

# ALUWORKS LIMITED



## 2012 ANNUAL REPORT

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# ALUWORKS LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS 31<sup>ST</sup> DECEMBER 2012



# ALUWORKS LIMITED

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# ALUWORKS LIMITED

## NOTICE OF MEETING

**NOTICE** is hereby given that the 26<sup>th</sup> Annual General Meeting of the Shareholders of Aluworks Limited will be held at the Fiesta Royale Hotel, Dzowurlu, Accra (next to the Nestlé Head Office building) on Thursday July 9, 2013 at 10 O'clock in the forenoon to transact the following ordinary business:

### AGENDA

1. To receive and consider the Reports of the Directors, Auditors and the Audited Financial Statements for the year ended December 31, 2012.
2. To re-elect Directors.
3. To fix the remuneration of the Directors.
4. To authorise the Directors to fix the remuneration of the Auditors for the ensuing year.

**Dated this 22<sup>nd</sup> day of April, 2013**

By Order Of the Board  
ACCRA NOMINEES LIMITED  
**COMPANY SECRETARIES**

### Note:

A member of the company entitled to attend and vote may appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the company. Completed proxy forms should be deposited at the offices of the Registrars Merban Stockbrokers Limited, No 57 Examination Loop, North Ridge, P. O. Box 401, Accra not less than 48 hours before the appointed time of the meeting. Failure to submit the forms before the **48 hour deadline** will result in the Proxy not being admitted to, or participating in, the meeting. A Form of Proxy is provided in the Annual Report.



# ALUWORKS LIMITED

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Kwadwo Kwarteng – *Chairman*  
Ernest Kwasi Okoh (*Managing*)  
Togbe Afede XIV  
Anthony Fofie  
Victor Djangmah  
Miriam Okwabi (Mrs)

### SECRETARY

Accra Nominees Limited  
13 Samora Machel Road  
Asylum Down  
P. O. Box GP 242  
Accra

### REGISTRARS

Merchant Bank (Ghana) Limited,  
57 Examination Loop,  
North Ridge,  
Accra

### PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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

### AUDITORS

KPMG  
Chartered Accountants  
13 Yiyiwa Drive  
P. O. Box 242  
Accra

### BANKERS

Barclays Bank of Ghana Limited  
Ecobank Ghana Limited  
SG - SSB Limited

## **Board of Directors.**

**Mr. Kwadwo Kwarteng**  
Ghanaian  
**Chairman**



**Mr Kwadwo Kwarteng** joined the Board in November 1991. He is a Chartered Accountant, and a managing partner of Kufuor and Associates, a firm of Chartered Accountants. He is a qualified CPA, and holds an MBA in Management from New York University's Stern Graduate School of Business. He has been Managing Director of Pioneer Aluminium Company and Financial Controller of Union Carbide Ghana and is a Director of Gratis Foundation in Tema.

**Togbe Afede XIV**  
Ghanaian  
**Non Executive Member**



**Togbe Afede XIV** is the Agbogbomefia of the Asogli State and President of the Asogli Traditional Council based in Ho, Ghana. He is an investment banker and the founder and CEO of the SAS Finance Group. He holds an MBA (Finance) Degree from the Yale School of Management USA. He is on the Board of Bank of Ghana, Pioneer Kitchenware Ltd, Sunon-Asogli Power (Ghana) Ltd. The World Trade Centre (Accra), and Chairman of Accra Hearts of Oak FC Ltd, among others.

**Mr. Anthony Fofie**  
Ghanaian  
**Non Executive Member.**



**Mr Anthony Fofie** is currently the Chief Executive of the Ghana Cocoa Board. He joined the Board in March 2009. Mr Fofie holds an Executive MBA from the Ghana Institute of Management and Public Administration and an M.Sc. from the University of Reading UK. He is a member of a number of local and international boards/committees including Tema Chemicals Ltd., Cadbury Cocoa Partnership Programme, International Cocoa Verification Board and Impact Ghana Coordination Group – Mars Incorporated among others.



## **Board of Directors**

**Mr. Victor Djangmah**

Ghanaian

Non Executive Member



Mr. Victor Djangmah is an engineer by Profession and currently is the Managing Director of Fanel Limited, a firm of Electrical Engineers and Contractors. He joined the Board in February 2011. He holds a B.Sc. in Electrical Engineering from the Kwame Nkrumah University of Science and Technology (KNUST). He worked with the Electricity Company of Ghana (ECG) after KNUST from 1973 to 1980 before entering into the Construction Industry. Mr. V. Djangmah is the representative of Social Security and National Insurance Trust on the Board of Aluworks Limited.

**Mrs Miriam Okwabi**

Ghanaian

Non Executive Member



Mrs. Miriam Okwabi is a Chartered Accountant and currently the Director of Finance of Ghana Cocoa Board. She joined the Board in March 2011. She holds an Executive MBA from the Ghana Institute of Management and Public Administration. She is a member of the Institute of Chartered Accountants and a founding member of the Association of Women Accountants in Ghana. She serves on a number of committees and boards including West Africa Mills Company Ltd a cocoa processing company in Takoradi.

**Mr. E. Kwasi Okoh**

Ghanaian

Managing Director



Mr. Kwasi Okoh was appointed Managing Director in November 2008. He is a Chartered Accountant, with an MBA from the University of Strathclyde in Glasgow Scotland. He has held many company directorships both in Ghana and abroad and currently serves on the boards of MS Research International Limited, Expandable Polystyrene Products and Trading Ltd., WT-2 Company Limited and is Chairman of the Board of Governors of Achimota School (Senior and Basic Schools).

# ALUWORKS LIMITED

## Corporate Governance

ALUWORKS Limited is run by the Board of Directors headed by the Chairman. The Board which may consist of not less than (5) five is currently made up of six (6) members of whom five (5) are Non Executive Directors.

The Board is responsible for setting the company's strategic direction, for leading and controlling the company and for monitoring the activities of the executive management. The Board is also responsible for presenting a balanced and understandable assessment of the company's progress and prospects.

### CORPORATE GOVERNANCE & BOARD PRACTICE

The Company is autonomous in all aspects of its operations and there has been no external pressure. Management members are at liberty to take decisions that will benefit the company and do not entertain any external influence in the course of doing their work.

The Board of Directors is principally appointed by the various Institutional shareholders and this is done once every year by rotation. Members with over 10% shares are eligible to appoint representative persons on to the Board, with the rest appointed by shareholders at general meeting.

