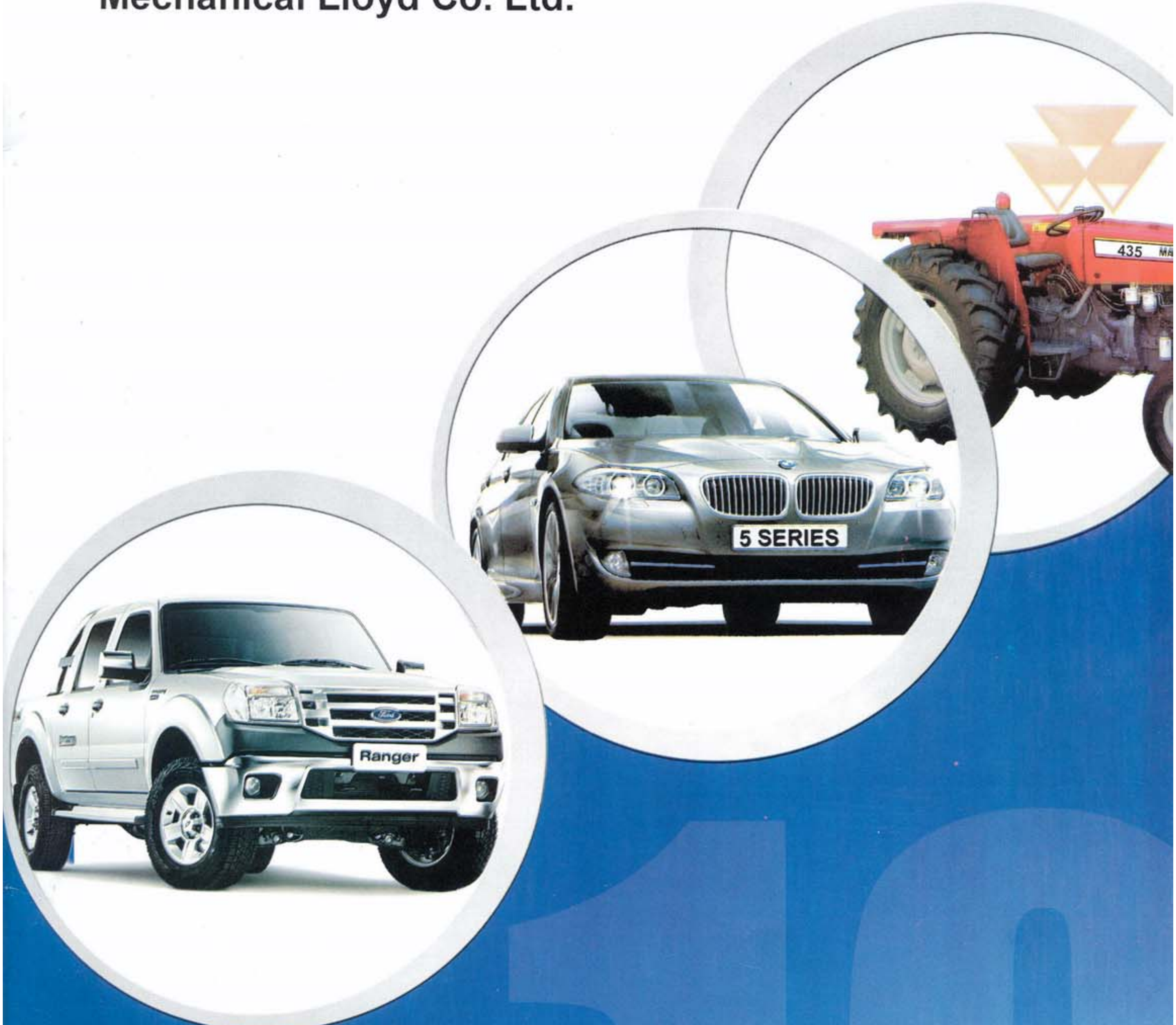
Mechanical Lloyd Co. Ltd.



Annual Report & Financial Statements 2010

MECHANICAL LLOYD COMPANY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2010

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.

FINANCIAL HIGHLIGHTS

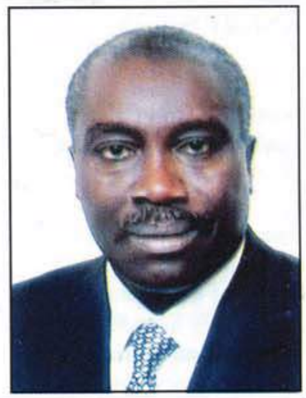
	2010	2009
	GHS	GHS
Revenue	**28,455,287**	22,162,249
Profit before tax	**2,459,643**	1,151,277
Profit for the year	**1,454,239**	1,020,882
Shareholders' funds	**14,595,270**	13,659,505
Capital expenditure	**420,136**	329,876
Total assets	**26,949,894**	28,319,090
Proposed dividend per share (GHS)	**0.006**	0.0045
Earnings per share (GHS)	**0.0290**	0.0204
Net assets per share (GHS)	**0.291**	0.2844

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 34 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 President of the Ghana Employers Association, member of the Governing Council of the Private Enterprise Foundation and a Board Member of the Social Security and National Insurance Trust (SSNIT).

