MECHANICAL LLOYD COMPANY LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS 2008

MECHANICAL LLOYD COMPANY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2008

CONTENTS

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)* Terence Ronald Darko *(Managing Director)* Charles Sydney Aidoo Yaw Assah-Sam Napoleon Kpakpo Bulley Andrew Lawson Yaw Manu Sarpong
Secretary	Caroline Darko
Solicitor	Gaisie Zwennes Hughes & Co Carlton House Anumansa Street Osu Re 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 Plot No. 12 Airport City UNA Home, 3rd 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 Stanbic Bank Ghana Limited Fidelity Bank Limited Standard Chartered Bank Ghana Limited

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

Notice is hereby given that the **Seventeenth** 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 Tuesday, **May 26, 2009** at **11.00 o'clock** in the forenoon for the following purposes:

Agenda

1. To receive and consider the Reports of the Directors and the Auditors and the Financial Statements of the Company for the year ended 31 December, 2008.

2. To declare a dividend for the year ended, 31 December, 2008.

3. To re-elect the following Directors retiring by rotation:
   i. Mr. C.S. Aidoo.
   ii. Mr. N.K. Bulley.

4. To authorise the Directors to fix the remuneration of the Auditors.

5. To consider & if thought fit pass the following as a special resolution:
   That Regulations 13.1, 13.2 & 13.3 of the Company be and are hereby amended by substituting for the existing regulations the following:
   13.1 The Company may issue securities in uncertificated or dematerialized form and the Board of Directors shall pass a resolution to that effect.
   13.2 The Company may convert a certificated security into an uncertificated security and the Board of Directors shall pass a resolution to that effect.
   13.3 The Company shall accept for registration, transfers in the form approved by the Ghana Stock Exchange or under the Central Securities Depository Act. 2007 (Act 733).
   13.4 The manner in which the records of shareholding in the Company shall be kept shall be as determined by the Ghana Stock Exchange and shall be in line with the Central Securities Depository Act. 2007 (Act 733).

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 19th day of March, 2009.

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

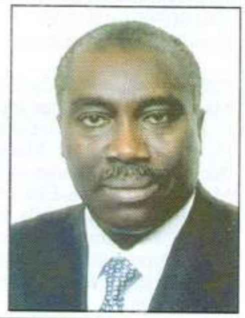
	2008	2007	
	GH¢	GH¢	%Change
Revenue	**25,894,929**	21,706,362	19
Profit before tax	**1,672,806**	2,140,837	(22)
Profit after tax	**1,483,060**	1,611,107	(8)
Retained profit	**1,182,484**	1,410,723	(16)
Shareholders' funds	**13,525,285**	12,342,801	10
Capital expenditure	**2,305,341**	496,064	365
Total assets	**29,188,106**	22,248,306	31
Proposed dividend per share (GH¢)	**0.0060**	0.0060	-
Earnings per share (GH¢)	**0.0296**	0.0321	(8)
Net assets per share (GH¢)	**0.2700**	0.2464	10

BOARD OF DIRECTORS PROFILE

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 joined the Board in 1994 and was appointed Chairman of the Board of Directors in March 2008. 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.

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, Asabre Construction Limited and JASMAN Farms Limited.

CHARLES S. AIDOO
Non-Executive Director

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 Mechanical Lloyd as Financial Controller in 1979. He was appointed Director of Finance & Administration in 1983 and Deputy Managing Director in 1989 which positions he held until December 2008. Previous directorships held include those of Supreme Aluminum Company and Ghana International School.

BOARD OF DIRECTORS PROFILE

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 and remained the Chairman until March 2008. 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 the following companies and institutions: Merchant Bank (Gh) Ltd., Accra Brewery Ltd., The Foreign Exchange Auction Committee of the Bank of Ghana, Citi Investments Company Ltd, Central Finance Committee of the Presbyterian Church of Ghana, Fidelity Discount House Ltd., Revenue Agencies Governing Board. He is currently the Chairman of the Otumfuo Opoku Ware Foundation and also Nsutaman Rural Bank Ltd.

ANDREW LAWSON
Non-Executive Director

Former Lecturer at the School of Administration University of Ghana, Mr. Lawson worked as the General Works Manager and later as Director of Engineering at Mechanical Lloyd Co. Ltd. between 1978 and 1990. He was the Factory Manager at Meridian Tobacco Co. Ltd. as well as the Manager in charge of the Tobacco Farms. He became the Integration Manager and Non-Executive Director when Meridian and BAT Ghana merged and is currently the Chairman of the Board of BAT Ghana. He was a Founding Member of the Executive Council of the Energy Foundation and a Commissioner of the Public Utilities Regulatory Commission. He is now the Executive Director of the Energy Foundation.

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 was the erstwhile chairperson of the Board of The Council for Technical and Vocational Education and Training. He also previously served on the Board of Directors of the Driver and Vehicle Licensing Authority (DVLA) and the Governing Council of the 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.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 2008.

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 International Financial Reporting Standards (IFRS).

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:

	2008	2007
GH¢		GH¢
Profit before tax for the year ended 31 December is	**1,672,806**	2,140,837
from which is deducted tax of	**(189,746)**	(529,730)
giving a profit after tax for the year of	**1,483,060**	1,611,107
to which is added balance brought forward on Income surplus account of	**3,710,460**	2,299,737
giving a balance of	**5,193,520**	3,910,844
from which is deducted dividend paid of	**(300,576)**	(200,384)
which leaves a balance carried forward on Income surplus account of	**4,892,944**	3,710,460

The company's net worth increased from GH¢12.3 million as at 1 January 2008 to **GH¢13.5**

REPORT OF THE DIRECTORS (CONT'D.)

Dividend

The directors recommend the payment of a dividend for the year ended 31 December 2008 of **GH¢0.0060** per share amounting to **GH¢300,576.**

Directors

Mr. C.S. Aidoo our Director of Finance & Administration since 1983, retired from the Company in December 2008 after 29 years of loyal & dedicated service. He however remains on the Board as a non-executive Director.

