

DR/20



2002

*Annual Report*

**ALUWORKS LTD.**

# ALUWORKS LTD.

**ANNUAL REPORT 2002**



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**NOTICE OF ANNUAL GENERAL MEETING**

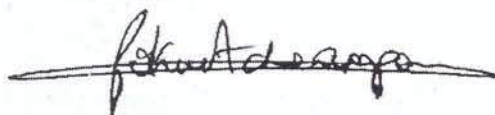
NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of ALUWORKS LIMITED will be held at the GOLDEN TULIP HOTEL, ACCRA on THURSDAY 15th May 2003 at 10.00 a.m.

**AGENDA**

- 1) To receive and adopt the Accounts of the Company for the period ended 31st December 2002, together with the reports of the Directors and Auditors thereon.
- 2) To declare a dividend for the year ended 31st December 2002.
- 3) To re-elect Directors.
- 4) To approve the fees of Non-Executive Directors.
- 5) To authorise the Directors to fix the remuneration of the Auditors.

Dated this 28th day of March 2003.

BY ORDER OF THE BOARD



**A. POKU-ACHEAMPONG**  
Secretary

**NOTE**

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A form of proxy is attached and for it to be valid for the purpose of the meeting, it must be completed and deposited at the Office of the Registrars, NTHC Limited, Martco House, No.D542/4, Okai Mensah Link, Adabraka, Accra, P. O. Box 9563 Airport, Accra not less than 48 hours before the appointed time of the meeting.



## BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE

### BOARD OF DIRECTORS

William Ekroo Inkumsah (Chairman)  
John Percival Awuku Nyako (Managing)  
Kofi Ansah  
Kwadwo Kwarteng  
Benjamin Akuete Gogo  
Samuel Kingsley Kwofie  
Kwame Sarpong  
James Akpo (Appointed 1/2/02)  
Napoleon Kpoh (Appointed 1/10/02)

### SECRETARY

Alex Poku-Acheampong  
Aluworks Limited  
P. O. Box 914  
Tema

### REGISTRARS AND REGISTERED OFFICE

NTHC Limited  
Martco House, No. D542/4  
Okai Mensah Link, Adabraka  
P. O. Box 9563  
Airport, Accra

### PRINCIPAL PLACE OF BUSINESS

Plot No. 63/1, Heavy Industrial Area  
P. O. Box 914  
Tema

### AUDITORS

**KPMG**  
Chartered Accountants  
2nd Floor, Mobil House  
Liberia Road  
P. O. Box 242  
Accra

### BANKERS

Barclays Bank of Ghana Limited  
CAL Merchant Bank Limited  
Ecobank Ghana Limited  
Ghana Commercial Bank Limited  
SSB Bank Limited





The Board of Directors  
and Secretary



Shareholders Voting  
at the 15th A.G.M



Part of the 3rd Casting Line



M.D. of Aluworks receiving  
the I.S.O certificate from S.G.S Official



Part of the 3rd Casting line



Group Photograph after  
obtaining I.S.O certification



## CHAIRMAN'S STATEMENT

### INTRODUCTION

Another year has ended and it is time to take stock of the Company's operations. The year 2002 was a rather difficult year for your Company, but with good management and the right strategies, Aluworks was able to post some relatively good results.

### ECONOMIC ENVIRONMENT

The macro-economic policies of the Government remained largely the same as the previous year. The cedi however depreciated more sharply by 13% against the dollar in the year 2002. This compared unfavourably with the 2001 rate of 5% decline in the value of the local currency. At the beginning of the year, the interbank exchange rate was ₵7,255 to the dollar, but the cedi ended the year at ₵8,352 to the dollar. The rate of inflation during the year was 15.2%. Interest rates on money market instruments were lower in 2002 compared to the previous year. This was due to the Government's determination to reduce inflation and interest rates in a bid to stabilise the economy. Interest rate on the 91-day treasury bill declined from 28.51% to 23.43% and that for the 182-day bill declined from 28.61% to 27.25% at the end of the year.

The above briefly depicts the economic conditions under which your Company operated in the year 2002.

### OPERATIONS

Aluworks produced 19,057 metric tons of products in the year 2002 as against the 17,420 metric tons produced in the year 2001. It must be stated that the expansion project in respect of the 3<sup>rd</sup> Casting Line was completed in July 2002 and the factory capacity was thus effectively increased from 20,000 metric tons to 30,000 metric tons in August 2002. The Company undertook trial production on the new machinery for four months.

### SALES

During the year under review, your Company sold 19,535 metric tons of products as against 16,277 metric tons sold in 2001. This represents an increase of 20% over the previous year's sales. A total of 7,474 metric tons were exported, (i.e. 38% of the total sales) as against 6,310 metric tons in 2001. An amount of US\$15.8 million was realised from the exports. On the local market, 12,061 metric tons of products were sold in 2002. This represents an increase of 21% on the 2001 figure of 9,971 metric tons. The sales turnover for the year was ₵335.8 billion as against ₵287.1 billion in 2001, an increase of 17%.

### FINANCIAL RESULTS

The 17% increase in sales value however was not fully reflected in the net financial results. This is due to the difficult conditions in which your Company operated during the year.





The global aluminium industry experienced a downward trend in the year. Additionally, Aluworks' main supplier, Valco, cut back production to 60% at short notice due to electrical power problems. The importation of additional metal increased raw material costs and created cash flow problems and higher financing costs. Consequently the Company realised lower prices on both the local and export markets in an environment of stiff foreign competition. An 8% increase in operating costs per ton could not be passed on through higher prices and hence the reduced profits. Operating profit of ¢38.9 billion was 32% lower than the 2001 figure of ¢57.5 billion. The net profit of ¢29.3 billion was also 24% lower than the previous year's figure of ¢38.5 billion. Earnings per share was ¢704 (¢925 in 2001).

## DIVIDENDS

The Directors recommend a dividend of ¢600 per share made up of an interim dividend of ¢250 per share (paid in December 2002) and a final dividend of ¢350 to be paid on June 30, 2003. The total dividend of ¢600 per share represents a dividend growth of 20% and is a recognition of the loyalty of our shareholders. The payout ratio is 85% of the 2002 net profit.

