



**GHANA
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PRESS RELEASE

PR. No. 017/2012

**MECHANICAL LLOYD CO. LTD (MLC) -
UN-AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 2011**

MLC has released its un-audited Financial Statements for the year ended December 31, 2011, as per the attached.

Issued in Accra, this 31ST
day of January, 2012.

- 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
6. SEC
7. GSE Council
8. GSE Notice Board

For enquiries, contact:

**General Manager/Head of Listings, GSE on 669908, 669914,
669935**

***JEB**

MECHANICAL LLOYD COMPANY LIMITED

Annual Report for the year ended 31 December 2011

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MECHANICAL LLOYD COMPANY LIMITED

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CORPORATE INFORMATION

Directors	Charles Bartels Kwesi Zwennes Terence Ronald Darko (Managing Director) Yaw Assah - Sam Charles Sydney Aidoo Napoleon Kpakpo Bulley Andrew Lawson Kofi Asamoah (appointed on 01/02/2011)
Secretary	Caroline Darko
Solicitor	Gaisie Zwennes Hughes & Co Calton 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
Auditors	PricewaterhouseCoopers Chartered Accountants Plot 12 Airport City Una Home 3rd Floor PMB CT42, Cantonments Accra
Registrars	Merchant Bank (Ghana) Limited Registrar's Department 57 Examination Loop, North Ridge P O Box 401 Accra
Bankers	Barclays Bank of Ghana Limited Stanbic Bank Ghana Limited Merchant Bank (Ghana) Limited Fidelity Bank Limited Standard Chartered Bank Ghana Limited Zenith Bank Ghana Limited

MECHANICAL LLOYD COMPANY LIMITED

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FINANCIAL HIGHLIGHTS

	2011 GHS	2010 GHS	% Change
Revenue	34,196,071	28,455,287	20.17
Profit before Tax	4,236,840	2,459,643	72.25
Profit after Tax	3,414,655	1,454,239	134.81
Retained Profit	3,114,079	1,228,807	153.42
Shareholders' Funds	17,709,349	14,595,271	21.34
Capital Expenditure	528,514	420,136	25.80
Total Assets	<u>32,980,219</u>	<u>26,949,894</u>	22.38
Proposed dividend per share (GHS)	0.0080	0.0060	33.33
Earnings per share (GHS)	0.0682	0.0290	135.04
Net assets per share(GHS)	<u>0.3535</u>	<u>0.2913</u>	21.36

MECHANICAL LLOYD COMPANY LIMITED

Annual Report for the year ended 31 December 2011

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 2011

Statement of directors' responsibilities

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

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

Nature of business

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

Financial results

The financial results of the company are set out below:

	2011 GHS	2010 GHS
Profit before tax for the year ended 31 December is	4,236,840	2,459,643
from which is deducted tax of	(822,185)	(1,005,404)
giving a profit after tax for the year of	3,414,655	1,454,239
to which is added balance brought forward on income surplus account of	<u>6,842,057</u>	<u>5,613,250</u>
giving a balance of	10,256,712	7,067,489
Dividend paid	(300,576)	(225,432)
which leaves a balance carried forward on income surplus account of	<u>9,956,136</u>	<u>6,842,057</u>

MECHANICAL LLOYD COMPANY LIMITED

Annual Report for the year ended 31 December 2011

REPORT OF THE DIRECTORS (continued)

The company's net worth increased from GHS 14.5 million as at 1 January 2011 to **GHS 17.7 million** at the end of December 2011

Dividend

The directors recommend the payment of a dividend for the year ended 31 December 2011 of GHS 0.0080 per share amounting to GHS400,767

Auditor

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

By order of the board

Director :

Director :

Date :

MECHANICAL LLOYD COMPANY LIMITED

Annual Report for the year ended 31 December 2011

CORPORATE GOVERNANCE

Introduction

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

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

Board of Directors

The responsibility of good corporate governance is placed in the hands of the Board of Directors and the Management Team. The board comprises seven directors. The directors are knowledgeable individuals with experience in the automobile 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 strong backgrounds 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 the system of internal control in the company.