Messrs C.S. Aidoo and N.K. Bulley retire by rotation and being eligible offer themselves for re-election as Directors.

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

C.B.K. ZWENNES	**T.R. DARKO**
CHAIRMAN	**MANAGING DIRECTOR**

19 March 2009

CHAIRMAN'S REVIEW OF 2008

2008 being an election year was always going to be a challenge for the government to maintain fiscal discipline. The situation however was exacerbated by external shocks that resulted in unprecedentedly high world food prices with some staples going up by as much as 30-40%. Crude Oil prices fared even worse, reaching a peak of $147 a barrel in July, and averaging about $98 per barrel throughout the year.

The government in a bid to soften the impact of these astronomical price increases on the populace moved to subsidize them, at great cost to the national budget.

Together with projects like the CAN 2008 Soccer Fiesta, which was a financial failure, and the holding of several International Conferences, government expenditure ballooned out of all proportion, resulting in a huge fiscal deficit of around 14% of GDP, with devastating consequences on inflation which then crept up from 12.75% in December 2007 to 18.1 % as at December 2008.

The Bank of Ghana responded by correspondingly inching up the Prime Rate from 13.5% to 17% as at December 2008. This situation, coupled with widening balance of trade deficits mainly on account of the high world crude oil prices, caused a serious erosion in the Country's reserves, and triggered the depreciation of the Cedi, which by December had lost about 22% of its value against the Dollar.

2008 also witnessed the most traumatic and devastatingly far reaching financial collapse of the world economy since The Great Depression of the 1930's.

From its origins in the sub-prime debacle which gave rise to the credit crunch in the US in 2007, the globalisation and inter-connectivity of the world economy ensured that what started in the US quickly spread like a contagion to other economies and triggered a recession whose depth and spread the world has never seen before. The effect of this recession on Ghana, which incidentally is still unravelling, and will continue into 2009 would be a reduction in export earnings, inward remittances, access to international capital and even aid flows, which all bode ill for the economy.

This was the unsettled economic environment in which your Company operated in the year under review.

For 2008 we achieved a Turnover of GH¢25.8 million which was an increase of 19.3% over the figure of GH¢21.7 million for 2007. Motor vehicle sales improved by 21%, spare parts sales and workshop earnings component of turnover improved by 15% and rental income from investment property increased by 14%.

Gross Profit margin declined from 20% in 2007 to 19% this year due to the lower margins the Company made on Government orders won, and the re-export of Ford vehicles to Burkina Faso. Selling general and administrative expenses increased by GH¢1.40 million or 38%. The major components of this increase were a stock write-off of GH¢203,478 in respect of obsolete and slow-moving parts, and an increase in Bank Charges by GH¢266,175 on new Banking Facilities negotiated. In addition GH¢460,151 was attributable to Exchange Loss following the rapid depreciation of the Cedi against the United States Dollar and Euro during the year.

Our overall performance for the year after adjusting for Other Operating Income of GH¢574,403 (2007 : GH¢537,478) made up of Fees and sales Commission earned from DAF Bus, and Other Income of GH¢155,113 (2007 : GH¢176,405) yielded a Net Profit Before Tax of GH¢1.6 million (2007 : GH¢2.1 million) and a Net Profit After Tax of GH¢1.4 million which is 9% below the 2007 figure of GH¢1.6 million.

DIVIDEND

On the basis of the foregoing results the Directors recommend the payment of a Dividend of GH¢0.0060 per share.

CHAIRMAN'S REVIEW OF 2008 [CONT'D.]

FORD

Ford continued as our biggest franchise, contributing 60% of our total turnover. Our sales to the private retail segment remains strong and our sales to Government and Ministries, Departments and Agencies recorded a pleasing improvement. Ford sales achieved 82% of set target, and were 48% above the figure for 2007.

BMW

BMW sales, which contributed only 16% of our total turnover, were 28% below those of 2007. The ever appreciating Euro accounted for the poor performance of the BMW franchise. Paradoxically, the new more expensive X5 and X6 models which were launched during the year; have been very well received and are the models which sold best.

MASSEY FERGUSON

Massey Ferguson achieved 82% of target. This was simply because we could not obtain the tractors we required from the Factory which was producing at 100% capacity but still could not meet world wide demand. If and when the supply situation improves sales of MF tractors should also improve appreciably.

KUMASI BRANCH

Kumasi Branch which was opened in November 2004 continues to make good progress. It achieved 81% of budgeted vehicle sales by quantity but 103% by value. Workshop performance was even more encouraging. Workshop throughput exceeded budget by 9.65% by volume and a whopping 44% by value. Overall it exceeded Total Revenue target by 15.83% which combined with stringent savings in Administrative Overheads to achieve a Net Profit for the branch of GH¢164,857 which was 900% of the budgeted figure of GH¢18,320.

TAMALE BRANCH

In June 2008, the Company deemed it prudent to revive the Workshop operations of the Tamale Branch which had been closed down since 1994. The branch which has been put under the direct supervision of the Kumasi Branch has made a modest start.

ADENTA BRANCH

The Adenta Branch which has hardly been profitable since its inception in 1987 is now enjoying a new and profitable lease of life under its new, better focused and pro-active management. It exceeded its enhanced performance targets by 12% and is poised to do even better in the coming years.

LAND ROVER

Since 2002, we have had difficult and messy logistical problems with Land Rover over the supply of spare parts for the repair and servicing of customers' vehicles. This caused a lot of disaffection among our Land Rover customers and dented our reputation. Sales of our Land Rover products therefore plummeted.

The situation was made worse when in 2004 Land Rover decided not to market its products in some parts of Africa (which included Ghana) directly, but through appointed trading companies. This all but killed the Land Rover business for us, as aftersales support became even poorer and prices of both whole goods and parts, which were already higher than those of competitive products, became higher still because of the extra margins the trading companies put on them.

