Mechanical Lloyd Company Limited

ANNUAL REPORT & FINANCIAL STATEMENTS 2009

MECHANICAL LLOYD COMPANY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2009

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)* Yaw Assah-Sam Charles Sydney Aidoo Napoleon Kpakpo Bulley Andrew Lawson Yaw Manu Sarpong (Resigned 1 June 2009)
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 Merchant Bank Ghana Limited Standard Chartered Bank Ghana Limited

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

Notice is hereby given that the **Eighteenth** 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, June 29, 2010** 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, 2009.

2. To declare a dividend for the year ended, 31 December, 2009.

3. To re-elect the following Directors retiring by rotation:
   i. Mr.Yaw Assah.-Sam
   ii. Mr. Andrew Lawson.

4. To elect Ms. Johanna K. Awotwi as a Director.

5. To approve non-executive Directors' fees.

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

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. 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 30th day of March, 2010.

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

	2009	2008	
	GH¢	GH¢	%Change
Revenue	**22,162,249**	25,894,929	14
Profit before tax	**1,151,277**	1,672,806	(31)
Profit after tax	**1,020,882**	1,483,060	(31)
Shareholders' funds	**14,245,591**	13,525,285	5
Capital expenditure	**329,876**	2,305,341	(86)
Total assets	**28,319,090**	29,188,106	(3)
Proposed dividend per share (GH¢)	**0.0045**	0.0060	(25)
Earnings per share (GH¢)	**0.0204**	0.0296	(31)
Net assets per share (GH¢)	**0.2844**	0.2700	5

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. and African Concrete Products 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.

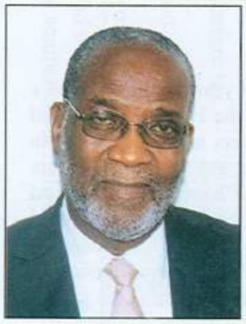
YAW ASSAH -SAM
Director of Sales and Service

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 on the Boards of 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. He is also a Director of UT Financial Srevices Limited. Previous directorships held include those of Supreme Aluminum Company and Ghana International School.

BOARD OF DIRECTORS PROFILE



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 Vodafone) from 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.

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 the Executive Director of the Energy Foundation.

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 2009.

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:

	2009 GH¢	2008 GH¢
Profit before tax for the year ended 31 December is	**1,151,277**	1,672,806
from which is deducted tax of	**(130,395)**	(189,746)
giving a profit after tax for the year of	**1,020,882**	1,483,060
to which is added balance brought forward on income surplus account of	**4,892,944**	3,710,460
giving a balance of	**5,913,826**	5,193,520
from which is deducted dividend paid of	**(300,576)**	(300,576)
leaving a balance carried forward on Income surplus account of	**5,613,250**	4,892,944

REPORT OF THE DIRECTORS (CONT'D.)

The company's net worth increased from GH¢13.5 million as at 1 January 2009 to GH¢14.2 million at the end of December 2009.

Dividend

The directors recommend the payment of a dividend for the year ended 31 December 2009 of GH¢0.0045 per share amounting to GH¢225,432.

Directors

Mr. Y.M. Sarpong, who served as the first Chairman of the Board of Directors after the public listing of Mechanical Lloyd, resigned from the Board on June 1, 2009. We wish him the best in his retirement.

Messrs. Yaw Assah-Sam and Andrew Lawson retire by rotation and being eligible offer themselves for re-election as Directors.

Ms. Johanna K. Awotwi was appointed a non-Executive Director of the Company in January 2010 and in compliance with the Company's regulations, Ms. Awotwi is offering herself for election.

Ms. Awotwi holds an LLB degree in Law from the University of Ghana. She was admitted to the Ghana Bar in October 2002.

She is currently the Deputy Superintndent of Immigration at the Ghana Immigration Service. She has previously worked as an Assistant State Attorney at the Attorney-General's Department, Koforidua from November 2002 to July 2003 and as a Legal Practitioner at a private law firm from September 2003 to January 2006.

Auditors

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

By order of the board

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

30 March 2010

CHAIRMAN'S REVIEW OF 2009

2009 found the world economy still in the throes of the devastating global recession that had its origins in 2007 and had wreaked such havoc in 2008.

