



Mechanical Lloyd
Company Limited

Annual Report &
Financial Statements **2011**







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MISSION STATEMENT

The Corporate Mission of Mechanical Lloyd is to establish itself as the leader in the Ghanaian Automotive Industry by:

- Providing good quality products and service, competitively priced, and delivered in the most courteous and professional manner.
- Securing for its shareholders the optimum return on their invested capital.
- Maintaining an environment where its human resource is provided with the opportunity to develop to its maximum potential.
- Contributing meaningfully to the welfare of the community in which it operates, and bringing a sense of responsibility to bear on its policies in order to promote what it believes to be in the public interest.



CORPORATE INFORMATION

Directors	Charles Bartels Kwesi Zwennes Terence Ronald Darko Yaw Assah-Sam Charles Sydney Aidoo Napoleon Kpakpo Bulley Andrew Lawson Kofi Asamoah	(Chairman) (Managing Director) (Appointed on 01/02/2011)
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	
Independent auditor	PricewaterhouseCoopers Chartered Accountants No. 12 Airport City Una Home, 3rd Floor PMB CT42, Cantonments Accra, Ghana	
Registrars	Merchant Bank (Ghana) Limited Registrar's Department 57 Examination Loop, North Ridge P. O. Box 401 Accra	
Principal bankers	Barclays Bank of Ghana Limited Stanbic Bank Ghana Limited Fidelity Bank Limited Merchant Bank (Ghana) Limited Standard Chartered Bank Ghana Limited Zenith Bank Ghana Limited	



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

Notice is hereby given that the **Twentieth** 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 **Thursday, June 21, 2012** 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, 2011.
2. To declare a dividend for the year ended, 31 December, 2011.
3. To re-elect the following Directors retiring by rotation.
 - i. Mr. C.S. Aidoo
 - ii. Mr. N.K. Bulley
4. To approve Directors' fees.
5. To authorise the Directors to fix the remuneration of the Auditors.

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/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 28th day of March, 2012.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Caroline Darko'.

Caroline Darko
Secretary.

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



FINANCIAL HIGHLIGHTS

	2011	2010	%
	GHS	GHS	Change
Revenue	33,864,804	28,455,287	19
Profit before income tax	3,941,981	2,459,643	60
Profit for the year	3,185,739	1,454,239	119
Shareholders' funds	17,480,433	14,595,270	20
Capital expenditure	556,298	420,136	32
Total assets	<u>35,336,234</u>	<u>26,949,894</u>	31
Proposed dividend per share (GHS)	0.0080	0.0060	33
Earnings per share (GHS)	0.0636	0.0290	119
Net assets per share (GHS)	<u>0.3489</u>	<u>0.2913</u>	20



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 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

Non-Executive Director

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 retired from the services of the company on January 1, 2012.

He serves on the Boards of Asabre Construction Limited and JASMAM Farms Limited.

CHARLES S. AIDOO

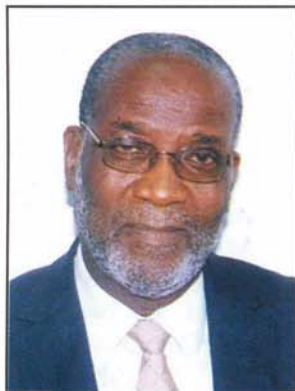
Non-Executive Director

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 Bank. 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) – 1967-1972 and with Shell Ghana Ltd. from 1972-1980 where he rose to the position of Operations Manager. He was for many years the Chair of the Board of Directors of Mt. Olivet Methodist Academy, Dansoman. 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.



MR. KOFI ASAMOAH
Non-Executive Director

Mr. Kofi Asamoah started his working career with the Ghana Ports and Harbours Authority in 1977. In 1988, he was elected the Deputy General Secretary of the Maritime and Dockworkers Union of the TUC. In 1996, he was elected the General Secretary of the Maritime and Dockworkers Union. From 2000 to 2008 he was the Deputy Secretary General (Operations) of the Ghana TUC. In 2008, he was elected as the Secretary General of the TUC.

Mr. Asamoah serves on several boards including, Titular Member - Governing Body of the International Labour Organization (ILO), Member - National Tripartite Committee, Member - National Health Insurance Authority Board, Member - SSNIT Board of Directors. He was elected to the Mechanical Lloyd Board of Directors in 2011.

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 Mechanical Lloyd Company Limited (the Company) for the year ended 31 December 2011.

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial period which gives 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), and complied with the requirements of the Companies Code, 1963 (Act 179).

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:

	2011 GHS	2010 GHS
Profit before tax for the year ended 31 December is	3,941,981	2,459,643
from which is deducted income tax expense of	<u>(756,242)</u>	<u>(1,005,404)</u>
giving profit for the year	3,185,739	1,454,239
to which is added balance brought forward on income surplus account of	<u>6,842,057</u>	<u>5,613,250</u>
giving a balance of	10,027,796	7,067,489
from which is deducted dividend paid of	<u>(300,576)</u>	<u>(225,432)</u>
leaving a balance carried forward on income surplus account of	<u>9,727,220</u>	<u>6,842,057</u>



REPORT OF THE DIRECTORS (CONT'D.)

The Company's equity attributable to owners increased from GHS14.5 million as at 1 January 2011 to GHS17.5 million at 31 December 2011.

Dividend

The directors will recommend the payment of a dividend for the year ended 31 December 2011 of GHS0.0080 per share amounting to GHS400,767 (2010: GHS0.0060 per share amounting to GHS300,576) at the next annual general meeting. Dividend per share of GHS0.0060 amounting to GHS300,576, which was approved at the 2010 Annual General Meeting, was paid during the year.

Directors and their interests

The present membership of the Board is set out on page 4. All directors served throughout the year except for Kofi Asamoah who was appointed on 1 February 2011.

Mr. Yaw Assah-Sam our Director of Sales and Service since 2005 retired from the services of the company on January 1 2012, after 21years dedicated service. He however remains on the Board as a non-executive Director.