The Board of Directors meets at least six times in a year and emergency meetings are also held as and when the need arises to consider urgent matters requiring specific decisions and approvals. Various committees have also been set up to deal with varied matters that arise during intervening periods when Board meetings are not scheduled. These committees comprise of the following:

#### Audit Sub Committee

The Audit Sub Committee is appointed by and reports to the Board. It comprises three (3) Non-Executive Directors – Mr. Kwadwo Kwarteng, who is the Chairman, Togbe Afede XIV, and Mr. Anthony Fofie. The Managing Director and the Audit Manager are ordinarily in attendance at its meetings. The committee meets regularly to discharge its responsibilities which are as follows;

- To safeguard the company's assets
- To maintain adequate accounting records,
- To develop and maintain effective systems of internal control, and
- To monitor compliance with risk management policies and procedures.

The committee among other things reviews Management accounts and audited financial statements.

#### Remuneration Sub Committee

The Remuneration Sub Committee is appointed by the Board. It comprises four (4) Non Executive Directors. The Chairman of the committee is the Board Chairman, Mr Kwadwo Kwarteng, and the other members are: Togbe Afede XIV, Mrs Miriam Okwabi and Mr Victor Djangmah.

The duty of the Remuneration Sub Committee is to advise the Board and Management on wage opener negotiations (salary review) and conditions of service for all levels of employees.



# ALUWORKS LIMITED

## CHAIRMAN'S STATEMENT

Fellow shareholders, distinguished guests, ladies and gentlemen, it is my singular honour to welcome you once again to this 26<sup>th</sup> Annual General Meeting of our company.

I am also privileged to present the 2012 Annual Financial Statements to you.

## THE ECONOMIC ENVIRONMENT

Ladies and Gentlemen we started 2012 with a lot of hope that the world's economy was going to be on the mend in that year. The early signs suggested that there would be a resurgence of demand, especially for Aluminium which would relieve the commodities markets of the pessimistic outlook of previous years. Unfortunately that did not happen. Indeed the economy got tougher in Europe especially with the European Union having to tackle the problem of Greece and others. It also got tougher in the USA despite the re-election of President Obama, which normally would have been a good sign. As it turned out America faced a spending cliff that threatened to dry up its purchases from around the world even more. In the event the Aluminium market has remained rather weak and LME price levels remained weak throughout the year.

In Ghana the situation at the beginning of the year proved to have been a complete mis-informer. In the first half of the year we expected the exchange rate depreciation to have been brought under control but it proved to be one of the worst in recent history. In the second and third quarters the cedi actually depreciated by as much as 17%, compared with 4.97% overall in 2011. This had serious implications for businesses like Aluworks that hold loans denominated in foreign currencies on its books and our exchange losses were unexpectedly phenomenal. Ghana's real GDP growth (including oil) dipped from the 13.6% of the previous year to 7.1%. Whereas the industrial sector of the GDP showed growth rate of about 7%, in fact this statistic hid the dismal fact that manufacturing actually declined during the year. At the end of 2012 the manufacturing sector represented only 6.7% of GDP when manufacturing which is one of the main suppliers of jobs should represent about 25% of GDP. This woeful statistic simply reflects the lack of focus on manufacturing by successive governments such that the sector is swamped by a myriad of problems amongst them the influx of cheap goods from the Far East, which has intensified import competition, access to credit, high utilities and energy costs, and generally high costs of inputs and raw materials.

Until Government begins to put a lot more focus on the manufacturing sector, growth in jobs in the sector will always be under pressure as companies in the sector continue to decline.

## OPERATING RESULTS AND DIVIDEND

For the third year running the company has reduced its net loss through more cost efficient operational practice. In all these years the company made good profit at operational level but such profits were wiped out by the high level of finance costs in interest and exchange losses that the company had to incur during the years. At the end of 2010 the loss before tax was GH¢7.80m, at the end of 2011 it had reduced to GH¢3.35m and it has reduced further to GH¢2.33m at the end of 2012. This trend alone suggests that Aluworks should make some profit in 2013. Due to this net loss in 2012 I regret that the Directors are not able to recommend the payment of dividends. The loss in 2012 has added to the deficit balance in the Retained Earnings Account.



### The Recent Rights Issue

We received the blessing of shareholders by way of resolution at last year's AGM to raise further funds for investment in the company through a rights issue, which was duly carried out in March of 2013. Having passed the resolution we expected shareholders to fully support the effort but this was not to be and the burden of investment was once again put on the shoulders of the large shareholders only. In the event a limited success was achieved. The achievement surpassed the minimum requirement of the project documentation but was not enough to carry out all of the projects for which further funds were being raised. That means that in the future we will need to seek further funds from other sources to carry out the needed investment which for now will remain outstanding. The Directors have resolved to put the amount received to good use in line with the objectives of the resolutions passed at the last AGM.

### BOARD OF DIRECTORS

There has not been a change in the composition of the Board since the last Annual General Meeting. In accordance with the regulations of the company, myself Mr. Kwadwo Kwarteng and Mr. Victor Djangmah will be retiring by rotation and being eligible offer ourselves for re-election.

The Non-Executive Directors' fees will not be increased for the seventh time in 2013 while the company is still in the recovery posture.

### THE FUTURE

VALCO has continued to supply us in Aluworks with our raw material requirements. We are in the process of building a new cold mill which will be in production early in 2014. The main drawback to our progress now is the challenge by products from the Far East especially from China which are coming into the country on a completely unfair basis.

But our emphasis on quality products has enabled us to maintain our market share. We have the capacity to increase our market share if the government would address the issue of Chinese invasion squarely and we sincerely urge them to do so. It is very important that Government supports the manufacturing sector in Ghana very strongly if we are to be able to create new jobs.

The onslaught by the Chinese in the Aluminium industry has been through a very deep export rebate which allows Chinese traders to bring inferior goods here to sell very very cheaply. This has been proven to be against World Trade Organization (W.T.O) rules and regulations and we simply await Government action to impose the necessary countervailing measures to level the playing field to enable Aluworks achieve its full potential in both volumes and profitability. That is our hope and wish for the future.

### CONCLUSION

On behalf of the Board of Directors I would like to thank you our shareholders, all other stakeholders especially the staff and management of Aluworks for the good work done and look forward to a profitable future.

May God bless us all.

Thank you.

# ALUWORKS LIMITED

## QUALITY ASSURANCE POLICY

Aluworks Limited's quality policy is to achieve sustained, profitable growth by providing good quality aluminium cold rolled products which consistently satisfy the needs and expectations of its customers.

This level of quality is achieved through adoption of systems of procedures that reflect the competence of the Company to existing customers, potential customers, all relevant authorities and assure full conformance to specifications and approved standards.

Achievement of this policy involves all staff, who are individually responsible for the quality of their work, resulting in a continually improving working environment for all, and in particular to conformance in all aspects to ISO 9001 requirements.

This policy is provided and explained to each employee by the Managing Director and the Management Representative.

To achieve and maintain the required level of assurance the Managing Director retains responsibility for the Quality System with routine operation controlled by the Management Representative.