Ghana was not spared the dire consequences of this recession - slowdown in economic activity, contraction in demand, weaker export earnings etc. But Ghana had created other problems of its own. Fiscal indiscipline had given rise to unwelcome inflationary pressures and a weakening of the cedi.

The new government that assumed office in January 2009 embarked on stringent and tight measures to rein in the fiscal deficit and stabilize the Cedi. It also resorted to increasing government borrowing to clear arrears; and this led to further increases in bank lending rates that all but killed demand for our capital goods.

As a result of this, our inventory levels shot up and our stockholding costs escalated, wiping out the profits on the little sales that we managed to make. Indeed the first half of 2009 was perhaps the most difficult and challenging period that your Company has ever had to grapple with. To combat the situation, we refinanced our debt stock by converting our short-term cedi borrowing into medium term dollar borrowing.

Thankfully, from the middle of the year the world economy began to recover earlier than anticipated, to the extent that even the IMF raised favourably its earlier gloomy forecast of world economic growth; and by the 4th quarter most of the larger world economies had technically come out of recession.

Happily for the country, our two main primary export products, gold and cocoa continued to enjoy good world prices, thus improving the country's foreign reserves. This situation, buttressed by the successful arrangement of a \$535 million loan (part of \$1.2 billion over 3 years) from multilateral agencies to support the cedi led to a gradual stabilization of the local currency against the major currencies, and together with a good food harvest began to ease inflationary pressures in the economy. In the end, given the horrendous environment in which we had to operate for most of the year our performance was quite commendable.

For 2009 we achieved a turnover of GH¢22.1 million which represents a decrease of 14% below the figure of GH¢25.8 million for 2008. Motor vehicle sales declined by 19%; however the spare parts sales and workshop earnings component of turnover improved by 8%; and rental income from investment properties increased by 20%.

Gross profit margin on turnover increased from 19% in 2008 to 21% in 2009 mainly on account of the fact that a larger proportion of the 2009 sales was to the private sector rather than for Government tenders where margins are thinner.

Following our termination of the Land Rover franchise we had to write off GH¢820,964 in respect of Land Rover spare parts that would no longer be needed.

CHAIRMAN'S REVIEW OF 2009 (CONT'D.)

As a result of sound and prudent financial management, we managed to reduce Selling General and Administrative expenses by GH¢393,854 or 8%, even in face of considerable inflation, and thus improved our bottom line.

Our overall performance for the year after adjusting for Other Operating Income of GH¢695,908 (2008: GH¢574,403) made up of fees and Sales Commission earned from DAF Bus, and Other Income of GH¢280,396 (2008: GH¢155,113) yielded a Total Comprehensive Income Before Tax of GH¢1.1 million (2008: GH¢1.6 million) and a Total Comprehensive Income After Tax of GH¢1.02 million which is 31 % below the 2008 figure of GH¢1.48 million.

DIVIDEND

In the light of the above the directors recommend the payment of a dividend of GH¢0.0045 per share, down by 25% from that of GH¢0.0060 per share paid for 2008.

FORD

Ford, our mainstay performed rather poorly, achieving only 51% of set target, and a drop in sales of 47% as compared to 2008. The Ranger Pick-up, our 'bread and butter" model in the Ford stable did even worse - achieving only 45% of set target. This was because Ranger customers are mainly contractors who depend a lot on Government business; and the new government naturally took some time to settle down to prepare its first budget before funds could start to be released for Government contracts. The SUV's did considerably better, but saloon cars continue to find it difficult to make the expected breakthrough.

BMW

BMW did better, achieving 63% of set target. It is even more of a pleasant surprise that within the BMW stable, the bigger, more expensive models did better than the smaller models. The X5 achieved 73% of target and the X6, in its first year of introduction, and a model that is not stocked but imported strictly on order, achieved 167% of set target. The 5 series probably could have done better but for the fact that it was in its last model year. We expect the new model launched in April 2010 to do better.

MASSEY FERGUSON

Massey Ferguson though the smallest part of our business achieved 99% of target.

AFTERSALES

It is pleasing to note that whereas the performance of our Capital Goods sales in 2009 was below par the opposite was the case with our Aftersales section, especially at our flagship for Service Delivery - The Accra Service Centre (ASC).

CHAIRMAN'S REVIEW OF 2009 (CONT'D.)