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

The directors' interests in the ordinary shares of the Company at 31 December 2011 were as follows:

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

Directors' interests in contracts

The directors have no material interest in contracts entered into by the Company.

Auditor

The auditor, PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with Section 134(5) of the Companies Code, 1963 (Act 179).

C.B.K. ZWENNES
CHAIRMAN

C.S. AIDOO
DIRECTOR

28 March 2012



CHAIRMAN'S REVIEW OF 2011

In 2011, the World Economy faced major challenges. Notable among these were the Euro Zone debt crisis which led to fears of an economic meltdown, Japan's earthquake and tsunami which gave rise to serious disruptions in the supply chain of parts and components around the world and the Arab Spring - the unrest in North Africa and Middle East which added a risk dimension to the already high oil prices.

In the midst of all these unfavourable situations, the Ghanaian economy, prosecuted its agenda of pursuing sound and prudent economic policies to achieve strong growth.

In furtherance of this, the government, in pursuance of its anti-inflationary policy initiated in 2009 continued to improve on its fiscal performance, resulting in a narrowing of its budget deficit to as low as GHS2.1 billion (equivalent to 4% of GDP) and within the budgeted deficit of GHS2.4 billion.

The Bank of Ghana for its part relentlessly pursued its policy of ensuring a significant reduction in interest rates. To this end it reduced its policy rate from which the commercial banks take their cue from 13.5% to 13% in June and reduced it further to 12.5% in November. The banks responded by reducing their base rates from an average of 25.8% to an average of 22.5% per annum.

Aided by stable food prices these measures helped to contain inflationary pressures such that inflation remained in single digits throughout the year and ended the year at 8.6% per annum, below the budgeted target of 9%.

Bolstered by oil production which started in December 2010 Ghana's economy achieved a real GDP growth of 13.6% in 2011, said to be the highest GDP growth achieved by any country for the year. Without oil the GDP growth would still have been a healthy 8.4% per annum.

Thanks to crude oil exports of \$3.7 billion, total merchandise exports grew by 60.6% over the figure for 2010. However the country's voracious appetite for imports ensured that in spite of this phenomenal increase in export value the overall balance of payment position fell from a surplus of GHS1.5 billion in 2010 to GHS546.5 million in 2011, and caused a corresponding decline in the country's gross international reserves. This combined with increased demand for foreign exchange to finance trade, resulting in undue pressure on the external value of the cedi and causing it to depreciate towards the end of the year. The cedi thus depreciated by 4.9% in 2011 against the US Dollar compared to 1.37% in 2010, and similarly against other major international currencies.

For 2011 we achieved a turnover of GHS33.86 million, which represents an increase of 18.97% over the figure of GHS28.46 million for 2010. Motor vehicle sales increased by 16.41 % and spare parts and workshop earnings by 31.38%.

Selling, General and Administrative expenses as a proportion of Revenue was maintained at 17% in 2011.



CHAIRMAN'S REVIEW OF 2011 (CONT'D.)

After adjusting for Other Income of GHS2,896,124 (2010: GHS2,106,990) arising mainly from fair value gain on investment property, and net finance costs of GHS123,455 (2010: GHS522,871) we ended the year with a net Total comprehensive income of GHS3,185,739 which is 119% higher than the 2010 figure of GHS1,454,239.

DIVIDEND

Following this improvement in the year's performance the directors have pleasure in recommending the payment of a higher rate of dividend from GHS0.0060 per share in 2010 to GHS0.0080 per share for 2011, an increase of 33.3%.

WHOLE GOODS

Sales of Whole Goods for 2011 showed a marked improvement over those of 2010. Even so they would have been better still, especially for Ford, but for a plethora of unfavourable factors.

FORD

Ford achieved 93% of projected sales which was still 15% above total sales for 2010. The flagship in the Ford stable, the Ranger, registered a 34% increase over 2010 sales. This was in spite of production cuts by the manufacturer due to the "Tsunami" in Japan followed by floods in Thailand which badly affected the production of some components for the Ranger. The sales of the Everest, which is produced in the same factory, also suffered for the same reasons.

With the SUV's the new Explorer and Edge are making a very positive impact having already outperformed their target by over 60%, despite delivery delays. We are also beginning to make inroads in the sale of the larger Ford Models, like the Ford Transit Bus, F150 and F250 trucks.

BMW

In improving its sales performance for 2011 by 5% over that of 2010, BMW achieved 98% of its target for 2011. There is a definite shift in customers preference away from the normal saloon models. Whereas the saloon 1 Series and 5 Series achieved only 25% and 40% of targets respectively, the 4 WD models X1, X3, X5 and X6 achieved 200%, 175%, 133% and 120% of targets respectively.

MASSEY FERGUSON (MF)

Anticipated sales that could not come through in 2010 because of delivery delays materialized in 2011 and helped MF to achieve 144% of target.

AFTERSALES

ACCRA SERVICE CENTRE (ASC)

After achieving a breakthrough in 2008 following the introduction of a high quality training programme for all our technicians, ASC has continued to deliver outstanding customer service and good performance. This is evidenced not only by its performance figures but also by the results of CVP (Customer View Point) survey carried out each month.



CHAIRMAN'S REVIEW OF 2011 (CONT'D.)

For the year 2011, ASC achieved a revenue of GHS5,686,666 exceeding target by 6%, which translated into a Net Profit Before Tax of GHS574,013 constituting 165% of budget. Ford contributed 60% of this figure and BMW 40%.

In terms of throughput, Ford, in achieving 111% of target contributed 69.5% of total throughput while BMW contributed 30.5%.

In June 2011 BMW AG Munich confirmed the pre-eminent position and high standard of ASC among its operations in Sub-Sahara Africa (SSA) by selecting it as the Training Centre for the SSA (excluding South Africa). Construction and equipping of the Training Centre are far advanced and are scheduled for completion and launch in May 2012.