The objectives of the Quality Assurance System are:

- a. To endeavour, at all times, to maximize customer satisfaction with the products of Aluworks Limited, including as customer service, technical support whenever necessary, continual assessment and evaluation of customer's needs.
- b. To achieve and maintain a level of quality which enhances the Company's reputation with customers. The Aluworks Technology, Aluminium Association (AA) and STM standards will be used as a guide in production and testing activities.
- c. To maintain an effective Quality Assurance System complying with International Standard ISO 9001 (Quality Systems).
- d. Employees will be trained and involved in continual improvement of the quality Management System, in a bid to attain total customer satisfaction.
- e. To ensure compliance with relevant statutory and safety requirements.



# ALUWORKS LIMITED

## CEO's Statement

Our dear Shareholders,

Once again we are at another Annual General Meeting to report to you on the state of affairs of the company since the last AGM and on our performance in the year under review.

As the CEO of your company, I can say that we in the company have always had a lot of faith in the eventual turnaround of the company, based on our belief in its underlying strength and in the relevancy of the service that we seek to provide to the nation and to West Africa. We have had our belief seriously shaken from time to time, but we have held on and continue to hold on to a profitable future for the company, Aluworks.

We have refused to be swerved by the difficulties that we have faced and have been facing since around 2006. To quote Socrates the ancient Greek Philosopher who said "Remember, no human condition is ever permanent. Then you will not be overjoyed in good fortune nor too scornful in misfortune."

It can only get better. We must not be too scornful in misfortune. The Board of Aluworks Limited has, like me, expected things to get better much faster than has happened. We are disappointed that it is doing only so very very slowly. We have given the reasons which have been impeding our progress over and over again and have always been of the hope that something positive would be done to help our company to start growing again.

Ladies and gentlemen, permit me to underscore our concern once again for clarity's sake.

We measure country economic growth in GDP terms and measure sector growth in relation to their contribution to the country's GDP. Whereas industry appears to be growing, because industry is defined to include Oil, Gas, and Mining, the fact that manufacturing as a large sub-sector is seriously declining seems not to be noticed by the powers that be. That decline in itself is reducing our aggregate GDP significantly. The hope is that the oil sector will continue to grow; for if that stagnates then all of industry will be in a sorry mess.

Manufacturing as a sub-sector is one of the larger providers of jobs in the country. As it declines the availability of jobs also decreases. We have a lot of youth coming out of the education system looking for jobs. Where are they all going to go if we just watch our manufacturing sector decline? The services sector which is growing strongly, being high technology oriented, does not provide sufficient jobs for the ever growing work force. So we need the manufacturing sub sector to start growing again. We urge Government to as a matter of urgency place a lot more focus on Ghana and on made in Ghana (goods), so that we can climb back to prosperity with everyone doing some job or other to earn some income, to pay their taxes and not to be a drain on the economy for social services and as the social saboteurs that we are risking by not providing them jobs.

In this context we in Aluworks continue to impress on Government to implement the proposed countervailing measures agreed with the WTO by the Tariff Advisory Board of the Ministry of Trade and Industries, so that at least we will have a semblance of a level playing field despite the very high export rebates that Far Eastern traders enjoy and with which they are able to completely destabilise markets in Ghana and in West Africa. We do not make this plea to Government lightly. Nigeria used to have five rolling mills like Aluworks. In the last six months four have collapsed due to the onslaught of cheap goods from the Far East, and the other one is barely surviving. In Ghana, at least some action has been taken by the GRA Customs Division which has imposed some, but only some, equanimity on the import system.



But it is not enough. We need the countervailing measures to be put in place so that we do not go the Nigerian way of folding up under the onslaught.

Since the saying is that a word to the wise is enough I will end our concern message on that note.

### **The Economic Environment.**

2012 proved to be a year of varied environment. The eurozone continued to face a dim outlook in the light of the existing financial weakness. The widening US deficit and tax cuts which had been pushed to the background also emerged to haunt the global system. High levels of unemployment, sluggish demand, weakness in investment, jobs and manufacturing were observed in both US and Europe.

Additionally emerging markets such as the BRIC i.e. Brazil, Russia, China and India, accounting for more than 20 percent of the world economy also showed signs of slowdown. The significance of the weak world economy is that spending has continued to be stifled around the world as expenditure cuts have been rigorously pursued to reduce deficits. This has meant that demand for commodities, like aluminium, have not been able to recover, stocks have remained high and prices have remained weak to the detriment of the industry. It has also meant that aids and grants that were usually offered to weaker economies like Ghana have had to be reduced by the donor countries, thus putting pressure on our own development efforts.

On the local front, the situation was no different. In 2011 Ghana recorded one of the highest growth rates in the world at 14.4%. In 2012 the economy was plagued with significant economic and political challenges, especially as it was an election year. The domestic economy remained fragile as the falling Cedi and inflationary pressures impacted on all sectors of the economy. The Cedi slipped while inflation ticked higher. Indeed the Ghana cedi depreciated on the interbank market by as much as 17.5% against the dollar compared with 4.97% in 2011. This of course had a huge significance for Aluworks in terms of exchange losses, which in the second and third quarters of the year, were quite unprecedented. On the back of these trends money market rates were also bullish during the year. In the event, our GDP growth rate dropped to about 8.3% for the year. Industry grew by 7% within which manufacturing actually declined significantly in that industry growth. With fuel prices revised upwards by 15 per cent in December, 2011 as a result of rising world prices, and the depreciating Cedi, inflation rose from 8.5% at the end of December 2011 to 9.5% in July 2012, and ended at 9.2% in the year. The Monetary Policy Committee (MPC) of the Bank of Ghana in tandem with economic developments reviewed its policy rate in a bid to contain the upside risks to inflation. The MPC increased its Policy Rate from 12.50% at the end of 2011 to 15.0% during 2012. However average bank lending rates thankfully declined slightly from 25.9% in December 2011 to 25.7% in December 2012.

Government is projecting a GDP growth of 8% (including oil) in 2013. Inflation is projected at an average of 8.9% for the year, signalling a continuation of the single digit level. The challenge is in whether this trend can be maintained especially in the face of payments expected under the single spine led growth in expenditure, and whether a relatively stable currency and a lower interest rate regime can also be maintained. The greatest challenge will be to manage the burgeoning budget deficit as well as to maintain infrastructure expansion. Since Ghana has become a middle income country donor inflows will certainly decline, and the fear remains that government might have to borrow locally, hopefully without crowding out the private sector something which was of concern during the past year. With the background of power and utility difficulties, strikes and general discontent, the economy will likely be a challenge in 2013.



## **Review of 2012.**

### **General**

Although we reduced our loss before tax in the year for the third year running, we were unable to completely eradicate the loss as we had wished. The encroachment on our markets by products from the Far East sold cheaply through unfair export rebates unfortunately was not curtailed in 2012 as we hoped it would be by way of the required countervailing measures. We continue to pursue the matter with Government.