System of Internal Control

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

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

Code of Business Ethics

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

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mechanical Lloyd Company Limited on pages 8 to 30. These financial statements comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as a summary of significant accounting policies and the explanatory information.

Director's responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Companies Code, 1963 (Act 179) and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 and material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Mechanical Lloyd Company Limited as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Code 1963, (Act 179).

REPORT ON OTHER LEGAL REQUIREMENTS

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books; and
- iii) the balance sheet (statement of financial position) and profit and loss account (statement of comprehensive income) are in agreement with the books of account.

Chartered Accountants

..... 2012
Accra, Ghana

MECHANICAL LLOYD COMPANY LIMITED

Annual Report for the year ended 31 December 2011

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in Ghana cedis)

		Year ended 31 December	
	Note	2011 GHS	2010 GHS
Revenue	3	34,196,071	28,455,287
Cost of Sales		<u>(26,923,078)</u>	<u>(22,770,912)</u>
Gross Profit		7,272,993	5,684,375
Selling, general and administrative expenses	4	(5,727,838)	(4,859,162)
Other Operating Income	5	<u>4,892</u>	<u>45,629</u>
Operating Profit		1,550,047	870,842
Other income	6	2,789,496	2,106,990
Finance income		20,752	4,682
Finance costs	7	<u>(123,455)</u>	<u>(522,871)</u>
Profit before tax		4,236,840	2,459,643
Tax expense	15	<u>(822,185)</u>	<u>(1,005,404)</u>
Total comprehensive income for the year		<u>3,414,655</u>	<u>1,454,239</u>
Attributable to:			
Equity shareholders		<u>3,414,655</u>	<u>1,454,239</u>
Earnings per share			
Basic earnings per share	21	<u>0.0682</u>	0.0290
Diluted earnings per share	21	<u>0.0682</u>	0.0290

UN-AUDITED STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in Ghana cedis)

		Year ended 31 December	
	Note	2011 GHS	2010 GHS
NON CURRENT ASSETS			
Property, plant and equipment	9	8,302,952	8,345,674
Prepaid operating lease-land	10	674,631	420,000
Investment Properties	11	<u>9,152,100</u>	<u>6,681,400</u>
		<u>18,129,683</u>	<u>15,447,074</u>

CURRENT ASSETS

Inventories	12	6,856,962	6,691,146
Trade and other receivables	13	6,236,380	3,757,119
Current income tax	14(a)	0	152,512
Bank and Cash Balances	25	1,757,194	902,043
		<u>14,850,536</u>	<u>11,502,820</u>

TOTAL ASSETS**32,980,219**

26,949,894

EQUITY

Stated capital	20	2,771,486	2,771,486
Revaluation surplus account	22	4,981,727	4,981,727
Income surplus account	23	9,956,136	6,842,057
TOTAL EQUITY		<u>17,709,349</u>	<u>14,595,270</u>

LIABILITIES**Non-current liabilities**

Non-current portion of loan	19	0	1,416,722
Deferred income tax	14(b)	2,383,599	2,048,753
		<u>2,383,599</u>	<u>3,465,475</u>

CURRENT LIABILITIES

Current income tax	14(a)	124,827	0
Trade and other payables	17	10,969,328	8,025,553
Bank Overdrafts	18	1,793,116	277,344
Current portion of loan	19	0	586,252
		<u>12,887,271</u>	<u>8,889,149</u>

TOTAL LIABILITIES**15,270,870**

12,354,624

TOTAL EQUITY AND LIABILITIES**32,980,219****26,949,894****Managing Director: T R Darko****Board Chairman: C B K Zwennes**

MECHANICAL LLOYD COMPANY LIMITED

Annual Report for the year ended 31 December 2011

UN-AUDITED STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in Ghana cedis)

