

**ALUWORKS**

**Aluworks Ltd**



**Annual Report**

**2004**



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**ALUWORKS LTD.**



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## Notice Of Annual General Meeting

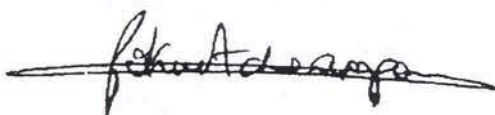
NOTICE IS HEREBY GIVEN that the 18<sup>th</sup> Annual General Meeting of ALUWORKS LIMITED will be held at the **Cresta Royale Hotel**, adjacent to Nestle Ghana Ltd. Head Office, Dzorwulu, Accra on **Thursday 5<sup>th</sup> May 2005** at 10:00 a.m.

### AGENDA

- 1) To receive and adopt the Accounts of the Company for the period ended 31<sup>st</sup> December 2004 together with the reports of the Directors and Auditors thereon.
- 2) To declare a dividend for the year ended 31<sup>st</sup> December 2004.
- 3) To re-elect the following Directors retiring by rotation:
  - (i) Kwame Sarpong
  - (ii) Togbe Afede XIV
- 4) To approve the fees of non-Executive Directors.
- 5) To authorise the Directors to fix the remuneration of the Auditors.

Dated this 4<sup>th</sup> day of April 2005

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 Ltd., 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.



Some Directors and Officers of the company at the 17th Aluworks Annual General Meeting held at Golden Tulip

A Section of the Directors at the 17th Aluworks Annual General Meeting held at Golden Tulip



The Managing Director, Mr. Kondagunta Venkataramana being introduced at the 17th Aluworks AGM

Shareholders voting at Aluworks 17th AGM at Golden Tulip - Accra



The Board Chairman, Mr. W. E. Inkumah and the Managing Director of Aluworks, Mr. K. Venkataramana at the Exhibition mounted at the AGM to show Shareholders, the operations of the company and the end products

Shareholders inspecting products from Companies that use Aluworks Materials at the exhibition



**Board Of Directors, Officials And Registered Office**

<p><b>BOARD OF DIRECTORS</b></p>	<p>William Ekroo Inkumsah (Chairman)          Kondagunta Venkataramana (Managing)          Kofi Ansah          Kwadwo Kwarteng          Benjamin Akuete Gogo          Samuel Kingsley Kwofie          Kwame Sarpong          Togbe Afede XIV (James Akpo)          Napoleon Kpoh</p>
<p><b>SECRETARY</b></p>	<p>Alex Poku-Acheampong          Aluworks Limited          P. O. Box 914          Tema</p>
<p><b>REGISTRARS</b></p>	<p>NTHC Limited          Martco House, No. D542/4          Okai Mensah Link, Adabraka          P. O. Box 9563          Airport, Accra</p>
<p><b>PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE</b></p>	<p>Plot No. 63/1, Heavy Industrial Area          P. O. Box 914          Tema</p>
<p><b>AUDITORS</b></p>	<p>KPMG          Chartered Accountants          25 Liberia Road          P. O. Box 242          Accra</p>
<p><b>BANKERS</b></p>	<p>Barclays Bank of Ghana Limited          CAL Bank Limited          Ecobank Ghana Limited          SG-SSB Limited</p>



**Profile of Directors**



**MR. WILLIAM EKROO INKUMSAH**

Joined the Board in July 1987 and was appointed Chairman in May 1996. He is a graduate in Business Management, City University, London. He joined Unilever in January 1967 and worked as Product Development Manager at G. B. Olivant between 1961 and 1972. He was the Managing Director for Crocodile Matchets, Tema, between 1973 and 1990. He is currently the Managing Director of Thompson, Moir and Galloway Ltd., a timber firm in Dunkwa-on-Offin.

**Mr. Inkumseh** served as a Director of Ghana Cocoa Board from September 1996 to August 2001, and he was also a member of the National Development Planning Commission from 1995 to 2000. He currently serves on the Boards of Consolidated Mining Company Ltd. and Western Rural Bank, Sekondi.

He was the Vice President of the Association of Ghana Industries from 1991 to 1995. He is a Fellow of the Ghana Institute of Management.



**MR. KONDAGUNTA VENKATARAMANA**

Was appointed the Managing Director of Aluworks Ltd. on 1<sup>st</sup> February 2004. He holds a Degree in Mechanical Engineering from India.

**Mr. Venkataramana** worked for twelve years in the Engineering Department of Rolling Mills at Durgapur Steel plant, West Bengal, India. He worked for another twelve years (1972-1984) at India Foils Ltd., Calcutta, manufacturers of Aluminium foil and converted products. He started as Works Engineer and rose to the position of General Manager (Operations) and member of the Executive Committee.

**Mr. Venkataramana** worked for ten years (1984-1993) at Tower Aluminium Nigeria Plc, Nigeria. He started as General Manager of Tower Aluminium Rolling Mills at Ota, Ogun State and rose to the position of Managing Director, looking after Tower Aluminium Rolling Mills, Kolorkote Nigeria and Alufoils Ltd. He also worked for four years (1993-1996) as Managing Director and Chief Executive Officer of Obasanjo Holdings Ltd., Abeokuta, Nigeria.

**Mr. Venkataramana** is a Director of Pioneer Aluminium Factory (PAF) Tema.



**MR. KOFI ANSAH**

Joined the Board in 1985. He holds a MSc. (Metallurgy) from Georgia Institute of Technology, USA (minor in Engineering Economics) and BSc. (Mechanical Engineering) from UST, Kumasi, Ghana.