The same phenomenon was evident around West Africa and therefore our sales in to the region especially to Nigeria were very difficult and it would have been worse were it not for our rather high product quality, which ensured that our export customers continued to purchase from Ghana albeit at lowered and slower levels during 2012. In addition we had industrial relations issues for two months of the year during which some 800 tonnes of lost sales were not recovered.

Nevertheless performance in terms of operational efficiency was very strong during the year. Cost savings and cost effectiveness projects were vigorously pursued leading to an increase in gross profit from 7.62% in 2011 to a strong 14.1% in 2012. One particular project is worthy of mention. During the year we revamped our power usage arrangements, thus improving our power factor level from 0.56 to 0.86 by the end of the year, thus saving tens of thousands of cedis that we would have paid to VRA in penalties as in previous years. The project was indeed funded from the savings on the penalties avoided. The optimum level is 0.95 so we have instituted a further study and have embarked on a final project to further expand our capacitor accumulation banks, to get to that level.

Were it not for the continued high financing costs in interests (GH¢2.045m versus GH¢2.348m in 2011) and exchange losses (GH¢3.637m versus GH¢2.554m in 2011) the results would have been good and laudable.

### **Operations and Production Activity.**

We have continued to receive our supplies of raw materials from VALCO during the year and are confident the supply will go on. The only drawback has been the effect of all the power related problems that have attended this supply leading to some quality issues which I am happy to say have eventually been resolved. Total production in 2012 amounted to 8,239 metric tonnes, compared with 8,781 metric tonnes produced in 2011. As I have already mentioned, had we not lost some 800 tonnes of production during the industrial action, we would have shown a higher production in excess of 9,000 tonnes in 2012 compared to 2011. Nevertheless it has to be noted that for coordination reasons, production follows upon demand as detailed in the sales order book and is not a free and independent activity. We are confident that in the next few years, despite the encroachment from the Far East, demand for our products should begin to grow again as we get more and more orders from Nigeria especially. To be ready for this we have embarked upon the construction of a new cold rolling mill, via a loan from SSNIT, which will turn out its first cold rolled coil in April 2014.

### **Turnover**

During 2012, 7,843 tonnes was sold compared with 8,754 tonnes sold in 2011. Despite this 12% shortfall in volume terms compared to last year, in value terms the net shortfall 2012 was only 0.07% at GH¢49,681 million as against GH¢49.716 million in the previous year. This came about as a result of a significantly higher tonnage of gross value added aluminium discs sold in 2012 than in 2011.



### **Exports.**

2012 proved to be a difficult year for exports. Especially in the last quarter of 2012 orders tended to dry up especially from Nigeria. However it is pleasing that in 2013 we have seen a resurgence of orders from Nigeria on the back of the closure of rolling mills in Nigeria so that Nigerian customers with an eye for quality are turning to Ghana for supplies, which we will nurture and hope to solidify into a strong trend. In 2012 we exported 2,468 metric tonnes earning \$7.88 million compared 3,852 metric tonnes in 2011 for which we earned \$13.5 million.

### **Future Projects.**

As we reported at the last AGM, we have a few important projects including the need to bolster working capital that we need to embark upon to support the improvement of our results into the future. That was why we asked for your resolution to raise new funds by way of a rights issue. As the Chairman has reported we did not raise as much as we expected. This means in the future we will need to look for further funds to carry these important projects out fully. At this time the Board has not decided when that will be necessary, but it is committed to studying the financial management of the company and will take the right decisions in due course.

### **Overall.**

Our conviction that Aluworks should be making profit in the face of all the hard work that has been done over the last few years is still very strong and we remain confident that it shall be so, God willing. Good things come to those who wait. Admittedly we are all tired of waiting, but we depend on external forces to make things happen. Hopefully Government will hear our plea this year. Hopefully as a result we will raise enough funds through internal sources to reduce the foreign loans on our books, and hopefully in the coming year, exchange rate depreciation will remain in a managed stabilised regime. In these conditions we are confident that Aluworks Limited will prove to be the asset to this country that it has always had the potential to be.

I have to thank the Board for its continued support. I have to especially thank the management and staff of their company for their hard work; especially in the face of their having to work even harder following poaching of some of our numbers by new cold rolling mills in the Middle East. They have proven that even in extremely trying conditions they can be relied upon and I salute them accordingly.

Finally I have to thank all our shareholders especially those that were brave enough to participate in the rights issue for their continued support, understanding, and confidence in the company despite the very difficult environment in which we have had to operate over the last few years.

Thank you.

# ALUWORKS LIMITED

## FIVE YEAR FINANCIAL HIGHLIGHTS

						Reporting Year	
	Year	2008	2009	2010	2011	2012	Change
							%
Turnover	(Ghc'000)	57,127.00	34,271.00	25,167.00	49,716.00	49,681.00	(0.1)
Gross Profit	(Ghc'000)	4,393.00	5,365.00	(1,397.00)	3,790.00	6,992.00	84.5
Profit bef Int. Tax & Exchange Losses	(Ghc'000)	1,488.00	1,917.00	(4,181.00)	1,552.00	3,347.00	115.7
Exchange Losses	(Ghc'000)	(2,797.00)	(5,210.00)	(1,350.00)	(2,554.00)	(3,635.00)	(42.3)
Profit/(Loss) before interest and tax	(Ghc'000)	(1,309.00)	(3,293.00)	(5,531.00)	(1,002.00)	(288.00)	71.3
Interest Income	(Ghc'000)	-	-	-	-	-	-
Interest Expense	(Ghc'000)	(2,333.00)	(2,609.00)	(2,268.00)	(2,348.00)	(2,045.00)	12.9
Exceptional Item	(Ghc'000)	-	-	-	-	-	-
Profit/(Loss) before tax	(Ghc'000)	(3,642.00)	(5,902.00)	(7,799.00)	(3,350.00)	(2,333.00)	30.4
Taxation	(Ghc'000)	684.00	(2,103.00)	449.00	(127.00)	(257.00)	102.4
Profit/(Loss) after tax	(Ghc'000)	(2,958.00)	(8,005.00)	(7,350.00)	(3,477.00)	(2,590.00)	25.5
Earnings per share	(Gp)	(0.0710)	(0.1921)	(0.0976)	(0.0378)	(0.0281)	25.7
Dividend per share	(Gp)	0.0000	0.0000	0.0000	0.0000	0.0000	
Shareholders' equity	(Ghc'000)	22,987.00	14,982.00	26,445.00	22,944.00	21,334.00	(7.0)
Net Assets per share	(Gp)	0.5515	0.3595	0.2873	0.2493	0.2318	(7.0)
Number of shares	('000's)	41,678	41,678	92,052	92,052	92,052	
Fixed assets	(Ghc'000)	44,978.00	44,552.00	41,859.00	39,854.00	44,820.00	12.5
PERFORMANCE RATIOS		2008	2009	2010	2011	2012	
Gross Margin/Turnover		7.69%	15.65%	-5.55%	7.62%	14.08%	
Net Margin/Turnover		-5.16%	-23.30%	-29.20%	-6.99%	-5.21%	
Return on Equity		-12.87%	-53.43%	-26.86%	-15.15%	-12.14%	
Current Ratio		0.72	0.43	0.64	0.80	1.22	



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

The directors present their report and audited financial statements of the company for the year ended 31 December 2012.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The company's directors are responsible for the preparation and fair presentation of the financial statements, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

**FINANCIAL STATEMENTS AND DIVIDEND**

The results are summarised as follows:

	<b>GHC'000</b>
Loss for the year after taxation was	(2,590)
which when added to the brought forward balance on retained earnings account of	(20,319)
	-----
leaves a balance to be carried forward on the retained earnings account of	(22,909)
	=====

The directors cannot recommend the payment of dividend whilst there remains a deficit balance on the retained earnings account.