## CAPITAL INVESTMENTS/EXPANSION PROJECTS

As indicated earlier in my speech, the expansion project was successfully completed in July 2002. The Company's installed capacity was thus increased from 20,000 metric tons to 30,000 metric tons in August 2002. The 3<sup>rd</sup> Casting Line expansion project was formally inaugurated on April 8, 2003 at an impressive ceremony at the plant. Dr. Paa Kwesi Nduom, Minister of Energy represented the President of Ghana at the function. The Board and Management are studying plans for a paint line project for future development. This facility will enable your Company to enhance substantially the value of the sheet metal it produces and thereby increase future margins substantially. The estimated cost of the machinery is between US\$5 million and US\$7 million.

## HUMAN RESOURCE

Your Company recognises its employees as the most important resource and as such, offers continuous training and development to all levels of staff. The workforce is thus highly trained with good knowledge of both the technology and the nature of the aluminium business.

## ISO CERTIFICATION

During the year, the Company successfully passed the two mandatory surveillance audits it had to undergo as an ISO certified company. The International Assessors, SGS, expressed their satisfaction with the quality management system and product quality of your Company. Aluworks' status as an ISO certified company has helped the Company a great deal in its export drive.

## BOARD OF DIRECTORS

The Board played its supervisory management role effectively during the year. It met regularly and discharged its duties efficiently for good corporate governance. Two Committees of the Board namely the Audit Committee and the Remuneration Committee duly performed their functions during the year.





**Audit Committee** - The Committee, made up of Non-Executive Directors studied the Company's accounts and financial statements thoroughly before Board meetings and briefed the Board on all significant financial transactions of the Company.

**Remuneration Committee** - The Committee during the year worked, among others, on the issue of a replacement for the current Managing Director whose contract of service will end in August 2004.

Mr. Napoleon Kpoh joined the Board in October 2002 as a representative of SSNIT, the largest shareholder of the Company. I take this opportunity to formally welcome him to the Board. The Board will at this meeting seek shareholders ratification of his appointment by way of an election.

In accordance with the regulations of the Company, Messrs. B. A. Gogo and S. K. Kwofie will be retiring by rotation and being eligible, have offered themselves for re-election.

## PERFORMANCE ON THE STOCK EXCHANGE

Unlike the previous year, your Company's share did not perform well on the stock market. There was a depreciation in the value of the share by 14%. In spite of this the Company remains strong.

The Board and Management have adopted the right strategies to put an end to the loss in the value of the share and to ensure that there will be reasonable appreciation in the value of the share in 2003.

## CORPORATE CITIZEN

Aluworks discharged its corporate social responsibilities during the year. The environmental standards of the Environmental Protection Agency and the provisions of the Factories, Offices and Shops Act, 1970, Act 328 were complied with.

Donations were also made to educational institutions and to deserving organisations within the Tema municipality.

## PROJECTIONS FOR THE FUTURE

The future presents a lot of challenges. The electrical power situation in the country has resulted in Valco operating only one pot line since January 2003. Your Company therefore has to import over 80% of its raw material needs. This requires additional working capital and will increase the cost of operations significantly. This year will also be the first full year of operating at the new capacity of 30,000mt.

The Board and Management have formulated the right strategies to enhance efficiency and reduce significantly the cost of operations. These measures will ensure that your Company retains its competitive edge to be able to increase margins and shareholder value by the end of the year.

## CONCLUSION

On behalf of the Board, I wish to express my gratitude to all our shareholders, customers and suppliers for their support and cooperation which have helped us to achieve modest results for the year. I also want to thank my colleagues on the Board as well as Management and staff for the good work done during the year. I trust that you will work even harder this year to enable us surmount the challenges and achieve better results for the Company.