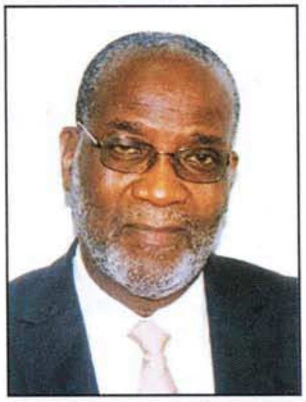
YAW ASSAH -SAM
Director of Sales and Service

Mr. Assah-Sam joined the Company in June 1990 as Personnel Manager, and was later promoted to General Manager, Resource and Planning. He was appointed Director, Sales and Service in 2005. He serves on the Boards of Asabre Construction Limited and JASMAM 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 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.

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 former Commissioner of the Public Utilities Regulatory Commission. He retired at the end of the first quarter of 2010 as 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 2010.

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:

	2010	2009
	GHS	GHS
Profit before tax for the year ended 31 December is	**2,459,643**	1,151,277
from which is deducted tax of	**(1,005,404)**	(130,395)
giving a profit after tax for the year of	**1,454,239**	1,020,882
to which is added balance brought forward on income surplus account of	**5,613,250**	4,892,944
giving a balance of	**7,067,489**	5,913,826
from which is deducted dividend paid of	**(225,432)**	(300,576)
leaving a balance carried forward on income surplus account of	**6,842,057**	5,613,250

REPORT OF THE DIRECTORS (CONT'D.)

The company's equity attributable to owners increased from GHS13.7 million as at 1 January 2010 to **GHS14.6 million** at the end of December 2010.

Dividend

The directors recommend the payment of a dividend for the year ended 31 December 2010 of **GHS0.006** per share amounting to **GHS300,576** (2009: GHS0.0045 per share amounting to GHS225,432).

Directors

Mr. C.B.K. Zwennes retires by rotation and being eligible offers himself for re-election as Director.

Ms. Johanna K. Awotwi resigned from the Board on October 21, 2010.

Mr. Kofi Asamoah was appointed a non-Executive Director of the Company in February 2011 and in compliance with the Company's regulations, Mr. Asamoah is offering himself for election.

Mr. Kofi Asamoah is currently the Acting Secretary General of the Trade Unions Congress (TUC), Ghana.

Auditor

The auditor, 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
CHAIRMAN

Y. ASSAH-SAM
DIRECTOR

30 March 2010

CHAIRMAN'S REVIEW OF 2010

The Ghanaian economy performed creditably during 2010. The Government pursued its stabilization programme begun in 2009 which was aimed principally at further reducing the high budget deficit of 2008 in order to create a conducive platform for growth to take-off in 2011. This stabilization policy whose central plank was fiscal consolidation was largely successful and achieved the desired results.

The country also enjoyed favourable terms of trade as the world prices of its two main export commodities, cocoa and gold increased appreciably in response to the incipient recovery of the world economy from the global recession of the preceding two years. Though crude oil prices also increased this was more than adequately offset by favourable export prices which also helped to stabilize the value of the cedi against the major international currencies, and in some cases to appreciate against them - the cedi depreciated by only 1.37% against the dollar but appreciated by 7.6% and 2.5% against the Euro and the Pound sterling respectively.

The stability of the external value of the cedi combined with the tight fiscal policy and improvement in agricultural output to ease inflationary pressures in the economy. This resulted in the most progressive monthly reduction in the rate of inflation that this country has experienced in living memory. Inflation declined consistently from around 16% per annum from the beginning of the year to 8.58% at year end, the lowest rate in two decades!

In response to such a reduction in inflation, the Bank of Ghana also progressively cut the prime rate from 18% to 13.5% to trigger concomitant cuts in commercial banks' lending rates whose hitherto unjustifiably high levels had been the bane of adequate growth in the economy.

In such a propitious environment the economy achieved a growth of 6.7%, substantially higher than the 4.7% it achieved in 2009. With the commencement of oil production in December 2010 it is projected that growth in the economy will be much higher in 2011 and beyond.

For 2010 we achieved a turnover of GHS28.46 million, a healthy 28.39% increase over that of 2009. However this improvement was at the expense of Gross profit margin which declined from 21.06% in 2009 to 19.97% in 2010.

Thanks to the fact that there was no massive (GHS820,964) write-off of Land Rover parts as happened in 2009 following our termination of the Land Rover dealership agreement, Selling, General and Administrative expenses as a proportion of Revenue, declined from 21.35% in 2009 to only 17.07% which impacted positively on the bottom line.

After adjusting for Other Income of GHS2,106,990 (2009: GHS1,353,215) arising mainly from fair value gain on investment property, and net finance costs of GHS522,871 (2009:

CHAIRMAN'S REVIEW OF 2010 (CONT'D.)