The directors consider the state of affairs of the company to be satisfactory.

**NATURE OF BUSINESS**

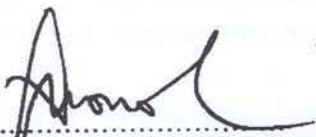
The company is engaged in continuous casting and cold rolling of aluminium products. There was no change in the nature of business of the company during the year



**REPORT OF THE DIRECTORS  
TO THE MEMBERS OF ALUWORKS LIMITED (CONT'D)**

**APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of the company as indicated above were approved by the board of directors on  
17th May..... 2013 and are signed on their behalf by:

  
.....  
**DIRECTOR**

  
.....  
**DIRECTOR**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ALUWORKS LIMITED**

**Report on the financial statements**

We have audited the accompanying financial statements of Aluworks Limited, which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and of cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies, as set out on pages 19 to 48.

*Directors' responsibility for the financial statement*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act 1963, (Act 179) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, these financial statements give a true and fair view of the financial position of Aluworks Limited at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 1963, (Act 179) of Ghana.





**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ALUWORKS LIMITED (CONT'D)**

**Report on Other Legal and Regulatory Requirements**

*Compliance with the requirements of Section 133 of the Companies Act 1963, (Act 179)*

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept, and the statement of financial position and statement of comprehensive income are in agreement with the books of account.

*KPMG*

**Signed By: Nathaniel D. Harley (ICAG/P/1056)**

**For and on behalf Of:**

**KPMG: (ICAG/F/0036)**

**CHARTERED ACCOUNTANTS**

**13 YIYIWA DRIVE, ABELINKPE**

**P O BOX GP 242**

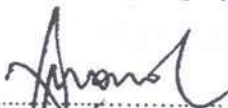
**ACCRA**

*17 May*....., 2013

**ALUWORKS LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

	Note	2012 GH¢'000	Restated 2011 GH¢'000	Restated 2010 GH¢'000
<b>Assets</b>				
Property, plant and equipment	6	44,820	39,854	41,859
Intangible assets	7	-	-	-
Long term investments	8(a)	144	144	168
<b>Total non-current assets</b>		<u>44,964</u>	<u>39,998</u>	<u>42,027</u>
Inventory	11	9,544	7,085	6,599
Income tax assets	9	800	856	848
Trade and other receivables	12	7,414	5,630	5,270
Short term investments	8(b)	5,000	-	-
Cash and bank balances	13	5,862	500	688
<b>Total current assets</b>		<u>28,620</u>	<u>14,071</u>	<u>13,405</u>
<b>Total assets</b>		<u>73,584</u>	<u>54,069</u>	<u>55,432</u>
<b>Equity</b>				
Share capital	18	24,731	24,731	24,731
Share deals		90	90	90
Retained earnings – (Deficit)		(22,909)	(20,319)	(16,843)
Other reserves		980	-	-
Revaluation surplus		18,442	18,442	18,467
<b>Total equity</b>		<u>21,334</u>	<u>22,944</u>	<u>26,445</u>
<b>Non-current liabilities</b>				
Medium-term loans	15	25,473	10,254	4,875
Deferred tax liabilities	10	3,360	3,199	3,072
<b>Total non-current liabilities</b>		<u>28,833</u>	<u>13,453</u>	<u>7,947</u>
<b>Current liabilities</b>				
Bank overdraft	14	6,676	5,762	6,895
Trade and other payables	20	10,049	5,082	2,982
Short-term loan	16	5,993	6,129	10,464
Dividend payable	17	699	699	699
<b>Total current liabilities</b>		<u>23,417</u>	<u>17,672</u>	<u>21,040</u>
<b>Total liabilities</b>		<u>52,250</u>	<u>30,209</u>	<u>28,987</u>
<b>Total liabilities and equity</b>		<u>73,584</u>	<u>54,069</u>	<u>55,432</u>

  
 .....  
**DIRECTOR**

  
 .....  
**DIRECTOR**

The notes on pages 23 to 48 are an integral part of these financial statements. Note 26 explains the restatement.



**ALUWORKS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	GH¢'000	GH¢'000
Revenue	21	49,681	49,716
Cost of sales		(42,689)	(45,926)
<b>Gross profit</b>		6,992	3,790
Other income	22	85	85
General and administrative expenses		(7,365)	(4,877)
<b>Results from operating activities before financing cost</b>		(288)	(1,002)
Net finance expense	25	(2,045)	(2,348)
<b>Loss before income taxation</b>	23	(2,333)	(3,350)
Income tax expense	9	(257)	(127)
<b>Loss for the year</b>		(2,590)	(3,477)
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		(2,590)	(3,477)
Basic earnings per share	19	(0.0281)	(0.0378)
Diluted earnings per share	19	((0.0212)	(0.0378)

The notes on pages 23 to 48 are an integral part of these financial statements.

**ALUWORKS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

2012	Stated Capital GH¢'000	Share Deals GH¢'000	Other Reserves GH¢'000	Revaluation Surplus GH¢'000	Retained Earnings GH¢'000	Total Equity GH¢'000
Balance at 1 January 2012	24,731	90	-	18,442	(20,319)	22,944
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(2,590)	(2,590)
Other comprehensive income (Note 10)	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
	24,731	90	-	18,442	(22,909)	20,354
	-----	-----	-----	-----	-----	-----
<b>Transaction with equity holders</b>						
Medium term loan – equity portion (Note 15(iii))	-	-	980	-	-	980
	-----	-----	-----	-----	-----	-----
<b>Total transaction with equity holders</b>	-	-	980	-	-	980
	-----	-----	-----	-----	-----	-----
<b>Balance at 31 December 2012</b>	24,731	90	980	18,442	(22,909)	21,334
	=====	==	===	=====	=====	=====