**Mr. Ansa** is currently a Consultant in Mining and Energy. Between September 1984 and October 1999 he worked as the Chief Executive of the Minerals Commission of Ghana. Mr. Ansa was a member of the Power Sector Reform Committee constituted by the Ministry of Mines and Energy. He was a member of the Ghana Government team, for the renegotiation of the Valco agreements between 1982 and 1999.

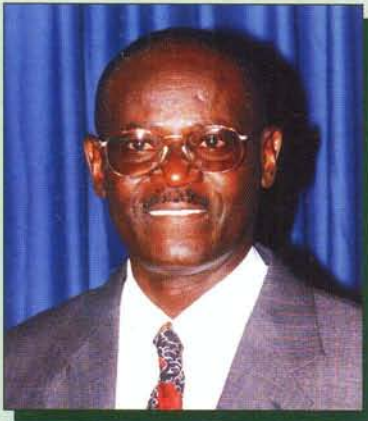
During the construction of the Aluworks Plant, Mr. Kofi Ansa was appointed the Project Manager, responsible for the establishment and initial operations of the mill. His responsibilities included credit negotiations for purchase of machinery and equipment as well as supervision of the factory construction and initial management of the operations of the completed factory.

**Mr. Kofi Ansa** served previously as Director of the following organisations: Volta River Authority (VRA), Ashanti Goldfields Co. Ltd., Volta Aluminium Company (Valco), Ecobank Ghana Ltd., African Explosives Ltd. and Ecobank (Togo) Ltd.

He presently serves as Director in the following organisations: Metropolitan Insurance Co. Ltd., Gyata Exploration, Goldfields International (South Africa), Goldfields (Ghana) Ltd. and Abooso Goldfields Ltd. (Ghana).



**Profile of Directors**



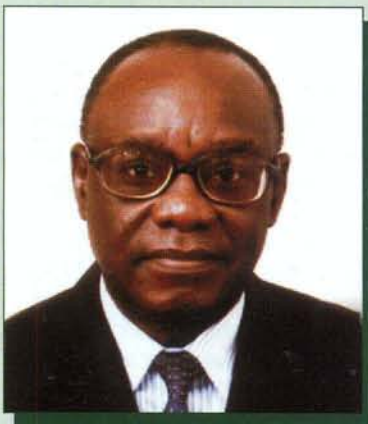
**MR. KWADWO KWARTENG**

Joined the Board in November 1991. He is a Chartered Accountant and received his Accounting training from Touché Ross & Co. (now Deloitte and Touché), a firm of Certified Public Accountants based in New York, U.S.A, where he qualified as a member of the American Institute of Certified Public Accountants in 1976. He is also a member of the Institute of Chartered Accountants (Ghana).

In 1974, **Mr. Kwarteng** obtained an MBA degree in Management (Business Strategy and Policy) from New York University's Stern's Graduate School of Business, after graduating from University of Ghana (Legon) with a B.Sc. Administration (Accounting) degree in 1966.

**Mr. Kwarteng** is the Managing Partner of Kufuor and Associates, a firm of Chartered Accountants. Prior to this he was the Managing Director of Pioneer Aluminium Factory from 1991 to 1998 and supervised the listing of the company on the Ghana Stock Exchange. He had previously worked as the Financial Controller of the defunct Union Carbide (Ghana) Ltd.

He is a Director of GRATIS Foundation, Tema.



**MR. BENJAMIN AKUETE GOGO**

Joined the Aluworks Board in July 1996. He was the Deputy Managing Director in charge of Finance and Information Systems at SSB Bank (now SG-SSB) from 2000 to 2003.

He has more than 20 years experience in banking. Prior to that he was a Senior Project Analyst at the Ghana Investment Promotion Centre.

He holds a Masters Degree in Economics from North Carolina State University and has demonstrated competence in Financial Analysis, Restructuring and Strategic Planning.

**Mr. Gogo** is currently a member of the Board of Directors of La Community Bank and Databank Money Market Fund Ltd.



**MR. KWAME SARPONG**

Joined the Aluworks Board in November 2001. He is the Chief Executive of the Ghana Cocoa Board. **Mr. Sarpong** holds a BSc. Administration degree from the University of Ghana. He obtained an MBA in Finance from Columbia University (U.S.A.) in 1970 and taught finance and banking at the University of Ghana from 1970 to 1977.

Until his appointment as Chief Executive Officer of Cocoa Board, he managed his own Consultancy Firm, undertaking economic and financial consultancy work for major international funding agencies including the African Development Bank, the World Bank, FAO, UNDP, the European Development Fund of the EU and the ECOWAS Fund. His consultancy experience in Africa spans East, Southern and West Africa.

**Mr. Sarpong** is also a Director of the following companies: Ghana Cocoa Board, Cocoa Marketing Company (Ghana) Ltd., Cocoa Processing Company Ltd., West African Mills Company Ltd., New World Investments Ltd. and Adansi Oil Mills Ltd.





**Profile of Directors**



**MR. SAMUEL KINGSLEY KWOFIE**

Joined the Board in May 1997. He is the Founder, Chairman and Chief Executive Officer (CEO) of Domod Aluminium Ltd. He holds a BSc. Administration (Accounting) degree from the University of Ghana and a Certificate in Systems Development for Small and Medium Enterprises, Malaysia.

Prior to founding Domod, he was the Chief Finance Officer of the West African Examinations Council (WAEC), Accra.

He has previously served on the Board of Ghana Export Promotion Council. **Mr. Kwofie** is the immediate past Chairman of the Greater Accra Regional Council of the Association of Ghana Industries (AGI). He is currently the Chairman of the Wassai Education Fund.



**TOGBE AFEDE XIV (JAMES AKPO)**

Joined the Board in February 2002. He holds a Master of Business Administration (MBA) degree from Yale University in USA and BSc. Administration (Accounting) degree from the University of Ghana, Legon.