NORTHERN OPERATIONS

The Northern Operations in Kumasi and Tamale continue to grow both in volume and revenue terms. Overall performance was 112% of budget. Intensive training of technicians is yielding positive results. This is consistent with previous year's operations and supports the trend of the aftersales business in general.

OUTLOOK

Against all odds the company continues to make positive forward strides. Barring delivery problems and constraints whole goods sales should improve appreciably in the foreseeable future.

With continuing improvement in the technical ability and productivity of our technicians, the service side of the business should also continue to deliver improved performance which should impact positively on our bottom line.

We have also heeded the call to "go west", and have begun the construction of a branch at Takoradi with facilities to provide our full range of services. This should be completed and be operational by the 1st quarter of 2014 further extending the horizons of our company and positioning it to take advantage of the enormous economic potential of that part of the country.

Once again our thanks go to the Management and Staff of the Company who continue to stand by us through thick and thin and without whose efforts all these achievements would not have been possible.

Thank you.

A handwritten signature in black ink, appearing to read 'C.B.K. Zwennes'.

C.B.K. ZWENNES (CHAIRMAN)



CORPORATE GOVERNANCE REPORT

Introduction

Mechanical Lloyd Company Limited ('the Company') 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, the Company'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 whom 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

The Company 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

The Company 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 2011, 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 judgement, 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 2011, 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 as included in the statement of comprehensive income of the Company are in agreement with the books of account.

 *Pricewaterhousecoopers*

Chartered Accountants

Accra

4 April 2012

Oseini Amui (100844)

**STATEMENT OF COMPREHENSIVE INCOME**

(All amounts are expressed in Ghana cedis)

Year ended 31 December

	Note	2011	2010
Revenue	4	33,864,804	28,455,287
Cost of sales	5	<u>(26,837,628)</u>	<u>(22,813,828)</u>
Gross profit		7,027,176	5,641,459
Operating costs	6	(5,883,508)	(4,816,246)
Other income	7	<u>2,835,412</u>	<u>1,975,425</u>
Operating profit		3,979,080	2,800,638
Finance income	8(a)	86,356	181,876
Finance costs	8(b)	<u>(123,455)</u>	<u>(522,871)</u>
Profit before income tax		3,941,981	2,459,643
Income tax expense	16	<u>(756,242)</u>	<u>(1,005,404)</u>
Profit for the year		3,185,739	1,454,239
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>3,185,739</u>	<u>1,454,239</u>
Earnings per share			
Basic and diluted earnings per share	21	<u>0.0636</u>	<u>0.0290</u>

The notes on pages 20 to 44 form an integral part of these financial statements.




STATEMENT OF FINANCIAL POSITION


(All amounts are expressed in Ghana cedis)

At 31 December

	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	10	8,328,773	8,345,674
Other prepayments	11	674,631	420,000
Investment properties	12	9,152,100	6,681,400
		<u>18,155,504</u>	<u>15,447,074</u>
Current assets			
Inventories	13	8,877,280	6,691,146
Trade and other receivables	14	6,468,679	3,757,119
Current income tax	15(a)	-	152,512
Cash and cash equivalents (excluding bank overdrafts)	25	1,834,771	902,043
		<u>17,180,730</u>	<u>11,502,820</u>
Total assets		<u>35,336,234</u>	<u>26,949,894</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	20	2,771,486	2,771,486
Revaluation surplus account	22	4,981,727	4,981,727
Income surplus account	23	9,727,220	6,842,057
Total equity		<u>17,480,433</u>	<u>14,595,270</u>
LIABILITIES			
Non-current liabilities			
Borrowings	19	-	1,416,722
Deferred income tax	15(b)	2,416,011	2,048,753
		<u>2,416,011</u>	<u>3,465,475</u>
Current liabilities			
Trade and other payables	18	13,641,382	8,025,553
Current income tax	15(a)	5,194	-
Borrowings	19	1,793,214	863,596
		<u>15,439,790</u>	<u>8,889,149</u>
Total Liabilities		<u>17,855,801</u>	<u>12,354,624</u>
Total equity and liabilities		<u>35,336,234</u>	<u>26,949,894</u>

The financial statements on pages 16 to 44 were approved by the Board of Directors on 28 March 2012 and signed on its behalf by:


C.B.K. Zwennes (Chairman)


C.S. Aidoo (Director)

The notes on pages 20 to 44 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

(All amounts are expressed in Ghana cedis)

	Stated capital	Revaluation surplus account	Income surplus account	Total
Year ended 31 December 2011				
At 1 January 2011	<u>2,771,486</u>	<u>4,981,727</u>	<u>6,842,057</u>	<u>14,595,270</u>
Comprehensive income:				
Profit for the year	-	-	3,185,739	3,185,739
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	3,185,739	3,185,739
Transaction with owners				
Dividend declared for 2010	-	-	<u>(300,576)</u>	<u>(300,576)</u>
At 31 December 2011	<u>2,771,486</u>	<u>4,981,727</u>	<u>9,727,220</u>	<u>17,480,433</u>
Year ended 31 December 2010				
At 1 January 2010	2,771,486	4,981,727	5,613,250	13,366,463
Comprehensive income:				
Profit for the year	-	-	1,454,239	1,454,239
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	<u>1,454,239</u>	<u>1,454,239</u>
Transaction with owners				
Dividend declared for 2009	-	-	<u>(225,432)</u>	<u>(225,432)</u>
At 31 December 2010	<u>2,771,486</u>	<u>4,981,727</u>	<u>6,842,057</u>	<u>14,595,270</u>

The notes on pages 20 to 44 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

(All amounts are expressed in Ghana cedis)