	Note	Stated Capital	Revaluation Surplus	Income Surplus	Total
Balance at 1 January 2011		2,771,486	4,981,727	6,842,057	14,595,270
Profit for the year		-	-	3,414,655	3,414,655
Deferred tax on revalued ppe		-	(0)	-	(0)
Dividend for 2010		-	-	(300,576)	(300,576)
At 31 December 2011		<u>2,771,486</u>	<u>4,981,727</u>	<u>9,956,136</u>	<u>17,709,349</u>
Balance at 1 January 2010		2,771,486	5,274,769	5,613,250	13,659,505
Profit for the year		-	-	1,454,239	1,454,239
Deferred tax on revalued ppe		-	(293,042)	-	(293,042)
Dividend for 2009		-	-	(225,432)	(225,432)
At 31 December 2010		<u>2,771,486.00</u>	<u>4,981,727</u>	<u>6,842,057</u>	<u>14,595,270</u>

MECHANICAL LLOYD COMPANY LIMITED

Annual Report for the year ended 31 December 2011

UN-AUDITED STATEMENT OF CASH FLOW

(All amounts are expressed in Ghana cedis)

	Notes	Year ended 31 December 2011 GHS	2010 GHS
Operating activities			
Cash generated from operations		2,323,831	3,121,544
Interest received		20,752	4,682
Interest paid		(123,455)	(522,871)
Tax paid		<u>(210,000)</u>	<u>(160,000)</u>
Net cash generated from operating activities		<u>2,011,128</u>	<u>2,443,355</u>
Investing activities			
Purchase property, plant and equipment		(528,514)	(420,136)
Proceeds from disposal of property, plant and equipment		<u>160,245</u>	<u>128,323</u>
Net cash used in investing activities		(368,269)	(291,813)
Financing activities			
Loans received		0	0
Repayment of loans		(2,002,974)	(2,638,573)
Dividend paid		<u>(300,576)</u>	<u>(225,432)</u>
Net cash generated from/(used in) financing activities		<u>(2,303,550)</u>	<u>(2,864,005)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(660,691)</u>	<u>(712,463)</u>
Movement in cash and cash equivalents			
At start of year		624,699	1,337,162
(Decrease)/Increase		<u>(660,691)</u>	<u>(712,463)</u>
At end of year		<u>(35,992)</u>	<u>624,699</u>

MECHANICAL LLOYD COMPANY LIMITED

Financial Statements for the year ended 31 December 2011

NOTES

1 General information

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

2 Summary of significant accounting policies

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

(a) Basis of accounting

The financial statements have been prepared on the historical cost basis. They have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

The financial statements are presented in Ghana cedis.

(b) Investments and other financial assets

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

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

(c) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of 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.

Demand cost includes surpluses arising on the revaluation of certain properties to their fair values prior to the date of transition to IFRS.

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 costs are charged to the income statement during the financial period in which they are incurred.

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

when the assets are ready for their intended use.

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

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

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

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

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

(d) **Impairment of assets**

At each balance sheet 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 flow are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flow have not been adjusted.

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

(e) **Inventories**

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

(f) **Trade receivables**

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

(g) **Investment properties**

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

(h) **Cash and cash equivalents**

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

(i) **Trade payables**

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

(j) **Bank borrowings**

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

(k) **Income tax**

Current income tax

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

Deferred income tax

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

(l) **Leases**

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

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

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

(m) **Provisions**

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

(n) **Revenue**

Sale of vehicle and spare parts

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

Sales revenue

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

Rental Income

Rental income is recognised on an accrual basis.

(o) **Foreign currencies**

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

Transactions in foreign currencies during the year are converted into Ghana cedis at prevailing rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Ghana cedis at the rates of exchange ruling at the balance sheet date. The resulting gains and losses are dealt with in the profit and loss account.

(p) **Dividend**

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

(q) **Post balance sheet events**

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

(r) **Comparatives**

Where necessary, comparative figures with notes have been reclassified to conform to changes in the presentation in the current year and for changes relating to the implementation of IFRS.