He is currently the Chief Executive Officer of Strategic Initiatives Ltd. and SAS Investment Management Ltd. (SASIM), Accra. Between 1994 and July 2002 he was the Chief Executive Officer of Strategic African Securities Ltd. (SAS), Accra. Prior to that he was a Lecturer at the University of Ghana School of Administration and the Executive Director of Data Bank Financial Services.

Some of his major professional accomplishments are as follows: He

- Co-founded Databank (Ghana) Ltd. and Databank Financial Services Ltd.
- Founded Strategic African Securities Ltd, an investment banking firm.
- Founded Strategic Initiatives Ltd., a portfolio and private equity investment firm.
- Executed the takeover of Pioneer Aluminium Factory Ltd.

Togbe Afede XIV holds Directorship and Trusteeship in the following organisations:

Bank of Ghana, The National Theatre of Ghana, Pioneer Aluminium Factory Ltd., ProCredit Savings & Loans Ltd., SAS Investment Management Ltd., Strategic Initiatives Ltd. and Volta Forum Trust Ltd.



**MR. NAPOLEON D. K. KPOH**

Joined the Board in October 2002. He holds a Post Graduate Certificate in Labour Policy Studies from the University of Cape Coast and a Post Graduate Diploma in Public Administration, GIMPA (1989).

He is currently the General Secretary of the Industrial and Commercial Workers Union (ICU).

**Mr. Kpoh** currently serves on the Boards of SSNIT and Accra Brewery Ltd. He had previously served as a Board Member of the Ghana Cocoa Board and Cocoa Products Company for eight and ten years respectively. He is a member of the PSI Advisory Board on Textile and Garment.

**Mr. Kpoh** is also a member of the following international bodies:

- Union Network International (UNI) World Executive Board.
- World Executive Committee International Metalworkers Federation (IMF)
- International Textile, Garment & Leather Workers Federation (ITGLWF).
- International Federation of Chemical, Energy, Mines and General Workers Unions.
- World Executive Committee UNI Professional & Managerial Staff.



## Profile of Secretary



### **MR. ALEX POKU-ACHEAMPONG**

Joined the company in 1985 and was appointed Solicitor/Company Secretary in April 1986. He holds a Bachelor of Laws degree (LLB) obtained from the University of Ghana, Legon, in 1976 and a professional qualification in Law, (1978). He is a member of the Ghana Bar Association.

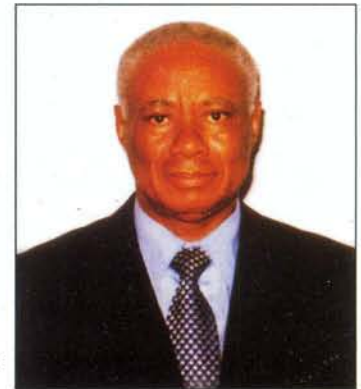
**Mr. Poku-Acheampong** prior to joining Aluworks was Private Legal Practitioner with Oseawuo Chambers in Tema from 1981 to 1985.

## Chairman's Statement

### INTRODUCTION

Ladies and Gentlemen, it is my pleasure to welcome you to the 18<sup>th</sup> Annual General Meeting of your Company.

The year 2004 can be characterised as a very challenging year with escalating aluminium prices in the world market. We managed, in spite of the challenges, to post modest results and we are determined to move the Company forward, ensuring better profitability in the coming years.



### ECONOMIC ENVIRONMENT

The national economy was relatively stable during the year 2004. The Government pursued its macro-economic policies of controlling inflation and reducing interest rates. Real GDP grew at 5.8%, exceeding the projected growth of 5.2%. Year-on-year inflation declined to 11.8% at the end of December 2004, marginally over the target of under 10% but well below the 23.6% at end of December 2003. Average inflation declined from 26.7% in 2003 to 12.6% in 2004.

The Cedi remained relatively stable throughout the year, depreciating by a moderate 2.2% against the US Dollar. Interest rates generally declined and stabilized, with the benchmark 91-day Treasury bill rate falling slightly from 18.7% at the end of 2003 to about 17.0%.

The Bank of Ghana prime rate was 18.5% as at the end of the year whilst the base rate of the banks remained in the 25% band for the greater part of the year.

The above depicts the general economic conditions under which the Company operated in the year 2004.

### REVIEW OF 2004 OPERATIONS

Despite the soaring aluminium prices which ranged from \$1,557/mt at the beginning of the year to a new high of \$1,972/mt in December 2004, the company produced 18,013mt in 2004 as against 18,422mt in 2003, relying entirely on imports from BHP Billiton Marketing Ag. of Switzerland, owing to the complete shutdown of Valco operations from May 2003.

In the year 2004, we focused on a rigorous cost reduction exercise in all areas, global sourcing of spares and consumables, restructuring the manpower, and strengthening the core competencies within the organisation.

### Sales

There was a positive trend in the year 2004 in respect of sales. The following increases in sales value and volume were recorded in the year as against year 2003:



## Chairman's Statement

- (a) Net Turnover increased by 21% from ₺377.2 billion to ₺458 billion.
- (b) Sales volume increased by 10% from 17,656mt to 19,497mt.
- (c) Exports increased by 29% from US\$14.8 million to US\$19.1 million.
- (d) Export volumes increased by 21% from 6,408mt to 7,754mt.

It is significant to note that the year 2004 recorded the highest export sales in the plant's history.

### FINANCIAL RESULTS

The remarkable performance in sales in 2004 (21% increase in turnover) did not lead to increases in the net financial results. This was due mainly to the high LME prices for aluminium that prevailed during the year. Metal price moved up from \$1,557 per mt. to a high \$1,972 per mt. as at 31<sup>st</sup> December 2004. From the beginning of 2004 to the end of the year the official three-month LME price experienced a 26.7% increase. The high LME price for aluminium was partly due to high alumina prices and the weak dollar.