GHS837,670) we ended the year with a net Total comprehensive income of GHS1,454,239 which is 41.4% higher than the 2009 figure of GHS1,020,882.

DIVIDEND

Following this improvement in the year's performance the directors have pleasure in recommending the payment of a higher dividend from GHS0.0045 per share in 2009 to GHS0.006 per share for 2010, an increase of 33.3%.

FORD

Ford improved considerably on its dismal performance in 2009. It achieved 20% higher sales, though this was still 20% below target. The failure to attain the target was because our order planning went a little askew and we ran out of Pick-ups at the end of the year and therefore lost 2 large sale orders. Again, like last year the SUV's did better than the Pick-up in terms of meeting their targets.

The larger saloon cars, the Mondeo and Focus are beginning to make a good showing. The Focus achieved 76% of target, and the Mondeo 100%, but the "baby" Fiesta continues to find it difficult to compete against the Korean and Indian models.

BMW

The enigma of the more expensive BMW models continues. Not only did BMW as a whole do much better than in recent times, achieving 95% of target, but within the BMW stable the bigger higher- priced models did far better than the smaller lower priced models. The 5 series achieved 100% of target, the X5, 93% and the 7 series, 175%; whereas the X3 and 3 Series only managed 60% and 50% respectively.

MASSEY FERGUSON

MF that perennially meets its target achieved only 65% this year because orders placed for our three main customers - EDIF, COCOBOD and PBC were delayed by the supplier. Had the orders arrived on time, MF would have exceeded its target by far. 2011 will benefit from this delayed delivery.

AFTERSALES

(a) Accra Service Centre

The intensive high quality training programme that all mechanics have been made to undergo over the last couple of years is yielding good results. Improved productivity and competency of mechanics have resulted in fewer returned jobs and the achievement of 89% of targeted throughput for Ford and 97% for BMW. With regard to parts sales, both through the counter and workshop, BMW achieved 104% of target and Ford 109% which translated into 107% of targeted profit for Accra Service Centre (ASC).

To crown the performance of the Service side of the business, the Company was awarded the "SSA (Sub Sahara Africa) region Largest Part Purchase Volume Dealer for 2010" by Ford Ex-

CHAIRMAN'S REVIEW OF 2010 (CONT'D.)

Ford Export Operations for being "The First SSA Dealer to break \$1m" in parts purchase. We actually purchased \$1,015,648 in parts.

(b) Northern Operations (Kumasi and Tamale Branches)
The Northern Operations performed even better than ASC achieving its best performance since the establishment of the unit in 2004. It achieved 120% of its targeted whole goods sales and 143% of budgeted Aftersales revenue. This translated into a Net profit before Tax of GHS277,649 as compared to a budgeted figure of GHS38,175.

OUTLOOK
As I indicated in my report last year, 2009 was an unusually difficult year and thereafter things could only get better. Ghana did indeed start to pump oil in December 2010. This development opens up exciting prospects for unprecedented growth and diversification of the economy. Already growth in the economy is projected to reach at least 12.3% for 2011. Mechanical Lloyd has made all the requisite investments in infrastructure and manpower training for the foreseeable future such that it is well positioned to reap its fair share of benefits from such burgeoning growth.

Once again I would like to congratulate as well as thank the management and staff of the Company for working so hard to turn round the fortunes of the Company during the year. I would also like to thank our Shareholders for their continued support and look forward to seeing you next 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 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 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 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 16 to 38. These financial statements comprise the statement of financial position as at 31 December 2010, 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Companies Code, 1963 (Act 179) and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial 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 of financial statements that give a true and fair view 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 the directors, 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 Mechanical Lloyd Company Limited as at 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by 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 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 company's balance sheet (statement of financial position) and profit and loss account (statement of comprehensive income) are in agreement with the books of account.

PricewaterhouseCoopers
Chartered Accountants
Accra
31 March 2011

PRICEWATERHOUSECOOPERS

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in Ghana cedis)

		Year ended 31 December	
	Note	**2010**	2009
Revenue	3	**28,455,287**	22,162,249
Cost of sales	4(a)	**(22,770,912)**	(17,492,769)
Gross profit		**5,684,375**	4,669,480
Selling, general and administrative expenses	4(b)	**(4,859,162)**	(4,732,782)
Other operating income		**45,629**	695,908
Operating profit		**870,842**	632,606
Other income	6	**2,106,990**	1,353,215
Finance income	7	**4,682**	3,126
Finance costs	7	**(522,871)**	(837,670)
Profit before income tax		**2,459,643**	1,151,277
Income tax expense	15	**(1,005,404)**	(130,395)
Profit for the year		**1,454,239**	1,020,882
Other comprehensive income		-	-
Total comprehensive income for the year		**1,454,239**	1,020,882
Attributable to:			
Equity shareholders		**1,454,239**	1,020,882
Earnings per share			
Basic earnings per share	21	**0.0290**	0.0204
Diluted earnings per share	21	**0.0290**	0.0204