The Land Rover section in Mechanical Lloyd could not stand on its own as a viable profit centre and was losing money for the company. Neither could we see any silver lining in the distant clouds. Debates raged on amongst top management as to whether to jettison the franchise.

When therefore at the beginning of 2008 Ford which owned Land Rover took the decision to divest itself of Land Rover there was no longer any justification for clinging on to the franchise. The Company decided to

CHAIRMAN'S REVIEW OF 2008 (CONT'D.)

take a cue from Ford and concentrate its efforts and resources on developing Ford and BMW which are its mainstay.

Accordingly on 12th March 2008 we wrote to Land Rover, giving them 6 months notice to terminate our relationship with effect from 30th November 2008. We also wrote individually to all customers as well as shareholders to inform them of our decision.

AMENDMENT OF REGULATIONS PURSUANT TO CENTRAL SECURITIES DEPOSITORY ACT 2007 (ACT 733)

The Ghana Stock Exchange (GSE) requires that our shareholders be informed that since November 2008 the GSE has gone electronic in the purchase and sale of shares and the keeping of records relating thereto. For this purpose the Exchange has incorporated the GSE Securities Depository Company Ltd whose operations began on November 14, 2008 with the voluntary deposit by investors of share certificates for immobilization. This is in accordance with S:12(2) of the Central Securities Depository Act. 2007 (Act 733), and is only the first of various steps to be taken in the Ghana Stock Exchange's quest to make the transition from the use of paper share certificates to electronic book entry securities.

S:12(1) (a) and (b) of the Act also provides as follows:

"12(1) An issuer of securities to the public may

(a) issue a security in uncertificated or dematerialized form where it is authorized in its regulations and authorized by a resolution of its board of directors,

(b) convert a certificated security into an uncertificated security where it is authorized in its regulations and by a resolution of its board of directors."

In pursuance of this, the Council of the Exchange has decided that, as the next step, all listed companies are to amend their company regulations at their next Annual General Meeting in 2009 to allow for the issue of and/or conversion to dematerialized securities. The Exchange's Council also decided that with effect from January 2009, all new or additional securities being listed should be electronic securities that have been admitted into the GSE Securities Depository.

The amendment of the Regulations of listed companies in compliance of the Exchange's request will enhance the rate at which securities are placed in the depository, make for more efficient and less cumbersome keeping of shareholding records, and ultimately improve liquidity in the capital market. The Board is therefore recommending that Members support the proposed amendment. We encourage all shareholders to contact a stockbroker with their share certificates and have their certificates placed in the GSE Securities Depository.

OUTLOOK FOR 2009

As already indicated, the world wide recession will bite even deeper during 2009, with the possibility of it becoming so endemic that it metamorphoses into a depression. In such an environment, with its unfolding economic hardships, we cannot anticipate to grow at the rate at which we have done in the past few years. However our investment in infrastructure, human and IT resources should stand us in good stead to weather the storm and emerge from it relatively unscathed and ready to pursue our path of growth. With prudent cost cutting measures we expect to perform in 2009 at the very least as well as we did in 2008.

I would like to thank my fellow Directors for their support and contribution and the Management and staff of the Company for their good work and dedication to duty.

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 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 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 16 to 39, which comprise the balance sheet as of 31 December 2008 and the profit and loss account, statement of changes in 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

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the Ghana Companies Code 1963, (Act 179).

REPORT ON OTHER LEGAL REQUIREMENTS

The Ghana Companies Code 1963, (Act 179) requires 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 account have been kept by the company, so far as appears from our examination of those books; and

iii) the balance sheet and profit and loss account of the company are in agreement with the books of account.

PricewaterhouseCoopers

Chartered Accountants

Accra

23rd March 2009

PRICEWATERHOUSECOOPERS

PROFIT AND LOSS ACCOUNT

(All amounts are expressed in Ghana cedis)

		Year ended 31 December	
	Notes	**2008**	2007
Revenue	3	**25,894,929**	21,706,362
Cost of sales		**(21,082,831)**	(17,329,586)
Gross profit		**4,812,098**	4,376,776
Selling, general and administrative expenses	4	**(5,126,636)**	(3,609,113)
Other operating income	5	**574,403**	537,478
Operating profit		**259,865**	1,305,141
Other income	6	**1,562,473**	927,292
Finance costs - net	7	**(149,532)**	(91,596)
Profit before tax		**1,672,806**	2,140,837
Income tax expense	15	**(189,746)**	(529,730)
Profit for the year		**1,483,060**	1,611,107
Earnings per share			
Basic earnings per share	21	**0.0296**	0.0321
Diluted earnings per share	21	**0.0296**	0.0321

The notes on pages 20 to 39 form an integral part of these financial statements.

BALANCE SHEET

(All amounts are expressed in Ghana cedis)

	Notes	At 31 December 2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	9	**8,847,654**	7,439,114
Prepaid operating lease-land	10	**420,000**	-
Investment properties	11	**4,050,000**	2,642,640
		13,317,654	10,081,754
Current assets			
Inventories	12	**9,329,250**	6,447,277
Trade and other receivables	13	**4,925,498**	4,540,741
Current income tax	14(a)	**615,699**	314,091
Bank and cash balances	24	**1,000,005**	864,443
		15,870,452	12,166,552
TOTAL ASSETS		**29,188,106**	22,248,306
EQUITY			
Stated capital	20	**2,771,486**	2,771,486
Revaluation surplus account	22	**5,860,855**	5,860,855
Income surplus account		**4,892,944**	3,710,460
TOTAL EQUITY		**13,525,285**	12,342,801
LIABILITIES			
Non-current liabilities			
Non-current portion of loan	19	**2,396,959**	1,261,116
Deferred income tax	14(b)	**785,903**	748,253
		3,182,862	2,009,369
Current liabilities			
Trade and other payables	17	**10,005,579**	7,162,050
Bank overdrafts	18	**1,023,832**	38,840
Current portion of loan	19	**1,450,548**	695,246
		12,479,959	7,896,136
TOTAL LIABILITIES		**15,662,821**	9,905,505
TOTAL EQUITY AND LIABILITIES		**29,188,106**	22,248,306

