CLYDESTONE GHANA LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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CLYDESTONE GHANA LIMITED

DIRECTORS, OFFICIALS AND REGISTERED OFFICE

DIRECTORS	Paul Jacquaye George Prah Nana Benyin Hutchful Prof. Ellis Edwin Badu Robert Alloh
SECRETARY	Abena Boadu
REGISTERED OFFICE	7th floor Ridge Tower Accra.
AUDITORS	Voscon Chartered Accountants No. C806/4, Boundary Road, Tudu, Accra Adjacent to City Paints Supply P. O. Box A 476 La, Accra.
SOLICITORS	Alloh & Partners P. O. Box NT 478 Newtown-Accra
BANKERS	Ecobank Ghana Limited Fidelity Bank Limited Standard Chartered Bank (GH) Limited Ezi Savings & Loans Limited Zenith Bank (GH) Limited
REGISTRARS	NTHC Limited Martco House P. O. Box KA 9563 Airport, Accra Ghana

CLYDESTONE GHANA LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2010

The Directors of Clydestone Ghana Limited present the audited consolidated financial statements for the year ended December 31, 2010.

RESULTS FOR THE YEAR

	GH¢
The company recorded a net Profit after taxation of	69,642
to which is added to the balance on retained earnings brought forward of	(566,101)
	(496,459)
From which is deducted minority interest of	(9,606)
Leaving a balance on retained earnings carried forward of	(506,065)

AUDITORS

In accordance with Section 134 (5) of the Companies code, the Auditors, Messrs Voscon Chartered Accountants, will continue in office as Auditors of the company.

DIRECTOR **DIRECTOR**

Date: May , 2011

CLYDESTONE GHANA LIMITED

REPORT OF INDEPENDENT AUDITORS TO THE MEMBERS

We have audited the accompanying financial statements of Clydestone Ghana Limited which comprise the statement of financial position at December 31, 2010, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Responsibility of Directors

The company's directors are responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by 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 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 the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 Clydestone Ghana Limited at December 31 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the manner required by the Companies Code 1963, (Act 179).

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Code, 1963 (Act 179).

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of audit.

In our opinion, proper books of account have been kept, the statement of financial position, the statement of comprehensive income and the retained earnings accounts are in agreement with the books of account.

CHARTERED ACCOUNTANTS
ACCRA

May , 2011

CLYDESTONE GHANA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	NOTE	2010 GH¢	2009 GH¢
Non-Current Assets			
Property, plant and equipment	4	488,895	520,049
CURRENT ASSETS			
Inventories		166,053	254,574
Trade accounts receivable		637,533	669,268
Other accounts receivable	5	458,549	402,214
Cash and bank balances	6	57,085	123,522
		1,319,220	1,449,578
CURRENT LIABILITIES			
Bank overdraft	7	535,166	454,845
Trade accounts payable		266,839	353,604
Other accounts payable	8	828,438	631,937
Taxation	9	(143,343)	(156,034)
Deferred tax	10	(18,815)	(2,359)
Dividend payable	11	34,158	34,158
Short term loan	12	7,464	424,910
		1,509,907	1,741,061
Net Current Assets		(190,687)	(291,483)
Total Assets Less Current Liabiliies		298,208	228,566
Represented by:			
Stated capital	13	554,850	554,850
Capital reserve	14	213,037	213,037
Retained earnings		(506,065)	(566,101)
Minority Interest	15	36,386	26,780
		298,208	228,566

DIRECTOR **DIRECTOR**

Notes 1 to 21 form an integral part of these financial statements.

CLYDESTONE GHANA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010

	NOTE	2010 GH¢	2009 GH¢
TURNOVER	1b	1,456,778	2,093,084
COST OF OPERATIONS		(378,232)	(1,033,477)
GROSS OPERATING PROFIT		1,078,546	1,059,607
General & administrative expenses	16	(1,045,572)	(1,101,078)
Operating Profit		32,974	(41,471)
Other Income	17	43,229	39,839
Profit before taxation		76,203	(1,632)
TAXATION	18		
Income tax expense		(6,561)	(9,752)
Profit for the year		69,642	(11,384)
Attributable to:- Equity holders		60,036	(7,819)
Minority interest		9,606	(3,565)

Notes 1 to 22 form an integral part of these financial statements.