The notes on pages 20 to 38 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in Ghana cedis)

	Note	At 31 December 2010	2009 (Restated)	2008 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	9	**8,345,674**	8,527,515	8,847,654
Other prepayments	10	**420,000**	420,000	420,000
Investment properties	11	**6,681,400**	4,956,445	4,050,000
		15,447,074	13,903,960	13,317,654
Current assets				
Inventories	12	**6,691,146**	8,033,667	9,329,250
Trade and other receivables	13	**3,757,119**	4,019,040	4,925,498
Current income tax	14(a)	**152,512**	654,890	615,699
Bank and cash balances	25	**902,043**	1,707,533	1,000,005
		11,502,820	14,415,130	15,870,452
Total assets		**26,949,894**	28,319,090	29,188,106
EQUITY AND LIABILITIES				
Equity attributable to owners				
Stated capital	20	**2,771,486**	2,771,486	2,771,486
Revaluation surplus account	22	**4,981,727**	5,274,769	5,274,769
Income surplus account	23	**6,842,057**	5,613,250	4,892,944
Total equity		**14,595,270**	13,659,505	12,939,199
LIABILITIES				
Non-current liabilities				
Non-current portion of loan	19	**1,416,722**	3,728,184	2,396,959
Deferred income tax	14(b)	**2,048,753**	1,412,685	1,371,989
		3,465,475	5,140,869	3,768,948
Current liabilities				
Trade and other payables	17	**8,025,553**	8,195,239	10,005,579
Bank overdrafts	18	**277,344**	370,371	1,023,832
Current portion of loan	19	**586,252**	953,106	1,450,548
		8,889,149	9,518,716	12,479,959
Total Liabilities		**12,354,624**	14,659,585	16,248,907
Total equity and liabilities		**26,949,894**	28,319,090	29,188,106

The financial statements on pages 16 to 38 were approved by the Board of Directors on 22 March 2011 and signed on its behalf by:

C.B.K. Zwennes (Chairman) **Yaw Assah-Sam (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

	Note	Stated capital	Revaluation surplus account	Income surplus account	Total
At 1 January 2010 as previously reported		2,771,486	5,860,855	5,613,250	**14,245,591**
Deferred tax on revalued property, plant and equipment - reclassification	22	-	(586,086)	-	**(586,086)**
At 1 January 2010 (restated)		2,771,486	5,274,769	5,613,250	**13,659,505**
Comprehensive income					
Total comprehensive income		-	-	1,454,239	**1,454,239**
Deferred tax on revalued property, plant and equipment	22	-	(293,042)	-	**(293,042)**
Transactions with equity holders					
Dividend paid for 2009		-	-	(225,432)	**(225,432)**
At 31 December 2010		**2,771,486**	**4,981,727**	**6,842,057**	**14,595,270**
At 1 January 2009 as previously reported		2,771,486	5,860,855	4,892,944	**13,525,285**
Deferred tax on revalued property, plant and equipment - reclassification	22	-	(586,086)	-	**(586,086)**
At 1 January 2009 (restated)		2,771,486	5,274,769	4,892,944	**12,939,199**
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 (restated)		**2,771,486**	**5,274,769**	**5,613,250**	**13,659,505**

The notes on pages 20 to 38 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are expressed in Ghana cedis)

	Note	2010	2009
		Year ended 31 December	
Cash flows from operating activities			
Cash generated from operations	24	**3,121,544**	2,661,257
Interest received		**4,682**	3,126
Interest paid		**(522,871)**	(837,670)
Income tax paid	14(a)	**(160,000)**	(128,890)
Net cash generated from operating activities		**2,443,355**	1,697,823
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(420,136)**	(329,876)
Proceeds from disposal of property, plant and equipment	9	**128,323**	280,766
Net cash used in investing activities		**(291,813)**	(49,110)
Cash flows from financing activities			
Loans received	19	-	4,785,000
Repayment of loans	19	**(2,638,573)**	(4,772,148)
Dividend paid		**(225,432)**	(300,576)
Net cash used in financing activities		**(2,864,005)**	(287,724)
Net (decrease)/increase in cash and cash equivalents		**(712,463)**	1,360,989
Movement in cash and cash equivalents			
At start of year		**1,337,162**	(23,827)
(Decrease)/increase		**(712,463)**	1,360,989
At end of year	25	**624,699**	1,337,162

The notes on pages 20 to 38 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. The address of its registered office is:

No. 2 Adjuma Crescent
Ring Road West
South Industrial Area
P.O. Box 2086
Accra

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 in 2010 but not relevant

Standard/ interpretation	Content	Applicable for financial years beginning on/after
Amendments to IFRS2	Group cash-settled share-based payment transactions	1 January 2010
IFRS 3	Business Combinations-Revised	1 July 2009
IAS 27	Consolidated and Separate Financial Statements-Revised	1 July 2009
Amendments to IAS 39	Financial instruments: Recognition and Measurement of Eligible Hedged Items	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009

NOTES [CONT'D.]