As explained last year in my speech, the importation of metal substantially increased the company's raw material costs. Additional costs of freight and import duties also had to be contended with. Payment up front for imported metal as against the credit facility the company enjoyed from Valco led to increase in interest expense as the company had to rely on its bankers for credit facilities.

The increase in operating costs could not be passed on wholly to customers, in the light of challenging market conditions and stiff competition.

### Profit Before Tax

The net result of the above was that the company made an Operating Profit of ₺26.4 billion, which was further reduced to ₺25.3 billion by a staff rationalization exercise carried out in the year at the cost of ₺1.1 billion.

There was an increase in the Profit After Tax from ₺18.4 billion in 2003 to ₺20.52 billion, an increase of 11.4%. It is significant to note that this arrests the decline in the company's profit in the last three years.

The Board and Management are confident that the company is well positioned and this positive trend will continue.

### DIVIDENDS

The Directors recommend a dividend of ₺450.00 per share for year 2004, which represents a 12.5% increase over the 2003 figure of ₺400.00 per share. An interim dividend of ₺150.00 was paid in December 2004 and the final dividend of ₺300.00 would be paid, if approved by shareholders, on 31<sup>st</sup> May 2005.



## **Chairman's Statement**

### **PERFORMANCE ON THE STOCK EXCHANGE**

Aluworks shares performed creditably in the year 2004. It started the year at ¢4,000 per share and ended at ¢10,000, per share registering an increase of 150% in the year 2004. Indeed it was one of the best stocks on the Ghana Stock Exchange in 2004.

The equity has performed rather poorly in the first quarter of the year. The Board and Management are concerned about this and are working hard to improve the company's fundamentals and more importantly to assure the investing public that the company has bright prospects.

In furtherance of this Aluworks has already taken its turn at the Facts Behind the Figures programme of the Ghana Stock Exchange (on 02/03/05) and reassured the investing public of a bright future for the company. It is expected that the downward trend will be reversed and that the equity will appreciate in value substantially.

### **HUMAN RESOURCE**

There is a relatively peaceful industrial relations atmosphere in the plant now following the industrial action of May 2004.

The Company continues to train, equip and develop its employees to enable them discharge their duties efficiently. Your company has a workforce that is highly trained with sound knowledge of both the technology and the nature of the aluminium business.

### **ISO CERTIFICATION**

The company maintained its ISO 9001 certificate by going through the bi-annual surveillance audits successfully. The ISO certification means that Aluworks' processes are recognized as conforming to international standards. Your company therefore has a good corporate image on the international market as far as high quality products are concerned.

### **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. The Board Committees, Audit Sub-Committee and the Remuneration Committee also played their roles.

Mr. K. Venkataramana, as indicated in my report last year, assumed duty as Managing Director of your company on 1<sup>st</sup> February 2004. The Board has been giving him the needed support to enable him achieve the operational and financial targets of the company. Under Mr. Venkataramana's leadership, the Management has succeeded in positioning Aluworks very well for the present as well as for future growth.

## Chairman's Statement

In accordance with the regulations of the company and the Companies Code 1963, Act 179, Mr. Kwame Sarpong and Togbe Afede XIV will be retiring by rotation and being eligible, have offered themselves for re-election.

### **CORPORATE CITIZEN**

Aluworks proved itself as a good corporate citizen during the year. The environmental standards set by the Environmental Protection Agency and the provisions of the Factories, Offices and Shops Act, 1970, Act 328 were complied with. Donations were made to some deserving educational institutions and organizations during the year.

### **PROJECTIONS FOR THE FUTURE**

The company has bright prospects and the Board will work diligently to realise these prospects. We see the operations of the year 2005 registering better results due to new measures introduced such as the cost cutting exercise and global competitive sourcing of spares and consumables. These measures will reduce the operating cost and mitigate the effects of the rising aluminium prices on the world market.

The resumption of Valco's operations will also positively affect the company by reducing the cost of metal and fuel and improving the company's cash flow position.

The company intends to pursue the colour coating line and foil rolling mill projects, and the necessary steps have been taken in this respect.

### **CONCLUSION**

On behalf of the Board I wish to express my gratitude to all shareholders, customers, and suppliers for their support and cooperation, which have helped us to achieve the modest results for the year.

I also want to thank Directors, Management and Staff for the good work done during the year. I trust that we will all continue to work hard this year to enable us achieve better results for the company.

