GHANA
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PRESS RELEASE

PR. No. 151/2013

MECHANICAL LLOYD CO. LTD (MLC) -
ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2012

MLC has released its annual Financial Statements for the year ended December 31, 2012 as per the attached.

Issued in Accra, this 21st
day of May 2013.

- E N D -

att'd.

Distribution:
1. All LDMs
2. General Public
3. Company Secretary, MLC
4. MBG Registrars, (Registrars for MLC shares)
5. GSE Securities Depository
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For enquiries, contact:
General Manager/Head of Listings, GSE on 669908, 669914, 669935
***By**

MECHANICAL LLOYD COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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CORPORATE INFORMATION

Directors	Charles Bartels Kwesi Zwennes	(Chairman)
	Terence Ronald Darko	(Managing Director)
	Yaw Assah-Sam	
	Charles Sydney Aidoo	
	Napoleon Kpakpo Bulley	
	Andrew Lawson	
	Kofi Asamoah	
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	

FINANCIAL HIGHLIGHTS

	2012	2011	
	GH¢	GH¢	Change
Revenue	**46,951,448**	33,864,804	38.64%
Profit before income tax	**7,778,406**	3,941,981	97.32%
Profit for the year	**6,214,660**	3,185,739	95.08%
Shareholders' funds	**40,174,221**	17,480,433	129.82%
Capital expenditure	**4,227,194**	556,298	659.88%
Total assets	**81,678,410**	35,336,234	131.15%
Proposed dividend per share (GH¢)	**0.0150**	0.0080	87.50%
Earnings per share (GH¢)	**0.1241**	0.0636	95.13%
Net assets per share (GH¢)	**0.8019**	0.3489	129.84%

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 2012.

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 Act, 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 acquires properties for rental.

Financial results

The financial results of the Company are set out below:

	2012 **GH¢**
Profit before tax for the year ended 31 December is	**7,778,406**
from which is deducted income tax expense of	**(1,563,746)**
giving profit for the year	**6,214,660**
to which is added balance brought forward on income surplus account of	**9,727,220**
giving a balance of	**15,941,880**
from which is deducted dividend paid of	**(400,767)**
leaving a balance carried forward on income surplus account of	**15,541,113**

The Company's equity attributable to owners increased from GH¢17.5 million as at 1 January 2012 to GH¢40.2 million at 31 December 2012.

Dividend

The directors will recommend the payment of a dividend for the year ended 31 December 2012 of GH¢0.015 per share amounting to GH¢751,439 (2011: GH¢0.0080 per share amounting to GH¢400,767) at the next annual general meeting. Dividend per share of GH¢0.0080 amounting to GH¢400,767, which was approved at the 2012 Annual General Meeting, was paid during the year.

REPORT OF THE DIRECTORS (continued)

Directors and their interests

The present membership of the Board is set out on page 1. All directors served throughout the year.

The directors' interests in the ordinary shares of the Company at 31 December 2012 were as follows:

Name	No. of shares
Mr. T.R.K. Darko	14,309,381
Mr. C.S. Aidoo	498,000
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 Act, 1963 (Act 179).

By order of the board

Name of Director: **Name of Director:**

Signature: **Signature:**

Date:

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 and include six non-executive 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 INDEPENDENT AUDITOR
TO THE MEMBERS 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 36. These financial statements comprise the statement of financial position as at 31 December 2012, income statement, 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 Act, 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 2012, 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 Act, 1963 (Act 179).

REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Act, 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 (income statement) are in agreement with the books of account.

Chartered Accountants

Accra, Ghana

Date:

INCOME STATEMENT
(All amounts are expressed in Ghana cedis)

	Note	Year ended 31 December 2012	2011
Revenue	4	**46,951,448**	33,864,804
Cost of sales	5	**(35,792,259)**	(26,837,628)
Gross profit		**11,159,189**	7,027,176
Operating costs	6	**(8,140,154)**	(5,883,508)
Other income	7	**4,569,487**	2,835,412
Operating profit		**7,588,522**	3,979,080
Finance income	8(a)	**257,580**	86,356
Finance costs	8(b)	**(67,696)**	(123,455)
Profit before income tax		**7,778,406**	3,941,981
Income tax expense	16	**(1,563,746)**	(756,242)
Profit for the year		**6,214,660**	3,185,739
Earnings per share			
Basic and diluted earnings per shares	21	**0.1241**	0.0636