2. Summary of significant accounting policies (continued)

(ii) New standards, amendments and interpretations issued but not yet effective and not early adopted by the company

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments	1 January 2013
IAS 24 Revised	Related party disclosures	1 January 2011
Amendment to IAS 32	Classification of rights issues	1 February 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendments to IFRIC 14	Prepayments of a minimum funding requirement	1 January 2011

(b) 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.

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.

NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

(c) Investment properties

Investment properties are shown at fair value, based on periodic valuation by external independent valuers. Investment properties are stated at fair 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.

(d) Impairment of assets

At each reporting date, the company reviews the carrying amounts of its 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) 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.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

(h) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less any provision for impairment. Collection is expected in one year or less hence they are classified as current assets. 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.

(i) 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.

(j) Stated capital and dividend

Ordinary shares are classified as 'stated capital' in equity. Dividends on ordinary shares are charged to equity in the period in which they are declared.

(k) 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 statement of comprehensive income 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.

(l) Trade payables

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

(m) 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.

(n) 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.

NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

(n) Leases (continued)

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.

(o) 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.

(p) Employee benefits

(i) Retirement benefit obligations

The company operates defined contribution retirement benefit schemes for its employees. The company and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The company has no further payment obligations once the contributions have been paid.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the company before normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal.

NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

(q) 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.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

(r) 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.

(s) 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.

(t) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director. The Managing Director, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the "Chief operating decision maker".

NOTES (CONT'D.)

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

3. Revenue

	2010	2009
Motor vehicles and farm machinery sales	**23,108,216**	17,597,825
Spare parts sales and workshop earnings	**4,987,984**	4,255,912
Rental income from investment properties	**359,087**	308,512
	28,455,287	22,162,249

4(a). Cost of sales

BMW Vehicles	**4,947,538**	2,803,995
Ford Vehicles	**12,841,160**	9,316,671
Spare parts	**3,256,504**	4,502,716
Direct expenses	**538,041**	392,545
Others - technical assistance	**1,187,669**	476,842
	22,770,912	17,492,769

4(b). Selling, general and administrative expenses

Selling, general and administrative expenses include:

Stock write off	**42,916**	820,964
Depreciation	**428,322**	444,431
Key management compensation -		
Directors' emoluments (short-term benefits)	**401,482**	267,231
Amounts paid to auditor - audit fees	**42,105**	36,614
Exchange loss - net	**-**	9,137
Loss on disposal of property, plant and equipment	**45,332**	-
Donations	**16,100**	3,920

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

	2010	2009
Miscellaneous income	**35,674**	91,740
Fair value gain on investment property	**1,724,955**	906,445
Income from clinic services	**140,891**	113,474
Exchange gain - net	**28,276**	-
Interest income on credit sales	**177,194**	166,374
Profit on disposal of property, plant and equipment	**-**	75,182
	2,106,990	1,353,215

NOTES (CONT'D.)

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

7. Finance income and costs

	2010	2009
Finance income:		
Interest income on cash and cash equivalents	**(4,682)**	(3,126)
Finance costs:		
Bank interest expense	**522,871**	837,670

8. Staff cost

	2010	2009
Wages and salaries (including executive directors' salaries)	**2,198,862**	1,623,111
Social security contributions	**248,198**	175,296
	2,447,060	1,798,407

The average number of persons employed by the company during the year was **175** (2009: 170).

9. Property, plant and equipment

	Buildings	Plant, machinery, equipment, furniture and vehicles	Capital work-in-progress	Total
Cost/valuation				
At 1 January 2010	7,630,634	2,792,043	32,671	**10,455,348**
Additions	-	382,650	37,486	**420,136**
Disposals	-	(342,132)	-	**(342,132)**
At 31 December 2010	7,630,634	2,832,561	70,157	**10,533,352**
Accumulated depreciation				
At 1 January 2010	593,281	1,334,552	-	**1,927,833**
Charge for year	215,996	212,326	-	**428,322**
Disposals	-	(168,477)	-	**(168,477)**
At 31 December 2010	809,277	1,378,401	-	**2,187,678**
Net book value				
At 31 December 2010	**6,821,357**	**1,454,160**	**70,157**	**8,345,674**
At 31 December 2009	7,037,353	1,457,491	32,671	**8,527,515**

NOTES (CONT'D.)

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

9. Property, plant and equipment (continued)

	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

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:

	2010	2009
Cost	**2,925,779**	2,925,779
Accumulated depreciation	**(809,304)**	(593,281)
Net book value	**2,116,475**	2,332,498

Loss/(profit) on disposal of property, plant and equipment		
Cost	**342,132**	323,857
Accumulated depreciation	**(168,477)**	(118,273)
Net book value	**173,655**	205,584
Disposal proceeds	**(128,323)**	(280,766)
Loss/(Profit)	**45,332**	(75,182)

NOTES (CONT'D.)