**Financial Highlights- Five Year Performance 2000-2004**

	YEAR	2000	2001	2002	2003	Reporting Year 2004	CHANGE
Turnover (¢million)		229,025	287,167	335,816	377,189	457,960	21%
Profit before interest and tax (¢million)		46,460	58,571	44,139	33,396	32,065	-4%
Interest Income (¢million)		584	2,018	783	13	72	454%
Interest Expense (¢million)		-573	-3,083	-6,008	-7,983	-6,853	-14%
Profit before tax (¢million)		46,471	57,505	38,914	25,426	25,284	0%
Taxation (¢million)		-11,877	-18,938	-9,560	-6,970	-4,752	-32%
Profit after tax (¢million)		34,595	38,567	29,354	18,456	20,532	11%
Earnings per share (¢)		2,490	925*	704	443	492	11%
* Note: 27.78 million bonus shares issued in 2001							
Dividend per share (¢)		800	500*	600	400	450	12%
Shareholders' equity (¢million)		89,106	106,835	111,153	112,940	114,717	1%
Net Assets per share (¢)		6,414	3,063	2,667	2,710	2,752	0%
New issue of Shares (000)		0	27,785*	0	0	0	
Number of shares (000)		13,893	41,678	41,678	41,678	41,678	0%
Fixed assets (¢million)		45,247	60,447	80,141	72,458	69,518	-4%
<b>PERFORMANCE RATIOS</b>							
	YEAR	2000	2001	2002	2003	2004	
Gross margin/Turnover		23.16%	25.61%	18.23%	15.17%	12.18%	
Net margin/Turnover		15.11%	13.43%	8.74%	4.90%	4.48%	
Return on Equity		38.82%	36.10%	26.41%	16.34%	17.89%	
Current Ratio		2.35	2.37	1.77	1.44	1.82	
<b>VALUE ADDED STATEMENT</b>							
	YEAR	2000	2001	2002	2003	2004	
<b>OUR EARNINGS:- (¢'million)</b>							
Sale of Goods		247,780	309,885	362,442	408,964	497,719	
Other Income		6,367	3,897	6,374	1,574	2,438	
Interest Income		584	2,018	783	13	72	
<b>LESS:</b>							
Bought in Materials /Services		-167,618	-203,379	-257,563	-302,831	-383,097	
<b>VALUE ADDED</b>		<b>87,113</b>	<b>112,421</b>	<b>112,036</b>	<b>107,720</b>	<b>117,132</b>	
<b>USED AS FOLLOWS:-</b>							
Employees		14,530	21,971	30,920	33,094	35,840	
Govt. Taxes & Duties		30,631	41,656	36,186	38,701	44,504	
Interest paid		573	3,083	6,009	7,983	6,853	
Shareholders		11,114	20,839	25,007	16,670	18,755	
<b>RETAINED EARNINGS</b>							
Depreciation		6,784	7,144	9,567	9,442	9,403	
Profit Retained		23,481	17,728	4,347	1,830	1,777	
<b>TOTAL</b>		<b>87,113</b>	<b>112,421</b>	<b>112,036</b>	<b>107,720</b>	<b>117,132</b>	

## Corporate Governance

### **INTRODUCTION**

Aluworks as a company upholds the principles of good corporate governance. The practice of corporate governance in the company covers the relationship between the company's Management, its Board, its Shareholders and other stakeholders.

Corporate governance provides a framework through which the objectives of the company are set. It provides proper incentives for the Board and Management to pursue objectives that are in the interest of the company, shareholders and other stakeholders.

### **BOARD OF DIRECTORS**

The Company recognizes that several aspects of good corporate governance must necessarily have their origin in the culture and conduct of the Board. In line with the above, Aluworks has had, over the years, a very efficient and effective Board of Directors.

The Company currently has a nine member Board chaired by Mr. W. E. Inkumsah, a former Chief Executive of Crocodile Matchets Ltd. The Board is made up of an Executive Director and eight non-Executive Directors.

The Board on the average meets about six times in a year and also operates through Sub-Committees.

### **AUDIT SUB-COMMITTEE**

The current best practices on corporate governance place a premium on the Audit Sub-Committee as an important tool for the work of the Board of Directors. The work of the Audit Sub-Committee and its interaction with the external Auditors is an essential plank in corporate governance.

Aluworks has an Audit Sub-Committee made up of four non-executive Directors chaired by Mr. K. Kwarteng, a Chartered Accountant and Managing Partner of Kufuor & Associates.

The role of the Audit Sub-Committee is to assist the Board of Directors in discharging its responsibilities as follows:

- (a) to safeguard the Company's assets.
- (b) to maintain adequate accounting records, and
- (c) to develop and maintain effective systems of internal control.

During the year 2004 the Sub-Committee held four meetings. A meeting was held every quarter. The Committee among others reviewed Management Accounts, and audited financial statements.

There was a review of internal controls, operating procedures and systems and appropriate recommendations were made in connection with these. The Committee made recommendations to the Board on a cost reduction strategy

for the company. These recommendations were approved and implemented by the Board.

The Company's budget estimates for 2005 were discussed by the Committee and submitted to the Board for approval with recommendations.





## Corporate Governance

### **REMUNERATION COMMITTEE**

Aluworks has a Remuneration Committee made up of five non-executive Directors, which is chaired by the Board Chairman.

The Committee met during the year to advise the Board and Management on the general remuneration, and conditions of service for all levels of employees.

### **CORPORATE SOCIAL RESPONSIBILITIES**

Aluworks was alive to its social responsibilities and made some donations to non-contractual stakeholders like the local community in Tema, educational and other health institutions in and around Tema.

## 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 2004.

### FINANCIAL STATEMENTS AND DIVIDEND

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

The Directors recommend the payment of a dividend of ¢450 per share amounting to ¢18,755 million comprising an interim and final dividend of ¢150 and ¢300 respectively for the year under consideration.

The Directors consider the state of the company's affairs to be satisfactory.

### NATURE OF BUSINESS

The company is engaged in Continuous Casting and Cold Rolling of Aluminium products. There was no change in the nature of business of the company during the year.