The notes on pages 13 to 36 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	**2012**	2011
Profit for the year		**6,214,660**	3,185,739
Other comprehensive income:			
Gains on revaluation of buildings	10	**19,858,700**	-
Deferred income tax relating to other comprehensive income	15	**(2,978,805)**	-
Other comprehensive income, net of tax		**16,879,895**	-
Total comprehensive income for the year		**23,094,555**	3,185,739

The notes on pages 13 to 36 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
(All amounts are expressed in Ghana cedis)

	Note	At 31 December 2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	10	**31,748,694**	8,328,773
Other prepayments	11	**674,631**	674,631
Investment properties	12	**12,960,000**	9,152,100
		45,383,325	18,155,504
Current assets			
Inventories	13	**22,606,934**	8,877,280
Trade and other receivables	14	**7,456,284**	6,468,679
Cash and cash equivalents	25	**6,231,867**	1,834,771
		36,295,085	17,180,730
Total assets		**81,678,410**	35,336,234
EQUITY AND LIABILITIES			
Equity			
Stated capital	20	**2,771,486**	2,771,486
Revaluation surplus account	22	**21,861,622**	4,981,727
Income surplus account	23	**15,541,113**	9,727,220
Total equity		**40,174,221**	17,480,433
LIABILITIES			
Non-current liabilities			
Borrowings	19	**932,900**	-
Deferred income tax	15(b)	**5,728,580**	2,416,011
		6,661,480	2,416,011
Current liabilities			
Trade and other payables	18	**33,907,227**	13,641,382
Current income tax	15(a)	**935,482**	5,194
Borrowings	19	**-**	1,793,214
		34,842,709	15,439,790
Total Liabilities		**41,504,189**	17,855,801
Total equity and liabilities		**81,678,410**	35,336,234

The notes on pages 13 to 36 are an integral part of these financial statements.

The financial statements on pages 8 to 36 were approved for issue by the Board of Directors on …….....….....…. 2013 and signed on its behalf by:

Name of Director: **Name of Director:**

Signature: **Signature:**

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 2012				
At 1 January 2012	2,771,486	4,981,727	9,727,220	**17,480,433**
Profit for the year	-	-	6,214,660	**6,214,660**
Other comprehensive income:				
Gains on revaluation of buildings, net of tax	-	16,879,895	-	**16,879,895**
Total comprehensive income for the year	-	16,879,895	6,214,660	**23,094,555**
Transaction with owners:				
Dividend declared for 2011	-	-	(400,767)	**(400,767)**
At 31 December 2012	**2,771,486**	**21,861,622**	**15,541,113**	**40,174,221**
Year ended 31 December 2011				
At 1 January 2011	2,771,486	4,981,727	6,842,057	14,595,270
Profit for the year	-	-	3,185,739	3,185,739
Other comprehensive income:	-	-	-	-
Total comprehensive income for the year	-	-	3,185,739	3,185,739
Transaction with owners: Dividend declared for 2009	-	-	(300,576)	(300,576)
At 31 December 2011	2,771,486	4,981,727	9,727,220	17,480,433

The notes on pages 13 to 36 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are expressed in Ghana cedis)

	Note	Year ended 31 December 2012	2011
Cash flows from operating activities			
Cash generated from operations	24	**9,968,884**	2,641,657
Interest received		**257,580**	86,356
Interest paid		**(67,696)**	(123,455)
Income tax paid	15(a)	**(299,694)**	(231,278)
Net cash generated from operating activities		**9,859,074**	2,373,280
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(4,227,194)**	(556,298)
Prepayment for land	11	**-**	(254,631
Proceeds from disposal of property, plant and equipment	10	**26,297**	159,923
Net cash used in investing activities		**(4,200,897)**	(651,006)
Cash flows from financing activities			
Repayment of loans	19	**-**	(2,004,840)
Drawdown of loans	19	**932,900**	-
Dividend paid	17	**(400,767)**	(300,576)
Net cash generated from / (used in) financing activities		**532,133**	(2,305,416)
Net increase / (decrease) in cash and cash equivalents		**6,190,310**	(583,142)
Movement in cash and cash equivalents			
At start of year		**41,557**	624,699
Increase / (decrease) during the year		**6,190,310**	(583,142)
At end of year	25	**6,231,867**	41,557

The notes on pages 13 to 36 are 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 Act, 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 investment properties, land and buildings which have been 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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to have a material impact on the Company.