In 2009 we completed and commissioned at Accra Service Centre our 3rd Bay of facilities comprising:

a. A new Ultra-modern BMW workshop with 12 new lifts, bringing the total lift capacity to 34
b. Modern staff changing rooms
c. A fully air-conditioned staff canteen and recreational room.

The Accra Service Centre also fully deployed the latest Integrated Service Information Server (ISIS) for BMW vehicles which allows for the full-time on-line integration of BMW Aftersales in real time.

Training has also been enhanced with the FORD ADMI 12 month training for spare parts business focusing on reduction in idle stock-holding and in special orders.

The effect of all this has been a highly motivated technical and non technical staff who pride themselves in their new work environment and training; and this is reflecting in their performance and output.

As a result workshop throughput exceeded target by 6% which translated into a 12.3% increase in aftersales turnover over budget.

OUTLOOK

Having successfully weathered the tempestuous storm of 2009; and with the economy now on an even keel, we believe the worst is behind us and we expect our performance to improve appreciably hereafter.

In 2010 the cost of borrowing will be under better control and the Cedi is expected to enjoy considerable stability.

With the prospect of Ghana starting to pump oil at the end of 2010, which will transform our GDP growth into double digits in 2011, the immediate future looks decidedly brighter.

I would like to extend my ineffable gratitude to the management and Company for their untiring efforts, support and loyalty during a difficult year.

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 control to facilitate transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

Board of Directors

The responsibility of good corporate governance is placed in the hands of the Board of Directors and the Management Team. The board comprises six directors. The directors are knowledgeable individuals with experience in the auto industry as well as in their fields of discipline.

The Audit Committee

The Audit Committee is made 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 control 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 set out on pages 8 to 31. These financial statements comprise the statement of financial position as of 31 December 2009, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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) and with the requirements of the Companies Code, 1963 (Act 179). 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.

Auditor's Responsibility

Our responsibility is to express an independent 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 our 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 financial statements give a true and fair view of the financial position of Mechanical Lloyd Company Limited as at 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the Companies Code, 1963 (Act 179).

REPORT ON OTHER LEGAL REQUIREMENTS

The 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 statement of financial position and statement of comprehensive income of the company are in agreement with the books of account.

PricewaterhouseCoopers

Chartered Accountants
Accra
31 March 2010

PRICEWATERHOUSECOOPERS

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in Ghana cedis)

	Note	Year ended 31 December 2009	2008
Revenue	3	**22,162,249**	25,894,929
Cost of sales		**(17,492,769)**	(21,082,831)
Gross profit		**4,669,480**	4,812,098
Selling, general and administrative expenses	4	**(4,732,782)**	(5,126,636)
Other operating income		**695,908**	574,403
Operating profit		**632,606**	259,865
Other income	6	**1,186,841**	1,562,473
Finance costs - net	7	**(668,170)**	(149,532)
Profit before tax		**1,151,277**	1,672,806
Tax expense	15	**(130,395)**	(189,746)
Total comprehensive income for the year		**1,020,882**	1,483,060
Attributable to:			
Equity shareholders		**1,020,882**	1,483,060
Earnings per share			
Basic earnings per share	21	**0.0204**0.0296	
Diluted earnings per share	21	**0.0204**	0.0296

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

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in Ghana cedis)

	Notes	At 31 December 2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	9	**8,527,515**	8,847,654
Other prepayments	10	**420,000**	420,000
Investment properties	11	**4,956,445**	4,050,000
		13,903,960	13,317,654
Current assets			
Inventories	12	**8,033,667**	9,329,250
Trade and other receivables	13	**4,019,040**	4,925,498
Current income tax	14(a)	**654,890**	615,699
Bank and cash balances	25	**1,707,533**	1,000,005
		14,415,130	15,870,452
TOTAL ASSETS		**28,319,090**	29,188,106
EQUITY			
Stated capital	20	**2,771,486**	2,771,486
Revaluation surplus account	22	**5,860,855**	5,860,855
Income surplus account	23	**5,613,250**	4,892,944
TOTAL EQUITY		**14,245,591**	13,525,285
LIABILITIES			
Non-current liabilities			
Non-current portion of loan	19	**3,728,184**	2,396,959
Deferred income tax	14(b)	**826,599**	785,903
		4,554,783	3,182,862
Current liabilities			
Trade and other payables	17	**8,195,239**	10,005,579
Bank overdrafts	18	**370,371**	1,023,832
Current portion of loan	19	**953,106**	1,450,548
		9,518,716	12,479,959
TOTAL LIABILITIES		**14,073,499**	15,662,821
TOTAL EQUITY AND LIABILITIES		**28,319,090**	29,188,106