2011	Stated Capital GH¢'000	Share Deals GH¢'000	Other Reserves GH¢'000	Revaluation Surplus GH¢'000	Retained Earnings GH¢'000	Total Equity GH¢'000
Balance at 1 January 2011	24,731	90	-	19,383	(16,843)	27,361
Under statement on deferred capital gains tax (Note 10)				(916)	-	(916)
	-----	-----	-----	-----	-----	-----
Balance at 1 January 2011 as restated	24,731	90	-	18,467	(16,843)	26,445
	-----	-----	-----	-----	-----	-----
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(3,477)	(3,477)
Revaluation surplus released on disposal of property, plant and equipment	-	-	-	(1)	1	-
Impairment of equity investment	-	-	-	(24)	-	(24)
Other comprehensive income	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
	24,731	90	-	18,442	(20,319)	22,944
	-----	-----	-----	-----	-----	-----
<b>Transaction with equity holders</b>	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
<b>Total transaction with equity holders</b>	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
<b>Balance at 31 December 2011</b>	24,731	90	-	18,442	(20,319)	22,944
	=====	==	---	=====	=====	=====

The notes on pages 23 to 48 are an integral part of these financial statements.



**ALUWORKS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012 GH¢'000	2011 GH¢'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(2,333)	(3,350)
<i>Adjustments for:</i>		
Depreciation charges	3,178	3,011
Exchange loss	2,460	1,266
Interest expense	2,045	2,348
Loss on disposal of property, plant and equipment	2	1
	-----	-----
	5,352	3,276
Change in inventories	(2,459)	(486)
Change in trade and other receivables	(1,784)	(360)
Change in trade and other payables	4,967	2,100
	-----	-----
Cash generated from operations	6,076	4,530
Interest paid	(2,045)	(2,348)
Income taxes paid	(40)	(8)
	-----	-----
Net cash in flow from operating activities	3,991	2,174
	-----	-----
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,210)	(1,008)
Proceeds from sale of property, plant and equipment	64	-
	-----	-----
Net cash flow used in investing activities	(8,146)	(1,008)
<b>Cash flows from financing activities</b>		
Loan proceeds	36,581	15,436
Loan repaid	(22,978)	(15,657)
	-----	-----
Net cash inflow/(outflow) from financing activities	13,603	(221)
	-----	-----
<b>Net increase in cash and cash equivalents</b>	9,448	945
	=====	====
<b>Analysis of changes in cash and cash equivalents during the year</b>		
Balance at 1 January	(5,262)	(6,207)
Net cash flow	9,448	945
	-----	-----
Balance at 31 December	4,186	(5,262)
	=====	=====
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	5,862	500
Bank overdraft	(6,676)	(5,762)
Short term investments	5,000	-
	-----	-----
	4,186	(5,262)
	=====	=====

The notes on pages 23 to 48 are an integral part of these financial statements.

**ALUWORKS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. REPORTING ENTITY**

Aluworks Limited is a company registered and domiciled in Ghana. The address of the company's registered office can be found on page 3 of the annual report. The company is authorised to carry on the business of continuous casting and cold rolling of aluminium products.

**2. BASIS OF PREPARATION**

**a. Statement of compliance**

The financial statements of Aluworks Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs).

**b. Basis of measurement**

They are prepared on the historical cost basis except for property, plant and machinery at revalued amounts and financial instruments and other assets that are stated at fair values.

**c. Functional and presentational currency**

The financial statements are presented in Ghana cedis (GH¢) which is the company's functional currency.

**d. Use of estimates and judgement**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 27.



### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the company.

#### a. Financial Instruments

##### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise investment in shares and treasury bills, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instrument not at fair value through profit and loss, any directly attributable transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses, if any.

Non-derivative financial instruments are categorised as follows:

- Loans and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest rate method, less any impairment losses.
- Financial liabilities measured at amortised cost - this relates to all other liabilities that are not designated at fair value through profit or loss.
- Available-for-sale financial assets - The company's investments in shares are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

##### (ii) Off setting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

##### (iii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (iv) Stated capital (Share capital)

##### *Ordinary Shares*

*Ordinary shares are classified as equity.*

#### (b) **Leases**

##### (i) Classification

Leases that the company assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases.

##### (ii) Lease Payments

Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and as reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (c) **Property, plant and Equipment**

##### (i) Recognition and measurement

Property, plant and equipment are carried at fair value less subsequent depreciation. The fair values are determined periodically by external, independent, professional valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The revaluation increase arising on the revaluation of property, plant and equipments are credited to the revaluation surplus in shareholders' equity.

Decreases that offset previous increases of the same asset are charged against the non-distributable reserve. All other decreases are charged to the statement of comprehensive income.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Property, plant and Equipment – Cont'd

If property becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value at the date of transfer is recognised in equity as a revaluation of property. If a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income. On disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings.

The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

#### (ii) Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

#### (iii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Plant, machinery and equipment	-	5 - 12.5 years
Motor vehicles	-	5 years
Leasehold land and buildings	-	over period of lease

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains and losses on disposal of property, plant and equipment are included in the income statement.

#### (d) Intangible Assets

Software acquired by the company is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

#### (f) Trade and Other Receivables

Trade receivables are stated at amortised costs, less impairment losses. Specific allowances for doubtful debts are made for receivables of which recovery is doubtful.

Other receivables are stated at their cost less impairment losses.

#### (g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and bank balances and these are carried at amortised cost in the statement of financial position.

#### (h) Employee Benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognised as an expense in the statement of comprehensive income when they are due.

#### (i) Revenue

##### Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, taxes and volume rebates. Revenue is recognised when the significant risks and rewards of the ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

##### Sale of services

Revenue from services rendered is recognised in the income statement when the service is performed.

#### (j) Finance Income and Expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognised in the statement of comprehensive income using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the statement of comprehensive income using the effective interest method.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (k) Impairment

##### (i) Financial assets

A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

##### (ii) Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

#### (l) Income Tax

Income tax expense comprises current and deferred tax. The company provides for income taxes at the current tax rates on the taxable profits of the company.

Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (m) Dividend

Dividend payable is recognised as a liability in the period in which they are declared.

#### (n) Post Balance Sheet Events

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (o) Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

#### (p) Earnings per Share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### (q) Comparatives

Where necessary the comparative information has been changed to agree to the current year presentation.

#### (r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 2012, and have not been applied in preparing these financial statements. These are disclosed as follows:

These include the following Standards and Interpretations that may have an impact on future financial statements:

Standard/Interpretation		Effective date
IAS 1 amendment	<i>Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income</i>	Annual periods beginning on or after 1 July 2012
IAS 27	<i>Separate Financial Statements (2011)</i>	Annual periods beginning on or after 1 January 2013
IFRS 9 (2009)	<i>Financial Instruments</i>	Annual periods beginning on or after 1 January 2015
IFRS 9 (2010)	<i>Financial Instruments</i>	Annual periods beginning on or after 1 January 2015
IFRS 12	<i>Disclosure of Interests in Other Entities</i>	Annual periods beginning on or after 1 January 2013
IFRS 13	<i>Fair Value Measurement</i>	Annual periods beginning on or after 1 January 2013

#### **Amendment to IAS 1 Presentation of Financial Statements**

The amendment to IAS 1 will be adopted for the first time for the financial reporting period ending 31 December 2013.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### *Amendment to IAS 1 Presentation of Financial Statements (contd)*

The company will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately.