(ii) New standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Amendment to IAS 1, 'Presentation of Financial Statements' regards other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements.

IFRS 13, 'Fair value measurement', 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 IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in certain circumstances.

NOTES

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2011, it replaces the parts of IAS 39 that relate 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 the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intend to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

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, 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.

No element of financing is deemed present as the sales are made within credit terms, 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 lease period.

NOTES (continued)

2 Summary of significant accounting policies (continued)

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 costs'. 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 shown 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 (continued)

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

2.4 Property, plant and equipment (continued)

Depreciation on other assets is calculated using the reducing method balance as follows:

Leasehold land	2%
Buildings	2.5% - 4%
Plant and machinery	10%
Furniture and equipment	10%
Computers	$33^1/_3$%
Motor vehicles	15% – 20%

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 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 (continued)

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 comprises invoice value, freight, insurance, customs duty and all other costs incurred in bringing the inventories to their present location, less provision for impairment, if any. 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

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The directors determine the classification of the financial assets at initial recognition.

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 end of the reporting period. These are classified as non-current assets.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

NOTES (continued)

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

2.9 Financial assets (continued)

(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

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.

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.

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.

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 a 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.

NOTES (continued)

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

2.11 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 within borrowings under current liabilities in 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.

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.

NOTES (continued)

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

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 on either the same taxable entity or different taxable entities where there is an intention to settle on a net basis.

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 (continued)

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 (continued)
(All amounts in the notes are shown 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 1% from management's estimates, the carrying amount of the property, plant and equipment would be an estimated GH¢5,462 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 an 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 (continued)
(All amounts in the notes are shown in Ghana cedis unless otherwise stated)

4. Revenue

	2012	2011
Motor vehicles and farm machinery sales	**39,392,072**	26,901,297
Spare parts sales and workshop earnings	**7,077,442**	6,553,226
Rental income from investment properties	**481,934**	410,281
	46,951,448	33,864,804

5. Cost of sales

Vehicles and farm machinery	**29,717,793**	20,888,341
Spare parts	**3,573,476**	3,399,286
Direct expenses	**2,319,540**	2,381,550
Overheads	**181,450**	168,451
	35,792,259	26,837,628

6. Operating costs

Operating costs include:

Provision for doubtful debts	**337,282**	-
Bad debts written off	**19,541**	399,135
Staff costs (excluding executive directors' emoluments)	**2,417,076**	1,805,261
Directors' emoluments (Note 30)	**399,922**	471,042
Depreciation (Note 10)	**546,161**	415,348
Auditors' remuneration	**59,500**	48,500
Operating lease rentals	**64,626**	90,166
Loss on disposal of property, plant and equipment (Note 10)	**93,515**	-
Exchange loss	**548,734**	-
Donations	**57,040**	26,108

7. Other income

Miscellaneous income	**188,444**	63,460
Fair value gain on investment property	**3,807,900**	2,470,700
Income from clinic services	**206,601**	187,374
Exchange gain	**-**	106,914
Commission and fees earned on special projects	**366,542**	4,892
Profit on disposal of property, plant and equipment (Note 10)	**-**	2,072
	4,569,487	2,835,412

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

8. Finance income and costs

	2012	2011
(a) Finance income		
Interest on treasury bills	**207,260**	-
Interest income on credit sales	**24,104**	65,604
Interest income from staff loans	**26,216**	20,752
	257,580	86,356
(b) Finance costs		
Bank interest expense	**67,696**	123,455

9. Staff costs

	2012	2011
Wages and salaries (including executive directors' salaries)	**3,566,549**	2,901,353
Social security contributions	**397,320**	307,148
	3,963,869	3,208,501

The average number of persons employed by the Company at the year end was 176 (2011: 174).