CLYDESTONE GHANA LIMITED

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 GH¢	2009 GH¢
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before taxation	76,203	(1,632)
Reconciliation of profit to net cash flows from operating activities		
Adjustment for Non-Cash Items:		
Net interest expense	211,734	113,797
Depreciation	61,273	109,157
	349,210	221,322
Changes in current assets and liabilities		
Inventories	88,521	(164,375)
Trade accounts receivable	31,735	(176,333)
Other accounts receivable	(56,335)	(95,322)
Trade accounts payable	(86,764)	204,818
Other accounts payable	196,501	29,302
	173,658	(201,910)
Tax paid		
Corporate	(10,327)	(88,581)
	163,331	(290,491)
Net cash provided by operating activities	512,541	(69,169)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditure	(30,119)	(240,773)
Interest income	-	39,839
Net cash used in investing activities	(30,119)	(200,934)
CASH FLOW FROM FINANCING ACTIVITIES		
Short Term Loan	(417,446)	424,910
Interest expense	(211,734)	(153,636)
Net cash used in financing activities	(629,180)	271,274

CLYDESTONE GHANA LIMITED

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2010 (CONTINUED)

	2010 GH¢	2009 GH¢
INCREASE IN CASH & CASH EQUIVALENTS	(146,758)	1,171)
Cash & Cash Equivalents:		
At beginning of year:-		
Cash and bank balances	(331,323)	65,069
Bank overdraft	-	(397,563)
At end of year:-	(478,081)	(331,323)
Analysis of balances of cash and cash equivalents as shown in the balance sheet		
Cash and bank balances	57,085	123,522
Bank overdraft	(535,166)	(454,845)
	(478,081)	(331,323)

Notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

	Stated Capital GH ¢	Capital Reserve GH ¢	Retained Earnings GH ¢	Minority Interest GH ¢	Total GH ¢
Balance as at January 1,	554,850	213,037	(566,101)	26,780	228,566
Profit for the year	-	-	60,036	9,606	69,642
Balance as at December 31,	554,850	213,037	(506,065)	36,386	298,208

Notes 1 to 22 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - NATURE OF BUSINESS

Clydestone Ghana Limited was incorporated in June 1989 with the following objectives as amended on December 12, 2002:

- Payment Systems
- System Integration
- Outsourcing
- Networking
- Computer and Communication Technology
- Consultancy

The company commenced business in July, 1989 and was listed on the Ghana Stock Exchange in March 2004.

NOTE 2 - BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the company for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention except as disclosed in the accounting policies below.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below.

c) Functional and presentation Currency

The financial statements are presented in Ghana Cedis (GH¢) which is the company's functional currency.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The following is a summary of the significant accounting policies adopted in the presentation of these consolidated financial statements. The policies set out below have been consistently applied to all years presented.

a - Group accounting

Subsidiary entities in which the company has controlling interest are consolidated. All inter company transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered.

Minority interests represent the portion of profit and loss and net assets that is not held by the Group and are presented separately in the consolidated income statement and within equity, separately from the parent's shareholders' equity. Acquisitions of minority interest are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized in good will.

When the group has significant influence in an entity, the entity is considered as an associate and the investment in an associate is accounted for using the equity method of accounting

b - Income recognition

Sales comprise the invoiced value of goods and services and are measured at the fair value of the consideration received or receivable.

c – Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less subsequent depreciation and impairment. Depreciation is provided on a straight line basis at annual rates estimated to write-off values over their useful economic lives.

The annual rates used for this purpose are:-

Motor Vehicle	20.0%
Computers & Accessories	30.0%
Office Furniture and Fittings	7.5%
Office Equipment	20.0%

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains and losses on disposal of property, plant and equipment are included in the profit and loss account.

d - **Foreign currency translation**

i. Transactions in foreign currencies are converted at market rates ruling at the dates of such transactions. Exchange differences realised are accounted for through the profit and loss account.

ii. Assets and liabilities, which are denominated in other currencies, are translated into the reporting currency at the period end rates of exchange. Exchange differences arising on such translations are treated through the profit and loss account.

e - **Trade and other accounts receivable**

Trade accounts receivable are recognized initially at fair value and subsequently at amortised cost less any provision for impairment. Specific provisions for doubtful debts are made for receivables of which recovery is doubtful. Other receivables are stated at their cost less impairment losses.

f - **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdraft.

g - **Provisions**

Provisions are recognized when a legal or constructive obligation as a result of past transaction exists at the reporting date, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

h- **Income Tax**

Income tax comprises current tax and deferred tax.