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

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	2010	2009
At 1 January	**4,956,445**	4,050,000
Fair value gain	**1,724,955**	906,445
At 31 December	**6,681,400**	4,956,445

Investment properties were independently valued by Barnicom Property Valuation and Consulting Services for the year ended 31 December 2010. Valuations were made on the basis of open market value.

12. Inventories

	2010	2009
Trade stocks	**5,603,868**	7,880,610
Goods in transit	**913,591**	50,202
Work-in-progress	**42,538**	32,405
Non-trade stocks	**131,149**	70,450
	6,691,146	8,033,667

The cost of inventories recognised as an expense and included in cost of sales amounted to GHS21,006,112 (2009: GHS16,020,485).

13. Trade and other receivables

	2010	2009
Trade debtors	**3,582,269**	3,951,149
Staff debtors	**153,559**	27,647
Other debtors and prepayments	**21,291**	40,244
	3,757,119	4,019,040

The maximum amount of staff indebtedness during the year did not exceed **GHS200,000** (2009:GHS50,000).

NOTES (CONT'D.)

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

14. Income tax

	Balance at 1-Jan	Payments	Adjustment/ charge for the year	Balance at 31-Dec
(a) Current income tax				
Up to 2009	(654,890)	-	548,698	**(106,192)**
2010	-	(160,000)	113,680	**(46,320)**
	(654,890)	(160,000)	662,378	**(152,512)**

	Balance at 1-Jan	Charge for the year	Balance at 31-Dec
(b) Deferred income tax			
Accelerated depreciation	152,153	8,193	**160,346**
Other timing difference	674,446	334,833	**1,009,279**
	826,599	343,026	**1,169,625**
Deferred tax on revalued property, plant and equipment in equity (Note 22)	586,086	293,042	**879,128**
	1,412,685	636,068	**2,048,753**

15. Tax expense

	2010	2009
Current tax (Note 14(a))	**662,378**	89,699
Deferred tax (Note 14(b))	**343,026**	40,696
	1,005,404	130,395

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

	2010	2009
Profit before tax	**2,459,644**	1,151,277
Tax charged at corporate tax rate of 25%	**614,911**	287,819
Expenses not deductible in determining taxable profit	**180,726**	30,991
Rental income taxed at lower rate (exemption was over in 2010)	-	(52,447)
Income not subject to tax	**34,156**	-
Capital gains tax at different tax rate	**175,611**	(135,968)
	1,005,404	130,395

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 2010) amounted to GHS300,576 (GHS0.006 per share).

NOTES (CONT'D.)

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

17. Trade and other payables

	2010	2009
Trade creditors	**7,770,353**	8,016,125
Accrued charges	**15,004**	17,879
Sundry creditors	**240,196**	161,235
	8,025,553	8,195,239

18. Bank overdrafts

At the financial reporting date the company had certain banking facilities not exceeding GHS2.0 million (2009: GHS3.5 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 22.95% per annum.

The company's bankers have provided the company with facilities for guarantees of payment as follows:

Up to €1 million from Stanbic Bank Limited, and US$4.5 million from Barclays Bank of Ghana Limited. These guarantees attract charges as and when they are utilised by the company.

19. Loans

	Balance at 1/1/2010	Drawdown	Repayment	Exchange rate adjustment	Balance at 31/12/2010
Bank loan	4,681,290	-	(2,638,573)	(39,743)	**2,002,974**
Current portion of loans	(953,106)				**(586,252)**
Non-current portion of loans	3,728,184				**1,416,722**

The bank loan with Stanbic Bank Ghana Limited of US$1.8 million is to be repaid by November 2013.

The loan attracts interest on a floating rate basis per annum. The loan interest is charged at the bank's United States Dollar prime Lending Rate prevailing at that time (currently at 9.5% per annum).

The loan is secured by both fixed and floating charges on certain non-current assets of the company.

NOTES (CONT'D.)

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

20. Stated capital

The company has 100,000,000 authorised ordinary shares of no par value out of which **50,095,925** (2009: 50,095,925) have been issued as follows:

	2010	2009	**2010**	2009
	No. of shares		**GHS**	GHS
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

	2010	2009
Profit for the year	**1,454,239**	1,020,882
Number of ordinary shares (Number)	**50,095,925**	50,095,925
Basic and diluted earnings per share (GHS)	**0.0290**	0.0204

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

	2010	2009
Balance at 1 January	**5,274,769**	5,860,855
Deferred tax charge	**(293,042)**	(586,086)
Balance at 31 December	**4,981,727**	5,274,769

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

23. Income surplus account

	2010	2009
Balance at 1 January	**5,613,250**	4,892,944
Total comprehensive income for the year	**1,454,239**	1,020,882
Approved dividend for the year	**(225,432)**	(300,576)
Balance at 31 December	**6,842,057**	5,613,250

NOTES (CONT'D.)