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

	2012	2011
Cost of sales	**1,275,906**	1,018,948
Operating costs	**2,687,963**	2,189,553
	3,963,869	3,208,501

10. Property, plant and equipment

	Buildings	Plant, machinery, equipment, furniture and vehicles	Capital work-in-progress	Total
Cost/valuation				
At 1 January 2012	7,654,841	2,895,006	344,711	**10,894,558**
Additions	274,554	876,735	3,075,905	**4,227,194**
Revaluation surplus	19,858,700	-	-	**19,858,700**
Disposals	-	(265,343)	-	**(265,343)**
At 31 December 2012	**27,788,095**	**3,506,398**	**3,420,616**	**34,715,109**
Accumulated depreciation				
At 1 January 2012	1,028,785	1,537,000	-	**2,565,785**
Charge for year	271,900	274,261	-	**546,161**
Disposals	-	(145,531)	-	**(145,531)**
At 31 December 2012	**1,300,685**	**1,665,730**	-	**2,966,415**
Net book value				
At 31 December 2012	**26,487,410**	**1,840,668**	**3,420,616**	**31,748,694**

NOTES (continued)
(All amounts in the notes are shown 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 2011	7,630,634	2,832,561	70,157	10,533,352
Additions	24,207	257,537	274,554	556,298
Disposals	-	(195,092)	-	(195,092)
At 31 December 2011	7,654,841	2,895,006	344,711	10,894,558
Accumulated depreciation				
At 1 January 2011	809,277	1,378,401	-	2,187,678
Charge for year	219,508	195,840	-	415,348
Disposals	-	(37,241)	-	(37,241)
At 31 December 2011	1,028,785	1,537,000	-	2,565,785
Net book value				
At 31 December 2011	6,626,056	1,358,006	344,711	8,328,773

The buildings were revalued on 30 November 2012 by independent professional valuers. Valuation is on the basis of open market value. There are no restrictions on the title of Property, plant and equipment. If buildings were stated on the historical cost basis, the amounts would be as follows:

	2012	2011
Cost	**3,200,333**	2,925,779
Accumulated depreciation	**(1,340,032)**	(1,017,578)
Net book value	**1,860,301**	1,908,201
Loss / (profit) on disposal of property, plant and equipment		
Cost	**265,343**	195,092
Accumulated depreciation	**(145,531)**	(37,241)
Net book value	**119,812**	157,851
Disposal proceeds	**(26,297)**	(159,923)
Loss / (profit) on disposal	**93,515**	(2,072)

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

11. Other prepayments

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

	2012	2011
At 1 January	**674,631**	420,000
Additions	**-**	254,631
At 31 December	**674,631**	674,631

12. Investment properties

At 1 January	**9,152,100**	6,681,400
Fair value gains	**3,807,900**	2,470,700
At 31 December	**12,960,000**	9,152,100

Investment properties were revalued on 30 November 2012 by independent professional valuers. Valuation is on the basis of open market value.

13. Inventories

	2012	2011
Trade stocks	**17,554,586**	8,102,942
Goods in transit	**4,802,002**	580,132
Work-in-progress	**163,063**	49,773
Non-trade stocks	**87,283**	144,433
	22,606,934	8,877,280

The cost of inventories recognised as an expense and included in cost of sales amounted to GH¢33,291,269 (2011: GH¢24,287,627). No amount was charged to profit and loss for damaged and obsolete inventories during the year (2011: GH¢33,028).

14. Trade and other receivables

	2012	2011
Trade receivables	**6,990,986**	6,039,654
Staff receivables	**420,505**	385,382
Prepayments	**44,793**	43,643
	7,456,284	6,468,679

The maximum amount of staff indebtedness during the year did not exceed GH¢500,000 (2011: GH¢400,000).

