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2005

Annual Report

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Clydestone Ghana Limited
2005 Annual Report

2005

annual report

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Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General meeting of Clydestone Ghana Limited will be held at the Accra International Trade Fair Conference Centre, La, Accra on Tuesday 30th May, 2006 at 10.00 a.m for the ordinary business of the Company.

Agenda

- To receive and adopt the reports of the Directors, Auditors and Financial Statements for the year ended 31st December 2005.
- To declare a Dividend
- To re-elect Directors
- To approve Directors fees
- To authorise Directors to fix the remuneration of the Auditors

Dated this 22nd day of March 2006

BY ORDER OF THE BOARD



Clara Bawah (Ms)
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. A Proxy need not be a member. 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 offices of the Registrars, NTHC Limited, Martco House, No. D 542/4, Okai Mensah Link, Adabraka, Accra. P. O. Box 9563, Airport, Accra not less than 48 hours before the appointed time of the meeting.

Directors, Officials and Registered Office**DIRECTORS**

George Prah (Chairman)
Paul Jacquaye (Managing)
Prof. Ellis Badu
Helena Naana Nelson (Mrs)
Dr. Kwabena Duffour
Nana Benyin Hutchful
Edmund Arnong

SECRETARY

Clara Bawah(Ms)
Clydestone Ghana Ltd
P.O. BOX CT 1003
Cantonments, Accra

REGISTERED OFFICE

C/172/3 Lamb Road
Asylum Down
Accra

AUDITORS

Voscon Chartered Accountants
FC. Lokko Court
50 Lokko Road
P. O. Box A 476
La, Accra.

SOLICITORS

Bram-Larbi Beecham & Co.
P. O. Box 8345
Accra-North

BANKERS

Ecobank Ghana Limited
Standard Chartered Bank (Gh) Limited

REGISTRARS

NTHC Limited
Martco House
P. O. Box KIA 9563
Accra

Board of Directors



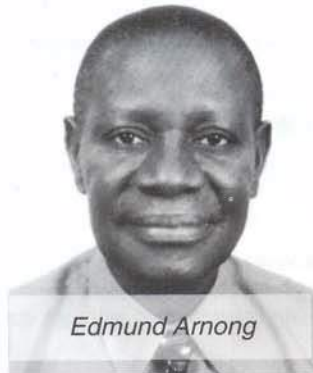
George Prah
Chairman



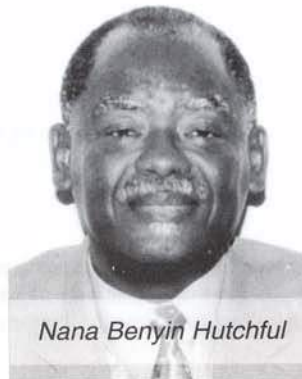
Paul Jacquaye
Managing Director



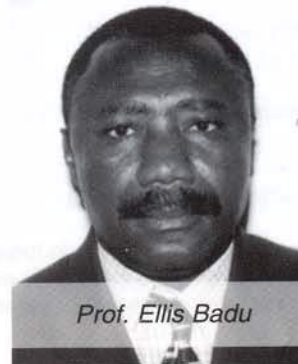
Dr Kwabena Duffour



Edmund Arnong



Nana Benyin Hutchful



Prof. Ellis Badu



Clara Bawah
(Board Secretary)

Company Profile

1.0 Executive Summary

1.1 Introduction

Clydestone was set up in 1989 as a vendor of general office equipment. Over the years it has become a tightly focused Information Technology company specializing in Financial Document Processing, Transaction Switching and Corporate Networking.

In 1994 Clydestone became the Authorized Distributor for the Unisys Corporation and in 1998 a Cisco Authorized Reseller.

A subsidiary company was set up in 1999 (Remittance Processing Ghana Limited - RPGL) leveraging Clydestone's expertise in financial processing technology to provide high technology services to key corporate clients.

In 2003 Clydestone was converted into a Public Liability Company in preparation for an Initial Public Offering on the Ghana Stock Exchange. Provisional Listing status was achieved in November 2003 with formal listing following on 19th May 2004.

Clydestone opened its offices in Nigeria in December 2005; a commitment to extending our service offerings in the West Africa Sub-Region.

Clydestone is the first and still the only ICT Company listed on the Ghana Stock Exchange.

1.2 Corporate Philosophy

Clydestone's philosophy is to focus on a limited number of niche markets within the wider ICT market. This enables us to develop expertise in these areas, provide high levels of customer service, stand out from our less focused competitors and develop long running relationships with our customers and partners.

1.3 Corporate Focus

Clydestone provides both computer products and services to primarily banks and large corporate customers. We focus on four major areas of expertise and business activity: Financial Document Processing Systems (including Remittance Processing), Transaction Switching Systems, Networking (Local and Campus Area Networks) and the Supply and Support of Automated Teller Machines (ATMs) and Point of Sales Devices (POS).

1.3 Products and Services

Financial Document Processing and Payment Systems
Local and Campus Area Networks
Remittance Processing
Transaction Switching

Our Mission and Vision

Our Mission

To be innovative in developing cutting edge solutions to meet our customer's expectations in their ICT investments and to deliver products that improve their operational efficiency and profitability

Our Vision

Our vision is to be the leading provider of cutting edge ICT solutions in Ghana and across the West African Sub-Region and beyond

www.clydestone.com

Chairman's Statement

I have the greatest pleasure, once again in welcoming you, our valued shareholders to this year's Annual General Meeting of Clydestone Ghana Limited, and our second since becoming a public listed company.