	Note	Year ended 31 December	
		2011	2010
Cash flows from operating activities			
Cash generated from operations	24	2,641,657	2,944,350
Interest received	8(a)	86,356	181,876
Interest paid	8(b)	(123,455)	(522,871)
Income tax paid	15(a)	<u>(231,278)</u>	<u>(160,000)</u>
Net cash generated from operating activities		<u>2,373,280</u>	<u>2,443,355</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(556,298)	(420,136)
Prepayment for land	11	(254,631)	-
Proceeds from disposal of property, plant and equipment	10	<u>159,923</u>	<u>128,323</u>
Net cash used in investing activities		<u>(651,006)</u>	<u>(291,813)</u>
Cash flows from financing activities			
Repayment of loans	19	(2,004,840)	(2,638,573)
Dividend paid	17	<u>(300,576)</u>	<u>(225,432)</u>
Net cash used in financing activities		<u>(2,305,416)</u>	<u>(2,864,005)</u>
Net decrease in cash and cash equivalents		<u>(583,142)</u>	<u>(712,463)</u>
Movement in cash and cash equivalents			
At start of year		624,699	1,337,162
Decrease during the year		<u>(583,142)</u>	<u>(712,463)</u>
At end of year	25	<u>41,557</u>	<u>624,699</u>

The notes on pages 20 to 44 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 principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for land and buildings which have been measured at fair value and investment properties which is measured at fair value. The financial statements are presented in Ghana cedis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.1.1 Changes in accounting policy and disclosures

(i) *New and amended standards adopted by the Company*

The amendments to existing standards below are relevant to the Company's operations.

Standard	Title	Applicable for financial years beginning on or after
IAS 1	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IFRS 7	Financial instruments: Disclosures	1 January 2011

- The amendment to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact on the Company in the current financial year.
- The amendment to IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. The amended standard currently has no impact on the Company's financial statements.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- (i) New and amended standards adopted by the Company (continued)
- The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following:
 - Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
 - Fair value of collaterals; and
 - Renegotiated assets that would otherwise be past due but not impaired.

The application of the above amendment has simplified financial risk disclosures made by the Company.

Other amendments and interpretations to standards became mandatory for the year beginning 1 January 2011 but had no significant effect on the Company's financial statements

- (ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Company. However, the directors are yet to assess the impact on the Company's operations.

Standard	Title	Applicable for financial years beginning on/after
IFRS 13	Fair value measurement	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IAS 12	Income taxes	1 January 2012

- **IFRS 9, 'Financial instruments'**

IFRS 9, was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Company is yet to assess the full impact of IFRS 9.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

- (ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- **IFRS 13, 'Fair value measurement'**

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess the full impact of IFRS 13.

- **IAS 12, 'Income taxes'**

Amendment to IAS 12, 'Income taxes', on deferred tax currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'.

This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Company is yet to assess IAS 12's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

Revenue is recognised as follows:

- (i) Sales of vehicles and parts are recognised in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customer.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.2 Revenue recognition (continued)

Accumulated experience is used to estimate and provide for discounts and returns. The volume discounts are assessed based on anticipated annual purchases.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with the market practice. The Company does not operate any loyalty programmes.

- (ii) Service revenues are recognised in the period in which the services are rendered.
- (iii) Interest income is recognised on a time proportion basis using the effective interest method.
- (iv) Rental income is recognised on a straight line basis over the period over the lease period.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana cedi which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

2.4 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. Valuation is performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Land is not depreciated (unless it is leasehold). 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 profit or loss 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 and other directly attributable costs.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and show as a revaluation surplus account in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation surplus account. All other decreases are charged to profit or loss.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values 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

Depreciation commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date. An 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 profit or loss.

When revalued assets are sold, the amounts included in the revaluation surplus account are transferred to the income surplus account.

2.5 Impairment of non-financial 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.

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 pre-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. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6 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.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.7 Investment properties

Investment properties are land and/or buildings which are held to earn rental income and/or for capital appreciation, and which are not occupied by the Company. Property that is being constructed or developed for future use as investment property is classified as investment property.

Investment properties are stated in the statement of financial position at fair value, based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset, determined annually by independent qualified valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2.2.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences between the carrying amount and the fair value of the item arising at the date of transfer is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to income surplus account. Any loss arising in this manner is recognised immediately in profit or loss.

2.8 Inventories

Inventories are stated at the lower of 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 estimated selling price in the ordinary course of business, less applicable variable selling expenses. Borrowing costs are not included in the cost of inventories.

Work in progress is valued at materials cost.

2.9 Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables', and 'cash and cash equivalents' in the statement of financial position.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise.

(iii) 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.

(iv) Impairment

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.10 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

2.11 Cash and cash equivalents

In the statement of cash flows, 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 within borrowings under current liabilities on the statement of financial position.

2.12 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.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Income tax

Current income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or if it arises from 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 nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

2.17 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



NOTES (CONT'D.)

2. Summary of significant accounting policies (continued)

2.18 Employee benefits

(i) Retirement benefit obligations

The Company operates defined contribution retirement benefit schemes for its employees. The Company and all its employees contribute to the appropriate National Social Security Fund, which is defined contribution scheme.

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 the 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. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.19 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".

2.20 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.)

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

3. Critical accounting estimates and judgements

3.1 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.

The following critical accounting estimates were made in the preparation of Company's financial statements.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 2.4.

Were the actual useful lives of the property, plant and equipment to differ by 10% from management's estimates, the carrying amount of the property, plant and equipment would be an estimated GHS41,435 higher or lower.

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.

Fair value of investment property

The Company has investment property which is measured at fair value with changes in fair value accounted through profit or loss. The fair value of investment property is determined by independent valuer. A variety of factors are considered in determining the fair value of investment property.

Changes in assumptions about these factors could affect the reported fair value of investment property.

3.2 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; and
- provisions.