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

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

15. Income tax

(a) Current income tax

	At 1 January	Charge for the year	Payments for the year	At 31 December
Year ended 31 December 2012				
Up to 2011	5,194	-	-	**5,194**
2012	-	1,229,982	(299,694)	**930,288**
	5,194	**1,229,982**	**(299,694)**	**935,482**
Year ended 31 December 2011				
Up to 2010	(152,512)	-	-	(152,512)
2011	-	388,984	(231,278)	157,706
	(152,512)	388,984	(231,278)	5,194

(b) Deferred income tax

	At 1 January	Charged / (credited) to profit or loss	Charged / (credited) to other comprehend-sive income	At 31 December
Year ended 31 December 2012				
Property, plant and equipment				
- on historical cost basis	137,339	10,811		**148,150**
- on revaluation surpluses	879,128	-	2,978,805	**3,857,933**
Investment properties	1,372,815	571,185	-	**1,944,000**
Other timing differences	26,729	(248,232)	-	**(221,503)**
	2,416,011	**333,764**	**2,978,805**	**5,728,580**
Year ended 31 December 2011				
Property, plant and equipment				
- on historical cost basis	160,346	(23,007)	-	137,339
- on revaluation surpluses	879,128	-	-	879,128
Investment properties	1,002,210	370,605	-	1,372,815
Other timing differences	7,069	19,660	-	26,729
	2,048,753	367,258	-	2,416,011

16. Income tax expense

	2012	2011
Current income tax (Note 15(a))	**1,229,982**	388,984
Deferred income tax (Note 15b))	**333,764**	367,258
	1,563,746	756,242

NOTES (continued)
(All amounts in the notes are shown 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:

	2012	2011
Profit before income tax	**7,778,406**	3,941,981
Tax charged at corporate tax rate of 25% (2011:25%)	**1,944,602**	985,495
Expenses not deductible for tax purposes	**45,479**	17,817
Income taxed at different rate	**(462,719)**	(247,070)
Other differences	**36,384**	-
	1,563,746	756,242

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 GH¢0.015 per share amounting to GH¢751,439 is to be proposed. The financial statements do not reflect this dividend payable.

A dividend per share of GH¢0.0080 (2011:GH¢0.0060) amounting to GH¢400,767 (2011: GH¢300,576) was declared for the year ended 31 December 2011 and paid during the year.

	2012	2011
At 1 January	**-**	-
Dividend declared for 2011	**400,767**	-
Dividend declared for 2010	**-**	300,576
Payment	**(400,767)**	(300,576)
At 31 December	**-**	-

18. **Trade and other payables**

Trade payables	**33,517,908**	12,848,434
Accrued charges	**362,328**	625,284
Sundry payables	**26,991**	167,664
	33,907,227	13,641,382

The carrying amount of the above payables and accrued expenses approximate to their fair values.

19. **Borrowings**

Current		
Bank overdrafts	**-**	1,793,214
Term loan	**-**	-
	-	1,793,214
Non-current		
Term loan	**932,900**	-
Total borrowings	**932,900**	1,793,214

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

19. **Borrowings (continued)**

(i) Bank overdrafts

At the financial reporting date the Company had certain banking facilities not exceeding GH¢2.5 million (2011: GH¢2 million). The facilities are secured by a debenture over the floating assets of the Company, a legal mortgage over specified properties and a lien over trading stocks. The overdraft attracts interest at 22.00% per annum.

The Company's bankers have provided guarantees not exceeding €2 million and US$12.3 million.

(ii) Term loan

The Company secured a term loan facility of US$2.0 million with Stanbic Bank Ghana Limited to finance the construction of a full branch operational office in Takoradi. The facility is to be repaid in thirty-six (36) equal instalments after two years principal moratorium period. The facility attracts interest at 3 months LIBOR plus 6.25% per annum. The facility is secured by a floating charge over the Company's inventories, and a first legal mortgage over the Takoradi operational office constructed with funds from the facility.

	At 1 January	Drawdown	Repayment	Exchange rate adjustment	At 31 December
Year ended 31 December 2012					
Term loan	-	932,900	-	-	**932,900**
Current portion of loans	-				**-**
Non-current portion of loans	-				**932,900**
Year ended 31 December 2011					
Term loan	2,002,974	-	(2,004,840)	1,866	-
Current portion of loans	(586,252)				-
Non-current portion of loans	1,416,722				-

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 (2011: 50,095,925) have been issued as follows:

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

There was no change in stated capital during the year (2011: Nil).

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

	2012	2011
Profit for the year	**6,214,660**	3,185,739
Number of ordinary shares (Number)	**50,095,925**	50,095,925
Basic and diluted earnings per share (GH¢)	**0.1241**	0.0636

There were no potentially dilutive shares outstanding at 31 December 2012 or 2011. Diluted earnings per share are the same as basic earnings per share.