(s) **Contingent liabilities**

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

(t) **Critical accounting estimates and assumptions**

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

Property, plant and equipment

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

Income taxes

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

(u) **Critical judgements in applying the entity's accounting policies**

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

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

3	Revenue	2011	2010
		GHS	GHS
	Motor vehicles and farm machinery sales	27,408,370	23,108,216
	Spare parts sales and workshop earnings	6,425,086	4,987,984
	Rental income from investment properties	<u>362,615</u>	<u>359,087</u>
		<u>34,196,071</u>	<u>28,455,287</u>
4	Selling, general and administrative expenses		
	Selling, general and administrative expenses include:		
		2011	2010
		GHS	GHS
	Stock write off	33,008	42,916
	Depreciation	413,063	428,349
	Key management compensation -		
	Directors' emoluments (short-term benefits)	471,042	401,482
	Amount paid to auditors - audit fees	48,500	42,105
	Exchange loss - net	3,064	0
	Loss on disposal of property, plant & equipment	0	45,332
	Donations	<u>26,108</u>	<u>16,100</u>
5	Other operating income		
	Other operating income represents commission and fees earned by the company on special projects embarked upon during the year.		
6	Other income	2011	2010
		GHS	GHS
	Miscellaneous income	63,799	35,674
	Fair value gain on investment property	2,470,700	1,724,955
	Income from clinic services	187,321	140,891
	Interest income on credit sales	65,604	177,194
	Exchange (loss)/gain	0	28,276
	(Loss)/profit on sale of property, plant & equipment	2,072	0
		<u>2,789,496</u>	<u>2,106,990</u>
7	Finance income and costs	2011	2010
		GHS	GHS
	Finance income:		
	Bank interest income	<u>(20,752)</u>	<u>(4,682)</u>
	Finance costs:		
	Bank interest expense	<u>123,455</u>	<u>522,871</u>
8	Staff costs	2011	2010
		GHS	GHS
	Wages and salaries (includes executive directors emoluments)	2,916,890	2,198,862
	Social security contributions	<u>328,301</u>	<u>248,198</u>
		<u>3,245,191</u>	<u>2,447,060</u>

The average number of persons employed by the company during the year was 174 (2010:165).

Property, plant and equipment

	Buildings	Plant, machinery, equipment, furniture and vehicles	Capital work in progress	Total
Cost/Valuation				
At 1 January 2011	7,630,634	2,832,561	70,157	10,533,352
Additions	24,207	229,753	274,554	528,514
Disposals	-	(195,092)	-	(195,092)
At 31 December 2011	<u>7,654,841</u>	<u>2,867,222</u>	<u>344,711</u>	<u>10,866,774</u>
Accumulated depreciation				
At 1 January 2011	809,277	1,378,401	-	2,187,678
Charge for the year	219,509	193,554	-	413,063
Disposals	-	(36,919)	-	(36,919)
At 31 December 2011	<u>1,028,786</u>	<u>1,535,036</u>	<u>-</u>	<u>2,563,822</u>
Net book value				
At 31 December 2011	<u>6,626,055</u>	<u>1,332,186</u>	<u>344,711</u>	<u>8,302,952</u>
At 31 December 2010	<u>6,821,357</u>	<u>1,454,160</u>	<u>70,157</u>	<u>8,345,674</u>
Cost/Valuation				
At 1 January 2010	7,630,634	2,792,043	32,671	10,455,348
Additions	0	382,650	37,486	420,136
Transfers	0	0	0	0
Disposals	0	(342,132)	-	(342,132)
At 31 December 2010	<u>7,630,634</u>	<u>2,832,561</u>	<u>70,157</u>	<u>10,533,352</u>
Accumulated depreciation				
At 1 January 2010	593,281	1,334,552	-	1,927,833
Charge for the year	215,996	212,326	-	428,322
Disposals	0	(168,477)	-	(168,477)
At 31 December 2010	<u>809,277</u>	<u>1,378,401</u>	<u>-</u>	<u>2,187,678</u>
Net book value				
At 31 December 2010	<u>6,821,357</u>	<u>1,454,160</u>	<u>70,157</u>	<u>8,345,674</u>
At 31 December 2009	<u>7,037,353</u>	<u>1,457,491</u>	<u>32,671</u>	<u>8,527,515</u>

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

	2011	2010
Cost	2,925,779	2,925,779
Accumulated depreciation	<u>(1,017,578)</u>	<u>(809,304)</u>
Net book value	<u>1,908,201</u>	<u>2,116,475</u>
Loss/(profit) on disposal of property, plant and equipment		
	2011	2010
Cost	195,092	342,132
Accumulated depreciation	<u>(36,919)</u>	<u>(168,477)</u>
Net book value	<u>158,173</u>	<u>173,655</u>
Proceeds of Sales	<u>(160,245)</u>	<u>(128,323)</u>
Loss/(profit)	<u>(2,072)</u>	<u>45,332</u>