**NOTES (CONT'D.)**

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

	2011	2010
4. Revenue		
Motor vehicles and farm machinery sales	26,901,297	23,108,216
Spare parts sales and workshop earnings	6,553,226	4,987,984
Rental income from investment properties	<u>410,281</u>	<u>359,087</u>
	<u>33,864,804</u>	<u>28,455,287</u>
5. Cost of sales		
Vehicles and farm machinery	19,299,670	17,788,698
Spare parts	5,022,414	3,256,504
Direct expenses	868,656	538,041
Overheads	<u>1,646,888</u>	<u>1,230,585</u>
	<u>26,837,628</u>	<u>22,813,828</u>
6. Operating costs		
Marketing expenses	1,292,829	929,146
Bad debts written off	399,135	256,316
Staff costs (Note 9)	1,805,261	1,473,099
Directors' emoluments (Note 30)	471,042	401,482
Depreciation (Note 10)	415,348	428,322
Repairs and maintenance	321,904	276,788
Amounts paid to auditor - audit fees	48,500	42,105
Operating lease rentals	90,166	87,185
Loss on disposal of property, plant and equipment (Note 10)	-	45,332
Administrative costs	1,013,215	860,371
Donations	<u>26,108</u>	<u>16,100</u>
	<u>5,883,508</u>	<u>4,816,246</u>
7. Other income		
Miscellaneous income	63,460	35,674
Fair value gain on investment property	2,470,700	1,724,955
Income from clinic services	187,374	140,891
Exchange gain - net	106,914	28,276
Commission and fees earned on special projects	4,892	45,629
Profit on disposal of property, plant and equipment (Note 10)	<u>2,072</u>	<u>-</u>
	<u>2,835,412</u>	<u>1,975,425</u>

**NOTES (CONT'D.)**

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

8. Finance income and costs

	2011	2010
(a) Finance income		
Interest income on credit sales	65,604	177,194
Interest income from staff loans	<u>20,752</u>	<u>4,682</u>
	<u>86,356</u>	<u>181,876</u>
(b) Finance costs		
Bank interest expense	<u>123,455</u>	<u>522,871</u>

9. Staff costs

Wages and salaries (including executive directors' salaries)	2,901,353	2,198,862
Social security contributions	<u>307,148</u>	<u>248,198</u>
	<u>3,208,501</u>	<u>2,447,060</u>

The average number of persons employed by the Company during the year was 174 (2010: 175).

Staff costs are charged to cost of sales and operating costs as shown below:

Cost of sales	1,805,261	1,473,099
Operating costs	<u>1,403,240</u>	<u>973,961</u>
	<u>3,208,501</u>	<u>2,447,060</u>

10. Property, plant and equipment

	Buildings	Plant, machinery, equipment, furniture and vehicles	Capital work- in-progress	Total
Cost/valuation				
At 1 January 2011	7,630,634	2,832,561	70,157	10,533,352
Additions	24,207	257,537	274,554	556,298
Disposals	<u>-</u>	<u>(195,092)</u>	<u>-</u>	<u>(195,092)</u>
At 31 December 2011	<u>7,654,841</u>	<u>2,895,006</u>	<u>344,711</u>	<u>10,894,558</u>
Accumulated depreciation				
At 1 January 2011	809,277	1,378,401	-	2,187,678
Charge for year	219,508	195,840	-	415,348
Disposals	<u>-</u>	<u>(37,241)</u>	<u>-</u>	<u>(37,241)</u>
At 31 December 2011	<u>1,028,785</u>	<u>1,537,000</u>	<u>-</u>	<u>2,565,785</u>
Net book value				
At 31 December 2011	<u>6,626,056</u>	<u>1,358,006</u>	<u>344,711</u>	<u>8,328,773</u>


NOTES (CONT'D.)

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

10. Property, plant and equipment (continued)

	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	<u>7,630,634</u>	<u>2,832,561</u>	<u>70,157</u>	<u>10,533,352</u>
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	<u>809,277</u>	<u>1,378,401</u>	<u>-</u>	<u>2,187,678</u>
Net book value				
At 31 December 2010	<u>6,821,357</u>	<u>1,454,160</u>	<u>70,157</u>	<u>8,345,674</u>

The buildings were last revalued on 31 December 2007 by independent valuers, Barnicom Property Valuation and Consultancy Services. Valuations were made on the basis of open market value. There are no restrictions on the title of Property, plant and equipments. If buildings were stated on the historical cost basis, the amounts would be as follows:

	2011	2010
Cost	2,925,779	2,925,779
Accumulated depreciation	(1,017,578)	(809,304)
Net book value	<u>1,908,201</u>	<u>2,116,475</u>
(Profit)/loss on disposal of property, plant and equipment		
Cost	195,092	342,132
Accumulated depreciation	(37,241)	(168,477)
Net book value	157,851	173,655
Disposal proceeds	(159,923)	(128,323)
(Profit)/loss	<u>(2,072)</u>	<u>45,332</u>

**NOTES (CONT'D.)**

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

11. Other prepayments

Other prepayments represent land in the course of acquisition for land for which the Company is yet to secure all the legal registration requirements.

	2011	2010
At 1 January	420,000	420,000
Additions	<u>254,631</u>	-
At 31 December	<u>674,631</u>	<u>420,000</u>

12. Investment properties

At 1 January	6,681,400	4,956,445
Fair value gain	<u>2,470,700</u>	<u>1,724,955</u>
At 31 December	<u>9,152,100</u>	<u>6,681,400</u>

Investment properties were independently valued by Barnicom Property Valuation and Consulting Services for the year ended 31 December 2011. Valuations were made on the basis of open market value.

13. Inventories

	2011	2010
Trade stocks	8,102,942	5,603,868
Goods in transit	580,132	913,591
Work-in-progress	49,773	42,538
Non-trade stocks	<u>144,433</u>	<u>131,149</u>
	<u>8,877,280</u>	<u>6,691,146</u>

The cost of inventories recognised as an expense and included in cost of sales amounted to GHS24,322,084 (2010: GHS21,045,202). During the year ended 31 December 2011 GHS33,008 (2010: GHS42,916) was charged to profit and loss for damaged and obsolete inventories.

14. Trade and other receivables

	2011	2010
Trade receivables	6,039,654	3,582,269
Staff receivables	385,382	153,559
Prepayments	<u>43,643</u>	<u>21,291</u>
	<u>6,468,679</u>	<u>3,757,119</u>

The maximum amount of staff indebtedness during the year did not exceed GHS400,000 (2010:GHS200,000).

The fair value of trade receivables and staff receivables approximates their carrying value.