(i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

(ii) Deferred Income Taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

i) **Impairment of Assets**

Assets that have indefinite useful lives and are not subject to amortization are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

j) **Post Balance sheet Events**

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

k) **Operating Segments**

A segment is a distinguishable component of the company that is engaged either providing products or services (business segments) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The identification of operating segments on internal reports that are regularly reviewed by the company's chief operating decision maker in order to allocate resources to the segment and asses its performance.

l) **Determination of fair values**

The fair value of financial instruments traded in active markets is based on quoted market price at the balance sheet date. The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for future similar financial instruments.

m) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made.
It did not have an impact on the company.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

	FURNITURE & FIXTURES	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTERS	WORKSHOP EQUIPMENT	STORAGE CONTAINER	WORK IN PROGRESS	TOTAL
COST	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
At 1.1.10	72,775	83,597	214,300	337,648	5,971	7,160	357,196	1,078,647
Additions	-	-	-	9,651	-	-	20,468	30,119
At. 31.12.10	72,775	83,597	214,300	347,299	5,971	7,160	377,664	1,108,766
DEPRECIATION								
At 1.1.10	23,298	55,641	214,300	259,310	4,497	1,552	-	558,598
Charge for the year	5,139	15,442	-	38,066	1,194	1,432	-	61,273
At 31.12.10	28,437	71,083	214,300	297,376	5,691	2,984	-	619,871
NET BOOK VALUE								
At 31.12.10	44,338	12,514	-	49,923	280	4,176	377,664	488,895
At 31.12.09	49,477	27,956	-	78,338	1,474	5,608	357,196	520,049

NOTE 5 - OTHER ACCOUNTS RECEIVABLE

	2010 GH¢	2009 GH¢
Staff debtors	7,622	16,702
Rent prepaid	-	5,378
Deposits	73,300	73,300
Others	377,627	306,834
	458,549	402,214

NOTE 6 - CASH AND BANK BALANCES

	2010 GH¢	2009 GH¢
Cash on hand	613	434
Cash at bank	56,472	123,088
	57,085	123,522

NOTE 7- BANK OVERDRAFT

	2010 GH¢	2009 GH¢
Ezi Savings & Loans	535,166	454,845

NOTE 8- OTHER ACCOUNTS PAYABLE

	2010 GH¢	2009 GH¢
SSNIT	47,771	(3,801)
IRS	129,065	56,612
Audit fees	14,747	6,547
National reconstruction levy	4,740	4,740
VAT	338,062	369,173
Wages & salaries	-	19,204
Rent	89,846	18,955
Others	204,207	160,507
	828,438	631,937

NOTE 9- **TAXATION**

YA	Balance 1/1/10	Payments/ Tax Credits	Charge for the year	Balance 31/12/10
	GH¢	GH¢	GH¢	GH¢
2003	(16,868)	-	-	(16,868)
2004	(14,785)	-	-	(14,785)
2005	36,156	-	-	36,156
2006	(25,630)	(10,000)	-	(35,630)
2007	(15,291)	-	-	(15,291)
2008	(63,246)	-	-	(63,246)
2009	(56,370	-	-	(56,370)
2010	-	(327)	23,018	22,691
	(156,034)	(10,327)	23,018	(143,343)

The tax charge for the year at 22% is subject to agreement with the Internal Revenue Service.