THE ECONOMY IN 2005:

The Ghanaian economy continued its path of stability, with all major sectors except agriculture, attaining increased growth - agriculture 6.5%, (2004:7.5%) industry 5.6% (2004:5.1%) and services 5.4% (2004:4.7%).

The cedi remained relatively stable against the US dollar and even appreciated in nominal terms against some major currencies in the wake of remarkable increases in inward remittances.

The year saw Government implement its policy of deregulation of the petroleum industry, and although consumer price inflation increased from 11.8% at the end of year 2004, to 14.8% at December 2005, the downward trend towards single digit inflation remains on course, and looks attainable in this current year.

In line with the stable economic environment, interest rates continued to fall, with the Bank of Ghana dropping its prime rate from 18.5% to 14.5% at year end.

The Ghana Stock market however was extremely bearish in 2005, with share price falls that in most instances did not reflect the performance of the listed companies. The All-share index recorded a loss of 29.85% at the end of December 2005.

OUR INDUSTRY:

The declining trend in interest rates, and increased competition, resulted in a number of our bank customers deciding to revise their strategies in a bid to remain profitable. Competition within the banking industry intensified in the year 2005, with the licensing of two more Banks, diversification of products, and increase in branch networks across the country. All this augurs well for your company, as the industry will strive to compete on quality, utilizing the kinds of services, innovations and cutting edge technologies that Clydestone is poised to deliver.

However, in view of the declining interest rate and increased competition some of the banks deferred the purchase of new equipment and technologies in 2005 and are likely to be implemented in the current and ensuing years.

The year saw an increase in delivery of Automatic Teller Machines (ATM's), continuing a trend that is set on rapid growth.

Towards the end of the year, our subsidiary company, Remittance Processing Ghana Ltd (RPGL), ended its contract with one of its key clients, the Electricity Company of Ghana when an acceptable basis for pricing its services could not be reached in the negotiation process for renewal of the contract. In spite of this, The Clydestone Group was able to meet its revenue projections for 2005.

Happily, the necessary steps to re-strategise and diversify its operations have been taken, and we are very confident of still achieving our 2006 forecasts.

In keeping with our vision of growing to become a major regional player, a subsidiary company, Clydestone (Nigeria) Limited was successfully incorporated in 2005, following a positive assessment of our potential in the huge market of Nigeria. An office has been established and we are highly encouraged by the prospects for growth of your company in the sub-region as well.

HIGHLIGHTS OF 2005 PERFORMANCE:

The year saw the group consolidate the gains made following the first full year of floatation. Group turnover for the year 2005 increased by 43.9%, while net profit after tax increased by 28%. Shareholder's funds increased by 7.5% from €8.8bn to €9.5bn

DIVIDEND

Based on Your Company's operating results; the Directors have proposed the payment of a dividend of C30 per share, which is an increase of 50% over the previous year. This represents a payout ratio of 58.4%, in keeping with our commitment made in the prospectus during floatation to keep a minimum dividend pay out ratio of 20% per annum.

RETIREMENT AND RE-ELECTION OF DIRECTORS

Mr George Prah, Mr Edmund Arnong and Nana Benyin Hutchful will retire at this Annual General Meeting and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE:

The Board met regularly, formulated policies, and ensured that internal procedures within the company were efficient, and policies adhered to. Its Audit sub-committee met regularly to review and ensure that internal audit was functional, and that systems and controls were adequate for the operations of the company.

OUTLOOK

The Government, having identified the ICT sector as key to achieving its accelerated growth objectives, declared in its 2006 budget statement, its vision of facilitating the development of a reliable, cost effective ICT infrastructure and services using the latest technologies. The Clydestone Group remains well positioned in the fast growing ICT and banking sectors of the economy, and will continue to introduce latest technologies and solutions to keep its clients at the top of their respective fields of operation. As we launch into the larger sub-regional market, with our established competencies, the outlook for profit growth for your company looks strong in the coming years.

APPRECIATION:

The Board received notice from Mrs Helena Naana Nelson, of her intention to resign from the Board, following her relocation away from Ghana. Mrs Nelson joined the Board in 2003, and always brought her rich experience as a management consultant to bear in our deliberations. We thank her for her invaluable contribution, and wish her well in her future endeavours.

I also thank you, our valued shareholders, for continuing to show faith with your company, in the rather bearish stock market of 2005. You clearly appreciated the fact that the fundamentals of your company remain sound, and are willing to share in Clydestone's long term prosperity.

Finally, I thank my colleagues on the Board, Management, and our hardworking dedicated staff for their untiring efforts in ensuring that Clydestone remains the pacesetter in Automated Banking, Payments Systems, Transaction Switching and Corporate Networking in Ghana and West Africa.

George Prah



Chairman.

CEO, Review

Introduction

It is with great pleasure that I welcome you all and present to you my annual review for 2005. The year under review saw spectacular growth in the business of Clydestone Limited and a good performance for the Clydestone Group. The proceeds received from you all have been applied judiciously and this is reflected in our 2005 performance. This year saw our foray into the Nigerian market and I am happy to inform you that we have set in motion the necessary strategies that will propel your company to greater heights as we venture into the West African sub-region with our product offerings in all our niche areas of operation.