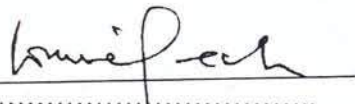
### BOARD COMMITTEES

#### AUDIT SUB-COMMITTEE MEMBERS

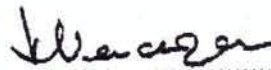
- |    |                     |   |          |
|----|---------------------|---|----------|
| 1) | Mr. Kwadwo Kwarteng | - | Chairman |
| 2) | Mr. Kofi Ansah      | - | Member   |
| 3) | Togbe Afede XIV     | - | Member   |
| 4) | Mr. Kwame Sarpong   | - | Member   |

#### REMUNERATION COMMITTEE MEMBERS

- |    |                    |   |          |
|----|--------------------|---|----------|
| 1) | Mr. W. E. Inkumsah | - | Chairman |
| 2) | Togbe Afede XIV    | - | Member   |
| 3) | Mr. B. A. Gogo     | - | Member   |
| 4) | Mr. S. K. Kwofie   | - | Member   |
| 5) | Mr. Napoleon Kpoh  | - | Member   |



W. E. INKUMSAH



K. VENKATARAMANA

TEMA,

7th April, 2005



## Report of the Auditors to the Members of Aluworks Limited

We have audited the financial statements of Aluworks Limited for the year ended 31st December, 2004 set out on pages 18 to 28, and 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, and prepared in accordance with Ghana Accounting Standards, comply with the Companies Code, 1963 (Act 179) and give a true and fair view of the financial position of the company at 31st December 2004 and of the results of its operations and cash flows for the year then ended.

U P M C

**Chartered Accountants**  
25 Liberia Road  
P. O. Box 242  
Accra

12th April, 2005



**Profit and Loss Account**  
 for the year ended 31st December 2004

	Note	2004 ¢'m	2003 ¢'m
<b>GROSS SALES</b>		497,719	408,964
Value Added Tax		(39,759)	(31,775)
<b>NET SALES</b>		457,960	377,189
Cost of Sales		(402,194)	(319,971)
<b>GROSS PROFIT</b>		55,766	57,218
General, Administrative and Selling Expenses		(26,139)	(25,396)
<b>TRADING PROFIT</b>	2	29,627	31,822
Sundry Income	3	2,438	1,574
<b>PROFIT BEFORE INTEREST AND TAXATION</b>		32,065	33,396
Net Interest Expense	4	(6,781)	(7,970)
<b>PROFIT BEFORE TAXATION</b>		25,284	25,426
Taxation	5	(4,752)	(6,970)
<b>PROFIT AFTER TAXATION</b>		20,532	18,456
Transferred to Income Surplus Account			

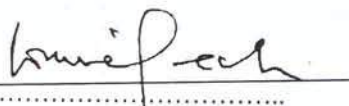
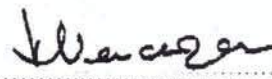
**INCOME SURPLUS ACCOUNT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2004**

	2004 ¢'m	2003 ¢'m
Balance at 1st January 2004	62,042	60,255
Profit for the year	20,532	18,456
	82,574	78,711
Proposed Dividend: ¢450 (2003: ¢400) per share	(18,755)	(16,669)
Balance at 31st December 2004	63,819	62,042

**Balance Sheet**

as at 31st December 2004

	Note	2004 ₹'m	2003 ₹'m
<b>FIXED ASSETS</b>	6	69,518	72,458
<b>INVESTMENTS</b>	7	276	276
<b>CURRENT ASSETS</b>			
Stocks	8	75,773	133,839
Taxation	5	7,321	3,298
Debtors	9	41,780	45,757
Cash and Bank balances		7,543	24,969
		132,417	207,863
<b>CURRENT LIABILITIES</b>			
Bank Overdraft and Loans	10	46,994	95,853
Creditors	11	13,200	37,914
Dividend Payable	14	12,504	10,418
		72,698	144,185
<b>NET CURRENT ASSETS</b>		59,719	63,678
		129,513	136,412
<b>LONG TERM LIABILITIES</b>			
Deferred Taxation	5	7,516	9,264
Loans		7,280	14,208
		(14,796)	(23,472)
<b>NET ASSETS</b>		114,717	112,940
<b>FINANCED BY:</b>			
<b>STATED CAPITAL</b>	12	50,024	50,024
<b>SHARE DEALS ACCOUNT</b>	13	874	874
<b>INCOME SURPLUS</b>		63,819	62,042
		114,717	112,940


**W. E. INKUMSAH**

**K. VENKATARAMANA**

The Directors approved the financial statements on 7th April, 2005



## Cash Flow Statement

for the year ended 31st December 2004

	Note	2004 €'m	2003 €'m
<b>Net Cash flow from operating activities</b>	15	82,805	4,673
<b>Investment returns and servicing of finance</b>			
Interest paid	(6,853)	(7,317)	
Interest received	72	13	
Dividends paid	(16,669)	(20,839)	
Dividend received	60	-	
		(23,390)	(28,143)
<b>Redundancy Paid</b>		(1,131)	-
<b>Tax paid</b>		(10,523)	(11,769)
<b>Investing activities</b>			
Fixed assets purchased	(6,484)	(1,759)	
Proceeds from sale of fixed assets	340	2	
		(6,144)	(1,757)
<b>Financing activities</b>			
Loans received	127,477	139,905	
Loan repaid	(178,383)	(100,302)	
		(50,906)	39,603
<b>(Decrease)/Increase in cash and cash equivalents</b>		(9,289)	2,607
<b>Analysis of changes in cash and cash equivalents during the year</b>			
Balance at 1st January		3,151	544
Net cash (outflow)/inflow		(9,289)	2,607
Balance at 31st December		(6,138)	3,151
<b>Analysis of the balances of cash and cash equivalents as shown in the balance sheet</b>			
Cash and bank balances		7,543	24,969
Bank overdraft		(13,681)	(21,818)
		(6,138)	3,151

**Notes Forming Part of the Financial Statements**  
for the year ended 31st December 2004

**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.



## Notes Forming Part of the Financial Statements for the year ended 31st December 2004

### 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:

	2004 €'m	2003 €'m
Auditors' Fees	100	80
Depreciation	9,403	9,442
Directors' Remuneration	618	624
Donations	17	141

