

## **MECHANICAL LLOYD COMPANY LIMITED**

Report for the Three Month Period Ended 30 June 2009

### **CORPORATE INFORMATION**

Directors	Charles Bartels Kwesi Zwennes (Chairman) Terence Ronald Darko (Managing Director) Yaw Assah - Sam Charles Sydney Aidoo Napoleon Kpakpo Bulley Andrew Lawson
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 Fidelity Bank Limited Standard Chartered Bank Ghana Limited

## **MECHANICAL LLOYD COMPANY LIMITED**

Report for the Three Month Period Ended 30 June 2009

## FINANCIAL HIGHLIGHTS

	2009 GHC	2008 GHC	% Change
Revenue	11,891,102	13,820,271	(13.96)
Profit before Tax	1,016,798	1,248,731	(18.57)
Profit after Tax	755,223	961,523	(21.46)
Retained Profit	755,223	961,523	(21.46)
Shareholders' Funds	14,280,508	11,416,182	25.09
Capital Expenditure	626,010	1,148,072	(45.47)
Total Assets	<u>27,972,165</u>	<u>22,347,904</u>	25.17
Proposed dividend per share (GHC)	0.0000	0.0000	0.00
Earnings per share (GHC)	0.0151	0.0192	(21.48)
Net assets per share(GHC)	<u>0.2851</u>	<u>0.2279</u>	25.09

## MECHANICAL LLOYD COMPANY LIMITED

Report for the Three Month Period Ended 30 June 2009

### REPORT OF THE DIRECTORS

The directors submit their report together with the unaudited financial statements of the company for the six month period ended 30 June 2009

### Statement of directors' responsibilities

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

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

#### Nature of business

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

#### Financial results

The financial results of the company are set out below:

	2009 GHC	2008 GHC
Profit before tax for the period ended 30 June is	1,016,798	1,248,731
from which is deducted tax of	(261,575)	(287,208)
giving a profit after tax for the period of	755,223	961,523
to which is added balance brought forward on income surplus account of	<u>4,892,944</u>	<u>1,822,318</u>
giving a balance of	5,648,167	2,783,841
out of which is deducted dividend paid	0	0
which leaves a balance carried forward on income surplus account of	<u>5,648,167</u>	<u>2,783,841</u>

The company's net worth increased from GHC 13.5 million as at 1 January 2009 to **GHC 14.2 million** at the end of June 2009

#### Dividend

The directors recommend the payment of no dividend for the period ended 30 June 2009.

#### Auditor

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

By order of the board

**MECHANICAL LLOYD COMPANY LIMITED**

Report for the Three Month Period Ended 30 June 2009

## CORPORATE GOVERNANCE

### Introduction

Mechanical Lloyd Company Limited recognizes 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 achievement of accountability and reporting standards. The business adopts standard accounting practices and ensures sound internal controls to facilitate transparency in the

disclosure of information and to give assurance to the reliability of the financial statements.

#### **Board of Directors**

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

#### **The Audit Committee**

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

#### **Systems of Internal Control**

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

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

#### **Code of Business Ethics**

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

## **MECHANICAL LLOYD COMPANY LIMITED**

Report for the Three Month Period Ended 30 June 2009

### **UN-AUDITED PROFIT AND LOSS ACCOUNT**

(All amounts are expressed in Ghana cedis)

		<b>Period ended 30 June</b>	
	<b>Notes</b>	<b>2009 GHC</b>	<b>2008 GHC</b>
<b>Revenue</b>	3	11,891,102	13,820,271
Cost of Sales		<u>(9,469,883)</u>	<u>(10,650,342)</u>
Gross Profit		2,421,219	3,169,929

Selling, general and administrative expenses	4	(1,625,955)	(2,135,339)
Other Operating Income	5	381,108	34,923
<b>Operating Profit</b>		1,176,372	1,069,513
Other income	6	58,467	185,931
Finance costs - net	7	(218,041)	(6,713)
<b>Profit before tax</b>		1,016,798	1,248,731
Income tax expense	15	(261,575)	(287,208)
<b>Profit for the quarter</b>		<u>755,223</u>	<u>961,523</u>
<b>Earnings per share</b>			
Basic earnings per share	21	<u>0.0151</u>	0.0192
Diluted earnings per share	21	<u>0.0151</u>	<u>0.0192</u>

#### UN-AUDITED BALANCE SHEET

(All amounts are expressed in Ghana cedis)