NOTES (CONT'D.)

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

15. Income tax

(a) Current income tax

	At 1 January	Charge for the year	Payments	At 31 December
Year ended 31 December 2011				
Up to 2010	(152,512)	-	-	(152,512)
2011	<u> </u>	<u>388,984</u>	<u>(231,278)</u>	<u>157,706</u>
	<u>(152,512)</u>	<u>388,984</u>	<u>(231,278)</u>	<u>5,194</u>
Year ended 31 December 2010				
Up to 2009	(654,890)	548,698	-	(106,192)
2010	<u> </u>	<u>113,680</u>	<u>(160,000)</u>	<u>(46,320)</u>
	<u>(654,890)</u>	<u>662,378</u>	<u>(160,000)</u>	<u>(152,512)</u>

(b) Deferred income tax

	At 1 January	Charge for the year	At 31 December
Year ended 31 December 2011			
Accelerated depreciation	160,346	(23,007)	137,339
Investment properties	1,002,210	370,605	1,372,815
Other timing differences	<u>7,069</u>	<u>19,660</u>	<u>26,729</u>
	1,169,625	367,258	1,536,883
Deferred tax on revalued property, plant and equipment in other comprehensive income	879,128	-	879,128
	<u>2,048,753</u>	<u>367,258</u>	<u>2,416,011</u>
Year ended 31 December 2010			
Accelerated depreciation	152,153	8,193	160,346
Investment properties	90,644	911,566	1,002,210
Other timing differences	<u>583,802</u>	<u>(576,733)</u>	<u>7,069</u>
	826,599	343,026	1,169,625
Deferred tax on revalued property, plant and equipment in other comprehensive income	879,128	-	879,128
	<u>1,705,727</u>	<u>343,026</u>	<u>2,048,753</u>

16. Income tax expense

	2011	2010
Current income tax (Note 15(a))	388,984	662,378
Deferred income tax (Note 15(b))	<u>367,258</u>	<u>343,026</u>
	<u>756,242</u>	<u>1,005,404</u>

**NOTES (CONT'D.)**

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

16. Income tax expense (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profits. This is explained as follows:

	2011	2010
Profit before tax	<u>3,941,981</u>	<u>2,459,643</u>
Tax charged at corporate tax rate of 25% (2010:25%)	985,495	614,911
Expenses not deductible for tax purposes	17,817	45,182
Income not subject to tax	-	(30,891)
Income taxed at different rate	(247,070)	(172,496)
Prior year charge	-	<u>548,698</u>
	<u>756,242</u>	<u>1,005,404</u>

17. Dividend

Payment of dividend is subject to the deduction of withholding taxes at the rate of 8%. At the next Annual General Meeting, a dividend of GHS0.0080 per share amounting to GHS400,767 is to be proposed. The financial statements do not reflect this dividend payable.

A dividend per share of GHS0.0060 (2010:GHS0.0045) amounting to GHS300,576 (2010:GHS225,432) was declared for the year ended 31 December 2010 and paid during the year.

	2011	2010
At 1 January	-	-
Dividend declared for 2010	300,576	-
Dividend declared for 2009	-	225,432
Payment	<u>(300,576)</u>	<u>(225,432)</u>
At 31 December	<u>-</u>	<u>-</u>

18. Trade and other payables

Trade payables	12,848,434	7,770,353
Accrued charges	625,284	15,004
Sundry payables	<u>167,664</u>	<u>240,196</u>
	<u>13,641,382</u>	<u>8,025,553</u>

19. Borrowings

Current		
Bank overdrafts	1,793,214	277,344
Bank loan	-	<u>586,252</u>
	<u>1,793,214</u>	863,596
Non-current		
Bank loan	-	<u>1,416,722</u>
Total borrowings	<u>1,793,214</u>	<u>2,280,318</u>



NOTES (CONT'D.)

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

19. Borrowings (continued)

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2011	2010
US dollar	-	2,002,974
Ghana cedi	<u>1,793,214</u>	<u>277,344</u>
	<u>1,793,214</u>	<u>2,280,318</u>

(i) Bank overdrafts

At the financial reporting date the Company had certain banking facilities not exceeding GHS2 million (2010: GHS2 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 18.00% per annum.

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

Up to €1.5 million from Stanbic Bank Limited, US\$3.0 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.

(ii) Bank loans

The bank loan with Stanbic Bank Ghana Limited of US\$1.8 million was paid during the year.

The loan attracted 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.

	At 1 January	Drawdown	Repayment	Exchange rate adjustment	At 31 December
Year ended 31 December 2011					
Bank loan	2,002,974	=====	- (2,004,840)	===== 1,866	-
Current portion of loans	<u>(586,252)</u>				-----
Non-current portion of loans	<u>1,416,722</u>				=====
Year ended 31 December 2010					
Bank loans	4,681,290	=====	- (2,638,573)	===== (39,743)	2,002,974
Current portion of loans	<u>(953,106)</u>				<u>(586,252)</u>
Non-current portion of loans	<u>3,728,184</u>				<u>1,416,722</u>

**NOTES (CONT'D.)**

(All amounts are expressed 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:

	2011	2010	2011	2010
		No. of shares		Proceeds
Issued for cash	11,426,643	11,426,643	47,792	47,792
Rights issue	34,011,865	34,011,865	2,708,790	2,708,790
Transfer from income surplus	<u>4,657,417</u>	<u>4,657,417</u>	<u>14,904</u>	<u>14,904</u>
	<u>50,095,925</u>	<u>50,095,925</u>	<u>2,771,486</u>	<u>2,771,486</u>

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

21. Earnings per share

	2011	2010
Profit for the year	<u>3,185,739</u>	1,454,239
Number of ordinary shares (Number)	<u>50,095,925</u>	<u>50,095,925</u>
Basic and diluted earnings per share (GHS)	<u>0.0636</u>	<u>0.0290</u>

There were no potentially dilutive shares outstanding at 31 December 2011 or 2010. Diluted earnings per share are the same as basic earnings per share.