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

24. Cash generated from operations

	2010	2,009
Profit before tax	**2,459,643**	1,151,277
Depreciation charge	**428,322**	444,431
Exchange (gain)/loss on bank borrowings	**(39,743)**	820,931
Loss/(profit) on disposal of property, plant and equipment	**45,332**	(75,182)
Bank interest expense	**522,871**	837,670
Bank interest income	**(4,682)**	(3,126)
Fair value gain on investment properties	**(1,724,955)**	(906,445)
Change in working capital		
Decrease in inventories	**1,342,521**	1,295,583
Decrease in trade and other receivables	**261,921**	906,458
Decrease in trade and other payables	**(169,686)**	(1,810,340)
Cash generated from operations	**3,121,544**	2,661,257

25. Cash and cash equivalents

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

	2010	2,009
Bank and cash balances	**902,043**	1,707,533
Bank overdrafts	**(277,344)**	(370,371)
	624,699	1,337,162

26. Capital commitments

There were no capital commitments at the reporting date (2009: Nil).

27. Contingent liabilities

There were no contingent liabilities at the reporting date (2009: 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's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for purchases of motor vehicles and farm machinery. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

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 a reduction of GHS473,812 in profit after tax. At the end of the year 2010, there was no material exposure to exchange rate risk.

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.

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 GHS94,425 in profit after tax while a 2% decrease in interest rates would result in a GHS94,425 increase in profit after tax.

NOTES (CONT'D.)

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

28. Financial risk management (continued)

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 2010, management was unaware of any significant unprovided credit risk.

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

	2010	2009
Bank balances (excluding cash) - available immediately	**(870,985)**	(1,693,636)
Trade and other receivables (excluding prepayments) - due within 12 months	**3,735,828**	3,978,796
Total credit risk exposure	**2,864,843**	2,285,160

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 implemented 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 bank overdrafts 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:

	2010	2009
Financial liabilities due within one year	**586,252**	953,106
Financial liabilities due after one year	**1,416,722**	3,728,184

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. 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.

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

31. Restatement of prior year figures

The company reclassified deferred tax on revalued property, plant and equipment (PPE) to equity. This reclassification was done so that the deferred tax treatment would follow the PPE revaluation surplus treatment (both recognised through equity).

The effect is as follows:	2009
Revaluation surplus account decreased by	(586,086)
Deferred income tax balance increased by	586,086
	-

NOTES (CONT'D.)

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

32. Segmental reporting

The company's primary reporting segments are based on products, namely BMW, Ford and others. They are managed separately because each product require different marketing strategy.

Costs relating to segments have been directly charged to products.

	BMW		FORD		OTHERS		TOTAL	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenue	**5,634,789**	4,987,224	**16,514,259**	14,295,397	**6,306,239**	2,879,628	**28,455,287**	22,162,249
Operating cost	**(4,947,538)**	(4,195,747)	**(12,841,160)**	(11,266,553)	**(4,982,214)**	(2,030,469)	**(22,770,912)**	(17,492,769)
Operating profit	**687,251**	791,477	**3,673,099**	3,028,844	**1,324,025**	849,159	**5,684,375**	4,669,480
Selling, general and administrative expenses							**(4,859,161)**	(4,732,782)
Other operating income							**45,629**	695,908
Other income							**2,106,990**	1,353,215
Finance income							**4,682**	3,126
Finance costs							**(522,871)**	(837,670)
Profit before tax							**2,459,643**	1,151,277
Taxation							**(1,005,404)**	(130,395)
Net profit for the year							**1,454,239**	1,020,882

The Chief operating decision maker 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.

NOTES (CONT'D.)

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

33. Principal Shareholders

The ten largest shareholders in the company and the respective number of shares held at 31 December 2010 are as follows:

Names	Number of shares	% Shareholding
Mr. T.R.K. Darko	12,077,202	24
Social Security and Nation Insurance Trust (SSNIT)	8,831,250	18
SCBN/EPACK Investment Fund	4,722,515	9
M.O. Darko	1,825,350	4
C.N. Darko	1,198,752	2
S.A. Darko	1,198,745	2
R.J. Darko	961,305	2
C.B. Darko	845,967	2
Coco-Mutual Fund Trust	800,000	2
Merban Investment Holdings Ltd.	750,000	2

34. Related party transactions

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is show below:

	2010	2009
Salaries and other short-term employee benefits	**2,447,060**	1,798,407
Directors' remuneration		
Fees for services as a director	**77,350**	56,810
Other emoluments (included in key management compensation above)	**324,132**	210,421
	401,482	267,231

35. Fair value of financial assets and liabilities

The carrying amounts of all financials assets and liabilities are reasonable approximation of their fair value, because of their short term nature. The carrying amount of all financial assets and liabilities equals their fair value, as the impact of discounting is not significant.