The financial statements on pages 16 to 39 were approved by the Board of Directors on 19th March 2009 and signed on its behalf by:

C.B.K. Zwennes (Chairman) **T.R. Darko (Managing Director)**

The notes on pages 20 to 39 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts are expressed in Ghana cedis (GH¢))

	Notes	Stated capital	Revaluation surplus	Income surplus	Total
At 1 January 2008		2,771,486	5,860,855	3,710,460	12,342,801
Profit for the year		-	-	1,483,060	1,483,060
Dividend paid for 2007		-	-	(300,576)	(300,576)
At 31 December 2008		2,771,486	5,860,855	4,892,944	13,525,285
At 1 January 2007		2,771,486	2,945,018	2,299,737	8,255,782
Revaluation surplus	22	-	2,915,837	-	2,915,837
Profit for the year		-	-	1,611,107	1,611,107
Dividend paid for 2006		-	-	(200,384)	(200,384)
At 31 December 2007		2,771,486	5,860,855	3,710,460	12,342,801

The notes on pages 20 to 39 form an integral part of these financial statements.

CASH FLOW STATEMENT

(All amounts are expressed in Ghana cedis)

	Notes	Year ended 31 December 2008	2007
Operating activities			
Cash generated from operations	23	**1,388,460**	2,237,850
Interest received		**18,163**	10,897
Interest paid		**(377,468)**	(259,060)
Tax paid	14(a)	**(453,704)**	(356,764)
Net cash generated from operating activities		**575,451**	1,632,923
Investing activities			
Purchase of property, plant and equipment	9, 10	**(2,305,341)**	(496,064)
Proceeds from disposal of property, plant and equipment	9	**19,578**	176,140
Net cash used in investing activities		**(2,285,763)**	(319,924)
Financing activities			
Loans received	19	**1,594,800**	1,860,000
Repayment of loans	19	**(433,342)**	(2,403,254)
Dividend paid		**(300,576)**	(200,384)
Net cash generated from/(used in) financing activities		**860,882**	(743,638)
Net (decrease)/increase in cash and cash equivalents		**(849,430)**	569,361
Movement in cash and cash equivalents			
At start of year		**825,603**	256,242
(Decrease)/increase		**(849,430)**	569,361
At end of year	24	**(23,827)**	825,603

The notes on pages 20 to 39 form an integral part of these financial statements.

NOTES

1. General information

Mechanical Lloyd Company Limited is a company incorporated and domiciled in Ghana under the Ghana Companies Code 1963, (Act 179) and listed on the Ghana Stock Exchange.

2. Summary of significant accounting policies

The company has adopted the following significant accounting policies in the preparation of these financial statements:

(a) Basis of accounting

The financial statements have been prepared on the historical cost basis. They have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time.

As part of the transition to IFRS, Mechanical Lloyd Company Limited has restated the comparative financial information under IFRS for the year ended 31 December 2007.

The management of Mechanical Lloyd Company Limited considers the following to be the most important accounting policies for the Company. In applying these accounting policies, management makes certain judgements and estimates that affect the reported amounts of assets and liabilities at the year end date and the reported revenues and expenses during the financial year. The financial statements have been prepared in accordance with the Company's accounting policies described below.

The financial statements are presented in Ghana cedis.

(b) Investments and other financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable costs. The Company determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

NOTES [CONT'D.]

(c) **Property, plant and equipment**

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost includes the expenditure that is directly attributable to the acquisition of the items. Deemed cost includes surpluses arising on the revaluation of certain properties to their fair values prior to the date of transition to IFRS.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees which are capitalised in accordance with the company's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is calculated using the diminishing balance method to write off the cost or deemed cost of each asset over their estimated useful lives as follows:

Leasehold land	-	50 years
Buildings	-	25-40 years
Plant and machinery	-	10 years
Furniture and equipment	-	10 years
Computers	-	3 years
Motor vehicles	-	5-7 years

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the income statement.

NOTES [CONT'D.]

(d) Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(e) Inventories

Inventories are stated at the lower of cost, which is either computed on the basis of selling price less the appropriate trading margin or average unit cost and net realisable value. Cost of spare parts, trade and non-trading inventories includes freight, insurance, customs duty and all other costs incurred in bringing the inventories to their present location. Net realisable value is the price at which inventories can be sold in the ordinay course of business after allowing for the cost of realisation. Work in progress is valued at materials cost.

(f) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less any provision for impairment. A provision for impairment is made on a case by case basis and when there is evidence that the amount due will not be fully recovered at the original cost.

(g) Investment properties

Investment properties are shown at fair value, based on periodic valuation by external independent valuers. Investment properties are stated at their open market value which is determined annually. A gain or loss arising from the change in the fair value of investment property is recognised in the income statement during the period it arises.

NOTES (CONT'D.)

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown separately under current liabilities on the balance sheet.

(i) Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

(j) Bank borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges payable on settlement or redemption and direct costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(k) Income tax

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease involve the substantial transfer of all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

NOTES (CONT'D.)

Lease payments are apportioned between financing charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised with the Company's policy on borrowing costs.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of such assets or the lease period. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

(m) Provisions

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

(n) Revenue

Sale of vehicles and spare parts

Sales are recognised when the risks and rewards to the products have been substantially transferred to the customer and on the performance of services. Sales are shown net of value added tax and discounts.

Service revenue

Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided;

Rental income

Rental income is recognised on an accrual basis.

(o) Foreign currencies

Transactions are recorded on initial recognition in Ghana cedis, being the currency of the primary economic environment in which the company operates (the functional currency).

Transactions in foreign currencies during the year are converted into Ghana cedis at prevailing rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Ghana 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.