The financial statements on pages 16 to 39 were approved by the Board of Directors on 30 March 2010 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

	Stated capital	Revaluation surplus account	Income surplus account	Total
At 1 January 2009	2,771,486	5,860,855	4,892,944	**13,525,285**
Comprehensive income				
Total comprehensive income	-	-	1,020,882	**1,020,882**
Transactions with equity holders				
Dividend paid for 2008	-	-	(300,576)	**(300,576)**
At 31 December 2009	**2,771,486**	**5,860,855**	**5,613,250**	**14,245,591**
At 1 January 2008	2,771,486	5,860,855	3,710,460	**12,342,801**
Comprehensive income				
Total comprehensive income	-	-	1,483,060	**1,483,060**
Transactions with equity holders				
Dividend paid for 2007	-	-	(300,576)	**(300,576)**
At 31 December 2008	2,771,486	5,860,855	4,892,944	**13,525,285**

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

STATEMENT OF CASH FLOWS

(All amounts are expressed in Ghana cedis)

	Notes	Year ended 31 December 2009	2008
Cash flows from operating activities			
Cash generated from operations	24	2,661,257	1,388,460
Interest received		3,126	18,163
Interest paid		(837,670)	(377,468)
Tax paid	14(a)	(128,890)	(453,704)
Net cash generated from operating activities		1,697,823	575,451
Cash flows from investing activities			
Purchase of property, plant and equipment	9&10	(329,876)	(2,305,341)
Proceeds from disposal of property, plant and equipment	9	280,766	19,578
Net cash used in investing activities		(49,110)	(2,285,763)
Cash flows from financing activities			
Loans received	19	4,785,000	1,594,800
Repayment of loans	19	(4,772,148)	(433,342)
Dividend paid		(300,576)	(300,576)
Net cash (used in)/generated from financing activities		(287,724)	860,882
Net increase/(decrease) in cash and cash equivalents		1,360,989	(849,430)
Movement in cash and cash equivalents			
At start of year		(23,827)	825,603
Increase/(decrease)		1,360,989	(849,430)
At end of year	25	1,337,162	(23,827)

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 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 as modified to include the fair valuation of certain financial instruments to the extent required or permitted under International Financial Reporting Standards (IFRS) and set out in the relevant accounting policies below. The financial statements have been prepared in accordance with IFRS and the requirements of the Companies Code, 1963 (Act 179).

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.

(i) Standards, amendments and interpretations effective on or after 1 January 2009

(a) (The following standards, amendments and interpretations, which became effective in 2009 are relevant to the company:

Standard/ interpretation/ Amendments	**Content**	**Applicable for financial years beginning on/after**
IFRS 7 (Amendment)	Improving disclosures about financial instruments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009
IFRS 8	Operating segments	1 January 2009

NOTES [CONT'D.]

2. Summary of significant accounting policies (continued)

(i) Standards, amendments and interpretations effective on or after 1 January 2009 (continued)

(b) The following interpretation became effective in 2009, but was not relevant for the company's operations:

Standard/ interpretation/ Amendments	Content	Applicable for financial years beginning on/after
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008
IAS 23 (Amendment)	Borrowing costs	1 January 2009

(ii) Standards, amendments and interpretations to existing standards issued but not yet effective.

The following standards, amendments and interpretations to existing standards have been issued for the company's accounting periods beginning on or after 1 July 2009 or later periods but are not expected to be relevant to the company:

Standard/ interpretation/	Content	Applicable for financial years beginning on/after
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 July 2009
Amendments to IFRS 1	Additional exemption for first-time adoption	1 January 2010
IAS 24	Related party disclosures	1 January 2011
IAS 32	Classification of rights issues	1 February 2010
IAS 39	Financial instruments: Recognition and measurement - Eligible hedged items	1 July 2009
IFRS 3	Business combinations	1 July 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 39	Financial instruments: Recognition and measurement - eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009

NOTES [CONT'D.]