FINANCIAL SUMMARIES

	31.12.05	31.12.06	31.12.07	31.12.08	31.12.09	31.12.10
	GHS	GHS	GHS	GHS	GHS	GHS
Revenue	11,175,371	12,527,187	21,706,362	25,849,929	22,162,249	28,455,287
P/(L) before Taxation	1,005,832	881,266	2,140,837	1,672,806	1,151,277	2,459,643
Taxation	207,954	130,377	529,730	189,746	130,395	1,005,404
P/(L) after Taxation	797,879	750,889	1,611,107	1,483,060	1,020,882	1,454,239
Dividend	200,384	200,384	200,384	300,576	300,576	225,432
P/(L) Transferred	597,495	550,505	1,410,723	1,182,484	720,306	1,228,807
FINANCIAL POSITION STATEMENT						
Property, Plant & Equipment & other Prepayments	4,384,644	4,581,563	7,439,114	9,267,654	8,947,515	8,765,674
Investment Properties	1,891,754	1,891,754	2,642,640	4,050,000	4,956,445	6,681,400
Cash / Investments	223,135	441,978	864,443	1,000,005	1,707,533	902,043
Other Current Assets	8,427,281	8,728,401	11,302,109	14,870,447	12,707,597	10,600,777
Total Assets	14,926,814	15,643,696	22,248,306	29,188,106	28,319,090	26,949,894
Less C/Liabilities	6,361,794	6,027,760	7,896,136	12,479,959	9,518,716	8,889,149
TOTAL NET ASSETS	**8,565,019**	**9,615,936**	**14,352,170**	**16,708,147**	**18,800,374**	**18,060,745**
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	5,860,855	5,860,855	5,860,855	4,981,727
Income Surplus	1,988,773	2,539,278	3,710,460	4,892,944	5,613,250	6,842,057
	7,705,276	8,255,782	12,342,801	13,525,285	13,659,505	14,595,270
Deferred Tax	-	-	748,253	785,903	1,412,685	2,048,753
Medium Term Loans	859,743	1,360,154	1,261,116	2,396,959	3,728,184	1,416,722
	8,565,020	**9,615,936**	**14,352,170**	**16,708,147**	**18,800,374**	**18,060,745**
STATISTICS	2005	2006	2007	2008	2009	2010
Earnings/Share	0.0159	0.0150	0.0321	0.0296	0.0204	0.0290
Net Assets/Share	1,538.10	0.1648	0.0246	0.2699	0.2844	0.0291
Current Assets/ Current Liabilities	1.3600	1.5200	1.5408	1.2716	1.5144	1.2940
Return on S/Holder's Fund	10.35%	9.10%	13.05%	10.96%	7.47%	9.96%
Return on Revenue	7.14%	5.99%	7.42%	5.74%	4.61%	5.11%

SHAREHOLDING ANALYSIS AS AT 31 DEC. 2010

Categories of Shares	No. of Holders	No. of Shares Held	% of Total Holding
1 - 1,000	3,101	1,314,069	2.62
1,001 - 5,000	744	1,644,866	3.28
5,001 - 10,000	109	858,868	1.71
10,001 and over	141	46,278,122	92.38
TOTAL	**4,095**	**50,095,925**	**100.00**

Directors' Shareholdings

The Directors named below held the following number of shares in the company as at 31 December, 2010

Name	No. of Shares
Mr. C.B.K. Zwennes (jointly with Mrs. Jacqueline Zwennes)	53,557
Mr. T.R.K. Darko	12,077,202
Mr. C.S. Aidoo	458,000
Mr. N.K. Bulley	33,376
Mr. N.K. Bulley (jointly with Mrs Agnes Jane Bulley)	20,600
Mr. A. Lawson	75,000
Mr. Yaw Assah-Sam	21,500

Twenty Largest Shareholders

Name	No. of Shares	% Holding
Mr. T.R.K. Darko	12,077,202	24.11
Social Security & National Insurance Trust	8,831,250	17.63
SCBN/EPACK Investment Fund	4,722,515	9.43
Mr. M.O. Darko	1,825,350	3.64
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
Merban Investment Holdings Limited	750,000	1.50
SCBN/Unilever Ghana Managers' Pension Fund	730,000	1.46
Ms. E.A. Darko	600,000	1.20
Mr. E. Yirimambo	555,444	1.11
Mr. Daniel Ofori	554,300	1.11
Alpine Properties Limited	550,700	1.10
SCBN/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
Reported Total	**38,685,571**	**77.22**
Not Reported	**11,410,354**	**23.78**
Grand Total	**50,095,925**	**100.00**

REMARKS

REMARKS

PROXY FORM

Annual General Meeting to be Held at 11.00 am. On Tuesday 21 June, 2011 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 21 June, 2011.

Dated this .... Day of 2011

....
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.B.K. Zwennes as Director		
4. To elect Mr. Kofi Asamoah as a Director.		
5. To approve Directors fees.		
6. To authorise the Directors to fix the remuneration of the Auditors.		

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

MECHANICAL LLOYD COMPANY LIMITED

Admission Form

Annual General Meeting to be held at **Accra International Conference Centre**, Accra on **Tuesday 21 June, 2011** 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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