2005 PERFORMANCE REVIEW

The year under review saw an increase in group turnover from 12.834 billion to 18.471 billion cedis an increase of 43.9%. Net Profit before tax grew by 48.2% from 1.873 billion to 2.775 billion cedis. This performance was largely due to spectacular performance by Clydestone Limited to the group where we grew turnover by 91.5 % from 6.322 billion to 12.174 billion cedis. Net Profit before tax of Clydestone Ghana Ltd increased by 213 % to 2,181 million from the previous year's figure of 697 million cedis. Our subsidiary Remittance Processing (Ghana) Limited (RPGL), contribution to group turnover was not as projected, due to the loss of business from one of its customers. We however received a dividend of 335 million cedis from RPGL for the 2004 financial year.

Business from our core areas of operation was as follows; In our **Financial Document Processing** business we gained a new customer Zenith Bank Ghana Limited, and they became our 16th customer to deploy our cheque processing solution, Clydebank. We continued to offer support to the Automated Clearing House, at the Bank of Ghana. We organised a seminar on the new Trends in Payment Systems to the banking community and these efforts are aimed at educating as well as positioning ourselves for the eventual improvement of the country's payment systems landscape in the very near future.

Our **Networking** business continued its growth trend. We were selected to undertake a Campus Wide Fibre Optic Project at the University of Development Studies which involved the running of fibre optic cables to link the various building at both their Nyankpala and Navrongo campuses. We will intensify our efforts in this area of our operation this year to sustain growth.

As reported to you last year, we added **Automated Teller Machines (ATM)** to our payment systems business. We sold 16 ATM's for the period and sales projected for the coming months will increase our share of the ATM market. We expect significant growth in this new area in Ghana and also in Nigeria.

Remittance Processing; Our subsidiary Remittance Processing (Ghana) Limited, did not achieve their projected revenues for the year under review. This was due to the abrogation of their contract by the Electricity Company of Ghana (ECG) for the collection and processing of its revenue. The ECG acted contrary to the terms on the agreement signed between RPGL and itself. Turnover for the RPA Paypoint Service amounted to 6.515 billion cedis as against last year's figure of 6.511, a marginal increase of 4 million cedis. Profit before taxation saw a dip to 929 million cedis as against 1.177 billion achieved in 2004. We have taken steps to re-strategise our efforts in order to forestall further decline in the business. We expect to introduce new product offerings to enhance RPGL's product

and we expect these to start impacting on the company's bottom line by the end of this year.

Balance Sheet

Our balance sheet showed an improvement over the previous year. We grew net current assets from 4.548 billion cedis to 5.069 billion cedis. Net Assets increased from 8.825 billion to 9.487 billion cedis. Accounts Receivable although high represented sales undertaken in the last month of the year, which will be paid in January 2005 and are all fully recoverable.

OUR PEOPLE

We are fully aware that in achieving our objective as the preferred ICT Company, the development of our people and their skills is imperative. We continue to train and develop our people in line with the pace of new technologies that evolve in the ICT sector. There were no staff departures this year and I am happy to report that our staff performed exceptionally over the period under review.

OUTLOOK

The future presents a lot of challenges and I am extremely positive that with our penetration of the West African Sub-region we will be able to increase our profitability and shareholder value over the coming years. We shall strive to offer innovative products, develop these and offer unparalleled support as in keeping with our slogan.....innovate > develop > support

CONCLUSION

I conclude by expressing my sincere gratitude to our numerous customers for their custom this year. We shall strive to give off our best in serving them to help them apply technology to improve their performance and enhance their profitability. Finally I thank you all our shareholders for your support since our flotation and also offer thanks to our dedicated, Board of Directors, Management and fellow employees of the Clydestone Group. Thank you.

Paul Jacquaye



CEO

Financial Highlights

CONSOLIDATED PROFIT AND LOSS

	2005 ¢	2004 ¢	% change
SALES	18,471,352,143	12,834,754,624	43.9
COST OF SALES	10,084,008,498	6,296,265,242	-60.1
GROSS PROFIT	8,387,343,645	6,538,489,382	28.2
SELL, GEN & ADMIN, EXP.	6,004,193,716	4,893,597,193	-22.7
OTHER INCOME	392,677,166	229,090,554	71.4
PROFIT BEFORE TAX	2,775,827,095	1,873,982,743	48.1
TAXATION	1,028,297,465	507,990,398	102.4
PROFIT AFTER TAX	1,747,529,630	1,365,992,345	27.9
MINORITY INTEREST	85,437,733	143,139,532	-40.3
NET PROFIT	1,662,091,897	1,222,852,813	35.9
EARNINGS PER SHARE	48.89	35.96	35.9

Report of the Directors

The Directors in submitting to the Shareholders the financial statements of the company for the year ended December 31, 2005 reports as follows:

	Cedis
The Company recorded a profit before taxation of	2,775,827,095
From which is deducted taxation and national reconstruction levy of	1,028,297,465
Giving a profit after taxation of	1,747,529,630
Less minority interest in subsidiary	85,437,733
Giving a net profit of	1,662,091,897
From which is deducted proposed dividend by the board to Shareholders of	1,020,000,000
Leaving a balance transferred to income surplus account of	642,091,897

AUDITORS

In accordance with section 134 (5) of the Companies Code, 1963 Voscon Chartered Accountants has agreed to continue in office as the company's auditors. A resolution to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

NATURE OF BUSINESS

There was no change in the nature of business of the company during the year under review. The Company is a public company under the provisions of the Company Code 1963 (Act 179) and is listed on the Ghana Stock Exchange.