(p) Dividend

Dividend on ordinary shares are charged to equity in the period in which they are declared.

(q) Post balance sheet events

Events subsequent to the balance sheet date are reflected only to the extent that they relate directly to the financial statements and the effect is material.

NOTES (CONT'D.)

(r) Comparatives

Where necessary, comparative figures with notes have been reclassified to conform to changes in presentation in the current year and for changes relating to the implementation of IFRS.

(s) Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events, the existence of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Company. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgement.

(t) Critical accounting estimates and assumptions

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available and changes subsequent to these estimates may significantly affect future operating results.

Property, plant and equipment

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the fair value at the acquisition date. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgement.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

(u) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgement in determining:

- the classification of non-current assets
- whether land and buildings meet the criteria to be classified as investment property
- whether assets are impaired
- provisions and contingent liabilities

(v) Transition from Ghana National Accounting Standards (GAS) to IFRS reporting

The Institute of Chartered Accountants (Ghana) in conjunction with the Ghana Stock Exchange and the Securities and Exchanges Commission has mandated all listed companies to prepare their financial statements for the year ended 31 December 2008 and beyond in accordance with International Financial Reporting Standards (IFRS).

3. Revenue

	2008	2007
Motor vehicles and farm machinery sales	**21,688,530**	17,981,334
Spare parts sales and workshop earnings	**3,950,115**	3,500,055
Rental income from investment properties	**256,284**	224,973
	25,894,929	21,706,362

4. Selling, general and administrative expenses

Selling, general and administrative expenses include:

Stock write off (Land Rover)	**203,478**	-
Depreciation	**447,274**	422,821
Key management compensation -		
Directors' emoluments (short-term benefits)	**298,356**	267,240
Amounts paid to auditor - audit fees	**33,291**	26,641
- other services	**11,000**	15,000
Exchange loss/(gain)	**460,151**	(116,005)
Donations	**21,076**	5,400

NOTES [CONT'D.]

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

5. Other operating income

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

6. Other income

	2008	2007
Miscellaneous income	**52,932**	34,272
Fair value gain on investment property	**1,407,360**	750,886
Income from clinic services	**112,130**	97,523
(Loss)/profit on sale of property, plant and equipment	**(9,949)**	44,611
	1,562,473	927,292

7. Finance costs - net

	2008	2007
Bank interest expense	**377,468**	259,060
Interest income on credit sales & bank interest income	**(227,936)**	
(167,464)		
	149,532	91,596

8. Staff costs

Wages & salaries (including executive directors' salaries)	**1,494,884**	1,338,251
Social security contributions	**147,180**	143,752
	1,642,064	1,482,003

The average number of persons employed by the company during the year was 167 (2007: 172).

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

9. Property, plant and equipment

	Buildings	Plant, machinery, equipment, furniture and vehicles	Capital work-in-progress	Total
Cost/valuation				
At 1 January 2008	6,198,848	2,419,016	-	8,617,864
Additions	14,910	499,618	1,370,813	1,885,341
Disposals	-	(53,876)	-	(53,876)
At 31 December 2008	6,213,758	2,864,758	1,370,813	10,449,329
Accumulated depreciation				
At 1 January 2008	192,692	986,058	-	1,178,750
Charge for year	181,457	265,817	-	447,274
Disposals	-	(24,349)	-	(24,349)
At 31 December 2008	374,149	1,227,526	-	1,601,675
Net book value				
At 31 December 2008	**5,839,609**	**1,637,232**	**1,370,813**	**8,847,654**
At 31 December 2007	6,006,156	1,432,958	-	7,439,114
Cost/valuation				
At 1 January 2007	3,833,928	2,216,924	80,001	6,130,853
Additions	398,147		97,917	496,064
Transfers	177,918	-	(177,918)	-
Revaluation surplus	2,237,408	-	-	2,237,408
Disposals	(50,406)	(196,055)	-	(246,461)
At 31 December 2007	6,198,848	2,419,016	-	8,617,864
Accumulated depreciation				
At 1 January 2007	709,990	839,300	-	1,549,290
Revaluation surplus	(678,429)	-	-	(678,429)
Charge for year	181,293	241,528	-	422,821
Disposals	(20,162)	(94,770)	-	(114,932)
At 31 December 2007	192,692	986,058	-	1,178,750
Net book value				
At 31 December 2007	**6,006,156**	**1,432,958**	-	**7,439,114**
At 31 December 2006	3,123,938	1,377,624	80,001	4,581,563

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

9. Property, plant and equipment (cont'd)

The buildings were last revalued at 31 December 2007 by independent valuers, Barnicom Property Valuation and Consultancy Services. 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:

	2008	2007
Cost	1,042,957	1,028,047
Accumulated depreciation	(263,441)	(234,909)
Net book value	779,516	793,138

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

Cost	53,876	246,461
Accumulated depreciation	(24,349)	(114,932)
Net book value	29,527	131,529
Proceeds of sales	(19,578)	(176,140)
Loss/(profit)	9,949	(44,611)

10. Prepaid operating lease - land

Cost		
Additions in year	420,000	-
At 31 December	420,000	-
Accumulated amortisation		
At January 1	-	-
Charge for the year	-	-
At 31 December	-	-
Net book value		
At 31 December	420,000	-

11. Investment properties

Valuation		
At 1 January	2,642,640	1,891,754
Fair value gain	1,407,360	750,886
At 31 December	4,050,000	2,642,640

Investment properties are independently valued on the basis of determining the open market value on an annual basis.

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

12. Inventories

	2008	2007
Trade stocks	**7,137,740**	4,789,408
Goods in transit	**2,038,164**	1,377,755
Work-in-progress	**29,114**	181,274
Non-trade stocks	**124,232**	98,840
	9,329,250	6,447,277

The cost of inventories recognised as an expense and included in cost of sales amounted to **GH¢19,745,846** (2007: GH¢16,222,825).