### 3. SUNDRY INCOME

Roofing Fixings and Dross	373	349
Sale of Scrap	55	23
Sundries	153	275
Profit on disposal of fixed assets	319	2
Exchange Gain	1,478	925
Dividend Income	60	-
	2,438	1,574

### 4. NET INTEREST EXPENSE

Interest on Loans and Overdraft	6,853	7,983
Interest Earned on Current Accounts	(72)	(13)
	6,781	7,970

### 5. TAXATION

	Balance at 1/1/04 €'m	Payments €'m	Charge for year €'m	Balance at 31/12/04 €'m
<b>Income Tax</b>				
Up to 2002	(133)	-	-	(133)
2003	(4,221)	(1)	-	(4,222)
2004	-	(8,711)	5,862	(2,849)
<b>National Reconstruction Levy</b>	1,056	(1,805)	632	(117)
<b>Dividend Tax</b>	-	(6)	6	-
	(3,298)	(10,523)	6,500	(7,321)
<b>Deferred Tax</b>	9,264	-	(1,748)	7,516
	5,966	(10,523)	4,752	195

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





## Notes Forming Part of the Financial Statements

for the year ended 31st December 2004

### 6. FIXED ASSETS

	Leasehold Land and Buildings €'m	Plant and Machinery €'m	Equipment €'m	Motor Vehicles €'m	Capital Work in Progress €'m	Total €'m
<b>Gross Value</b>						
At 1/1/04	25,171	88,078	8,418	5,667	151	127,485
Additions	58	4,636	1,392	398	-	6,484
Disposals	-	-	(92)	(381)	-	(473)
Transfers	(1,603)	(106)	-	-	1,709	-
<b>At 31/12/04</b>	<b>23,626</b>	<b>92,608</b>	<b>9,718</b>	<b>5,684</b>	<b>1,860</b>	<b>133,496</b>
<b>Comprising</b>						
Cost of assets revalued	7,088	29,837	1,066	920	-	38,911
Surplus on revaluation	4,527	10,598	567	433	-	16,125
<b>At revaluation</b>	<b>11,615</b>	<b>40,435</b>	<b>1,633</b>	<b>1,353</b>	<b>-</b>	<b>55,036</b>
<b>At cost</b>	<b>12,011</b>	<b>52,173</b>	<b>8,085</b>	<b>4,331</b>	<b>1,860</b>	<b>78,460</b>
	<b>23,626</b>	<b>92,608</b>	<b>9,718</b>	<b>5,684</b>	<b>1,860</b>	<b>133,496</b>
<b>Accumulated Depreciation</b>						
At 1/1/04	4,268	40,371	6,266	4,122	-	55,027
Charge for the year	689	6,879	1,106	729	-	9,403
Released on disposals	-	-	(71)	(381)	-	(452)
<b>At 31/12/04</b>	<b>4,957</b>	<b>47,250</b>	<b>7,301</b>	<b>4,470</b>	<b>-</b>	<b>63,978</b>
<b>Net Book Value</b>						
At 31/12/04	18,669	45,358	2,417	1,214	1,860	69,518
At 31/12/03	20,903	47,708	2,151	1,545	151	72,458

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.

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

	2004 €'m	2003 €'m
Cost of Sales	7,985	7,877
General, Administrative And Selling Expenses	1,418	1,565
	<b>9,403</b>	<b>9,442</b>

## Notes Forming Part of the Financial Statements for the year ended 31st December 2004

### b. FIXED ASSETS (cont'd)

	2004 ç'm	2003 ç'm
<b>Disposal of Fixed Assets</b>		
Cost	473	29
Accumulated Depreciation	(452)	(29)
Net Book Value	21	-
Sales Proceeds	340	2
Profit on disposal of Fixed Assets	319	2

### 7. INVESTMENTS

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

### 8. STOCKS

	2004 ç'm	2003 ç'm
Raw Materials	20,870	19,373
Work in Progress	9,745	19,538
Finished Goods	6,343	35,176
Consumables	19,169	15,039
Stock in Transit	19,646	44,713
	75,773	133,839

### 9. DEBTORS

Trade Debtors	25,303	22,792
Margins on Letters of Credit	3,538	11,241
Sundry Debtors	11,648	8,075
Staff Debtors	847	3,205
Prepayments and Accrued Income	444	444
	41,780	45,757

The maximum amount due from officers of the company during the period was ç847 million (2003: ç3.04 billion).

### 10. BANK OVERDRAFT AND LOANS

	2004 ç'm	2003 ç'm
Overdraft	13,681	21,818
Short Term Loan	26,033	63,379
Current Portion of Medium Term Loan	7,280	10,656
	46,994	95,853



## Notes Forming Part of the Financial Statements for the year ended 31st December 2004

### 10a. Banking Facilities

Bank facilities available to the company were as follows:

Facility Type	Amount	Collateral Security
Overdraft	€25 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\$5.0 million	Assignment of exports and Pari Pasu fixed and floating charge over company assets *

### 11. CREDITORS

	2004 €'m	2003 €'m
Trade Creditors	10,635	34,614
Sundry Creditors	1,645	1,820
Accruals and Deferred Income	920	1,480
	13,200	37,914

### 12. STATED CAPITAL

	No. of Shares		Proceeds	
	2004 '000	2003 '000	2004 €'m	2003 €'m
<b>Authorised</b>				
Ordinary shares Of no par value	50,000	50,000		
<b>Issued</b>				
For Cash	7,049	7,049	7,649	7,649
Transfer from Capital Surplus	34,629	34,629	42,375	42,375
	41,678	41,678	50,024	50,024

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

## Notes Forming Part of the Financial Statements for the year ended 31st December 2004

### 13. SHARE DEALS ACCOUNT

	2004 ç'm	2003 ç'm
Balance at 1st January 2004	874	874
Balance at 31st December 2004	874	874