Corporate Governance

Our Board has continually adhered to the policies and guidelines of the Clydestone's Corporate Governance which cover among other things the following:

1. Principle 1: Lay solid foundations for management and oversight
2. Principle 2: Structure the board to add value
3. Principle 3: Promote ethical and responsible decision-making
4. Principle 4: Safeguard integrity in financial reporting
5. Principle 5: Make timely and balanced disclosure
6. Principle 6: Respect the rights of shareholders
7. Principle 7: Recognise and manage risk
8. Principle 8: Encourage enhanced performance
9. Principle 9: Recognise the legitimate interests of stakeholders

Our current Board of Directors is composed of the following Executive and Non-Executive Directors.

Non-Executive Directors

Mr. George Prah
Dr. Kwabena Duffour
Mr. Edmund Arnong
Prof. Edwin Ellis Badu
Mrs. Helena Naana Nelson (Resigned Nov. 2005)

Executive Directors

Mr. Paul Tse Jacquaye
Nana Benyin Hutchful

Audit Sub-Committee Report

Introduction

Clydestone Ghana Limited formally listed on the Ghana Stock Exchange on 19th May 2004.

On 25th February 2004, as part of its' preparation for listing, the Clydestone Board of Directors resolved to inaugurate an Audit Sub-Committee in line with Securities and Exchange Commission Regulations 2003 L.I. 1728 (Regulation 61 - Audit Sub-Committee).

Membership

It was agreed that the sub-committee shall consist of three members of the Board of Directors and that the presence of two members is required for a meeting to form a quorum.

The period of office is four years

The following Directors of Clydestone were mandated to be members of the Audit Sub-Committee:

Mr. George Prah
Mrs. Helena Nelson
Mr. Edmund Arnong

Mr. Edmund Arnong replaced Mr. George Prah as Chairman of the Audit Sub-Committee on the 12th of April, 2005 and Mrs. Helena Naana Nelson was replaced by Prof. Edwin Ellis Badu in November 2005. In attendance at Audit Sub-Committee meetings are the Managing Director and the Financial Controller.

Frequency of Meetings

The Audit Sub-Committee met four times for the period January -Dec. 2005.

BY ORDER OF THE BOARD



Chairman



Managing Director

Report of Independence Auditors to the Members

We have audited the consolidated financial statements of Clydestone Ghana Limited and its subsidiary set out on pages 19 to 30 as at December 31, 2005.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing these financial statements. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 of account have been kept by the Company and its subsidiary and the consolidated financial statements which are in agreement therewith, present fairly in all material respects, the financial position of Clydestone Ghana Limited and its subsidiary as at December 31, 2005 and the results of their operations and cash flows for the year then ended in conformity with Ghana National Accounting standards and comply with the companies Code, 1963.



CHARTERED ACCOUNTANTS
ACCRA. GHANA

March 22, 2006

2005

annual report

Financial Statements

CLYDESTONE GHANA LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2005

	NOTES	COMPANY 2005 c'000	GROUP 2005 c'000	COMPANY 2004 c'000	GROUP 2004 c'000
DEFERRED EXPENDITURE	2	<u>562,103</u>	<u>562,103</u>	<u>545,134</u>	<u>734,668</u>
FIXED ASSETS	3	<u>1,601,208</u>	<u>2,959,448</u>	<u>1,790,353</u>	<u>3,426,395</u>
INVESTMENT	4	<u>1,784,928</u>	<u>897,059</u>	<u>1,784,928</u>	<u>115,000</u>
CURRENT ASSETS					
Inventories		1,407,428	1,407,427	1,063,506	1,063,506
Trade accounts receivable		7,347,469	8,778,740	2,335,385	3,892,211
Other accounts receivable	5	179,516	734,130	594,122	728,981
Cash and bank balances	6	1,216,035	2,055,478	584,202	1,138,562
Due from subsidiary company		<u>1,302</u>	<u>-</u>	<u>11,784</u>	<u>-</u>
		<u>10,151,750</u>	<u>12,975,775</u>	<u>4,588,999</u>	<u>6,823,260</u>
CURRENT LIABILITIES					
Trade accounts payable		3,649,183	4,746,066	188,112	846,816
Other accounts payable	7	1,618,324	1,962,469	860,292	1,064,034
Taxation	8	(58,041)	45,027	(220,651)	(316,531)
Dividend payable	9	<u>1,153,160</u>	<u>1,153,160</u>	<u>680,000</u>	<u>680,000</u>
		<u>6,362,626</u>	<u>7,906,722</u>	<u>1,507,753</u>	<u>2,274,319</u>
Net Current Assets		<u>3,789,124</u>	<u>5,069,053</u>	<u>3,081,246</u>	<u>4,548,941</u>
Net Assets		<u><u>7,737,363</u></u>	<u><u>9,487,663</u></u>	<u><u>7,201,661</u></u>	<u><u>8,825,004</u></u>
REPRESENTED BY					
Stated Capital	10	5,548,500	5,548,500	5,548,500	5,548,500
Capital Surplus	11	1,409,550	2,130,367	1,409,550	2,130,367
Income Surplus		779,313	1,236,089	243,611	593,997
Minority Interest	12	<u>-</u>	<u>572,707</u>	<u>-</u>	<u>552,140</u>
		<u><u>7,737,363</u></u>	<u><u>9,487,663</u></u>	<u><u>7,201,661</u></u>	<u><u>8,825,004</u></u>

Signed on behalf of the Board on 22nd March, 2006



Chairman



Managing Director

The accompanying notes on pages 22 to 30 form and integral part of these consolidated financial statements.