NOTE 10- **DEFERRED TAX**

	2010 GH¢	2009 GH¢
The balance is derived as follows		
Balance as at January 1,	1,999	-
Applied to current year	16,816	1,999
Balance as at December 31,	18,815	1,999

NOTE 11 - **DIVIDEND PAYABLE**

	2010 GH ¢	2009 GH ¢
Balance at January 1,	34,158	34,158

NOTE 12 - SHORT TERM LOAN

	2010 GH ¢	2009 GH ¢
The company was on September 17, 2009 granted the following short term loans:-		
Fidelity Bank Limited - 1	-	319,010
Facility 1 Short Term Loan of the US$218,500 (Two Hundred and eighteen Thousand five hundred United States Dollars) To finance the importation of 20 GRG H22s ATMS from GRG Banking Equipment company Limited, China on behalf of GHIPPS.		
Facility 2 Short term Loan of US$85,000 (Eighty five thousand United States Dollars. To finance the importation of Excel Network materials from Mayflex, Dubai.	7,464	105,900
The loans are secured by a. Undertaking from GHIPPS to pay US$218,500 directly into Clydestone Ghana Limited's account with Fidelity Bank upong delivery of the ATMS. b. Joint and several guarantees of the Directors of Clydestone Ghana Limited for the facility amount of US$303,500 supported by their net worth statements. c. Assignment of receivables from the sale of ATMS TO GHIPPS d. Assignment of proceeds from the sale of Excel Network Materials and the monthly Switch User fee of US$4,500 due from Fidelity Bank for the period of the facility.	-	-
	7,464	424,910

NOTE 13 STATED CAPITAL

	Number	2010 GH¢	Number	2009 GH¢
Authorised No. of shares of no par value:-	100,000,000	-	100,000,000	-
Issued for cash	34,000,000	554,850	34,000,000	554,850

There are no shares in treasury. There are no unpaid shares.

NOTE 14- CAPITAL RESERVE

	2010 GH¢	2009 GH¢
Balance	213,037	213,037

NOTE 15- MINORITY INTEREST

	2010 GH¢	2009 GH¢
Share of net assets of subsidiary		
At January 1,	26,780	30,345
Share of loss-subsidiary	9,606	(3,565)
At December 31,	36,386	26,780

NOTE 16- GENERAL AND ADMINISTRATIVE EXPENSES

	2010 GH¢	2009 GH¢
General and administrative expenses include:-		
Interest and financial charges	219,616	168,137
Directors remuneration	120,015	94,998
Auditors remuneration	8,200	8,200
Depreciation	45,426	93,310

NOTE 17 - OTHER INCOME

	2010 GH¢	2009 GH¢
Investment income	43,229	39,839

NOTE 18 - INCOME TAX EXPENSE

	2010 GH¢	2009 GH¢
Current tax expense	(23,377)	(11,751)
Deferred tax	16,816	1,999
	(6,561)	(9,752)

NOTE 19 RELATED PARTY TRANSACTIONS

The majority shareholder in the company also has substantial interests in Transaction solutions Ghana Limited and Ezi Savings and Loans Limited.

During the year the following related party transactions took place as detailed below.

	Company 2010 GH ¢	Group 2009 GH ¢	Company 2010 GH ¢	Group 2009 GH ¢
Sale of goods and services				
Transaction Solutions Gh. Ltd.	-	-	-	57,171
Ezi Savings and Loans Limited	-	-	-	100,000
Receivable from related party				
Transaction Solutions Gh. Ltd.	140,912	140,912	140,912	140,912
Payable to related party				
Ezi Savings and Loans Limited	535,166	454,845	535,166	454,845

NOTE 20 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	Fair Value		Carrying Amount	
	2010	2009	2010	2009
	GH ¢	GH ¢	GH ¢	GH ¢
Financial Assets				
Trade accounts receivable	637,533	669,268	637,533	669,268
Other accounts receivable	458,549	402,214	458,549	402,214
Cash and bank balances	57,085	123,522	57,085	123,522
Inventories	166,053	254,574	166,053	254,574
Financial Liabilities				
Trade accounts payable	266,840	353,604	266,840	353,604
Other accounts payable	828,438	631,937	838,438	631,937
Bank overdraft	535,166	454,845	535,166	454,845

NOTE 21- SEGMENTAL REPORTING

The company operates only in Ghana and the key business being undertaken relates to payment and system integration net working and computer/communication technology and debt collection. These categories are managed by a single management team. Reporting the financial segments along these categories will involve subjective allocation of cost which will not give useful information for decision making purposes.

Segmental reporting has therefore not been adopted in the presentation of these financial statements.

NOTE 22- CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no known outstanding contingent liabilities or capital commitments at December 31, 2010.