10 **Prepaid operating lease - Land**

Cost	420,000	420,000
Additions in year	<u>254,631</u>	<u>0</u>
At 31 December	<u>674,631</u>	<u>420,000</u>
Accumulated amortisation		
At January 1	-	-
Charge for the year	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>-</u>
Net book value		
At 31 December	<u>674,631</u>	<u>420,000</u>

11 **Investment Properties**

Valuation

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

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

12 **Inventories** 2011 2010

Trade Stock	6,425,286	5,603,867
Goods in transit	204,021	913,591
Work-in-progress	77,988	42,539
Non trade stocks	<u>149,667</u>	<u>131,149</u>
	<u>6,856,962</u>	<u>6,691,146</u>

The cost of inventories recognised as an expense and included in cost of sales amounted to GHS26,923,078 (2010: GHS21,006,112).

13 **Trade and other receivables**

Trade debtors	5,838,443	3,582,269
Staff debtors	385,382	153,559
other debtors and prepayments	<u>12,555</u>	<u>21,291</u>
	<u>6,236,380</u>	<u>3,757,119</u>

The maximum amount of staff indebtedness during the year did not exceed **GHS 400,000** (2010: GHS 200,000).

14

Income Tax

	Balance at January 2011	Tax Adjustment	Payments	Charge for the year	Balance at December 2011
(a) Current income tax					
Up to 2010	(152,512)	0	-	-	(152,512)
2011	-	0	(210,000)	487,339	277,339
	<u>(152,512)</u>	<u>0</u>	<u>(210,000)</u>	<u>487,339</u>	<u>124,827</u>
(b) Deferred income tax					
Accelerated depreciation	160,346		-	(28,690)	131,656
Other timing differences	1,009,279		-	363,536	1,372,815
	<u>1,169,625</u>		<u>0</u>	<u>334,846</u>	<u>1,504,471</u>
Revalued PPE	879,128		0	0	879,128
	<u>2,048,753</u>		<u>0</u>	<u>334,846</u>	<u>2,383,599</u>

15

Income tax expense

	2011	2010
Tax Adjustment	0	0
Current tax (Note 14(a))	487,339	662,378
Deferred tax (Note 14(b))	334,846	343,026
	<u>822,185</u>	<u>1,005,404</u>

16

Dividend

Payment of dividend is subject to the deduction of withholding taxes at the appropriate rate. Proposed dividend for approval at AGM (not recognised as a liability as at 31 December 2011) amounted to GHS 400,767 (GHS 0.0080 per share).

17

Trade and other payables

	2011	2010
Trade creditors	10,182,415	7,770,353
Accrued charges	478,427	15,004
Sundry creditors	308,486	240,196
	<u>10,969,328</u>	<u>8,025,553</u>

18

Bank overdrafts

At the balance sheet date the Company had certain banking facilities not exceeding GHS2.0 million (2010: GHS2.0 million). The facilities are secured by a debenture over the floating assets of the company, a legal mortgage over specified properties and a lien over trading stocks. The overdraft attracts interest at 18.0% per annum.

The banks have provided the company with facilities for guarantees of payment as follows: Up to Euro 1.5 million from Stanbic Bank Limited, US\$3.0 million from Stanbic Bank Limited and US\$4.5 million from Barclays Bank of Ghana Limited.

These guarantees attract various charges as and when they are utilised by the company.

19

Loans

	Balance at 01/01/2011	Drawdown	Repayment	Exchange Rate Adjustment	Balance at 31/12/2011
Bank loans	2,002,974	<u>0</u>	<u>(2,002,974)</u>	<u>0</u>	<u>0</u>
Current portion of loans	<u>(586,252)</u>				<u>0</u>
Non-current portion of loans	<u>1,416,722</u>				<u>0</u>

The bank loan comprises the following facility:

US\$1.8 million with Stanbic Bank Ghana Limited was paid in November 2011.