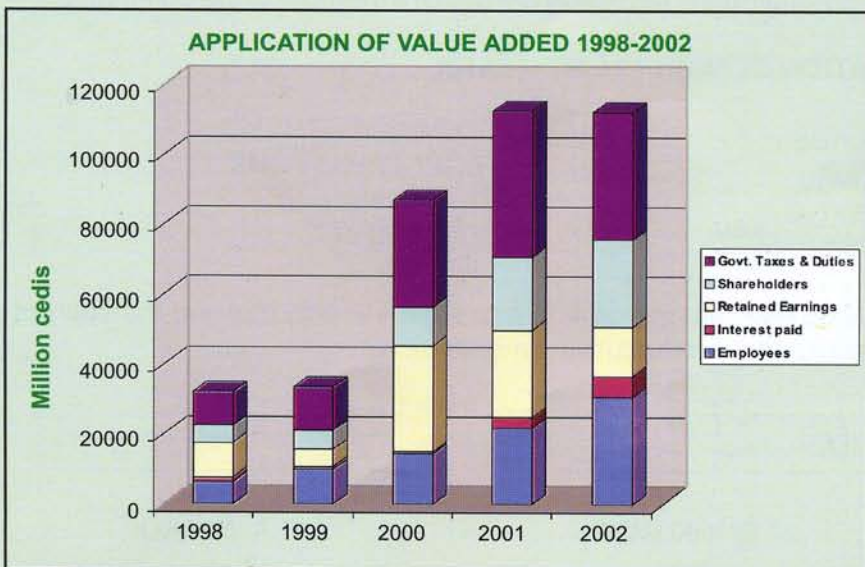
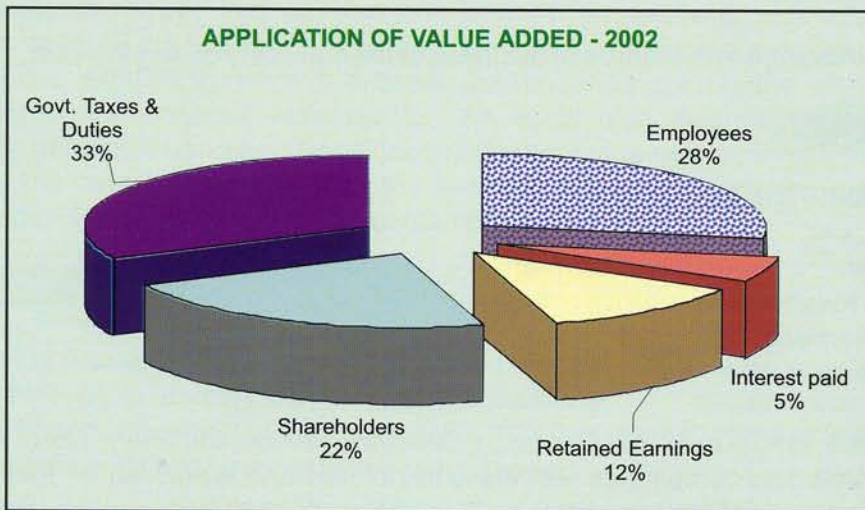
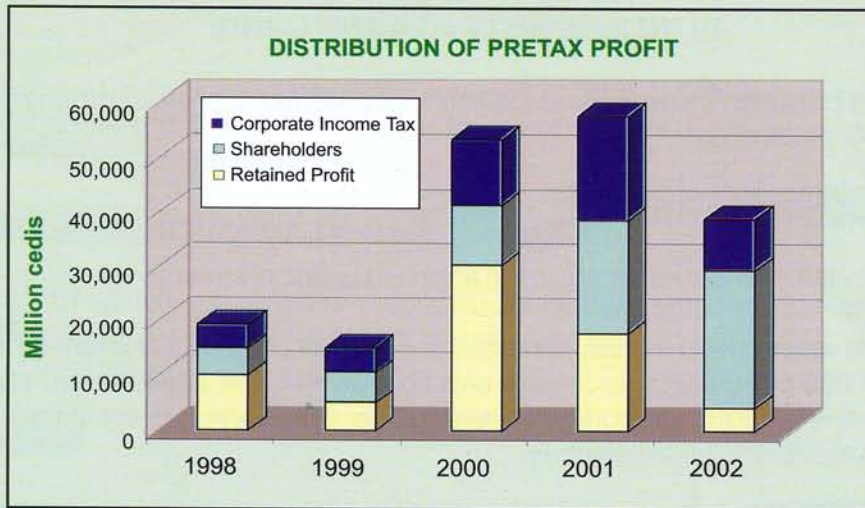


## FINANCIAL HIGHLIGHTS - FIVE YEAR PERFORMANCE 1998-2002

| YEAR  | 1998              | 1999              | 2000              | 2001               | Reporting Year     |        |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|--------|
|   |                   |                   |                   |                    | 2002               | CHANGE |
| Turnover (cedi million)                           | 92,891            | 104,087           | 229,025           | 287,167            | 335,816            | 17%    |
| Profit before interest and tax.(cedi million)     | 16,918            | 11,937            | 46,460            | 58,571             | 44,139             | -25%   |
| Interest income (cedi million)                    | 157               | 276               | 584               | 2,018              | 783                | -61%   |
| Interest expense (cedi million)                   | (1,329)           | (856)             | (573)             | (3,083)            | (6,008)            | 95%    |
| Profit before tax.(cedi million)                  | 15,745            | 11,357            | 46,471            | 57,505             | 38,914             | -32%   |
| Taxation (cedi million)                           | (4,324)           | (4,555)           | (11,877)          | (18,938)           | (9,560)            | -50%   |
| Profit after tax. (cedi million)                  | 11,422            | 6,802             | 34,595            | 38,567             | 29,354             | -24%   |
| Earnings per share (cedi)                         | 822               | 490               | 2,490             | 925*               | 704                | -24%   |
| * Note: 27.78 million bonus shares issued in 2001 |                   |                   |                   |                    |                    |        |
| Dividend per share (cedi)                         | 360               | 400               | 800               | 500*               | 600                | 20%    |
| Shareholders equity(cedi million)                 | 51,210            | 52,384            | 89,106            | 106,835            | 111,153            | 4%     |
| Net Assets per share (cedi)                       | 3,686             | 3,771             | 6,414             | 3,063              | 2,667              | -13%   |
| New issue of Shares (thousands)                   | 566               | (0)               | 0                 | 27,785*            | 0                  |        |
| Number of shares (thousands)                      | 13,893            | 13,893            | 13,893            | 41,678             | 41,678             | 0%     |
| Fixed assets (cedi million)                       | 32,090            | 31,081            | 45,247            | 60,447             | 80,141             | 33%    |
| <b>PERFORMANCE RATIOS</b>                         |                   |                   |                   |                    |                    |        |
|   | <b>1998</b>       | <b>1999</b>       | <b>2000</b>       | <b>2001</b>        | <b>2002</b>        |        |
| Gross margin/Turnover                             | 23.71%            | 16.18%            | 23.16%            | 25.61%             | 18.23%             |        |
| Net Margin/Turnover                               | 12.30%            | 6.53%             | 15.11%            | 13.43%             | 8.74%              |        |
| Return on Equity                                  | 22.30%            | 12.98%            | 38.82%            | 36.10%             | 26.41%             |        |
| Current Ratio                                     | 1.95              | 1.90              | 2.35              | 2.37               | 1.77               |        |
| <b>VALUE ADDED STATEMENT</b>                      |                   |                   |                   |                    |                    |        |
|   | <b>1998</b>       | <b>1999</b>       | <b>2000</b>       | <b>2001</b>        | <b>2002</b>        |        |
| <b>OUR EARNINGS:-in thousand cedis</b>            |                   |                   |                   |                    |                    |        |
| Sale Of Goods                                     | 98,112,440        | 111,847,570       | 247,779,634       | 309,885,423        | 362,442,107        |        |
| Other Income                                      | 761,732           | 2,635,290         | 6,366,733         | 3,896,912          | 6,373,886          |        |
| Interest Income                                   | 156,620           | 275,823           | 584,215           | 2,017,717          | 782,829            |        |
| <b>LESS:</b>                                      |                   |                   |                   |                    |                    |        |
| Bought in Materials/Services                      | -66,830,657       | -81,109,854       | -167,617,534      | -203,378,778       | -257,562,920       |        |
| <b>VALUE ADDED</b>                                | <b>32,200,135</b> | <b>33,648,829</b> | <b>87,113,048</b> | <b>112,421,274</b> | <b>112,035,902</b> |        |
| <b>USED AS FOLLOWS:-</b>                          |                   |                   |                   |                    |                    |        |
| Employees   | 6,351,100         | 9,958,345         | 14,529,556        | 21,970,558         | 30,920,385         |        |
| Govt. Taxes & Duties                              | 9,545,577         | 12,315,861        | 30,631,309        | 41,656,169         | 36,186,004         |        |
| Interest paid                                     | 1,328,665         | 855,925           | 573,226           | 3,083,404          | 6,008,497          |        |
| Shareholders                                      | 5,001,411         | 5,529,953         | 11,114,110        | 20,838,956         | 25,006,747         |        |
| <b>RETAINED EARNINGS</b>                          |                   |                   |                   |                    |                    |        |
| Depreciation                                      | 3,553,045         | 3,717,131         | 6,784,408         | 7,143,722          | 9,567,433          |        |
| Profit Retained                                   | 6,420,357         | 1,271,614         | 23,480,439        | 17,728,465         | 4,346,835          |        |
| <b>TOTAL</b>                                      | <b>32,200,135</b> | <b>33,648,829</b> | <b>87,113,048</b> | <b>112,421,274</b> | <b>112,035,901</b> |        |