This amendment will be applied retrospectively and the comparative information will be restated.

This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements.

#### **IAS 27 (2011) Separate Financial Statements**

IAS 27 (2011) will be adopted for the first time for the financial reporting period ending 31 December 2013.

IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

This amendment will not have a significant impact on the company's separate financial statements for the year ended 31 December 2012.

#### **IFRS 9 (2009) Financial Instruments**

IFRS 9 will be adopted for the first time for the financial reporting period ending 31 December 2015. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

This amendment will not have an impact on the company's financial statement.

#### **IFRS 9 (2010) Financial Instruments**

IFRS 9 (2010) will be adopted for the first time for the financial reporting period ending 31 December 2015. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace the

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

This amendment will not have an impact on the company's financial statements.

### 4. DETERMINATION OF FAIR VALUES

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Receivables due within 6-month period are not discounted as their carrying values approximate their fair values.

#### (ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Instruments with maturity period of 6 months are not discounted as their carrying values approximate their fair values.

#### (iii) Investments in equity

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

### 5. SEGMENT REPORTING

A segment is a distinguishable component of the company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

**The company operates in only one economic environment – Ghana and does not consider that reporting by business segment will lead to a clearer understanding of the financial statements**



## 6. PROPERTY, PLANT AND EQUIPMENT

2012	Leasehold Land and Buildings GH¢'000	Plant and Machinery GH¢'000	Equipment GH¢'000	Motor Vehicles GH¢'000	Capital Work in Progress GH¢'000	Total GH¢'000
<b>Gross Value</b>						
At 1/1/12	12,229	32,689	2,198	969	9,152	57,237
Additions	-	554	121	-	7,535	8,210
Disposal	-	-	-	(244)	-	(244)
	-----	-----	-----	-----	-----	-----
At 31/12/12	12,229	33,243	2,319	725	16,687	65,203
	=====	=====	=====	=====	=====	=====
<b>Comprising</b>						
Cost of assets revalued	1,904	8,744	1,003	331	-	11,982
Surplus on revaluation -1999	453	1,060	57	33	-	1,603
Surplus on revaluation -2008	8,710	9,492	982	320	-	19,504
	-----	-----	-----	-----	-----	-----
At revaluation	11,067	19,296	2,042	684	-	33,089
At cost	1,162	13,947	277	41	16,687	32,114
	-----	-----	-----	-----	-----	-----
	12,229	33,243	2,319	725	16,687	65,203
	=====	=====	=====	=====	=====	=====
<b>Accumulated Depreciation</b>						
At 1/1/12	1,841	13,663	1,324	555	-	17,383
Charge for the year	357	2,630	134	57	-	3,178
Released on disposal	-	-	-	(178)	-	(178)
	-----	-----	-----	-----	-----	-----
At 31/12/12	2,198	16,293	1,458	434	-	20,383
	=====	=====	=====	=====	=====	=====
<b>Carrying Amount</b>						
At 31/12/12	10,031	16,950	861	291	16,687	44,820
	=====	=====	=====	=====	=====	=====
At 31/12/11	10,388	19,026	874	414	9,152	39,854
	=====	=====	=====	=====	=====	=====

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2011	Leasehold Land and Buildings GH¢'000	Plant and Machinery GH¢'000	Equipment GH¢'000	Motor Vehicles GH¢'000	Capital Work in Progress GH¢'000	Total GH¢'000
<b>Gross Value</b>						
At 1/1/11	12,229	32,072	2,150	960	8,821	56,232
Additions	-	617	51	9	331	1,008
Disposal	-	-	(3)	-	-	(3)
At 31/12/11	12,229	32,689	2,198	969	9,152	57,237
<b>Comprising</b>						
Cost of assets revalued	1,904	8,744	1,003	491	-	12,142
Surplus on revaluation -1999	453	1,060	57	33	-	1,603
Surplus on revaluation -2008	8,710	9,492	982	404	-	19,588
At revaluation	11,067	19,296	2,042	928	-	33,333
At cost	1,162	13,393	156	41	9,152	23,904
	12,229	32,689	2,198	969	9,152	57,237
<b>Accumulated Depreciation</b>						
At 1/1/11	1,491	11,185	1,218	480	-	14,374
Charge for the year	350	2,478	108	75	-	3,011
Released on disposal	-	-	(2)	-	-	(2)
At 31/12/11	1,841	13,663	1,324	555	-	17,383
<b>Carrying Amount</b>						
At 31/12/11	10,388	19,026	874	414	9,152	39,854
At 31/12/10	10,738	20,887	932	481	8,821	41,859

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 and again on 30 October 2008. These figures were incorporated in the financial statements during the year ended 31 December 2007 and 2008 respectively.

Included in capital work in progress is an amount of GH¢384,235 (2011: GH¢ 233,074) and GH¢24,915 (2011: GH¢98,164) which relates to exchange loss and interest on borrowings.

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

	2012 GH¢'000	2011 GH¢'000
Cost of sales	2,851	2,661
General, administrative and selling expenses	327	350
	3,178	3,011



## 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### (b) Loss on disposal of property, plant and equipment

	2012 GH¢'000	2011 GH¢'000
Cost	244	3
Accumulated depreciation	(178)	(2)
	----	---
Net book value	66	1
Sale proceeds	64	-
	---	----
Loss on disposal	(2)	(1)
	==	==

## 7. INTANGIBLE ASSETS

	2012 GH¢'000	2011 GH¢'000
<b>Cost</b>		
Balance at 1 January and 31 December	57	57
	==	==
<b>Amortisation</b>		
Balance at 1 January and 31 December	57	57
	==	==
<b>Carrying amount</b>		
At 31 December	-	-
	==	==

This relates to the cost of purchased software.

### 8 (a). LONG TERM INVESTMENT

This relates to the cost of 2,400,000 ordinary shares in Pioneer Kitchenware Limited. The market value of this investment at the reporting date was GH¢144,000 (2011: GH¢144,000).

### 8 (b). SHORT TERM INVESTMENT

This relates to GH¢5,000,000 treasury bills purchased from UT Bank.

## 9. TAXATION

	2012 GH¢'000	2011 GH¢'000
<b>(i) Income tax expense</b>		
Current tax expense 9(ii)	96	-
Deferred tax expense (Note 10)	161	127
	----	----
	257	127
	===	===

Deferred tax expense relates to the origination and reversals of temporary differences.

