash/Investments	910,945	372,056	223,135	441,978	864,443
Other Current Assets	5,637,384	7,285,297	8,427,281	8,728,401	11,277,451
Total Assets	11,182,800	13,404,562	14,926,814	15,643,696	22,223,648
Less C/Liabilities	5,076,384	5,169,299	6,361,794	6,027,760	8,196,712
TOTAL NET ASSETS	6,106,416	8,235,263	8,565,020	9,615,936	14,026,936

Financed as follows:

Stated Capital	266,689	2,771,486	2,771,486	2,771,486	2,771,486
Capital Surplus	2,945,018	2,945,018	2,945,018	2,945,018	6,611,741
Income Surplus	984,185	1,400,354	1,988,773	2,539,278	3,382,593
Medium Term Loans	4,195,892	7,116,858	7,705,277	8,255,782	12,765,820
	1,910,528	1,117,405	859,743	1,360,154	1,261,116
	6,106,420	8,234,263	8,565,020	9,615,936	14,026,936

STATISTICS	2003	2004	2005	2006	2007
Earnings/Share	0.0123	0.0113	0.0159	0.0150	0.0228
Net Assets/Share	0.1047	0.1421	0.1538	0.1648	0.2548
Current Assets/Current Liabilities	1.2900	1.48	1.3600	1.5200	1.4813
Return on S/Holders' Fund	11.73%	7.96%	10.35%	9.10%	8.96%
Return on Turnover	5.33%	4.70%	7.14%	5.99%	5.27%

**SHAREHOLDING ANALYSIS AS AT 31 DEC. 2007**

Categories of Shares	No. of Holders	Holding	% Of Total Holding
1 - 1,000	3,155	1,332,725	2.66
1,001 - 5000	773	1,697,064	3.39
5,001 - 10,000	110	860,357	1.72
10,001 and over	157	46,205,779	92.23
	4,195	50,095,925	100.00

Directors' Shareholdings

The Directors named below held the following number of shares in the company as at 31 December, 2007

Name	No. of Shares	% of Issued Capital
Mr. Y. M. Sarpong	140,000	0.28
Mr. T. R. Darko	9,727,202	19.42
Mr. C. S. Aidoo	438,000	0.87
Mr. Yaw Assah-Sam	21,500	0.04
Mr. N. K. Bulley	43,376	0.09
Mr. N. K. Bulley (jointly with Mrs Agnes Jane Bulley)	20,600	0.04
Mr. A. Lawson	75,000	0.15
Mr. C. B. K. Zwennes (jointly with Mrs. Jacqueline Zwennes)	53,557	0.11

Twenty Largest Shareholders

Name	Number of Shares	% Holding
Mr. T.R. Darko	9,727,202	19.42
Social Security & National Insurance Trust	8,831,250	17.63
BBGN/Epack Investment Fund Ltd.	4,722,515	9.43
Mr. E. Yirimambo	3,027,850	6.04
Mr. M. O. Darko	1,825,350	3.64
Mr. C. N. Darko	1,198,752	2.39
Ms. R. J. Darko	961,305	1.92
Mr. S.A. Darko	953,745	1.90
Ms. C.B. Darko	845,967	1.69
BBGN/Unilever Ghana Managers' Pension Fund	730,000	1.46
Ms. E. A. Darko	600,000	1.20
Daniel Ofori	554,300	1.11
Alpine Properties Limited	550,700	1.10
Merban Investment Holdings Limited	550,000	1.10
BBGN/Unilever Ghana Provident Fund	515,000	1.03
Ms. L.S. Darko	508,465	1.01
Ms. E.S. Darko	504,561	1.01
Merban Stockbrokers Portfolio	498,015	0.99
Mr. C.S. Aidoo	438,000	0.87
Mr. H.J.K. Ephraim	425,660	0.85
TOTAL	37,968,637	75.79



NOTES





PROXY FORM

Annual General Meeting to be held at 11.00 am. On Tuesday, 27 May, 2008 at 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 27 May, 2008.

Dated this Day of 2008

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	No. of Shares	
Resolution	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 approve non-executive Director's fees		
6. 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 Accra International Conference Centre, Accra on Tuesday, 27 May, 2008 at 11.00 o'clock in the forenoon.

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) Limited,
Registrar's Dept.
57 Examination Loop,
North Ridge,
P.O. Box 401,Accra

Designed & Printed by
Hemmingway Press
Tel: (021 232836 / 225521