13. Trade and other receivables

	2008	2007
Trade debtors	**3,781,658**	4,349,633
Staff debtors	**24,901**	60,033
Other debtors and prepayments	**1,118,939**	131,075
	4,925,498	4,540,741

The maximum amount of staff indebtedness during the year did not exceed **GH¢100,000** (2007: GH¢100,000).

14. Income tax

	Balance at 1 January 2008	Payments	Charge for the year	Balance at 31 December 2008
(a) Current income tax				
Up to 2005	28,524	-	-	**28,524**
2006	(231,911)	-	-	**(231,911)**
2007	(110,704)	-	-	**(110,704)**
2008	-	(453,704)	152,096	**(301,608)**
	(314,091)	(453,704)	152,096	**(615,699)**
(b) Deferred income tax				
Accelerated depreciation	93,757	-	5,274	**99,031**
Other timing differences	654,496	-	32,376	**686,872**
	748,253	-	37,650	**785,903**

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

15. Income tax expense

	2008	2007
Current tax (Note 11(a))	152,096	246,060
Deferred tax (Note 11(b))	37,650	283,670
	189,746	529,730

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit before tax	1,672,806	2,140,837
Tax charged at corporate tax rate	418,201	470,984
Expenses not deductible in determining taxable profit	16,014	12,171
Capital gains tax at different tax rate	(211,104)	(437,376)
Deferred tax not recognised previously	-	464,583
Adjustment to prior years deferred tax	(33,365)	19,368
	189,746	529,730

16. Dividend

Payment of dividend is subject to the deduction of withholding taxes at the appropriate rate. Proposed dividend for approval at AGM (not recognised as a liability as at 31 December 2008) amounted to **GH¢300,576** (GH¢0.0060 per share).

17. Trade and other payables

	2008	2007
Trade creditors	9,868,528	7,081,282
Accrued charges	86,681	5,935
Sundry creditors	50,370	74,833
	10,005,579	7,162,050

18. Bank overdrafts

At the balance sheet date the company had certain banking facilities not exceeding **GH¢1.8 million** (2007: 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 27.5% per annum.

The banks have provided some of the company's suppliers with guarantees of payment up to Euro 2.5 million for Fidelity Bank Limited and US$10 million for Barclays Bank of Ghana Limited. These guarantees attract charges as and when they are accessed by the company.

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

19. Loans

	Balance at 1/1/2008	Drawdown	Repayment	Exchange rate adjustment	Balance at 31/12/2008
Bank loans	1,956,362	1,594,800	(433,342)	729,687	**3,847,507**
Current portion of loans	(695,246)				**(1,450,548)**
Non-current portion of loans	1,261,116				**2,396,959**

The bank loans comprise the following facilities:

(a) US$1.5 million with Fidelity Bank Limited to be paid by January 2012; and
(b) US$2 million with Stanbic Bank Ghana Limited to be paid by March 2012.

The loans attract interest on a floating rate basis at a percentage rate per annum. The Fidelity Bank Limited loan interest is charged at US base rate plus 1.75% per annum and the Stanbic Bank Ghana Limited loan interest is charged at US base rate only. The loans are secured by both fixed and floating charges on certain non-current assets of the company.

20. Stated capital

The company has 100,000,000 authorised ordinary shares of no par value out of which 50,095,925 (2007: 50,095,925) have been issued as follows:

	2008	2007	2008	2007
	No. of shares		GH¢	GH¢
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	**4,657,417**	4,657,417	**14,904**	14,904
	50,095,925	50,095,925	**2,771,486**	2,771,486

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

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

21. Earnings per share

	2008	2007
Profit after tax	**1,483,060**	1,611,107
Number of ordinary shares (Number)	**50,095,925**	50,095,925
Basic and diluted earnings per share (GH¢)	**0.0296**	0.0321

There are no share options, potential rights issues or bonus issues, hence diluted earnings per share are the same as basic earnings per share.

22. Revaluation surplus account

The revaluation surplus account has arisen from independent revaluations of the company's land and buildings, the latest of which was performed at 31 December 2007.

23. Cash generated from operations

	2008	2007
Profit before tax	**1,672,806**	2,140,837
Depreciation charge	**447,274**	422,821
Exchange loss on bank borrowings	**729,687**	127,717
Loss/(profit) on disposal of property, plant and equipment	**9,949**	(44,611)
Bank interest expense	**377,468**	259,060
Bank interest income	**(18,163)**	(10,897)
Fair value gain on investment properties	**(1,407,360)**	(750,886)
Change in working capital		
Increase in inventories	**(2,881,973)**	(1,481,780)
Increase in trade and other receivables	**(384,757)**	(956,566)
Increase in trade and other payables	**2,843,529**	2,532,155
Cash generated from operations	**1,388,460**	2,237,850

24. Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise the following:

	2008	2007
Bank and cash balances	**1,000,005**	864,443
Bank overdrafts	**(1,023,832)**	(38,840)
	(23,827)	825,603

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

25. Capital commitments

There were no capital commitments at the balance sheet date (2007: Nil).

26. Contingent liabilities

There were no contingent liabilities at the balance sheet date (2007: Nil).

27. Termination of Land Rover relationship

Following the sale by Ford of Land Rover and Jaguar, the company reviewed its long-term strategy and concluded that its resources would be best utilised by investing in the continued development of its franchises other than the Land Rover franchise. The company therefore decided to discontinue its Land Rover franchise and accordingly terminated its relationship with effect from 30 November 2008.

28. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on its financial performance.

Risk management is carried out by the management of the Company under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks.

Sensitivity analysis - currency risk

The Company seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies.

The Company imports vehicles, spare parts and equipment from overseas and therefore is exposed to foreign exchange risk arising from Euro and USD exposures. Management is responsible for minimising the effect of the currency exposure by buying foreign currencies when rates are relatively low and using them to settle bills when due.