2. Summary of significant accounting policies (continued)

(ii) Standards, amendments and interpretations to existing standards issued but not yet effective (continued)

Standard/ interpretation/	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013
IFRIC 19	Extinguishing financial liabilities with equity Instruments	1 July 2010
Amendments to IFRIC 9 and IAS 39	Embedded Derivatives	30 June 2009
Amendments to IAS 24	Related party disclosures	1 January 2011
Amendments to IAS 321	Classification of right issues	1 February 2011

(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 way 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.

(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.

NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

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 statement of comprehensive income 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 financial reporting 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 statement of comprehensive income.

(d) Impairment of assets

At each reporting 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.

NOTES [CONT'D.]

2. Summary of significant accounting policies (continued)

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 statement of comprehensive income during the period it arises.

(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 statement of financial position.

(i) Trade payables

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

NOTES [CONT'D.]

2. Summary of significant accounting policies (continued)

(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 comprehensive 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 financial position 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 financial position 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 financial position as a finance lease obligation.

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 statement of comprehensive income on a straight line basis over the period of the lease.

NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

(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 financial reporting date. The resulting gains and losses are dealt with in the statement of comprehensive income.

(p) Dividend

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

(q) Post balance sheet events

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

NOTES (CONT'D.)

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the head of finance and administration. The head of finance and administration, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(s) 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.

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.

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.

(t) 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

NOTES [CONT'D.]

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

3. Revenue

	2009	2008
Motor vehicles and farm machinery sales	**17,597,825**	21,688,530
Spare parts sales and workshop earnings	**4,255,912**	3,950,115
Rental income from investment properties	**308,512**	256,284
	22,162,249	25,894,929

4. Selling, general and administrative expenses

Selling, general and administrative expenses include:

		2009	2008
Stock write off (Land Rover)		**820,964**	203,478
Depreciation		**444,431**	447,274
Key management compensation	-		
Directors' emoluments (short-term benefits)		**210,421**	298,356
Amounts paid to auditor	- audit fees	**36,614**	33,291
	- other services		11,000
Exchange loss		**9,137**	460,151
Donations		**3,920**	21,076

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

	2009	2008
Miscellaneous income	**91,740**	52,932
Fair value gain on investment property	**906,445**	1,407,360
Income from clinic services	**113,474**	112,130
Profit/(loss) on disposal of property, plant and equipment	**75,182**	(9,949)
	1,186,841	1,562,473

7. Finance costs - net

	2009	2008
Bank interest expense	**837,670**	377,468
Bank interest income	**(3,126)**	(18,163)
Interest income on credit sales	**(166,374)**	(209,773)
	668,170	149,532

8. Staff costs

	2009	2008
Wages and salaries (including executive directors' salaries)	**1,623,111**	1,494,884
Social security contributions	**175,296**	147,180
	1,798,407	1,642,064

The average number of persons employed by the company during the year was **170** (2008: 167).

NOTES (CONT'D.)

(All amounts are expressed in Ghana cedis 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 2009	6,213,758	2,864,758	1,370,813	**10,449,329**
Additions	-	251,142	78,734	**329,876**
Transfers	1,416,876	-	(1,416,876)	-
Disposals	-	(323,857)	-	**(323,857)**
At 31 December 2009	7,630,634	2,792,043	32,671	**10,455,348**
Accumulated depreciation				
At 1 January 2009	374,149	1,227,526	-	**1,601,675**
Charge for year	219,132	225,299	-	**444,431**
Disposals	-	(118,273)	-	**(118,273)**
At 31 December 2009	593,281	1,334,552	-	**1,927,833**
Net book value				
At 31 December 2009	**7,037,353**	**1,457,491**	**32,671**	**8,527,515**
At 31 December 2008	5,839,609	1,637,232	1,370,813	8,847,654
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

NOTES (CONT'D.)

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

9. Property, plant and equipment (continued)

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:

	2009	2008
Cost	**2,925,779**	1,042,957
Accumulated depreciation	**(593,281)**	(263,441)
Net book value	**2,332,498**	779,516

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

Cost	**323,857**	53,876
Accumulated depreciation	**(118,273)**	(24,349)
Net book value	**205,584**	29,527
Disposal proceeds	**(280,766)**	(19,578)
(Profit)/loss	**(75,182)**	9,949

10. Other prepayments

This represents payment for land in 2008 for which the company is yet to fully complete all the legal registration requirements.