		As at June 2009	
	Notes	2009 GHC	2008 GHC
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	9,154,422	8,385,484
Prepaid operating lease-land	10	420,000	0
Investment Properties	11	4,050,000	2,642,640
		<u>13,624,422</u>	<u>11,028,124</u>
<b>CURRENT ASSETS</b>			
Inventories	12	8,816,325	6,209,831
Trade and other receivables	13	4,804,340	3,772,644
Current income tax	14(a)	37,899	221,824
Bank and Cash Balances	24	689,179	1,115,481
		<u>14,347,743</u>	<u>11,319,780</u>
<b>TOTAL ASSETS</b>		<b>27,972,165</b>	<b>22,347,904</b>

#### EQUITY

Stated capital	20	2,771,486	2,771,486
Revaluation surplus account	22	5,860,855	5,860,855
Income surplus account		5,648,167	2,783,841
<b>TOTAL EQUITY</b>		<b>14,280,508</b>	<b>11,416,182</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current portion of loan	19	1,575,417	2,396,959
Deferred income tax	14(b)	785,903	748,253
		<b>2,361,320</b>	<b>3,145,212</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payable	17	9,521,619	6,100,294
Bank Overdrafts	18	271,183	235,668
Current portion of loan	19	1,537,535	1,450,548
		<b>11,330,337</b>	<b>7,786,510</b>
<b>TOTAL LIABILITIES</b>		<b>13,691,657</b>	<b>10,931,722</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,972,165</b>	<b>22,347,904</b>

**C. B. K ZWENNES**  
CHAIRMAN

**T. R. DARKO**  
MANAGING DIRECTOR

## **MECHANICAL LLOYD COMPANY LIMITED**

Report for the Three Month Period Ended 30 June 2009

### **UN-AUDITED STATEMENT OF CHANGES IN EQUITY**

(All amounts are expressed in Ghana cedis)

	Notes	Stated Capital	Revaluation Surplus	Income Surplus	Total
Balance at 1 January 2009		2,771,486	5,860,855	4,892,944	13,525,285
Profit for the half year		-	-	755,223	755,223
Dividend Paid		-	-	0	0
As 30 June 2009		<b>2,771,486.00</b>	<b>5,860,855</b>	<b>5,648,167</b>	<b>14,280,508</b>

At 1 January 2008	2,771,486.00	5,860,855	3,710,460	12,342,801
Adjustment for IFRS	0	0	(1,888,142)	(1,888,142)
Profit for the half year	0	0	961,523	961,523
Dividend Paid	0	0	0	0
At 30 June 2008	<u>2,771,486.00</u>	<u>5,860,855</u>	<u>2,783,841</u>	<u>11,416,182</u>

## MECHANICAL LLOYD COMPANY LIMITED

Report for the Three Month Period Ended 30 June 2009

### UN-AUDITED CASH FLOW STATEMENT

(All amounts are expressed in Ghana cedis)

Notes	Period ended 30 June 2009 GHC	2008 GHC
<b>Operating activities</b>		
Cash generated from operations	1,185,604	1,223,509
Interest received	1,660	2,241
Interest paid	(318,020)	(128,263)
Tax paid	(40,000)	(86,401)
<b>Net cash generated from operating activities</b>	<u>829,244</u>	<u>1,011,086</u>
<b>Investing activities</b>		
Purchase property, plant and equipment	(626,010)	(1,148,072)
Proceeds from disposal of property, plant and equipment	271,937	0
<b>Net cash used in investing activities</b>	(354,073)	(1,148,072)
<b>Financing activities</b>		
Loans received	0	387,200
Repayment of loans	(936,988)	(196,004)
Dividend paid	0	0
<b>Net cash generated from/(used in) financing activities</b>	<u>(936,988)</u>	<u>191,196</u>

<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(461,817)</b>	<b>54,210</b>
<b>Movement in cash and cash equivalents</b>		
At start of year	<b>879,813</b>	825,603
(Decrease)/Increase	<b>(461,817)</b>	54,210
<b>At end of half year</b>	<b>417,996</b>	<b>879,813</b>

#### NOTES

##### **Accounting Policies**

The accounting policies which were followed for the three month period ended 30 June 2009 were consistent with those followed in the annual financial statements for the year ended 31 December 2008.

##### **Number of shares in issue**

The computation of earnings per share, dividend per share and net assets per share are based on 50,095,925 (2008: 50,095,925) shares in issue during the year.