## REPORT OF THE DIRECTORS TO THE MEMBERS OF ALUWORKS LIMITED

The Directors present their report and the financial statements of the company for the year ended 31<sup>st</sup> December 2002.

### FINANCIAL STATEMENTS AND DIVIDENDS

The results for the year are as set out in the attached financial statements.

The Directors recommend the payment of a dividend of ¢600.00 per share amounting to ¢25,006,747,000 comprising an interim and final dividend of ¢250.00 and ¢350.00 per share respectively for the year under consideration. The Directors consider the state of the company's affairs to be satisfactory.

### NATURE OF BUSINESS

There was no change in the nature of business of the company during the year.

### BOARD COMMITTEES

#### AUDIT COMMITTEE MEMBERS

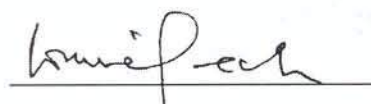
Mr. Kofi Ansah - Chairman  
Mr. Kwadwo Kwarteng  
Mr. Kwame Sarpong  
Mr. James Akpo

The committee, made up of Non-Executive Directors, reviews the adequacy of systems of internal controls and compliance with material policies and laws. Mr. K. Kwarteng was appointed Chairman of the committee on December 19, 2002 following the resignation of Mr. K. Ansah as Chairman. Mr. Kofi Ansah is still a member of the committee.

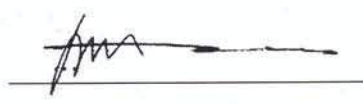
#### REMUNERATION COMMITTEE MEMBERS

Mr. W. E. Inkumsah - Chairman  
Mr. B. A. Gogo  
Mr. Kofi Ansah  
Mr. S. K. Kwofie

The committee's task, among others, is to establish a formal and transparent procedure for developing a policy on executive remuneration.



W. E. INKUMSAH



J. P. A. NYAKO

TEMA

9th April, 2003





## REPORT OF THE AUDITORS TO THE MEMBERS OF ALUWORKS LIMITED

We have audited the financial statements on pages 12 to 24, which have been prepared in accordance with Ghana Accounting Standards. We have obtained all the information and explanations we required.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

These financial statements are the responsibility of the company's directors. Our responsibility is to express an independent opinion on these financial statements based on our audit.

### BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion proper books have been kept and the financial statements, which are in agreement therewith, comply with the Companies Code, 1963 and give a true and fair view of the financial position of the company at 31st December 2002 and of the results of its operations and cash flows for the year then ended.

*U P M C*

CHARTERED ACCOUNTANTS  
2ND FLOOR, MOBIL HOUSE  
LIBERIA ROAD  
P. O. BOX 242  
ACCRA

11th April 2003

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2002

|   | Note | 2002<br>c'000 | 2001<br>c'000 |
|---|------|---------------|---------------|
| <b>GROSS SALES</b>                              |      | 362,442,107   | 309,885,423   |
| Sales and Value Added Tax                       |      | (26,625,866)  | (22,718,133)  |
| <b>NET SALES</b>                                |      | 335,816,241   | 287,167,290   |
| Cost of Sales                                   |      | (274,609,025) | (213,636,717) |
| <b>GROSS PROFIT</b>                             |      | 61,207,216    | 73,530,573    |
| General, Administrative<br>and Selling Expenses |      | (23,441,712)  | (18,856,341)  |
| <b>TRADING PROFIT</b>                           | 2    | 37,765,504    | 54,674,232    |
| Sundry Income                                   | 3    | 6,373,886     | 3,896,912     |
| <b>PROFIT BEFORE INTEREST<br/>AND TAXATION</b>  |      | 44,139,390    | 58,571,144    |
| Net Interest Expense                            | 4    | (5,225,668)   | (1,065,687)   |
| <b>PROFIT BEFORE TAXATION</b>                   |      | 38,913,722    | 57,505,457    |
| Taxation  | 5    | (9,560,138)   | (18,938,036)  |
| <b>PROFIT AFTER TAXATION</b>                    |      | 29,353,584    | 38,567,421    |
| transferred to Income Surplus Account           |      |               |               |

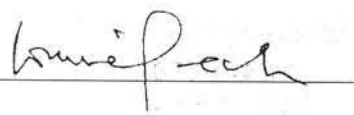
## INCOME SURPLUS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2002

|   | 2002<br>c'000 | 2001<br>c'000 |
|---|---------------|---------------|
| Balance at 1st January 2002                       | 55,907,864    | 38,179,399    |
| Profit for the year                               | 29,353,584    | 38,567,421    |
|   | 85,261,448    | 76,746,820    |
| Proposed Dividend: c600<br>(2001: c500) per share | (25,006,747)  | (20,838,956)  |
| Balance at 31st December 2002                     | 60,254,701    | 55,907,864    |