11. Investment properties

Valuation	2009	2008
At 1 January	**4,050,000**	2,642,640
Fair value gain	**906,445**	1,407,360
At 31 December	**4,956,445**	4,050,000

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

12. Inventories

	2009	2008
Trade stocks	**7,880,610**	7,137,740
Goods in transit	**50,202**	2,038,164
Work-in-progress	**32,405**	29,114
Non-trade stocks	**70,450**	124,232
	8,033,667	9,329,250

The cost of inventories recognised as an expense and included in cost of sales amounted to GH¢16,020,485 (2008: GH¢19,745,846).

NOTES [CONT'D.]

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

13. Trade and other receivables	2009	2008
Trade debtors	**3,951,149**	3,781,658
Staff debtors	**27,647**	24,901
Other debtors and prepayments	**40,244**	1,118,939
	4,019,040	4,925,498

The maximum amount of staff indebtedness during the year did not exceed GH¢50,000 (2008: GH¢100,000).

14. Income tax

	Balance at 1 January	Payments	Charge for the year	Balance at 31 December
(a) Current income tax				
Up to 2006	(203,387)	-	-	**(203,387)**
2007	(110,704)	-	-	**(110,704)**
2008	(301,608)	-	-	**(301,608)**
2009	-	(128,890)	89,699	**(39,191)**
	(615,699)	(128,890)	89,699	**(654,890)**
(b) Deferred income tax				
Accelerated depreciation	99,031	-	53,122	**152,153**
Other timing differences	686,872	-	(12,426)	**674,446**
	785,903	-	40,696	**826,599**

15. Tax expense	2009	2008
Current tax (Note 14(a))	**89,699**	152,096
Deferred tax (Note 14(b))	**40,696**	37,650
	130,395	189,746

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

	2009	2008
Profit before tax	**1,151,277**	1,672,806
Tax charged at corporate tax rate of 25%	**287,819**	418,201
Expenses not deductible in determining taxable profit	**30,991**	16,014
Rental income taxed at lower rate	**(52,447)**	-
Capital gains tax at different tax rate	**(135,968)**	(211,104)
Adjustment to prior years deferred tax	-	(33,365)
	130,395	189,746

NOTES (CONT'D.)

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

16. Dividend

Payment of dividend is subject to the deduction of withholding taxes at the appropriate rate. Proposed dividend for approval at the next Annual General Meeting (not recognised as a liability as at 31 December 2009) amounted to GH¢225,432 (GH¢0.0045 per share).

17. Trade and other payables

	2009	2008
Trade creditors	**8,016,125**	9,868,528
Accrued charges	**17,879**	86,681
Sundry creditors	**161,235**	50,370
	8,195,239	10,005,579

18. Bank overdrafts

At the financial reporting date the company had certain banking facilities not exceeding GH¢3.5 million (2008: GH¢1.8 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 the company with facilities for guarantees of payment as follows:

Up to €1 million from Fidelity Bank Limited, US$1.5 million from Merchant Bank (Ghana) Limited and US$6 million from Barclays Bank of Ghana Limited. These guarantees attract charges as and when they are utilised by the company.

19. Loans

	Balance at 1/1/2009	Drawdown	Repayment	Exchange rate adjustment	Balance at 31/12/2009
Bank loans	3,847,507	4,785,000	(4,772,148)	820,931	4,681,290
Current portion of loans	(1,450,548)				(953,106)
Non-current portion of loans	2,396,959				3,728,184

The bank loans comprise the following facilities:

(a) US$1.8 million with Stanbic Bank Ghana Limited to be paid by November 2013; and
(b) US$1.5 million with Merchant Bank (Ghana) Limited to be paid by November 2014.

NOTES (CONT'D.)

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

The loans attract interest on a floating rate basis at a percentage rate per annum. The Merchant Bank (Ghana) Limited loan interest is charged at the rate of 11% per annum and the Stanbic Bank Ghana Limited loan interest is charged at the bank's United States Dollar prime Lending Rate prevailing at that time (currently at 11.7% per annum).

