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PRESS RELEASE

PR. No 081/2010

MECHANICAL LLOYD CO. LIMITED (MLC)
2009 YEAR END FINANCIAL STATEMENTS

MLC has released its Audited Financial Statements for the year ended December 31, 2009 as per the extracts attached.

Issued in Accra, this 1st
day of April, 2010

- **E N D –**

Distribution:
1. All LDMs
2. General Public
3. Company Secretary, MLC
4. MERCHANT BANK Registrars, (Registrars for MLC shares)
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**AAS*

MECHANICAL LLOYD COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Contents **Pages**

CORPORATE INFORMATION

Directors	Charles Bartels Kwesi Zwennes (Chairman) Terence Ronald Darko (Managing Director) Charles Sydney Aidoo Yaw Assah-Sam Napoleon Kpakpo Bulley Andrew Lawson Yaw Manu Sarpong (Resigned with effect from 1 July 2009)
Secretary	Caroline Darko
Solicitor	Gaisie Zwennes Hughes & Co Carlton House Anumansa Street Osu Re P.O. Box 3238 Accra
Registered office	No. 2 Adjuma Crescent Ring Road West South Industrial Area P O Box 2086 Accra
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

FINANCIAL HIGHLIGHTS

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

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 2009.

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS).

The directors are responsible for ensuring that the company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the company. The directors are also responsible for safeguarding the assets of the company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nature of business

The company is engaged in the distribution and marketing of motor vehicles and farm machinery and in the repair, servicing and maintenance of same. The company also builds and acquires properties for rental.

Financial results

The financial results of the company are set out below:

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

REPORT OF THE DIRECTORS (continued)

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

Dividend

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

Auditor

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

By order of the board

Name of Director:…….. **Name of Director:……..**

Signature:…… **Signature:……..……**

Date:……. **Date:……**

CORPORATE GOVERNANCE REPORT

Introduction

Mechanical Lloyd Company Limited recognises the importance of good corporate governance as a means of sustained long-term viability of the business and therefore always seeks to align the attainment of the business objectives with good corporate behaviour.

In line with our corporate vision, values and business principles, Mechanical Lloyd's vision is to be first or among the first in its field. Planning takes place and resources are allocated towards achievement of accountability and reporting standards. The business adopts standard accounting practices and ensures sound internal control to facilitate transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

Board of directors

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

The Audit Committee

The Audit Committee is made up of four non-executive directors, all of who have a strong background in business and finance. The committee is charged to meet on a quarterly basis to review both the operational and financial performance of the company. It reviews the company's risk, management practices, compliance with policies, applicable laws and regulations, and assesses the adequacy of systems of internal control in the company.

Systems of internal control

Mechanical Lloyd Company Limited is continuously enhancing its comprehensive risk and control review. This is aimed at both improving the mechanism for identifying and monitoring risk as well as appraising the systems of internal control.

The company has effective systems for identifying, managing and monitoring risks. The systems of internal control are implemented and monitored by appropriately trained personnel, suitably segregated as to authority, duties and reporting lines.

Code of business ethics

Mechanical Lloyd Company Limited continues to reinforce communication on a regular basis together with the development and application of complementary procedures so as to eliminate the potential for corrupt and illegal practices on the part of employees and contractors.

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF MECHANICAL LLOYD COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mechanical Lloyd Company Limited set out on pages 8 to 31. These financial statements comprise the statement of financial position as of 31 December 2009, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF MECHANICAL LLOYD COMPANY LIMITED

(continued)

REPORT ON OTHER LEGAL REQUIREMENTS

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

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

Chartered Accountants

Date……

Accra, Ghana

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in Ghana cedis)

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

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in Ghana cedis)

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

The financial statements on pages 8 to 31 were approved by the Board of Directors on ……. and signed on its behalf by:

Name of Director:…….. **Name of Director:……..**

Signature:…… **Signature:……..……**

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STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in Ghana cedis)

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

STATEMENT OF CASH FLOWS

(All amounts are expressed in Ghana cedis)

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

NOTES

1. General information

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

2. Summary of significant accounting policies

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

(a) Basis of accounting

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

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

The financial statements are presented in Ghana cedis.

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

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

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

NOTES (continued)

2. **Summary of significant accounting policies (continued)**

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

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

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

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

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

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

NOTES (continued)

2. **Summary of significant accounting policies (continued)**

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

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

(b) Investments and other financial assets

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

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

(c) Property, plant and equipment

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

NOTES (continued)

2. **Summary of significant accounting policies (continued)**

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

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

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

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

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

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

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

(d) Impairment of assets

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

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

NOTES (continued)

2. **Summary of significant accounting policies (continued)**

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

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

(e) Inventories

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

(f) Trade receivables

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

(g) Investment properties

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

(h) Cash and cash equivalents

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

(i) Trade payables

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

NOTES (continued)

2. **Summary of significant accounting policies (continued)**

(j) Bank borrowings

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

(k) Income tax

Current income tax

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

Deferred income tax

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

(l) Leases

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

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(m) Provisions

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

(n) Revenue

Sale of vehicles and spare parts

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

Service revenue

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

Rental income

Rental income is recognised on an accrual basis.