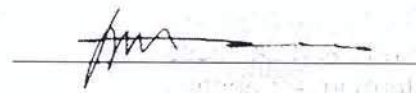


## BALANCE SHEET AT 31ST DECEMBER 2002

|                              | Note |             | 2002<br>c'000 | 2001<br>c'000 |
|------------------------------|------|-------------|---------------|---------------|
| <b>FIXED ASSETS</b>          | 6    |             | 80,141,401    | 60,446,645    |
| <b>INVESTMENTS</b>           | 7    |             | 276,000       | 276,000       |
| <b>CURRENT ASSETS</b>        |      |             |               |               |
| Stocks                       | 8    | 72,525,583  | 48,373,477    |               |
| Debtors                      | 9    | 51,842,475  | 44,902,941    |               |
| Short Term Investments       |      | -           | 22,208,181    |               |
| Cash and Bank balances       |      | 11,421,956  | 13,420,439    |               |
|                              |      | 135,790,014 | 128,905,038   |               |
| <b>CURRENT LIABILITIES</b>   |      |             |               |               |
| Bank Overdraft and Loans     | 10   | 36,167,808  | 7,835,120     |               |
| Creditors                    | 11   | 23,300,983  | 18,951,763    |               |
| Taxation                     | 5    | 2,503,167   | 8,221,231     |               |
| Dividend Payable             | 15   | 14,587,970  | 20,839,656    |               |
|                              |      | 76,559,928  | 55,847,770    |               |
| <b>NET CURRENT ASSETS</b>    |      |             | 59,230,086    | 73,057,268    |
|                              |      |             | 139,647,487   | 133,779,913   |
| <b>LONG TERM LIABILITIES</b> |      |             |               |               |
| Deferred Taxation            | 5    | 8,262,181   | 6,361,604     |               |
| Loans                        |      | 20,232,000  | 20,583,020    |               |
|                              |      |             | (28,494,181)  | (26,944,624)  |
| <b>NET ASSETS</b>            |      |             | 111,153,306   | 106,835,289   |
| <b>FINANCED BY:</b>          |      |             |               |               |
| <b>STATED CAPITAL</b>        | 12   |             | 50,024,067    | 50,024,067    |
| <b>SHARE DEALS ACCOUNT</b>   | 13   |             | 874,538       | 903,358       |
| <b>CAPITAL SURPLUS</b>       | 14   |             | -             |               |
| <b>INCOME SURPLUS</b>        |      |             | 60,254,701    | 55,907,864    |
|                              |      |             | 111,153,306   | 106,835,289   |



W. E. INKUMSAH



J. P. A. NYAKO

The Directors approved the financial statements on 9th April 2003



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2002

|  | Note         | 2002<br>c'000 | 2001<br>c'000 |
|--|--------------|---------------|---------------|
| <b>Net Cash flow from operating activities</b>   | 16           | 31,866,134    | 30,821,684    |
| <b>Investment returns and servicing of finance</b>   |              |               |               |
| Interest paid  | (6,008,497)  | (3,083,404)   |               |
| Interest received  | 782,829      | 2,017,717     |               |
| Dividends paid   | (31,258,433) | (11,114,110)  |               |
| Dividends received   | -            | 115,200       |               |
|  |              | (36,484,101)  | (12,064,597)  |
| <b>Tax paid</b>  |              | (13,377,265)  | (14,970,723)  |
| <b>Investing activities</b>  |              |               |               |
| Fixed assets purchased   | (29,298,497) | (22,349,465)  |               |
| Proceeds from sale of fixed assets   | 34,094       | 71,664        |               |
|  |              | (29,264,403)  | (22,277,801)  |
| <b>Financing activities</b>  |              |               |               |
| Loans received   | 21,434,503   | 25,728,775    |               |
| Loan repaid  | (6,541,155)  | -             |               |
| (Purchase)/Sale of own shares  | (28,820)     | 1,215         |               |
|  |              | 14,864,528    | 25,729,990    |
| <b>(Decrease)/Increase in cash and cash equivalents</b>                                    |              | (32,395,107)  | 7,238,553     |
| <b>Analysis of changes in cash and cash equivalents during the year</b>                    |              |               |               |
| Balance at 1st January   |              | 32,939,255    | 25,700,702    |
| Net cash(outflow)/inflow   |              | (32,395,107)  | 7,238,553     |
| Balance at 31st December   |              | 544,148       | 32,939,255    |
| <b>Analysis of the balances of cash and cash equivalents as shown in the balance sheet</b> |              |               |               |
| Cash and bank balances   |              | 11,421,956    | 13,420,439    |
| Short term investments   |              | -             | 22,208,181    |
| Bank overdraft and Loans   |              | (10,877,808)  | (2,689,365)   |
|  |              | 544,148       | 32,939,255    |





**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2002****1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the company's financial statements

**a. Basis of Accounting**

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain leasehold land and buildings, plant, machinery and office equipment.

**b. Depreciation**

Depreciation is provided for on a straight-line basis at rates calculated to write off the gross value of each fixed asset over its estimated useful life. The annual rates generally in use are as follows:

|                                |   |                      |
|--------------------------------|---|----------------------|
| Leasehold Land and Buildings   | - | Over period of lease |
| Plant, Machinery and Equipment | - | 8% - 20%             |
| Motor Vehicles                 | - | 20%                  |

**c. Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost represents the landed cost of raw materials and consumables plus a percentage of direct labour costs and overheads for work-in-progress and finished goods.

**d. Gross Sales**

Gross sales represent the value of goods invoiced to customers during the period and include value added tax.

**e. Debtors**

Debtors are stated after providing for specific debts considered to be doubtful.

**f. Foreign Currencies**

Transactions denominated in foreign currencies are translated into cedis and recorded at the rates of exchange ruling at the dates of the transactions.