CLYDESTONE GHANA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2005

	NOTES	COMPANY 2005 c'000	GROUP 2005 c'000	COMPANY 2004 c'000	GROUP 2004 c'000
TURNOVER	1(b)	12,174,867	18,471,352	6,322,767	12,834,755
COST OF OPERATIONS		<u>(7,125,971)</u>	<u>(10,084,008)</u>	<u>(3,076,574)</u>	<u>(6,296,265)</u>
GROSS OPERATING PROFIT		<u>5,048,896</u>	<u>8,387,344</u>	<u>3,246,193</u>	<u>6,538,490</u>
General & Administration Expenses	13	<u>(3,449,095)</u>	<u>(6,004,194)</u>	<u>(2,748,387)</u>	<u>(4,893,597)</u>
Net operating Profit		1,599,801	2,383,150	497,806	1,644,893
Other Income	14	<u>581,824</u>	<u>392,677</u>	<u>198,772</u>	<u>229,091</u>
Profit Before Taxation		<u>2,181,625</u>	<u>2,775,827</u>	<u>696,578</u>	<u>1,873,984</u>
Taxation					
Corporate	8	(593,198)	(981,318)	(196,749)	(461,141)
National Reconstruction Levy		<u>(32,724)</u>	<u>(46,980)</u>	<u>(17,414)</u>	<u>(46,850)</u>
Profit After Taxation		<u>1,555,703</u>	<u>1,747,529</u>	<u>482,415</u>	<u>1,365,993</u>
Minority Interest		-	(85,437)	-	(143,140)
Net Profit for the year		<u>1,555,703</u>	<u>1,662,092</u>	<u>482,215</u>	<u>1,222,853</u>
INCOME SURPLUS ACCOUNT					
January 1		243,610	593,997	641,196	251,144
Profit for the year		1,555,703	1,662,092	482,415	1,222,853
Proposed dividend		(1,020,000)	(1,020,000)	(680,000)	(680,000)
Transfer - Shareholder's account	15	-	-	(200,000)	(200,000)
December 31		<u>779,313</u>	<u>1,236,089</u>	<u>243,611</u>	<u>593,997</u>

The accompanying notes on pages 22 to 30 form an integral part of these consolidated financial statements.

CLYDESTONE GHANA LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005

	COMPANY 2005 c'000	GROUP 2005 c'000	COMPANY 2004 c'000	GROUP 2004 c'000
CASH FLOW FROM OPERATING ACTIVITIES				
Profit Before Taxation	2,181,625	2,775,827	696,578	1,873,984
Reconciliation of Profit to net Cash Flow from operating activities				
Adjustment for Non - Cash Items:				
Depreciation	495,080	986,779	302,734	726,321
Amortisation of deferred expenditure	128,267	317,800	96,200	285,734
	<u>2,804,972</u>	<u>4,080,406</u>	<u>1,095,512</u>	<u>2,886,039</u>
Changes in current assets and liabilities				
Inventories	(343,922)	(343,922)	(832,634)	(832,634)
Trade accounts receivable	(5,012,083)	(4,886,528)	(1,905,959)	(2,409,956)
Other accounts receivable	414,605	(5,148)	(41,297)	(30,860)
Trade accounts payable	3,461,072	3,899,249	61,044	(18,160)
Other accounts payable	726,734	852,881	(112,564)	(454,818)
Due from subsidiary company	10,481	-	(104,517)	-
	<u>(743,113)</u>	<u>(483,468)</u>	<u>(2,935,927)</u>	<u>(3,746,428)</u>
Tax paid				
Corporate	(430,588)	(619,759)	(378,486)	(608,988)
National Reconstruction Levy	(1,426)	(1,426)	(17,414)	(46,850)
	<u>(432,014)</u>	<u>(621,185)</u>	<u>(395,900)</u>	<u>(655,838)</u>
Net cash provided by operating activities	<u>1,629,845</u>	<u>2,975,753</u>	<u>(2,236,315)</u>	<u>(1,516,227)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Fixed assets purchased	(305,935)	(519,831)	(417,243)	(630,665)
Deferred Expenditure	(145,236)	(145,236)	(641,334)	(641,334)
Investment	-	(782,059)	-	(115,000)
Dividend paid-Minority	-	(64,871)	-	-
	<u>(451,171)</u>	<u>(1,511,997)</u>	<u>(1,058,577)</u>	<u>(1,386,999)</u>
Net cash used in investing activities	<u>(451,171)</u>	<u>(1,511,997)</u>	<u>(1,058,577)</u>	<u>(1,386,999)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Capital contribution	-	-	4,000,000	4,000,000
Short term loan	-	-	(188,133)	(188,133)
Dividend paid-members	(546,840)	(546,840)	-	-
	<u>(546,840)</u>	<u>(546,840)</u>	<u>3,811,867</u>	<u>3,811,867</u>
Net cash used in financing activities	<u>(546,840)</u>	<u>(546,840)</u>	<u>3,811,867</u>	<u>3,811,867</u>
INCREASE IN CASH AND CASH EQUIVALENTS	631,833	916,916	516,975	908,641
CASH AND BANK BALANCES				
At the beginning of year:-				
Cash and Bank	<u>584,202</u>	<u>1,138,562</u>	<u>67,227</u>	<u>229,921</u>
At the end of year:-				
Cash and Bank	<u>1,216,035</u>	<u>2,055,478</u>	<u>584,202</u>	<u>1,138,562</u>

The accompanying notes on pages 22 to 30 form an integral part of these consolidated financial statements.