The loan attracted interest on the amount(s) drawn down at 9.5% (nine point five percent) flat.

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

20

Stated capital

The number of authorised shares of the Company is 100,000,000 ordinary shares of no par value out of which 50,095,925 (2010: 50,095,925) have been issued as follows:

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

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

21

Earnings per share

	2011	2010
Profit after tax	<u>3,414,655</u>	<u>1,454,239</u>
Number of ordinary shares (Number)	<u>50,095,925</u>	<u>50,095,925</u>
Basic and diluted earnings per share (GHS)	0.0682	0.0290

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

22

Revaluation surplus account

	2011	2010
Balance at 1 January	4,981,727	5,274,769
Deferred tax charge	0	(293,042)
Balance at 31 December	4,981,727	4,981,727

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

23	Income surplus account	2011	2010
	Balance at 1 January	6,842,057	5,613,250
	Total comprehensive income for the year	3,414,655	1,454,239
	Approved dividend paid during the year	(300,576)	(225,432)
	Balance at 31 December	9,956,136	6,842,057

24	Cash generated from operations	2011	2010
	Profit before tax	4,236,840	2,459,643
	Depreciation charge	413,063	428,322
	Exchange loss on bank borrowings	0	(39,743)
	Loss/(profit) on disposal of property, plant and equipment	(2,072)	45,332
	Bank interest income	(20,752)	(4,682)
	Bank interest expense	123,455	522,871
	Fair value gain on investment properties	(2,470,700)	(1,724,955)
	Change in working capital		
	Decrease/ (increase) in inventories	(165,816)	1,342,521
	Decrease/ (Increase) in trade and other receivables	(2,479,261)	261,921
	(Decrease)/ increase in trade and other payables	2,689,074	(169,686)
	Cash generated from operations	<u>2,323,831</u>	<u>3,121,544</u>

25 **Cash and cash equivalents**

For purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2011	2010
Bank and cash balances	1,757,194	902,043
Bank overdrafts	(1,793,116)	(277,344)
	<u>(35,992)</u>	<u>624,699</u>

26 **Capital commitments**

Provision for capital commitments at the balance sheet date amounted to nil (2010: nil)

27 **Contingent Liabilities**

There were no contingent liabilities at the balance sheet date (2010: nil)

28 **Financial risk management**

Financial risk factors

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

to minimise the potential adverse effects on its financial performance.

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

Sensitivity analysis - Current 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 and USD exposure. Management is responsible for minimising the effect on the currency exposure by buying foreign currencies when rates are relatively low and using them to settle bills when due.

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

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

Sensitivity analysis - interest rate risk

The Company's exposure to the risk of 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 the best interest rate borrowings when terms offered are attractive.

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

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

The fair values of debt are affected by movements in interest rates. A hypothetical 2% increase in interest rates will result in a reduction of GHS104,105 in profit after tax.

The values of debts and receivables denominated in foreign currency are subject to exchange rate movements. A hypothetical 10% upward change in the foreign exchange rate will result in a reduction of GHS509,940 in profit after tax. At the end of the year 2011, there was no material exposure to exchange rate risk.

Total exposure to credit risk

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

Trade receivables consist of invoiced amounts from normal trading activities. The Company has customers throughout Ghana. Strict credit control is exercised through monitoring of cash received from customers and, when necessary, provision is made for specific doubtful accounts. As at December 2011, management was unaware of any significant unprovided credit risk.

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

	2011	2010
Bank balances (excluding cash)	(1,736,154)	(870,985)
Trade and other receivables (excluding prepayments)	<u>6,233,243</u>	<u>3,735,828</u>
Total credit risk exposure	<u><u>4,497,089</u></u>	<u><u>2,864,843</u></u>

Liquidity risk

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

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

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

Maturity analysis of financial liabilities

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

	2011	2010
Financial liabilities due within one year	0	586,252
Financial liabilities due after one year	0	1,416,722

29 **Comparative figures**

Where necessary, comparatives have been reclassified to conform with changes in presentation in the current year and to take account of the implementation of IFRS.

30 **Management of capital**

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

31 **Fair value of financial assets and liabilities**

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