Balances denominated in foreign currencies are translated into cedis at exchange rates ruling on the balance sheet date.

## g. Deferred Taxation

Deferred tax is provided for using the liability method on temporary differences between the carrying amounts of assets and liabilities. A deferred tax asset is recognised to the extent that it is probable to crystallise.

## h. 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.

### 2. TRADING PROFIT

is stated after charging:

|                         | 2002<br>c'000 | 2001<br>c'000 |
|-------------------------|---------------|---------------|
| Auditors' Fees          | 70,200        | 60,000        |
| Depreciation            | 9,567,432     | 7,143,722     |
| Directors' Remuneration | 498,436       | 383,000       |
| Donations               | 244,797       | 245,332       |

### 3. SUNDRY INCOME

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Roofing Fixings and Dross          | 253,157   | 128,971   |
| Sale of Scrap                      | 17,629    | 9,610     |
| Sundries                           | 125,914   | 91,124    |
| Dividend Income                    | -         | 115,200   |
| Profit on disposal of fixed assets | -         | 65,791    |
| Exchange Gain                      | 5,977,186 | 3,486,216 |
|                                    | 6,373,886 | 3,896,912 |

### 4. NET INTEREST EXPENSE

|                                     |           |             |
|-------------------------------------|-----------|-------------|
| Interest on Loans and Overdraft     | 6,008,497 | 3,083,404   |
| Interest Earned on Investments      | (599,105) | (1,992,194) |
| Interest Earned on Current Accounts | (183,724) | (25,523)    |
|                                     | 5,225,668 | 1,065,687   |



## 5. TAXATION

|                                     | Balance<br>at 1/1/02<br>€'000 | Payments<br>€'000 | Charge<br>for year<br>€'000 | Balance<br>at 31/12/02<br>€'000 |
|-------------------------------------|-------------------------------|-------------------|-----------------------------|---------------------------------|
| <b>Income Tax</b>                   |                               |                   |                             |                                 |
| 2000                                | (50,851)                      | (360)             | -                           | (51,211)                        |
| 2001                                | 7,351,610                     | (7,324,678)       | -                           | 26,932                          |
| 2002                                | -                             | (5,452,587)       | 6,686,718                   | 1,234,131                       |
| <b>National Reconstruction Levy</b> | 920,472                       | (600,000)         | 972,843                     | 1,293,315                       |
|                                     | 8,221,231                     | (13,377,625)      | 7,659,561                   | 2,503,167                       |
| <b>Deferred Tax</b>                 | 6,361,604                     | -                 | 1,900,577                   | 8,262,181                       |
|                                     | 14,582,835                    | (13,377,625)      | 9,560,138                   | 10,765,348                      |

The income tax liabilities are subject to agreement with the Internal Revenue Service.

## 6. FIXED ASSETS

|                                     | Leasehold<br>Land and<br>Buildings<br>€'000 | Plant and<br>Machinery<br>€'000 | Equipment<br>€'000 | Motor<br>Vehicles<br>€'000 | Capital<br>Work in<br>Progress<br>€'000 | Total<br>€'000 |
|-------------------------------------|---|---------------------------------|--------------------|----------------------------|---|----------------|
| <b>Gross Value</b>                  |   |                                 |                    |                            |   |                |
| At 1/1/02                           | 21,312,624                                  | 48,219,154                      | 6,713,787          | 4,771,975                  | 15,587,390                              | 96,604,930     |
| Additions                           | -   | -                               | 1,052,904          | 271,928                    | 27,973,665                              | 29,298,497     |
| Disposals                           | -   | -                               | (47,608)           | (100,405)                  | -                                       | (148,013)      |
| Transfers                           | 3,857,959                                   | 39,440,002                      | 263,094            | -                          | (43,561,055)                            | -              |
| At 31/12/02                         | 25,170,583                                  | 87,659,156                      | 7,982,177          | 4,943,498                  | -                                       | 125,755,414    |
| <b>Comprising</b>                   |   |                                 |                    |                            |   |                |
| Cost of assets<br>revalued          | 7,088,001                                   | 29,837,177                      | 1,066,378          | 919,890                    | -                                       | 38,911,446     |
| Surplus on<br>revaluation           | 4,527,306                                   | 10,597,993                      | 566,632            | 433,553                    | -                                       | 16,125,484     |
| At revaluation                      | 11,615,307                                  | 40,435,170                      | 1,633,010          | 1,353,443                  | -                                       | 55,036,930     |
| At cost                             | 13,555,276                                  | 47,223,986                      | 6,349,167          | 3,590,055                  | -                                       | 70,718,484     |
|                                     | 25,170,583                                  | 87,659,156                      | 7,982,177          | 4,943,498                  | -                                       | 125,755,414    |
| <b>Accumulated<br/>Depreciation</b> |   |                                 |                    |                            |   |                |
| At 1/1/02                           | 2,577,413                                   | 26,651,886                      | 4,218,203          | 2,710,783                  | -                                       | 36,158,285     |
| Charge for the year                 | 845,333                                     | 6,840,380                       | 1,113,794          | 767,925                    | -                                       | 9,567,432      |
| Released on disposals               | -   | -                               | (35,274)           | (76,430)                   | -                                       | (111,704)      |
| At 31/12/02                         | 3,422,746                                   | 33,492,266                      | 5,296,723          | 3,402,278                  | -                                       | 45,614,013     |
| <b>Net Book Value</b>               |   |                                 |                    |                            |   |                |
| At 31/12/02                         | 21,747,837                                  | 54,166,890                      | 2,685,454          | 1,541,220                  | -                                       | 80,141,401     |
| At 31/12/01                         | 18,735,211                                  | 21,567,268                      | 2,495,584          | 2,061,192                  | 15,587,390                              | 60,446,645     |

Leasehold Land and Buildings, Plant, Machinery, Equipment and Vehicles were revalued by Valuation and Investments Associates (Professional Valuers, Estate Agents and Property Consultants) on 9th July 1999 on the basis of their open market values. These figures were incorporated in the financial statements during the year ended 31st December 2000.