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 (2008: 50,095,925) have been issued as follows:

	2009	2008	2009	2008
	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.

21. Earnings per share

	2009	2008
Profit after tax	**1,020,882**	1,483,060
Number of ordinary shares (Number)	**50,095,925**	50,095,925
Basic and diluted earnings per share (GH¢)	**0.0204**	0.0296

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. Income surplus account

	2009	2008
Balance at 1 January	**4,892,944**	3,710,460
Total comprehensive income for the year	**1,020,882**	1,483,060
Approved dividend for the year	**(300,576)**	(300,576)
Balance at 31 December	**5,613,250**	4,892,944

NOTES [CONT'D.]

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

24. Cash generated from operations

	2009	2008
Profit before tax	**1,151,277**	1,672,806
Depreciation charge	**444,431**	447,274
Exchange loss on bank borrowings	**820,931**	729,687
(Profit)/loss on disposal of property, plant and equipment	**(75,182)**	9,949
Bank interest expense	**837,670**	377,468
Bank interest income	**(3,126)**	(18,163)
Fair value gain on investment properties	**(906,445)**	(1,407,360)
Change in working capital		
Decrease/(increase) in inventories	**1,295,583**	(2,881,973)
Decrease/(increase) in trade and other receivables	**906,458**	(384,757)
(Decrease)/increase in trade and other payables	**(1,810,340)**	2,843,529
Cash generated from operations	**2,661,257**	1,388,460

25. Cash and cash equivalents

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

	2009	2008
Bank and cash balances	**1,707,533**	1,000,005
Bank overdrafts	**(370,371)**	(1,023,832)
	1,337,162	(23,827)

26. Capital commitments

There were no capital commitments at the financial position date (2008: Nil).

27. Contingent liabilities

There were no contingent liabilities at the financial position date (2008: Nil).

NOTES (CONT'D.)

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

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, GBP 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.

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.

NOTES (CONT'D.)

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

The company has used sensitivity analysis technique to measure the estimated impact on the comprehensive income statement from an instantaneous increase or decrease of 2% (200 basis points) in market interest rate and a 10% strengthening or weakening in the Ghana cedi against major trading currencies.

The fair values of debt are affected by movements in interest rates. A hypothetical 2% increase in interest rates will result in a reduction of GH¢93,626 in profit after tax.

The values of debts and receivables denominated in foreign currency are subject to exchange rate movements. A hypothetical 10% upward change in foreign exchange rate will result in reduction of GH¢392,537 in profit after tax. At the end of the year 2009, there was no material exposure to exchange rate risk.

Total exposure to credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash, cash equivalents, bank overdrafts 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 2009, management was unaware of any significant unprovided credit risk.

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

	2009	2008
Bank balances (excluding cash)	**(1,693,636)**	(373,028)
Trade and other receivables (excluding prepayments)	**3,986,118**	4,848,501
Total credit risk exposure	**2,292,482**	4,475,473

NOTES (CONT'D.)

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

Liquidity risk

The Company has incurred debts 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.

Maturity analysis of financial liabilities

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

	2009	2008
Financial liabilities due within one year	**953,106**	1,450,548
Financial liabilities due after one year	**3,728,184**	2,396,959

29. 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.

NOTES (CONT'D.)

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

30. Segmental reporting

The company's primary reporting segments are based on products, namely BMW, Ford and others.
Cost relating to segments has been directly charged to products.

	BMW		FORD		OTHERS		TOTAL	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenue	**4,987,224**	5,518,541	**14,295,397**	17,512,265	**2,879,628**	2,864,123	**22,162,249**	25,894,929
Operating cost	**(4,195,747)**	(4,419,188)	**(11,266,553)**	(14,513,867)	**(2,030,469)**	(2,149,776)	**(17,492,769)**	(21,082,831)
Operating profit/loss	**791,477**	1,099,353	**3,028,844**	2,998,398	**849,159**	714,347	**4,669,480**	4,812,098
Selling, general and administrative expenses							**(4,732,782)**	(5,126,636)
Other operating income							**695,908**	574,403
Other income							**1,186,841**	1,562,473
Net finance cost							**(668,170)**	(149,532)
Profit before tax							**1,151,277**	1,672,806
Taxation							**(130,395)**	(189,746)
Net profit after tax							**1,020,882**	1,483,060

The head of finance and administration in assessing the performance of the reportable segments does not allocate assets and liabilities to these segments but rather manages the financial position in totality.