22. Revaluation surplus account

	2011	2010
At 1 January and 31 December	<u>4,981,727</u>	<u>4,981,727</u>

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. The reserve is not available for distribution to the shareholders of the Company.

23. Income surplus account

	2011	2010
At 1 January	6,842,057	5,613,250
Profit for the year	3,185,739	1,454,239
Dividend declared for 2010	(300,576)	-
Dividend declared for 2009	<u>-</u>	<u>(225,432)</u>
At 31 December	<u>9,727,220</u>	<u>6,842,057</u>



NOTES (CONT'D.)

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

24. Cash generated from operations

	2011	2010
Profit before income tax	3,941,981	2,459,643
Depreciation charge	415,348	428,322
Exchange loss/(gain) on bank borrowings	1,866	(39,743)
Profit/(loss) on disposal of property, plant and equipment	(2,072)	45,332
Bank interest expense	123,455	522,871
Interest income	(86,356)	(181,876)
Fair value gain on investment properties	(2,470,700)	(1,724,955)
Change in working capital		
(Increase)/decrease in inventories	(2,186,134)	1,342,521
(Increase)/decrease in trade and other receivables	(2,711,560)	261,921
Increase/(decrease) in trade and other payables	<u>5,615,829</u>	<u>(169,686)</u>
Cash generated from operations	<u><u>2,641,657</u></u>	<u><u>2,944,350</u></u>

25. Cash and cash equivalents

Cash in hand	93,997	31,058
Cash at bank	<u>1,740,774</u>	<u>870,985</u>
	<u><u>1,834,771</u></u>	<u><u>902,043</u></u>

Cash and cash equivalents include a restricted cash balance of GHS552,183 (2010:Nil) in respect of deposit for competitive bidding. The amount was not available for use at the reporting date.

Cash and cash equivalents include the following for the purposes of statement of cash flows:

	2011	2010
Cash and cash equivalents	1,834,771	902,043
Bank overdrafts	<u>(1,793,214)</u>	<u>(277,344)</u>
	<u><u>41,557</u></u>	<u><u>624,699</u></u>

26. Commitments

Capital commitments

There were no capital commitments at the reporting date (2010: Nil).

Operating lease commitments

The Company leases various outlets under non-cancellable operating lease. The lease terms are between 5 and 10 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011	2010
Not later than 1 year	39,600	38,160
Later than 1 year and not later than 5 years	160,320	153,600
Later than 5 years	<u>40,320</u>	<u>40,080</u>



NOTES (CONT'D.)

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

27. Contingent liabilities

There were no contingent liabilities at the reporting date (2010: Nil).

28. Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, 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 potential adverse effects on its financial performance. The primary risks faced by the Company are exchange rate risk and credit risk.

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.

(a) Market risk management

Market risk is the risk that movements in market rates, foreign exchange rates, interest rates, equity and commodity prices will reduce the Company's income or the value of its portfolios. The management of market risk is undertaken using policies approved by the board of directors.

(i) 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.

At 31 December 2011, if the currency had weakened/strengthened by 10% against the Euro with all other variables held constant, post tax profit for the year would have been GHS367,824 (2010: GHS284,570) lower/higher, mainly as a result of Euro denominated trade payables and bank balances.

At 31 December 2011, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been GHS253,950 (2010: GHS124,580) higher/lower, mainly as a result of US dollar denominated trade payables and bank balances.

At 31 December 2011, if the currency had weakened/strengthened by 10% against the Pounds Sterling (GBP) with all other variables held constant, post-tax profit for the year would have been GHS3,678 (2010: GHS3,434) higher/lower, mainly as a result of GBP denominated trade payables and bank balances.

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.

(ii) 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 in borrowing from banks. The Company regularly monitors financing options available to ensure optimum and attractive interest rates are obtained.

**NOTES (CONT'D.)**

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

28. Financial risk management (continued)**(ii) Sensitivity analysis - interest rate risk (continued)**

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 in the profit or loss from an instantaneous increase or decrease of 2% (200 basis points) in market interest.

A hypothetical 2% increase in interest rates will not result in material change in profit after tax for the year.

(b) Credit risk management

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company has dedicated policies and procedures to control and monitor all such risks. Although the Company is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit control policy whereby credit sales are only made to government agencies and institutional customers. Individual customers pay in advance before goods are supplied.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2011 and 2010 is the carrying value of the trade receivables, staff receivables and cash and cash equivalents in the statement of financial position.

(i) Trade receivables

The carrying value of trade receivables comprise:

	2011	2010
Neither past due nor impaired	5,913,048	3,582,269
Past due but not impaired	<u>126,606</u>	<u>-</u>
	<u>6,039,654</u>	<u>3,582,269</u>

There were no impaired receivables at 31 December 2011 (2010: Nil). Trade receivables past due but not impaired were in arrears up to 6 months.

The Company extends credit to customers up to one year. As a policy, any trade receivables in arrears over one year are written off as irrecoverable debt. As of 31 December 2011, trade receivables amounting to GHS399,135 (2010: GHS256,316) were written off as irrecoverable debt.

(ii) Staff receivables

Staff receivables are recovered through the monthly payroll in accordance with the payment plan. Staff receivables are neither past due nor impaired.

(iii) Cash and cash equivalents

The Company manages credit risk relating to cash and cash equivalents by having banking relationships with only reputable well established financial institutions licenced by the Bank of Ghana.

**NOTES (CONT'D.)**

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

28. Financial risk management (continued)**(c) Liquidity risk management**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

The Company has an overdraft facility with Stanbic Bank Ghana Limited which provides the Company with an option to maintaining liquidity and continuity in funding.

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 implements 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 19.