## FIXED ASSETS (cont'd)

a. Depreciation has been charged in the financial statements as follows:

|   | 2002<br>¢'000 | 2001<br>¢'000 |
|---|---------------|---------------|
| Cost of Sales                                   | 7,826,872     | 5,490,958     |
| General, Administrative<br>and Selling Expenses | 1,740,560     | 1,652,764     |
|   | 9,567,432     | 7,143,722     |

## b. Disposal of Fixed Assets

|   |           |           |
|---|-----------|-----------|
| Cost  | 148,013   | 323,164   |
| Accumulated Depreciation                                | (111,704) | (317,291) |
| Net Book Value  | 36,309    | 5,873     |
| Sales Proceeds  | 34,094    | 71,664    |
| (Loss)/Profit on disposal of Fixed Assets (Appendix II) | (2,215)   | 65,791    |

## 7. INVESTMENTS

This relates to the cost of 2,400,000 ordinary shares in Pioneer Aluminium Factory Limited.

## 8. STOCKS

|                  | 2002<br>¢'000 | 2001<br>¢'000 |
|------------------|---------------|---------------|
| Raw Materials    | 2,076,057     | 4,037,879     |
| Work in Progress | 9,423,471     | 5,186,100     |
| Finished Goods   | 20,135,343    | 26,756,698    |
| Consumables      | 14,094,159    | 12,392,800    |
| Stock in Transit | 26,796,553    | -             |
|                  | 72,525,583    | 48,373,477    |

**2002**  
¢'000                      **2001**  
¢'000

## 9. DEBTORS

|                                |            |            |
|--------------------------------|------------|------------|
| Trade Debtors                  | 40,368,061 | 21,968,525 |
| Margins on Letters of Credit   | 7,732,199  | 17,134,122 |
| Sundry Debtors                 | 475,565    | 2,701,152  |
| Staff Debtors                  | 3,040,163  | 2,772,978  |
| Prepayments and Accrued Income | 226,487    | 326,164    |
|                                | 51,842,475 | 44,902,941 |

The maximum amount due from officers of the company during the period was ¢3.04 billion (2001: ¢2.7 billion).

## 10. BANK OVERDRAFT AND LOANS

**2002**  
¢'000                      **2001**  
¢'000

|                                     |            |           |
|-------------------------------------|------------|-----------|
| Overdraft                           | 10,877,808 | 2,689,365 |
| Short Term Loan                     | 18,546,000 | -         |
| Current Portion of Medium Term Loan | 6,744,000  | 5,145,755 |
|                                     | 36,167,808 | 7,835,120 |

### a. Banking Facilities

Bank facilities available to the company were as follows:

| Facility Type             | Amount          | Collateral Security   |
|---------------------------|-----------------|---|
| Overdraft                 | ¢22 billion     | Fixed and floating assets of the company  |
| Loan                      | US\$4 million   | Fixed and floating assets of the company  |
| Stand by letter of credit | US\$3.2 million | Assignment of exports and Pari Pasu fixed and floating charge over company assets |





## 11. CREDITORS

|                              | 2002<br>€'000 | 2001<br>€'000 |
|------------------------------|---------------|---------------|
| Trade Creditors              | 15,448,759    | 14,383,387    |
| Sundry Creditors             | 6,306,007     | 3,147,959     |
| Accruals and Deferred Income | 1,546,217     | 1,420,417     |
|                              | 23,300,983    | 18,951,763    |

## 12. STATED CAPITAL

|                                    | No. of Shares |              | Proceeds      |               |
|------------------------------------|---------------|--------------|---------------|---------------|
|                                    | 2002<br>'000  | 2001<br>'000 | 2002<br>€'000 | 2001<br>€'000 |
| <b>Authorised</b>                  |               |              |               |               |
| Ordinary shares<br>of no par value | 100,000       | 50,000       |               |               |
| <b>Issued</b>                      |               |              |               |               |
| For Cash                           | 7,049         | 7,049        | 7,649,482     | 7,649,482     |
| Transfer from<br>Capital Surplus   | 34,629        | 34,629       | 42,374,585    | 42,374,585    |
|                                    | 41,678        | 41,678       | 50,024,067    | 50,024,067    |

There are 4,150 shares in treasury. There is no call or instalment unpaid on any share.

## 13. SHARE DEALS ACCOUNT

|                                      | 2002<br>€'000  | 2001<br>€'000  |
|--------------------------------------|----------------|----------------|
| Balance at 1st January 2002          | 903,358        | 902,143        |
| Less Purchase of own Share           | (28,820)       | -              |
| Add Sale of own Shares               | -              | 1,215          |
| <b>Balance at 31st December 2002</b> | <b>874,538</b> | <b>903,358</b> |

The movement on the share deals account is the net result of the purchase of shares by the company during the year.

## 14. CAPITAL SURPLUS

|                                 | 2002<br>€'000 | 2001<br>€'000 |
|---------------------------------|---------------|---------------|
| Balance at 1st January          | -             | 35,533,457    |
| Transfer to Stated Capital      | -             | (35,533,457)  |
| <b>Balance at 31st December</b> | <b>-</b>      | <b>-</b>      |

## 15. DIVIDEND PAYABLE

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Balance at 1st January          | 20,839,656        | 11,114,810        |
| Proposed for the year           | 25,006,747        | 20,838,956        |
|                                 | 45,846,403        | 31,953,766        |
| Less : Payments during the year | (31,258,433)      | (11,114,110)      |
| <b>Balance at 31st December</b> | <b>14,587,970</b> | <b>20,839,656</b> |



## 16 NET CASHFLOW FROM OPERATING ACTIVITIES

|   | 2002<br>c'000 | 2001<br>c'000 |
|---|---------------|---------------|
| <b>Operating Profit</b> <i>(before investment returns and servicing of finance)</i> | 44,139,390    | 58,571,144    |
| Depreciation charges  | 9,567,432     | 7,143,722     |
| Increase in stocks  | (24,152,106)  | (25,005,843)  |
| Increase in debtors   | (6,939,534)   | (14,680,675)  |
| Increase in creditors   | 4,349,220     | 4,974,327     |
| Loss/(Profit) on sale of fixed assets   | 2,215         | (65,791)      |
| Dividend received   | -             | (115,200)     |
| Exchange loss on loans  | 4,899,517     | -             |
|   | 31,866,134    | 30,821,684    |