22. Revaluation surplus account

	2012	2011
At 1 January	**4,981,727**	4,981,727
Revaluation surplus	**19,858,700**	-
Deferred income tax charge (Note 15 (b))	**(2,978,805)**	-
At 31 December	**21,861,622**	4,981,727

The revaluation surplus account has arisen from an independent professional valuation of the Company's land and buildings on 30 November 2012. The reserve is not available for distribution to the shareholders of the Company.

23. Income surplus account

	2012	2011
At 1 January	**9,727,220**	6,842,057
Profit for the year	**6,214,660**	3,185,739
Dividend declared for 2011	**(400,767)**	-
Dividend declared for 2010	**-**	(300,576)
At 31 December	**15,541,113**	9,727,220

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

24. Cash generated from operations

	2012	2011
Profit before income tax	**7,778,406**	3,941,981
Depreciation charge	**546,161**	415,348
Exchange loss on bank borrowings	**-**	1,866
Loss/(profit) on disposal of property, plant and equipment	**93,515**	(2,072)
Finance costs	**67,696**	123,455
Finance income	**(257,580)**	(86,356)
Fair value gains on investment properties	**(3,807,900)**	(2,470,700)
Change in working capital		
Increase in inventories	**(13,729,654)**	(2,186,134)
Increase in trade and other receivables	**(987,605)**	(2,711,560)
Increase in trade and other payables	**20,265,845**	5,615,829
Cash generated from operations	**9,968,884**	2,641,657

25. Cash and cash equivalents

Cash in hand	**11,650**	93,997
Cash at bank	**4,012,959**	1,740,774
Treasury bills	**2,207,258**	-
	6,231,867	1,834,771

Cash and cash equivalents include a restricted cash balance of GH¢552,183 (2011: Nil) in respect of deposit for competitive bidding. The amount was not available for use at the reporting date.

Treasury bills mature within 90 days of acquisition.

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

	2012	2011
Cash and cash equivalents	**6,231,867**	1,834,771
Bank overdrafts	**-**	(1,793,214)
	6,231,867	41,557

26. Commitments

Capital commitments

There were no capital commitments at the reporting date (2011: 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:

	2012	2011
Not later than 1 year	**65,021**	39,600
Later than 1 year and not later than 5 years	**197,059**	160,320
Later than 5 years	**182,515**	40,320

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

27. Contingent liabilities

There were no contingent liabilities at the reporting date (2011: 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 2012, if the currency had weakened/strengthened by 1% against the Euro with all other variables held constant, post tax profit for the year would have been GH¢46,619 (2011: GH¢36,149) lower/higher, mainly as a result of Euro denominated trade payables and bank balances.

At 31 December 2012, if the currency had weakened/strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been GH¢153,912 (2011: GH¢25,395) higher/lower, mainly as a result of US dollar denominated trade payables and bank balances.

At 31 December 2012, if the currency had weakened/strengthened by 1% against the Pounds Sterling (GBP) with all other variables held constant, post-tax profit for the year would have been GH¢887 (2011: GH¢368) 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 (continued)
(All amounts in the notes are shown 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 1% (100 basis points) in market interest.

A hypothetical 1% 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.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2012 and 2011 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:

	2012	2011
Neither past due nor impaired	**6,402,787**	5,913,048
Past due but not impaired	**588,198**	126,606
	6,990,985	6,039,654

At 31 December 2012, trade receivables of GH¢337,282 (2011: Nil) were impaired and fully provided for. Trade receivables past due but not impaired were in arrears up to 6 months.

The Company extends credit to customers up to one year. Irrecoverable debts are assessed on case by case basis. As of 31 December 2012, trade receivables amounting to GH¢19,541 (2011: GH¢399,135) 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 financial institutions licensed by the Bank of Ghana.

NOTES (continued)
(All amounts in the notes are shown 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 a local bank 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. The amounts disclosed below are the contractual undiscounted cash flows.