Maturity analysis of financial liabilities

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date:

	Due within one year	Due after one year
31 December 2011		
Borrowings	1,793,214	-
Trade and other payables	<u>13,641,382</u>	-
Total financial liabilities	<u>15,434,596</u>	-
31 December 2010		
Borrowings	919,290	1,698,685
Trade and other payables	<u>8,025,553</u>	-
Total financial liabilities	<u>8,944,843</u>	<u>1,698,685</u>

(d) Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

**NOTES (CONT'D.)**

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

28. Financial risk management (continued)

(d) Management of capital (continued)

The Company's strategy, which remained unchanged during the year, was to maintain a gearing ratio of less than 45%. The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011	2010
Borrowings (Note 19)	1,793,214	2,280,318
Less: Cash and cash equivalents (excluding overdrafts)	<u>(1,834,771)</u>	<u>(902,043)</u>
Net (cash)/debt	(41,557)	1,378,275
Total equity	<u>17,480,433</u>	<u>14,595,270</u>
Total capital	<u>17,438,876</u>	<u>15,973,545</u>
Gearing ratio	<u>Nil</u>	<u>8.63%</u>

(e) Fair value of financial assets and liabilities

The carrying amounts of all financial 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.

29. Segmental reporting

Management has determined the operating segments based on the franchise held at each reporting date. The Company's primary reporting segments are based on products under the franchise, namely BMW, Ford and others.

Year ended 31 December 2011	BMW	Ford	Others	Total
Revenue	7,061,318	22,801,380	3,591,825	33,454,523
Cost of sales	<u>(5,402,641)</u>	<u>(18,912,895)</u>	<u>(2,522,092)</u>	<u>(26,837,628)</u>
	<u>1,658,677</u>	<u>3,888,485</u>	<u>1,069,733</u>	<u>6,616,895</u>
Rental income				410,281
Selling, general and administrative expenses				<u>(5,883,508)</u>
Other income				<u>2,835,412</u>
Operating profit				3,979,080
Finance income				86,356
Finance costs				<u>(123,455)</u>
Profit before income tax				3,941,981
Income tax expense				<u>(756,242)</u>
Profit for the year				<u>3,185,739</u>

**NOTES (CONT'D.)**

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

29. Segmental reporting (continued)

Year ended 31 December 2010	BMW	Ford	Others	Total
Revenue	7,433,594	18,850,885	1,811,721	28,096,200
Cost of sales	(6,532,294)	(14,808,832)	(1,472,702)	(22,813,828)
	<u>901,300</u>	<u>4,042,053</u>	<u>339,019</u>	5,282,372
Rental income				359,087
Selling, general and administrative expenses				(4,816,246)
Other income				<u>1,975,425</u>
Operating profit				2,800,638
Finance income				181,876
Finance costs				<u>(522,871)</u>
Profit before income tax				2,459,643
Income tax expense				<u>(1,005,404)</u>
Profit for the year				<u><u>1,454,239</u></u>

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.

There is no revenue from a single customer which exceeds 10% of total revenue.

30. 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 shown below:

	2011	2010
Salaries	495,899	396,719
Defined contributions scheme	<u>64,467</u>	<u>51,573</u>
	560,366	448,292
Directors' remuneration		
Fees for services as a director	86,750	77,350
Other emoluments (included in key management compensation above)	<u>384,292</u>	<u>324,132</u>
	<u><u>471,042</u></u>	<u><u>401,482</u></u>

31. Restatement of comparatives

During the year, certain reclassifications were made in the financial statements. Prior year's statement of financial position was not affected by these reclassifications. In prior year, other income of GHS1,975,425 was presented after operating line item in the profit or loss. In line with IAS 1 Revised, this has been reclassified and presented as part of operating income on the face of the statement of comprehensive income.

In the prior year, interest income on credit sales of GHS177,194 was recognised in the profit or loss as part of other income. This has been reclassified to finance income.



SHAREHOLDERS INFORMATION

1. Details of 20 largest shareholders

The twenty largest shareholders in the Company and the respective number of shares held at 31 December 2011 are as follows:

Names	Number of shares	% Shareholding
Mr Terence R.K. Darko	12,077,202	24.11
Social Security & National Insurance Trust	8,831,250	17.63
Scbn/Epac Investment Fund Ltd	4,722,515	9.43
Mr. Michael O. Darko	1,825,350	3.64
Mr. Christian N. Darko	1,198,752	2.39
Mr. Stephen A. Darko	1,198,745	2.39
Ms Rodaline J. Darko	961,305	1.92
Ms Caroline B. Darko	845,967	1.69
Merban Investment Holdings Limited	750,000	1.50
Scbn/Unilever Ghana Managers' Pension Fund	730,000	1.46
Ms. Emma A. Darko	600,000	1.20
Mr Edward Yirimambo	555,444	1.11
Daniel Ofori	554,300	1.11
Alpine Properties Limited	550,700	1.10
Coco-Mutual Fund Trust	530,000	1.06
Scbn/Unilever Ghana Provident Fund	515,000	1.03
Ms Lucy S. Darko	508,465	1.01
Ms Esther S. Darko	504,561	1.01
Merban Stockbrokers Portfolio	498,015	0.99
Mr. Charles S. Aidoo	458,000	0.91
Reported totals	38,415,571	76.68
Not reported	11,680,354	23.32
	<u>50,095,925</u>	<u>100.00</u>

2. Number of shareholders

The number and distribution of Ordinary Shareholders with equal voting rights as at 31 December 2011 was as shown below:

	No. of holders	Total holding	% Holdings
1 - 1000	3,128	1,318,252	2.63
1,001 - 5000	739	1,626,335	3.25
5,001 - 1000	101	789,750	1.58
10,001 and above	145	46,361,588	92.54
	<u>4,113</u>	<u>50,095,925</u>	<u>100.00</u>



REMARKS





PROXY FORM

Annual General Meeting to be Held at 11.00 am. On Thursday 21 June, 2012 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 Thursday 21 June, 2012.

Dated this Day of 2012

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	
	For	Against
Resolution		
1. To receive the Accounts		
2. To declare a dividend		
3. To re-elect Mr. C.S. Aidoo as Director		
4. To re-elect Mr. N.K. Bulley as Director.		
5. To 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 **Thursday 21 June, 2012** 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**

Hemmingway Ltd.
0302 225521