## 17. ANALYSIS OF SHAREHOLDING

| CLASS OF EQUITY | NO. OF<br>SHAREHOLDERS<br>WITHIN RANGE | TOTAL<br>HOLDING | % HOLDING |
|-----------------|--|------------------|-----------|
| 1 - 1,000       | 939                                    | 272,172          | 0.65      |
| 1001 - 5,000    | 337                                    | 880,316          | 2.11      |
| 5001 - 10,000   | 70                                     | 501,832          | 1.20      |
| Over 10,000     | 161                                    | 40,023,591       | 96.04     |
|                 | 1,507                                  | 41,677,911       | 100.00    |

## 18. DIRECTORS' SHAREHOLDING

The Directors named below held the following number of shares in the company at 31st December 2002

| NAME OF DIRECTOR             | NO. OF SHARES |
|------------------------------|---------------|
| 1. John Percival Awuku Nyako | 131,250       |
| 2. Samuel Kingsley Kwofie    | 120,000       |
| 3. Kwadwo Kwarteng           | 90,000        |
| 4. Benjamin Akuete Gogo      | 90,000        |
| 5. William Ekroo Inkumsah    | 23,308        |
| 6. Kofi Ansah                | 15,000        |
|                              | 469,558       |

## 19. TWENTY LARGEST SHAREHOLDERS

|                    | SHAREHOLDER                             | NO. OF SHARES | % HOLDING |
|--------------------|---|---------------|-----------|
| 1.                 | Social Security and National Ins. Trust | 10,376,298    | 24.90     |
| 2.                 | SSB Bank Limited                        | 5,402,727     | 12.96     |
| 3.                 | Ghana Cocoa Board                       | 4,696,683     | 11.27     |
| 4.                 | Strategic Initiatives Limited           | 4,170,000     | 10.01     |
| 5.                 | Domod Aluminium Limited                 | 1,054,340     | 2.53      |
| 6.                 | Strategic African Securities            | 1,020,391     | 2.45      |
| 7.                 | Gideon Amenuvor                         | 665,178       | 1.60      |
| 8.                 | KEL Investments Limited                 | 652,920       | 1.57      |
| 9.                 | Mrs Elizabeth Arthur                    | 600,000       | 1.44      |
| 10.                | Household and Aluminium Factory Limited | 561,137       | 1.35      |
| 11.                | Ghana Commercial Bank Limited           | 450,000       | 1.08      |
| 12.                | Tema Oil Refinery                       | 450,000       | 1.08      |
| 13.                | National Investment Bank Ltd.           | 442,080       | 1.06      |
| 14.                | NTHC Limited                            | 426,822       | 1.02      |
| 15.                | Mr Edward C. Aryee                      | 400,000       | 0.96      |
| 16.                | Gold Coast Securities Limited           | 357,460       | 0.86      |
| 17.                | Mr. Ofori Daniel                        | 350,100       | 0.84      |
| 18.                | SAS Capital Limited                     | 341,063       | 0.82      |
| 19.                | Ecobank Stock Brokers Limited           | 336,127       | 0.81      |
| 20.                | SAS Nominees 3                          | 279,834       | 0.67      |
|                    |   | 33,033,160    | 79.28     |
| Total Shareholding |   | 41,677,911    | 100.00    |



## FORM OF PROXY

I/We

.....  
(Block Capitals Please)

of.....

..... being member/members of Aluworks Ltd., hereby appoint

\*.....  
(insert full name)

of.....  
(or failing him the duly appointed Chairman of the meeting) as my/our proxy to vote for me/us at the Annual General Meeting to be held at the Golden Tulip Hotel, Accra on Thursday 15th May 2003 at 10.00 a.m and at every adjournment thereof.

Please indicate with an X in the spaces below how you wish your votes to be cast.

| RESOLUTION   | FOR | AGAINST |
|--|-----|---------|
| To receive the accounts                                |     |         |
| To declare the final dividend as recommended           |     |         |
| To re elect B. A. Gogo as a Director                   |     |         |
| To re elect S. K. Kwofie as a Director                 |     |         |
| To elect Napoleon Kpoh as a Director                   |     |         |
| To approve the remuneration of non-executive Directors |     |         |
| To authorise the Directors to fix the Auditors fees    |     |         |

Signed this ..... day of .....2003

Shareholder's Signature .....

**THIS PROXY FORM SHOULD NOT BE SENT TO THE REGISTRAR IF THE MEMBER WILL BE ATTENDING THE MEETING**

### NOTES:

1. A member (Shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy. The above proxy form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the form for the Chairman of the Meeting to act as your proxy but, if you wish, you may insert in the blank space marked \* the name of any person whether a Member of the company or not who will attend the meeting and vote on your behalf instead of the Chairman of the Meeting.
3. In the case of joint holders, each holder should sign.
4. If executed by a corporation, the proxy form should bear its common seal or be signed on its behalf by a Director.
5. Please sign the above proxy form and post it so as to reach the address shown overleaf not later than 48 hours.
6. The proxy must produce the Admission Card sent with the notice of the meeting to obtain entrance to the meeting.



SECOND FOLD

THE REGISTRAR  
C/O NTHC LTD.  
MARTCO HOUSE  
OKAI MENSAN LINK  
ADABRAKA  
P. O. BOX 9563  
AIRPORT-ACCRA

THIRD FOLD HERE

FIRST FOLD HERE

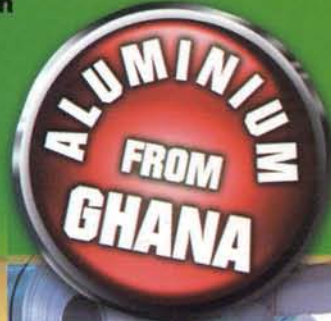




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