	Due within one year	**Due after one year**
At 31 December 2012		
Borrowings	**-**	**995,992**
Trade and other payables	**33,907,227**	**-**
Total financial liabilities	**33,907,227**	**995,992**
At 31 December 2011		
Borrowings	1,793,214	-
Trade and other payables	13,641,382	-
Total financial liabilities	15,434,596	-

(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 (continued)
(All amounts in the notes are shown 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 2012 and 2011 were as follows:

	2012	2011
Borrowings (Note 19)	**932,900**	1,793,214
Less: Cash and cash equivalents (excluding overdrafts)	**(6,231,867)**	(1,834,771)
Net (cash)/debt	**(5,298,967)**	(41,557)
Total equity	**40,174,221**	17,480,433
Total capital	**34,875,254**	17,438,876
Gearing ratio	Nil	Nil

(e) Fair value of financial assets and liabilities

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

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, Massey Fergusson, and servicing of vehicles.

Year ended 31 December 2012	**BMW**	**Ford**	**Massey Fergusson**	**Service**	**Total**
Revenue	4,470,597	31,162,037	3,719,998	7,116,882	**46,469,514**
Cost of sales	(3,394,164)	(23,532,994)	(2,790,635)	(6,074,466)	**(35,792,259)**
Gross profit	1,076,433	7,629,043	929,363	1,042,416	**10,677,255**
Rental income					**481,934**
Operating costs					**(8,140,154)**
Other income					**4,569,487**
Operating profit					**7,588,522**
Finance income					**257,580**
Finance costs					**(67,696)**
Profit before income tax					**7,778,406**
Income tax expense					**(1,563,746)**
Profit for the year					**6,214,660**

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

29. **Segmental reporting (continued)**

Year ended 31 December 2011	BMW	Ford	Massey Fergusson	Service	Total
Revenue	7,061,318	22,801,380	2,101,365	1,490,460	33,454,523
Cost of sales	(5,402,641)	(18,912,895)	(1,501,097)	(1,020,995)	(26,837,628)
	1,658,677	3,888,485	600,268	469,465	6,616,895
Rental income					410,281
Operating costs					(5,883,508)
Other income					2,835,412
Operating profit					3,979,080
Finance income					86,356
Finance costs					(123,455)
Profit before income tax					3,941,981
Income tax expense					(756,242)
Profit for the year					3,185,739

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:

	2012	2011
Salaries	**871,373**	495,899
Defined contributions scheme	**62,417**	64,467
	933,790	560,366
Directors' remuneration		
Fees for services as a director	**129,035**	86,750
Other emoluments (included in key management compensation above)	**270,887**	384,292
	399,922	471,042

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 2012 are as follows**:**

Names	Number of shares	% Shareholding
Mr Terence R.K. Darko	14,309,381	28.56
Social Security & National Insurance Trust	8,831,250	17.63
Mega Africa Capital Ltd	3,700,000	7.39
BBGM/ Mega African Capital	1,862,700	3.72
Mr. Michael O. Darko	1,825,350	3.64
Mr. C. N. Darko	1,198,752	2.39
Ms S. A. Darko	1,198,745	2.39
Ms R. J. Darko	961,305	1.92
Ms Caroline B. Darko	845,967	1.69
Merban Investment Holdings Limited	750,000	1.50
Ms. Emma A. Darko	600,000	1.20
Mr. Daniel Ofori	554,300	1.11
Alpine Properties Limited	550,700	1.10
Coco-Mutual Fund Trust	530,000	1.06
Mr. George E. Hoffman	529,200	1.06
Zigma Investment Club	526,600	1.05
Ms Lucy S. Darko	508,465	1.01
Ms Esther S. Darko	504,561	1.01
Mr. Charles Aidoo	498,000	0.99
Mr. H. J. K. Ephraim	425,660	0.85
Reported totals	40,710,936	81.27
Not reported	9,384,989	18.73
	50,095,925	100.00

2. Number of shareholders

The number and distribution of ordinary shareholders with equal voting rights as at 31 December 2012 was as shown below:

	No. of holders	Total holding	% Holdings
1 - 1,000	3,117	1,308,832	2.61
1,001 - 5,000	728	1,603,368	3.20
5,001 - 10,000	103	808,534	1.62
10,001 and above	131	46,375,191	92.57
	4,079	50,095,925	100.00