The Company hedges the currency risk using the practice stated above in order to mitigate currency risk as a result of changes in foreign exchange rates.

The Company's hedging strategy is effective and movement in foreign exchange rates would have no material impact on the Company's result.

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

Sensitivity analysis - interest rate risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term obligations with a floating interest rate. To manage this risk, the Company's policy is to contract for best interest rate borrowings when terms offered are attractive.

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

Total exposure to credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and accounts receivable. Accounts receivable are mainly derived from sales to customers. The Company maintains a provision for impairment of trade receivables based upon the expected collectibility of all trade receivables.

Trade receivables consist of invoiced amounts from normal trading activities. The Company has customers throughout Ghana. Strict credit control is exercised through monitoring of cash received from customers and, when necessary, provision is made for specific doubtful accounts. As at 31 December 2008, management was unaware of any significant unprovided credit risk.

The table below shows the maximum exposure to credit risk by class of financial instrument:

	2008	2007
Bank balances (excluding cash)	**(373,028)**	818,997
Trade and other receivables (excluding prepayments)	**4,848,501**	4,528,433
Total credit risk exposure	**4,475,473**	5,347,430

Liquidity risk

The Company has incurred indebtedness but also has positive cash balances. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities.

Details of the bank overdraft and loan facilities taken on by the company are shown in Notes 18 and 19.

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

Maturity analysis of financial liabilities

All financial liabilities other than loans fall due for payment within 12 months. Loans are repayable as follows:

	2008	2007
Financial liabilities due within one year	1,450,548	695,246
Financial liabilities due after one year	2,396,959	1,261,116

29. Comparative figures

Where necessary, comparatives have been reclassified to conform to changes in presentation in the current year and to take account of the implementation of IFRS.

30. Explanation of transition to IFRS

Reconciliation of profit for the year ended 31 December 2007

	Note	GAS	Effect of transition to IFRS	IFRS
Revenue	3	21,706,362		21,706,362
Cost of sales		(17,329,586)		(17,329,586)
Gross profit		**4,376,776**		**4,376,776**
Selling and distribution costs	4	(3,609,113)		(3,609,113)
Other operating income	5	537,478		537,478
Operating profit		**1,305,141**		**1,305,141**
Other income	6	176,406	(750,886)	927,292
Finance costs	7	(91,596)		(91,596)
Net profit before tax		**1,389,951**		**2,140,837**
Tax	14	(246,060)	(283,670)	(529,730)
Net profit after tax transferred to income surplus account		**1,143,891**		**1,611,107**

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

Reconciliation of net assets as at 31 December 2007

	Note	GAS	Effect of transition to IFRS	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment	9	7,439,114		7,439,114
Investments properties	11	2,642,640		2,642,640
		10,081,754		10,081,754
Current assets				
Inventories	12	6,447,277		6,447,277
Trade and other receivables	13	4,516,083	24,658	4,540,741
Tax 14(a)		314,091		314,091
Bank and cash balances		864,443		864,443
		12,141,894		12,166,552
TOTAL ASSETS		**22,223,648**		**22,248,306**
EQUITY				
Stated capital	20	2,771,486		2,771,486
Revaluation surplus account	22	6,611,741	750,886	5,860,855
Income surplus account		3,382,593	(327,867)	3,710,460
TOTAL EQUITY		**12,765,820**		**12,342,801**
LIABILITIES				
Non-current liabilities				
Non-current portion of loan	19	1,261,116		1,261,116
Deferred tax	14(a)	-	(748,253)	748,253
		1,261,116		2,009,369
Current liabilities				
Trade and other payables	17	7,162,050		7,162,050
Bank overdrafts	18	38,840		38,840
Dividend		300,576	300,576	-
Current portion of loan	19	695,246		695,246
		8,196,712		7,896,136
TOTAL LIABILITIES		**9,457,828**		**9,905,505**
TOTAL EQUITY AND LIABILITIES		**22,223,648**		**22,248,306**

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

Reconciliation of net assets as at 31 December 2007

	GAS	Effect of transition to IFRS	IFRS
ASSETS			
Non-current assets			
Property, plant and equipment	4,581,563		4,581,563
Investments properties	1,891,754		1,891,754
	6,473,317		6,473,317
Current assets			
Inventories	4,965,497		4,965,497
Trade and other receivables	3,559,517	24,658	3,584,175
Tax	203,387		203,387
Bank and cash balances	441,978		441,978
	9,170,379		9,195,037
TOTAL ASSETS	**15,643,696**		**15,668,354**
EQUITY			
Stated capital	2,771,486		2,771,486
Revaluation surplus account	2,945,018		2,945,018
Income surplus account	2,539,278	(239,541)	2,299,737
TOTAL EQUITY	**8,255,782**		**8,016,241**
LIABILITIES			
Non-current liabilities			
Non-current portion of loan	1,360,154		1,360,154
Deferred tax	-	(464,583)	464,583
	1,360,154		1,824,737
Current liabilities			
Trade and other payables	4,629,895		4,629,895
Bank overdrafts	185,736		185,736
Dividend	200,384	200,384	-
Current portion of loan	1,011,745		1,011,745
	6,027,760		5,827,376
TOTAL LIABILITIES	**7,387,914**		**7,652,113**
TOTAL EQUITY AND LIABILITIES	**15,643,696**		**15,668,354**

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis (GH¢) unless otherwise stated)

The selection of IFRS accounting policies as required by IFRS 1 creates a number of adjustments that are required to transition from Ghana Accounting Standards (GAS) to IFRS. Each of these is discussed below in the context of the appropriate standard and the guidance it gives:

Reconciliation of equity as at 31 December 2006

Proposed dividend of GH¢200,384 recognised under GAS does not qualify under IFRS (IAS 37).

General provision for trade receivables of GH¢24,658 recognised under GAS does not qualify under IFRS (IAS 39).

Deferred tax liability of GH¢464,583 as at 31 December 2006 not recognised under GAS does qualify under IFRS (IAS 12).