CLYDESTONE GHANA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The following is a summary of the significant accounting policies adopted in the presentation of these financial statements, which have been prepared in accordance with Ghana National Accounting Standards and under the historical cost convention as modified by the revaluation of certain fixed assets

- a - Group accounting
Subsidiary entities in which the company has controlling interest are consolidated. All inter company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.
- b - Income recognition
Turnover comprise the invoiced value of good and services.
- c - Fixed assets and depreciation
Fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is provided by using the straight line basis at annual rates estimated to write off the cost of the assets over their expected useful lives.

The annual rates used are:-

Motor Vehicles	20.00%
Furniture, Fixtures and Fittings	7.50%
Office equipment	20.00%
Computers	30.00%

- d - Deferred expenditure
Deferred expenditure is recorded at cost and amortised on a straight-line basis over its expected useful life.
- e - Trade receivables
Trade receivables are stated at their book values. Specific provisions are made for receivables considered doubtful.
- f - Inventories
Inventories are stated at the lower of cost (based on first-in, first-out valuation) and net realisable value.
Cost in general includes all other costs incurred in bringing the inventories to their present location.
- g - Foreign currency translation
 - i. Transactions in foreign currencies are converted at market rates ruling at the date of such transactions.
Exchange differences realised are accounted for through the profit and loss account.
 - ii. Assets and liabilities, which are denominated in other currencies, are translated into the reporting currency at the period end rates of exchange. Exchange differences arising on such translations are treated through the profit and loss account.

Audit Sub-Committee (ASC) Meeting

NOTE 2 -DEFERRED EXPENDITURE

	COMPANY 2005 c'000	GROUP 2005 c'000	COMPANY 2004 c'000	GROUP 2004 c'000
(a) Pre-operational expenses				
Balance at 1/1/05		189,534	-	379,068
Less Amortisation	-	(189,534)	-	(189,534)
Balance at 31/12/05	-	-	-	189,534
(b) Flotation costs				
Balance at 1/1/05	545,134	545,134	-	-
Movement during the year	-	-	641,334	641,334
Less Amortisation	(128,267)	(128,267)	(96,200)	(96,200)
Balance at 31/12/05	416,867	416,867	545,134	545,134
(c) Deferred Nigeria office Expenses				
Balance at 1/1/05	-	-	-	-
Movement during the year	145,236	145,236	-	-
Less Amortisation	-	-	-	-
Balance at 31/12/05	145,236	145,236	-	-
Total	562,103	562,103	545,134	734,668

Pre-operational expenses and flotation costs are being amortised over a period of five years

NOTE 3a - FIXED ASSETS - COMPANY

	FURNITURE & FIXTURES	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTERS	WORKSHOP EQUIPMENT	STORAGE CONTAINER	TOTAL
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
COST/VALUATION							
At 1.1.05	49,316	165,633	1,727,470	132,397	2,160	16,111	2,093,087
Additions	<u>61,699</u>	<u>44,622</u>	<u>-</u>	<u>179,266</u>	<u>20,348</u>	<u>-</u>	<u>305,935</u>
At 31.12.05	<u>111,015</u>	<u>210,255</u>	<u>1,727,470</u>	<u>311,663</u>	<u>22,508</u>	<u>16,111</u>	<u>2,399,022</u>
DEPRECIATION							
At 1.1.05	2,506	23,855	248,441	27,184	144	604	302,734
Charge for the year	<u>8,326</u>	<u>42,051</u>	<u>345,494</u>	<u>93,499</u>	<u>4,502</u>	<u>1,208</u>	<u>495,080</u>
At 31.12.05	<u>10,832</u>	<u>65,906</u>	<u>593,935</u>	<u>120,683</u>	<u>4,646</u>	<u>1,812</u>	<u>797,814</u>
NET BOOK VALUE							
At 31.12.05	<u>100,183</u>	<u>144,349</u>	<u>1,133,535</u>	<u>190,980</u>	<u>17,862</u>	<u>14,299</u>	<u>1,601,208</u>
At 31.12.04	<u>46,810</u>	<u>141,778</u>	<u>1,479,029</u>	<u>105,213</u>	<u>2,016</u>	<u>15,507</u>	<u>1,790,353</u>

The assets of the company were revalued on March 15, 2004 by Alpha Property Services, valuers, property developers, project managers and real estate brokers.