FINANCIAL SUMMARIES

	31.12.04	31.12.05	31.12.06	31.12.07	31.12.08	31.12.09
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Revenue	12,040,186	11,175,371	12,527,187	21,706,362	25,849,929	22,162,249
P/(L) before Taxation	780,614	1,005,832	881,266	2,140,837	1,672,806	1,151,277
Taxation	2141,56	207,954	130,377	529,730	189,746	130,395
P/(L) after Taxation	566,457	797,879	750,889	1,611,107	1,483,060	1,020,882
Dividend	150,288	200,384	200,384	200,384	300,576	300,576
P/(L) Transferred	416,169	597,495	550,505	1,410,723	1,182,484	720,306
FINANCIAL POSITION STATEMENT						
Non-Current Assets	5,747,209	4,384,644	4,581,563	7,439,114	9,267,654	8,947,515
Investment Properties	0	1,891,754	1,891,754	2,642,640	4,050,000	4,956,445
Cash / Investments	372,056	223,135	441,978	864,443	1,000,005	1,707,533
Other Current Assets	7,285,297	8,427,281	8,728,401	11,302,109	14,870,447	12,707,597
Total Assets	13,404,562	14,926,814	15,643,696	22,248,306	29,188,106	28,319,090
Less C/Liabilities	5,169,299	6,361,794	6,027,760	7,896,136	12,479,959	9,518,716
TOTAL NET ASSETS	**8,235,263**	**8,565,019**	**9,615,936**	**14,352,170**	**16,708,147**	**18,800,374**
Financed as follows:						
Stated Capital	2,771,486	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	5,860,855	5,860,855	5,860,855
Income Surplus	1,400,354	1,988,773	2,539,278	3,710,460	4,892,944	5,613,250
	7,116,858	7,705,276	8,255,782	12,342,801	13,525,285	14,245,591
Deferred Tax	-	-	-	748,253	785,903	826,599
Medium Term Loans	1,117,405	859,743	1,360,154	1,261,116	2,396,959	3,728,184
	8,234,263	**8,565,020**	**9,615,936**	**14,352,170**	**16,708,147**	**18,800,374**
STATISTICS	2004	2005	2006	2007	2008	2009
Earnings/Share	0.0113	0.0159	0.0150	0.0321	0.0296	0.0204
Net Assets/Share	0.1427	1,538.10	0.1648	0.0246	0.2699	0.2844
Current Assets/ Current Liabilities	1.48	1.3600	1.5200	1.5408	1.2716	1.5144
Return on S/Holder's Fund	7.96%	10.35%	9.10%	13.05%	10.96%	7.16%
Return on Revenue	4.70%	7.14%	5.99%	7.42%	5.74%	4.61%

SHAREHOLDING ANALYSIS AS AT 31 DEC. 2009

Categories of Shares	No. of Holders	Holding	% Of Total Holding
1 - 1,000	3,101	1,316,696	2.63
1,001 - 5000	751	1,660,573	3.31
5,001 - 10,000	109	856,740	1.71
10,001 and over	148	46,261,916	92.35
TOTAL	**4,109**	**50,095,925**	**100.00**

Directors' Shareholdings

The Directors named below held the following shares in the company as at 31 December, 2009

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

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
TOTAL	**38,185,571**	**76.22**

REMARKS

REMARKS

PROXY FORM

Annual General Meeting to be Held at 11.00 am. On Tuesday 29 June, 2010 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 Tuesday 29 June, 2010.

Dated this .... Day of 2010

....
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. Yaw Assah-Sam as Director		
4. To re-elect Mr. Andrew Lawson as Director		
5. To elect Ms. Johanna K. Awotwi as a Director.		
6. To approve non-executive Director's fees.		
7. To authorise the Directors to fix the remuneration of the Auditors.		

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

MECHANICAL LLOYD COMPANY LIMITED

Admission Form

Annual General Meeting to be held at **Accra International Conference Centre,** Accra on **Tuesday 29 June, 2010** 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/her 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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