**"The financial statements do not contain untrue statements, misleading facts or omit material facts to the best of our knowledge"**

## **MECHANICAL LLOYD COMPANY LIMITED**

Report for the Three Month Period Ended 30 June 2009

#### 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) for the first time.

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

Assets in course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees which are capitalized 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 recognized 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 recognized 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 realizable 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 realizable value is the price at which inventories can be sold in the ordinary course of the business after allowing for the cost of realization. Work in progress is valued at materials cost.

(f) **Trade receivables**

Trade receivables are initially recognized at fair value and subsequently measured at amortized 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 recognized 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 recognized at fair value and subsequently measured at amortized 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, accounted for on 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 recognized, 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 rate 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 capitalized 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 recognized 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 recognized 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 recognized 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 recognized 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**

Dividend 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 values 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 recognizes 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 amount 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 judgement in determining:

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

3	<b>Revenue</b>	<b>2009</b>	2008
		<b>GHC</b>	GHC
	Motor vehicles and farm machinery sales	9,766,343	11,695,763
	Spare parts sales and workshop earnings	2,016,921	2,016,670
	Rental income from investment properties	<u>107,838</u>	<u>107,838</u>
		<u><b>11,891,102</b></u>	<u><b>13,820,271</b></u>
4	<b>Selling, general and administrative expenses</b>		
	Selling, general and administrative expenses include:		
		<b>2009</b>	2008
		<b>GHC</b>	GHC
	Depreciation	218,346	201,702
	Key management compensation - Directors' emoluments (short-term benefits)	122,038	147,202
	Amount paid to auditors - audit fees	0	0
	- other services	0	0
	Exchange loss/(gain)	202,433	0
	Donations	<u>3,920</u>	<u>1,300</u>
5	<b>Other operating income</b>		
	Other operating income represents commission and fees earned by the company on special projects embarked upon during the year.		
6	<b>Other income</b>	<b>2009</b>	2008
		<b>GHC</b>	GHC
	Miscellaneous income	1,476	130,239
	Fair value gain on investment property	0	0
	Income from clinic services	51,878	55,692
	(Loss)/profit on sale of property, plant & equipment	<u>5,113</u>	<u>0</u>
		<u><b>58,467</b></u>	<u><b>185,931</b></u>
7	<b>Finance costs-net</b>	<b>2009</b>	2008
		<b>GHC</b>	GHC
	Bank interest expense	<b>(318,020)</b>	<b>(128,263)</b>
	Interest income on credit sales and bank interest income	<u>99,979</u>	<u>121,550</u>
		<u><b>(218,041)</b></u>	<u><b>(6,713)</b></u>
8	<b>Staff costs</b>	<b>2009</b>	2008
		<b>GHC</b>	GHC
	Wages and salaries (includes executive directors emoluments)	708,794	857,344
	Social security contributions	<u>80,590</u>	<u>86,544</u>
		<u><b>789,384</b></u>	<u><b>943,888</b></u>

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

9	<b>Property, plant and equipment</b>	<b>Plant, machinery, equipment, furniture</b>	<b>Capital work in</b>
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	Buildings	and vehicles	progress	Total
<b>Cost/Valuation</b>				
At 1 January 2009	6,213,758	2,864,758	<b>1,370,813</b>	<b>10,449,329</b>
Additions	0	537,046	88,964	<b>626,010</b>
Disposals	0	<b>(183,860)</b>	0	<b>(183,860)</b>
At 30 June 2009	<u>6,213,758</u>	<u>3,217,944</u>	<u>1,459,777</u>	<u><b>10,891,479</b></u>
<b>Accumulated depreciation</b>				
At 1 January 2009	374,149	1,227,526	0	<b>1,601,675</b>
Charge for the year	87,338	131,008	0	<b>218,346</b>
Disposals	-	<b>(82,964)</b>	0	<b>(82,964)</b>
At 30 June 2009	<u>461,487</u>	<u>1,275,570</u>	<u>0</u>	<u><b>1,737,057</b></u>
Net book value				
At 30 June 2009	<u><b>5,752,271</b></u>	<u><b>1,942,374</b></u>	<u><b>1,459,777</b></u>	<u><b>9,154,422</b></u>
At 30 June 2008	<u>5,935,926</u>	<u>1,564,861</u>	<u>884,697</u>	<u>8,385,484</u>
<b>Cost/Valuation</b>				
At 1 January 2008	6,198,848	2,419,016	0	<b>8,617,864</b>
Additions	10,450	252,925	884,697	<b>1,148,072</b>
Transfers	0	0	0	<b>0</b>
Revaluation surplus	0	0	0	<b>0</b>
Disposals	0	0	0	<b>0</b>
At 30 June 2008	<u>6,209,298</u>	<u>2,671,941</u>	<u>884,697</u>	<u><b>9,765,936</b></u>
<b>Accumulated depreciation</b>				
At 1 January 2008	192,692	986,058	0	<b>1,178,750</b>
Revaluation surplus	0	-	0	<b>0</b>
Charge for the year	80,680	121,022	0	<b>201,702</b>
Disposals	0	0	0	<b>0</b>
At 30 June 2008	<u>273,372</u>	<u>1,107,080</u>	<u>0</u>	<u><b>1,380,452</b></u>
Net book value				
At 30 June 2008	<u><b>5,935,926</b></u>	<u><b>1,564,861</b></u>	<u><b>884,697</b></u>	<u><b>8,385,484</b></u>
At 31 June 2007	<u>3,043,563</u>	<u>1,457,864</u>	<u>112,671</u>	<u>4,614,098</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:

	2009	2008
Cost	<b>1,042,957</b>	1,028,047
Accumulated depreciation	<b>(339,942)</b>	<b>(315,589)</b>
Net book value	<u><b>705,024</b></u>	<u>714,466</u>

	2009	2008
<b>Loss/(profit) on disposal of property, plant and equipment</b>		
Cost	<b>183,860</b>	0
Accumulated depreciation	<b>(82,964)</b>	0
Net book value	<b>266,824</b>	0
Proceeds of Sales	<b>(271,937)</b>	0
Loss/(profit)	<u><b>(5,113)</b></u>	<u>0</u>

#### 10 Prepaid operating lease - Land

<b>Cost</b>		
Additions in half year	<b>420,000</b>	0
At 30 June	<u><b>420,000</b></u>	<u>0</u>

**Accumulated amortization**

At January 1	0	0
Charge for the half year	0	0
At 30 June	<u>0</u>	<u>0</u>

**Net book value**

At 30 June	<u><u>420,000</u></u>	<u><u>0</u></u>
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11 **Investment Properties****Valuation**

At 1 January	<b>4,050,000</b>	2,642,640
Fair value gain	<b>0</b>	0
At 30 June	<u><u>4,050,000</u></u>	<u><u>2,642,640</u></u>

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

12 **Inventories**

	<b>2009</b>	<b>2008</b>
Trade Stock	<b>8,677,285</b>	4,193,486
Goods in transit	<b>53,217</b>	1,848,792
Work in-progress	<b>21,051</b>	118,452
Non trade stocks	<b>64,772</b>	49,101
	<u><u>8,816,325</u></u>	<u><u>6,209,831</u></u>

13 **Trade and other receivables**

Trade debtors	4,709,631	3,682,445
Staff debtors	10,402	78,905
other debtors and prepayments	<u>84,307</u>	<u>11,294</u>
	<u><u>4,804,340</u></u>	<u><u>3,772,644</u></u>

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

14 **Income Tax**

	<b>Balance at January 2009</b>	<b>Payments</b>	<b>Charge for the year</b>	<b>Balance at March 2009</b>
<b>(a) Current income tax</b>				
Up to 2006	(203,387)	0	0	<b>(203,387)</b>
2007	(110,704)	0	0	<b>(110,704)</b>
2008	92,267	0	0	<b>92,267</b>
2009	<u>0</u>	<u>(40,000)</u>	<u>223,925</u>	<u><b>183,925</b></u>
	<u><u>(221,824)</u></u>	<u><u>(40,000)</u></u>	<u><u>223,925</u></u>	<u><u><b>(37,899)</b></u></u>

**Deferred income tax**

Accelerated depreciation	93,757	0	5,274	<b>99,031</b>
Other timing differences	654,496	0	32,376	<b>686,872</b>
	<u>748,253</u>	<u>0</u>	<u>37,650</u>	<u><b>785,903</b></u>

15 **Income tax expense**

	<b>2009</b>	2008
Current tax ( Note 11(a) )	<b>223,925</b>	246,060
Deferred tax (Note 11(b) )	<b>37,650</b>	41,148
	<u><b>261,575</b></u>	<u>287,208</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 recognized as a liability as at 31 December 2008) amounted to GHC 300,576 (GHC 0.0060 per share).

17 **Trade and other payables**

	<b>2009</b>	2008
Trade creditors	<b>9,469,891</b>	6,086,434
Accrued charges	<b>0</b>	0
Sundry creditors	<b>51,728</b>	13,860
	<u><b>9,521,619</b></u>	<u>6,100,294</u>

18 **Bank overdrafts**

At the balance sheet date the Company had certain banking facilities not exceeding GH¢1.8 million (2008: GH¢1.8 million). The facilities are secured by a debenture over the floating assets of the company, a legal mortgage over specified properties and a lien over trading stocks. The overdraft attracts interest at 29.5% per annum.