(o) Foreign currencies

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

Transactions in foreign currencies during the year are converted into Ghana cedis at prevailing rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Ghana cedis at the rates of exchange ruling at the financial reporting date. The resulting gains and losses are dealt with in the statement of comprehensive income.

(p) Dividend

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

(q) Post balance sheet events

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(r) Segment reporting

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

(s) Critical accounting estimates and assumptions

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

Property, plant and equipment

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

Contingent liabilities

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

Income taxes

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(t) Critical judgements in applying the entity's accounting policies

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

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

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

3. Revenue

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

4. Selling, general and administrative expenses

Selling, general and administrative expenses include:

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

5. Other operating income

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

6. Other income

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

7. Finance costs - net

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

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

8. Staff costs

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

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

9. Property, plant and equipment

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

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

9. **Property, plant and equipment (continued)**

	Buildings	Plant, machinery, equipment, furniture and vehicles	Capital work-in-progress	Total
Cost/valuation				
At 1 January 2008	6,198,848	2,419,016	-	**8,617,864**
Additions	14,910	499,618	1,370,813	**1,885,341**
Disposals	-	(53,876)	-	**(53,876)**
At 31 December 2008	6,213,758	2,864,758	1,370,813	**10,449,329**
Accumulated depreciation				
At 1 January 2008	192,692	986,058	-	**1,178,750**
Charge for year	181,457	265,817	-	**447,274**
Disposals	-	(24,349)	-	**(24,349)**
At 31 December 2008	374,149	1,227,526	-	**1,601,675**
Net book value				
At 31 December 2008	**5,839,609**	**1,637,232**	**1,370,813**	**8,847,654**
At 31 December 2007	6,006,156	1,432,958	-	7,439,114

The buildings were last revalued at 31 December 2007 by independent valuers, Barnicom Property Valuation and Consultancy Services. Valuations were made on the basis of open market value. If buildings were stated on the historical cost basis, the amounts would be as follows:

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

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

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

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

10. Other prepayments

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

11. Investment properties

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

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

12. Inventories

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

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

13. Trade and other receivables

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

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

14. Income tax

	Balance at 1 January	**Payments**	**Charge for the year**	**Balance at 31 December**
(a) Current income tax				
Up to 2006	(203,387)	-	-	**(203,387)**
2007	(110,704)	-	-	**(110,704)**
2008	(301,608)	-	-	**(301,608)**
2009	-	(128,890)	89,699	**(39,191)**
	(615,699)	(128,890)	89,699	**(654,890)**

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

14. Income tax (continued)

(b) Deferred income tax

	Balance at 1 January	Payments	Charge for the year	Balance at 31 December
Accelerated depreciation	99,031	-	53,122	**152,153**
Other timing differences	686,872	-	(12,426)	**674,446**
	785,903	-	40,696	**826,599**

15. Tax expense

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

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

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

16. Dividend

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

17. Trade and other payables

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

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

18. Bank overdrafts

At the financial reporting date the company had certain banking facilities not exceeding **GH¢3.5 million** (2008: GH¢1.8 million). The facilities are secured by a debenture over the floating assets of the company, a legal mortgage over specified properties and a lien over trading stocks. The overdraft attracts interest at 27.5% per annum.

The banks have provided the company with facilities for guarantees of payment as follows:

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

19. Loans

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

The bank loans comprise the following facilities:

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

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

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

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

20. Stated capital

The company has **100,000,000** authorised ordinary shares of no par value out of which **50,095,925** (2008: 50,095,925) have been issued as follows:

	2009	2008	**2009**	2008
	No. of shares		**GH¢**	GH¢
Issued for cash	**11,426,643**	11,426,643	**47,792**	47,792
Rights issue	**34,011,865**	34,011,865	**2,708,790**	2,708,790
Transfer from income surplus	**4,657,417**	4,657,417	**14,904**	14,904
	50,095,925	50,095,925	**2,771,486**	2,771,486

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

21. Earnings per share

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

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

22. Revaluation surplus account

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

23. Income surplus account

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

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

24. Cash generated from operations

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

25. Cash and cash equivalents

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

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

26. Capital commitments

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

27. Contingent liabilities

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

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

28. Financial risk management

Financial risk factors

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

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

Sensitivity analysis – currency risk

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

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

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

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

Sensitivity analysis - interest rate risk

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

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

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

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

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

28. Financial risk management (continued)

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

Total exposure to credit risk

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

Trade receivables consist of invoiced amounts from normal trading activities. The Company has customers throughout Ghana. Strict credit control is exercised through monitoring of cash received from customers and, when necessary, provision is made for specific doubtful accounts. As at 31 December 2009, management was unaware of any significant unprovided credit risk.

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

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

Liquidity risk

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

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

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

Maturity analysis of financial liabilities

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

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

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

29. Management of capital

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

30. Segmental reporting

The company's primary reporting segments are based on products, namely BMW, Ford and others.

Cost relating to segments has been directly charged to products.

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

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