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

### 14. DIVIDEND PAYABLE

	2004 ç'm	2003 ç'm
Balance at 1st January	10,418	14,588
Proposed for the year	18,755	16,669
Less : Payments during the year	29,173 (16,669)	31,257 (20,839)
Balance at 31st December	12,504	10,418

### 15 NET CASHFLOW FROM OPERATING ACTIVITIES

	2004 ç'm	2003 ç'm
<b>Operating Profit</b> ( <i>before investment returns and servicing of finance</i> )	32,005	33,396
Depreciation charges	9,403	9,442
Decrease/(Increase) in stocks	58,066	(61,313)
Decrease in debtors	3,977	6,085
(Decrease)/Increase in creditors	(24,714)	14,613
(Profit) on sale of fixed assets	(319)	(2)
Exchange loss on loans	3,256	2,452
Redundancy paid	1,131	-
	82,805	4,673

### 16 REDUNDANCY PAYMENTS

Included in selling, general and administrative expenses is an amount of ç1,131 million for redundancy payments.

**17. ANALYSIS OF SHAREHOLDING**

<b>CLASS OF EQUITY</b>	<b>NO. OF SHAREHOLDERS WITHIN RANGE</b>	<b>TOTAL HOLDING</b>	<b>% HOLDING</b>
1 - 1,000	1,253	374,464	0.90
1001 - 5,000	401	1,029,398	2.47
5001 - 10,000	99	720,128	1.73
Over 10,000	191	39,553,921	94.90
	<b>1,944</b>	<b>41,677,911</b>	<b>100.00</b>

**18. DIRECTORS' SHAREHOLDINGS**

The Directors named below held the following number of shares in the company at 31st December 2004

<b>NAME OF DIRECTOR</b>	<b>NO. OF SHARES</b>
1. Samuel Kingsley Kwofie	- 120,000
2. Kwadwo Kwarteng	- 90,000
3. Benjamin Akuete Gogo	- 90,000
4. Kofi Ansah	- 15,000
5. Kwame Sarpong	- 8,412
6. William Ekroo Inkumsah	- 5,800
	<b>329,212</b>

**19. TWENTY LARGEST SHAREHOLDERS**

	<b>SHAREHOLDER</b>	<b>NO. OF SHARES</b>	<b>% HOLDING</b>
1.	Social Security and National Ins. Trust	10,376,298	24.90
2.	Ghana Cocoa Board	4,696,683	11.27
3.	Strategic Initiatives Limited	4,170,000	10.01
4.	Ofori Daniel Mr.	3,631,472	8.71
5.	Qualitec Industries Limited	2,000,769	4.80
6.	BBGN/ Epack Investments Limited	1,683,568	4.04
7.	Domod Aluminium Limited	1,055,808	2.53
8.	Arthur Elizabeth Mrs.	550,000	1.32
9.	Tema Oil Refinery	450,000	1.08
10.	SAS/Amenuvor Gideon Mr.	450,000	1.08
11.	Ghana Commercial Bank Limited	450,000	1.08
12.	National Investment Bank Limited	442,080	1.06
13.	National Trust Holding Company Limited	432,522	1.04
14.	Aryee Edward Clifford Mr.	400,000	0.96
15.	Ecobank Stockbrokers Limited	291,040	0.70
16.	Household & Aluminium Factory Limited	265,500	0.64
17.	Wosornu Lade Prof.	245,006	0.59
18.	HFC Unit Trust	222,222	0.53
19.	BBGN/SSB Eaton Vance Tax-Managed Emerging Markets Fund	210,900	0.51
20.	Adjei Kwabena	196,000	0.47
		<b>32,219,868</b>	<b>77.32</b>

**Notes**



Notes





**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 Cresta Royale Hotel adjacent to Nestle Head Office, Accra on Thursday 5<sup>th</sup> May 2005 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
1. To receive the accounts		
2. To declare the final dividend as recommended		
3. To re elect Kwame Sarpong as a Director		
4. To re elect Togbe Afede XIV as a Director		
5. To approve the remuneration of non-executive Directors		
6. To authorize the Directors to fix the Auditors fees		

Signed this.....day of.....2005.

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.



FIRST FOLD HERE

SECOND FOLD

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

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**Notes**



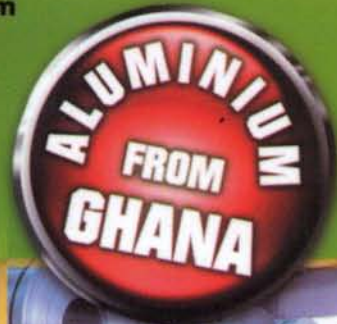


Annual Report and Accounts 2004

www.aluworks.com

# ALUWORKS LTD

MANUFACTURERS OF HIGH QUALITY ALUMINIUM PRODUCTS



## Sheet in Coils

(Tension & Non Tension Levelled)



## Discs



## Flat Sheets

(Tension & Non Tension Levelled)



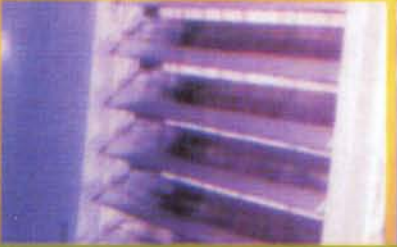
## Coiled Strips



## Corrugated Roofing Sheets



## Louvre Blades



Plot # 63/1 Heavy Industrial Area, Tema P. O. Box 914, Tema, Ghana  
Tel: (233 22) 208701-2 / 211854-6 Fax: (233 22) 208700 / 211857  
E-mail: aluworks@aluworks.com