The banks have provided some of the company's suppliers with guarantees of payment up to Euro 2.5 million for Fidelity Bank Limited and US\$10 million for Barclays Bank of Ghana Limited. These guarantees attract charges as and when they are accessed by the company.

19 **Loans**

	<b>Balance at 1/1/2009</b>	<b>Drawdown</b>	<b>Repayment</b>	<b>Exchange Rate Adjustment</b>	<b>Balance at 6/30/2009</b>
Bank loans	3,847,507	<u>0</u>	<u>(936,988)</u>	<u>202,433</u>	<b>3,112,952</b>
Current portion of loans	<u>(1,450,548)</u>				<u>(1,537,535)</u>
Non-current portion of loans	<u>2,396,959</u>				<u><b>1,575,417</b></u>

The bank loans comprise the following facilities:

- (a) US\$1.5 million with Fidelity Bank Ltd to be paid by January 2012; and
- (b) US\$2 million with Stanbic Bank Ghana Limited to be paid by March 2012

The loan attract interest on a floating rate basis at a percentage rate per annum. The Fidelity Bank Limited loan interest is charged at US base rate plus 1.75% per annum and the Stanbic Bank Ghana Limited loan interest is charged at US base rate only. The loans are secured by both fixed and floating charges on certain non-current assets of the company.

20 **Stated capital**

The number of authorized shares of the Company is 100,000,000 ordinary shares of no par value out of which 50,095,925 (2008: 50,095,925) have been issued as follows:

	2009 No. of shares	2008	2009 GHC	2008 GHC
Issued for cash	11,426,643	11,426,643	47,792	47,792
Rights issue	34,011,865	34,011,865	2,708,790	2,708,790
Transfer from income surplus	4,657,417	4,657,417	14,904	14,904
	<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 installments unpaid. There are no treasury shares

21 **Earnings per share**

	2009	2008
Profit after tax	<u>755,223</u>	<u>961,523</u>
Number of ordinary shares (Number)	<u>50,095,925</u>	<u>50,095,925</u>
Basic and diluted earnings per share (GHC)	0.0151	0.0192

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

22 **Revaluation surplus account**

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

23 **Cash generated from operations**

	2009	2008
Profit before tax	1,016,798	1,248,731
Depreciation charge	218,346	201,702
Exchange loss on bank borrowings	202,433	28,501
Loss/(profit) on disposal of property, plant and equipment	5,113	0
Bank interest expense	318,020	128,263
Bank interest income	(1,660)	(2,241)
Fair value gain on investment properties	0	0
<b>Change in working capital</b>		
Increase in inventories	(2,606,494)	(2,526,811)
Increase in trade and other receivables	(1,031,696)	(16,153)
Increase in trade and other payables	<u>3,064,744</u>	<u>2,161,517</u>
<b>Cash generated from operations</b>	<u>1,185,604</u>	<u>1,223,509</u>

24 **Cash and cash equivalents**

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

	2009	2008
Bank and cash balances	689,179	1,115,481
Bank overdrafts	(271,183)	(235,668)
	<u>417,996</u>	<u>879,813</u>

25 **Capital commitments**

Provision for capital commitments at the balance sheet date amounted to nil (2008: nil)

26 **Contingent Liabilities**

There were no contingent liabilities at the balance sheet date (2008: nil)

27 **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 minimize 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 exposures. Management is responsible for minimizing 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 states above in order to mitigate currency risk as a result of changes in foreign exchange rates.

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

Company's result.

### **Sensitivity analysis - interest rate risk**

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

### **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 2008, management was unaware of any significant unprovided credit risk.

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

	<b>2009</b>	2008
Bank balances (excluding cash)	<b>483,580</b>	1,003,933
Trade and other receivables (excluding prepayments)	<u><b>4,720,033</b></u>	<u>3,761,350</u>
Total credit risk exposure	<u><u><b>5,203,613</b></u></u>	<u><u>4,765,283</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:

	<b>2009</b>	2008
Financial liabilities due within one year	<b>1,537,535</b>	1,450,548
Financial liabilities due after one year	<u><b>2,396,959</b></u>	<u>1,575,417</u>

## 28 **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.

## 29 **Management of capital**

The primary objectives of the company's equity capital management are to ensure that the company is able to meet its

debts as they fall due and to maximize shareholder value. No changes were made in the objectives, policies and processes from the previous years.