NOTE 3b - FIXED ASSETS - Group

	FURNITURE & FIXTURES	OFFICE EQUIPMENT	MOTOR VEHICLES	COMPUTERS	WORKSHOP EQUIPMENT	STORAGE CONTAINER	TOTAL
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
COST/VALUATION							
At 1.1.05	94,203	208,221	2,136,333	1,695,689	2,160	16,111	4,152,716
Additions	81,699	214,671	-	203,112	20,349	-	519,831
At 31.12.05	<u>175,902</u>	<u>422,892</u>	<u>2,136,333</u>	<u>1,898,801</u>	<u>22,509</u>	<u>16,111</u>	<u>4,672,547</u>
DEPRECIATION							
At 1.1.05	17,467	38,050	330,213	339,842	144	604	726,321
Charge for the year	<u>29,953</u>	<u>112,923</u>	<u>427,267</u>	<u>410,927</u>	<u>4,502</u>	<u>1,208</u>	<u>986,779</u>
At 31.12.05	<u>47,420</u>	<u>150,973</u>	<u>757,480</u>	<u>750,769</u>	<u>4,646</u>	<u>1,812</u>	<u>1,713,100</u>
NET BOOK VALUE							
At 31.12.05	<u>128,482</u>	<u>271,919</u>	<u>1,378,853</u>	<u>1,148,032</u>	<u>17,863</u>	<u>14,299</u>	<u>2,959,448</u>
At 31.12.04	<u>76,736</u>	<u>170,172</u>	<u>1,806,120</u>	<u>1,355,845</u>	<u>2,016</u>	<u>15,507</u>	<u>3,426,395</u>

The assets of the company were revalued on March 15, 2004 by Alpha Property Services, valuers, property developers, project managers and real estate brokers.

NOTE 4 - INVESTMENT

The company
This represents investment in subsidiary

The Group
This represents fixed deposit with a local financial institution.

NOTE 5 - OTHER ACCOUNTS RECEIVABLE

	COMPANY	GROUP	COMPANY	GROUP
	2005	2005	2004	2004
	¢'000	¢'000	¢'000	¢'000
Amount due from officers	10,099	23,349	9,062	16,470
Payment in advance	118,856	154,940	50,690	147,833
Other receivables	<u>50,561</u>	<u>555,841</u>	<u>534,370</u>	<u>564,678</u>
	<u>179,516</u>	<u>734,130</u>	<u>594,122</u>	<u>728,981</u>

NOTE 6 - CASH AND BANK BALANCES

	COMPANY	GROUP	COMPANY	GROUP
	2005	2005	2004	2004
	¢'000	¢'000	¢'000	¢'000
Cash on hand	380	2,257	411	1,623
Cash at bank	<u>1,215,655</u>	<u>2,053,221</u>	<u>583,791</u>	<u>1,136,939</u>
	<u>1,216,035</u>	<u>2,055,478</u>	<u>584,202</u>	<u>1,138,562</u>

NOTE 7 - OTHER ACCOUNTS PAYABLE

Accrued liabilities	1,609,613	1,753,590	564,824	719,203
Other payables	<u>8,711</u>	<u>208,879</u>	<u>295,468</u>	<u>344,831</u>
	<u>1,618,324</u>	<u>1,962,469</u>	<u>860,292</u>	<u>1,064,034</u>

NOTE 8 (a) - TAXATION - COMPANY

YA	Balance 1/1/05	Payments/ Tax Credits	Profit & Loss Account	Balance 31/12/05
	¢'000	¢'000	¢'000	¢'000
2002	57,027	-	-	57,027
2003	(95,940)	-	-	(95,940)
2004	(181,737)	-	-	(181,737)
2005	<u>-</u>	<u>(430,588)</u>	<u>593,197</u>	<u>162,609</u>
	<u>(220,650)</u>	<u>(430,588)</u>	<u>593,197</u>	<u>(58,041)</u>

NOTE 8 (b) - TAXATION - GROUP

YA	Balance 1/1/05 €'000	Payments/ Tax Credits €'000	Profit & Loss Account €'000	Balance 31/12/05 €'000
2002	(72,744)	-	-	(72,744)
2003	(95,940)	-	-	(95,940)
2004	(147,847)	-	-	(147,847)
2005	-	(619,759)	981,317	361,558
	<u>(316,531)</u>	<u>(619,759)</u>	<u>981,317</u>	<u>45,027</u>

The current tax liability charged at 25% is subject to agreement with the Internal Revenue Service.

NOTE 9 - DIVIDEND PAYABLE

	COMPANY 2005 €'000	GROUP 2005 €'000	COMPANY 2004 €'000	GROUP 2004 €'000
Balance at January 1	680,000	680,000	-	-
Proposed dividend	1,020,000	1,020,000	680,000	680,000
Dividend paid	1,700,000	1,700,000	680,000	680,000
	<u>(546,840)</u>	<u>(546,840)</u>	-	-
Balance at December 31.	<u>1,153,160</u>	<u>1,153,160</u>	<u>680,000</u>	<u>680,000</u>

NOTE 10 - STATED CAPITAL

	NUMBER '000	AMOUNT €'000	2005 NUMBER '000	2004 AMOUNT €'000
Authorised No. of Shares of no par value:-	100,000	-	100,000	-
Issued for cash	34,000	5,548,500	34,000	5,548,500

NOTE 11 - CAPITAL SURPLUS

	COMPANY 2005 €'000	GROUP 2005 €'000	COMPANY 2004 €'000	GROUP 2004 €'000
Opening balance	1,409,550	2,130,367	-	-
Movement during the year	-	-	1,409,550	2,269,713
Less Minority interest	-	-	-	(139,346)
Closing Balance	<u>1,409,550</u>	<u>2,130,367</u>	<u>1,409,550</u>	<u>2,130,367</u>

NOTE 12 - MINORITY INTEREST

	COMPANY 2005 €'000	GROUP 2005 €'000	COMPANY 2004 €'000	GROUP 2004 €'000
Share of net asset of subsidiary at January 1	-	552,140	-	269,654
Share of net profit of subsidiary	-	85,438	-	143,140
Share of Capital surplus	-	-	-	139,346
Dividend paid	-	(64,871)	-	-
	<u>-</u>	<u>572,707</u>	<u>-</u>	<u>552,140</u>