The following illustrates the adjustment to income surplus account as at 31 December 2006:

Proposed dividend for 2006	200,384
Deferred tax in 2006	(464,583)
General provision for trade receivables	24,658
	(239,541)

31. Management of capital

The primary objectives of the company's equity capital management are to ensure that the company is able to meet its debts as they fall due and to maximise shareholder value. No changes were made in the objectives, policies and processes from the previous years.

FINANCIAL SUMMARIES

	31.12.03	31.12.04	31.12.05	31.12.06	31.12.07	31.12.08
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Revenue	9,229,093	12,040,186	11,175,371	12,527,187	21,706,362	25,849,929
P/(L) before Taxation	735,667	780,614	1,005,832	881,266	2,140,837	1,672,806
Taxation	243,515	2141,56	207,954	130,377	529,730	189,746
P/(L) after Taxation	492,152	566,457	797,879	750,889	1,611,107	1,483,060
Dividend	120,230	150,288	200,384	200,384	200,384	300,576
P/(L) Transferred	371,922	416,169	597,495	550,505	1,410,723	1,182,484
BALANCE SHEET						
Fixed Assets	4,634,471	5,747,209	4,384,644	4,581,563	7,439,114	9,267,654
Investment Properties	0	0	1,891,754	1,891,754	2,642,640	4,050,000
Cash / Investments	910,945	372,056	223,135	441,978	864,443	1,000,005
Other Current Assets	5,637,384	7,285,297	8,427,281	8,728,401	11,302,109	14,870,447
Total Assets	11,182,800	13,404,562	14,926,814	15,643,696	22,248,306	29,188,106
Less C/Liabilities	5,076,384	5,169,299	6,361,794	6,027,760	7,896,136	12,479,959
TOTAL NET ASSETS	**6,106,416**	**8,235,263**	**8,565,019**	**9,615,936**	**14,352,170**	**16,708,147**
Financed as follows:						
Stated Capital	266,689	2,771,486	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	5,860,855	5,860,855
Income Surplus	984,185	1,400,354	1,988,773	2,539,278	3,710,460	4,892,944
	4,195,892	7,116,858	7,705,276	8,255,782	12,342,801	13,525,285
Deferred Tax	-	-	-	-	748,253	785,903
Medium Term Loans	1,910,528	1,117,405	859,743	1,360,154	1,261,116	2,396,959
	6,106,420	**8,234,263**	**8,565,020**	**9,615,936**	**14,352,170**	**16,708,147**
STATISTICS	2003	2004	2005	2006	2007	2008
Earnings/Share	0.0123	0.0113	0.0159	0.0150	0.0321	0.0296
Net Assets/Share	0.1047	0.1427	1,538.10	0.1648	0.0246	0.2699
Current Assets/ Current Liabilities	1.2900	1.48	1.3600	1.5200	1.5408	1.2716
Return on S/Holder's Fund	11.73%	7.96%	10.35%	9.10%	13.05%	10.96%
Return on Revenue	5.33%	4.70%	7.14%	5.99%	7.42%	5.74%

SHAREHOLDING ANALYSIS AS AT 31 DEC. 2008

Categories of Shares	No. of Holders	Holding	% Of Total Holding
1 - 1,000	3,118	1,317,604	2.63
1,001 - 5000	754	1,669,225	3.33
5,001 - 10,000	110	862,508	1.72
10,001 and over	147	46,246,588	92.33
TOTAL	**4,129**	**50,095,925**	**100.00**

Directors' Shareholdings

The Directors named below held the following shares in the company as at 31 December, 2008

Name	No. of Shares	% of Issued Capital
Mr. C. B. K. Zwennes (jointly with Mrs. Jacqueline Zwennes)	53,557	0.11
Mr. T. R. Darko	10,977,202	21.91
Mr. Yaw Assah-Sam	21,500	0.04
Mr. C. S. Aidoo	458,000	0.91
Mr. N. K. Bulley	33,376	0.07
Mr. N. K. Bulley (jointly with Mrs Agnes Jane Bulley)	20,600	0.04
Mr. A. Lawson	75,000	0.15
Mr. Y. M. Sarpong	140,000	0.28

Twenty Largest Shareholders

Name	No. of Shares	% Holding
Mr. T. R. Darko	10,977,202	21.91
Social Security & National Insurance Trust	8,831,250	17.63
BBGN/Epack Investment fund Ltd.	4,722,515	9.43
Mr. M.O. Darko	1,825,350	3.64
Mr. E. Yirimambo	1,355,444	2.71
Mr. C.N. Darko	1,198,752	2.39
Mr. S.A. Darko	1,198,745	2.39
Ms. R.J. Darko	961,305	1.92
Ms. C.B. Darko	845,967	1.69
Coco-Mutual Fund Trust	800,000	1.60
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	458,000	0.91
	38,185,571	76.22

REMARKS

PROXY FORM

Annual General Meeting to be Held at 11.00 am. On Tuesday, 26 May, 2009 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 26 May, 2009.

Dated this .... Day of 2009

....
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 recieve the Accounts		
2. To declare a dividend		
3. To re-elect Mr. C.S. Aidoo as Director		
4. To re-elect Mr. N.K. Bulley as Director		
5. To authorise the Directors to fix the remuneration of the Auditors.		
6. To consider & if thought fit pass the following as a special resolution: The Company may issue securities in uncertificated or dematerialized form and the Board of Directors shall pass a resolution to that effect. The Company may convert a certificated security into an uncertificated security and the Board of Directors shall pass a resolution to that effect. The Company shall accept for registration, transferes in the form approved by the Ghana Stock Exchange or under the Central Securities Depository Act. 2007 (Act 733). The manner in which the records of shareholding in the Company shall be kept shall be as determined by the Ghana Stock Exchange and shall be in line with the Central Securities Depository Act. 2007 (Act 733).		

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 onTuesday, 26 May, 2009 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

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