NOTE 13 - GENERAL & ADMINISTRATIVE EXPENSES

	COMPANY	GROUP	COMPANY	GROUP
	2005	2005	2004	2004
	¢'000	¢'000	¢'000	¢'000
General and administrative expenses include:				
Interest and financial charges	46,674	62,807	35,438	47,164
Directors emoluments	476,600	1,102,640	504,676	1,065,234
Auditors remuneration	45,000	68,000	45,000	76,500
Depreciation	495,080	669,352	302,734	413,662

NOTE 14 - OTHER INCOME

	COMPANY	GROUP	COMPANY	GROUP
	2005	2005	2004	2004
	¢'000	¢'000	¢'000	¢'000
Investment income	-	146,420	-	30,318
Interest income	227,707	227,707	198,773	198,773
Dividend received	335,567	-	-	-
Other	18,550	18,550	-	-
	<u>581,824</u>	<u>392,677</u>	<u>198,773</u>	<u>229,091</u>

NOTE 15 - TRANSFER - SHAREHOLDER'S ACCOUNT

The amount is a portion of the surplus before flotation appropriated to the owner of the company as a result of the flotation exercise.

NOTE 16 - CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no outstanding contingent liabilities or capital commitments at December 31, 2005.

NOTE 6 - INVENTORIES

COMPANY

	2,005	2,004
	c'000	c'000
Hardware spare parts	520,869	340,193
Network materials	427,180	316,393
Consumables	51,516	22,302
Terminals	391,230	
Goods-in-transit	<u>16,633</u>	<u>384,618</u>
Balance December 31,	<u>1,407,428</u>	<u>1,063,506</u>

NOTE 9 - DUE FROM SUBSIDIARY COMPANY

COMPANY

The amount is due from:	2005	2004
	c'000	c'000
Remittance Processing (Ghana) Ltd	<u>1,303</u>	<u>11,784</u>

NOTE 16 - COST OF OPERATIONS

Opening Inventory
Purchases
Sub-contract
Clearing & Delivery

Closing Inventory

NOTE 17 - Directors shareholding

Mr. Paul Jacquaye	20,390,000
Mr. George Prah	45,000
Nana Benyin Hutchful	100,000
Dr. Kwabena Duffour	25,000

Note 18

20 Largest Shareholders

$\frac{II}{I} = TR - TC$

Name of Shareholder	Holdings	Percentage
JACQUAYE PAUL TSE MR. *	20,390,000	59.971%
BBGN/NTHC HORIZON FUN ^d	630,000	1.853%
NTHC SECURITIES LIMITED	579,000	1.703%
STAR LIFE ASSURANCE LTD.	532,000	1.565%
MAWUENYEGA DANNY MR.	412,000	1.212%
AKOTO-BAMFO EDMUND MR.	412,000	1.212%
VANGUARD ASSURANCE CO. LTD.	212,000	0.624%
ECOBANK STOCKBROKERS LIMITED	191,963	0.565%
STAR ASSURANCE COMPANY LIMITED	141,824	0.417%
AKOSAH-BEMPAH KWAKU	125,000	0.368%
ISAKA NICHOLAS GBANA MR.	110,000	0.324%
CATHOLIC ARCHDIOCESE OF CAPE COAST	110,000	0.324%
CDH ASSET MANAGEMENT LTD.	102,280	0.301%
HOLDEN CHRISTOPHER MARK MR.	100,000	0.294%
HUTCHFUL NANA	100,000	0.294%
AKOSAH-BEMPAH OPHELIA	70,700	0.208%
CDH-AM/LIPTIN VENTURES	70,000	0.206%
COBBINAH PHILIP	70,000	0.206%
GOLD COAST SECURITIES CLIENTS' A/C	63,558	0.187%
CDH SECURITIES LTD.	62,420	0.184%
Totals	24,484,745	72.01%

CLYDESTONE GHANA LIMITED
Form of Proxy

I/WE

(Block Capitals)
of

being member/members of Clydestone Ghana Ltd, hereby appoint
(Insert full name)

Or failing him/her the Chairman of the meeting as my/our proxy vote for me/us at the Annual General Meeting to be held at the Accra International Trade Fair Conference Centre on Tuesday 30th May, 2006 at 10:00 am and at every adjournment thereof

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

RESOLUTION	FOR	AGAINST
1. To receive the accounts		
2. To declare dividend		
3. To re-elect George Prah as a Director		
4. To re-elect Edmund Armong as a Director		
5. To re-elect Nana Benyin Hutchful as a Director		
6. To approve Directors fees		
7. To authorise Directors to fix Auditors fees		

Signed this day of 2006

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 who is unable to attend the Annual General Meeting is allowed by law to vote by proxy. The above 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 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 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 proxy form and post it so as to reach the address shown overleaf not later than 48hrs.
6. The proxy must produce the Admission Card sent with the notice of the meeting to obtain entrance to the meeting.

The Registrar
Clydestone Ghana Limited
C/O NTHC LIMITED
2nd Floor, Marco House
Okai Mensah Link
Adabraka
P. O. Box 9563
Airport
Accra

2005

annual report

Notes



THE CONVENIENT WAY TO PAY

Clydestone Ghana Limited

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innovate ▶ develop ▶ support ▶

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