9. TAXATION (CONT'D)

(ii) Taxation payable

	Balance at 1/1/12 GH¢'000	Payments during the year GH¢'000	Charged to P/L account GH¢'000	Balance at 31/12/12 GH¢'000
<b>Income Tax</b>				
Up to 2004	(719)	-	-	(719)
2005	26	-	-	26
2006	336	-	-	336
2007	(270)	-	-	(270)
2008	(137)	-	-	(137)
2009	(27)	-	-	(27)
2010	(13)	-	-	(13)
2011	(8)	(3)	-	(11)
2012	-	(37)	96	59
<b>Capital Gains Tax</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>7</b>
<b>National Reconstruction Levy</b>	<b>(51)</b>	<b>-</b>	<b>-</b>	<b>(51)</b>
	-----	----	----	----
	(856)	(40)	96	(800)
	====	==	==	=====

Income tax liabilities are subject to the agreement of the tax authorities.

National Reconstruction Levy: This relates to a levy imposed on companies by the Government on profits before tax between 2001 and 2005. This levy has been abolished.

(iii) Reconciliation of effective tax rate

	2012 GH¢'000	2011 GH¢'000
Loss before taxation	(2,333)	(3,350)
	=====	=====
Income tax using the domestic tax rate (25%)	(583)	(838)
Non-deductible expenses	960	822
Income not taxable	-	-
Tax on permanent difference	(281)	16
Deferred tax	161	127
	-----	-----
Current tax charge	257	-
	==	==
Effective tax rate	11.01%	nil



## 10. DEFERRED TAXATION

	2012 GH¢'000	Restated 2011 GH¢'000	Restated 2010 GH¢'000
Balance at 1 January - (Note 26)	3,199	3,072	2,605
Balance at January as restated			
Charge to income statement	161	127	(449)
Charge to revaluation surplus	-	-	916
	-----	-----	-----
Balance at 31 December	3,360	3,199	3,072
	====	====	====

(i) Recognised deferred tax assets and liabilities.

Deferred tax liabilities are attributable to the following:

	Assets GH¢'000	2012 Liabilities GH¢'000	Net GH¢'000
Property, plant and equipment	-	2,356	2,356
Capital gains tax	-	1,374	(1,374)
Others	(370)	-	(370)
	-----	-----	-----
Net tax liabilities	(370)	3,730	3,360
	====	====	====

	Assets GH¢'000	2011 Liabilities GH¢'000	Net GH¢'000
Property, plant and equipment	-	2,224 <sup>2</sup>	2,224
Capital gains tax	-	1,374	1,374
Others	(399)	-	(399)
	-----	-----	-----
Net tax liabilities	(399)	3,598	3,199
	====	====	====

	Assets GH¢'000	2010 Liabilities GH¢'000	Net GH¢'000
Property, plant and equipment	-	2,187	2,187
Capital gains tax	-	1,374	1,374
Others	(489)	-	(370)
	-----	-----	-----
Net tax liabilities	(489)	3,561	3,072
	====	====	====

## 11. INVENTORIES

	2012 GH¢'000	2011 GH¢'000
Raw materials	1,197	981
Work-in-progress	1,143	1,810
Finished goods	3,551	1,200
Consumables	3,653	3,094
	-----	-----
	9,544	7,085
	=====	=====

## 12. TRADE AND OTHER RECEIVABLES

	2012 GH¢'000	2011 GH¢'000
Trade receivables due from customers	2,878	2,670
Other receivables	4,447	2,896
Staff debtors	40	35
Prepayments	49	29
	-----	-----
	7,414	5,630
	=====	=====

Included in other receivables are advance payments made to suppliers in relation to inventory.

## 13. CASH AND BANK BALANCES

	2012 GH¢'000	2011 GH¢'000
Cash at bank	5,862	460
Cash on hand	-	40
	-----	-----
	5,862	500
	=====	=====

## 14. BANK OVERDRAFT

Ecobank Ghana Limited	5,213	4,486
SG-SSB Bank Limited	1,463	1,269
Barclays Bank Ghana Limited	-	7
	-----	-----
	6,676	5,762
	=====	=====

(i) The company has an overdraft facility not exceeding US\$3.0 million with Ecobank Ghana Limited (EGH) to finance purchase of stocks, raw materials, spares and other operational bill and standby letters not exceeding GH¢4.0 million to back the issuance of letters of credits in favour of the company's overseas suppliers and sight and deferred up to a maximum of 120 days. The facilities are secured by legal mortgage over the company's office/factory premises situated at Tema and pari passu fixed and floating charges with SG-SSB over the company's assets including hypothecation over stocks. The facility expires on 30 April 2013. Interest rate is EGH Dollar Base Rate plus a spread of 2% per annum payable monthly in arrears for the overdraft and EGH Cedi Base Rate plus a spread of 2% per annum payable monthly in arrears.



#### 14. BANK OVERDRAFT - (CONT'D)

(ii) The company has an overdraft facility not exceeding GH¢1.5 million with SG-SSB Bank Limited to finance working capital. The company's floating and fixed assets shared pari passu with Ecobank Ghana Limited and Barclays Bank of Ghana Limited have been pledged as security for the facility. The facility expires on 30 May 2013. Interest rate is SG-SSB Limited base plus 24.5% per annum.

#### 15 MEDIUM TERM LOANS

	(iii) SSNIT GH¢'000	(ii) Ecobank Ghana GH¢'000	(i) Barclays Ghana GH¢'000	(i) SG SSB GH¢'000	2012 Total GH¢'000	2011 Total GH¢'000
Balance 1 January	-	3,638	2,309	10,436	16,383	15,339
Drawdown during the year	18,276	18,305	-	-	36,581	15,436
Transfer to other reserves	(980)	-	-	-	(980)	-
	17,296	21,943	2,309	10,436	51,984	30,775
Repayments during the year	-	(19,267)	(1,704)	(2,007)	(22,978)	(15,657)
	17,296	2,676	605	8,429	29,006	15,118
Exchange loss	-	327	341	1,792	2,460	1,264
Balance at 31 December	17,296	3,003	946	10,221	31,466	16,382
Analysed as follows:						
Current portion (Note 16)	-	3,003	946	2,044	5,993	6,129
Medium term loan	17,296	-	-	8,177	25,473	10,254
	17,296	3,003	946	10,221	31,466	16,383

- i) This partly represents US\$ 20 million disbursed out of a total loan facility of US\$ 22 million to refinance letters of credit for acquisition and installation of coil coating plant, to build new factory premises and to finance the importation of metal. These facilities are a five-to-six year term loan from Barclays Bank Ghana Limited and SG-SSB Limited with an interest rate of 7.85% and 7.20%. The loans are payable by 2013 and 2017 respectively. The facilities are secured by registered debenture (fixed and floating) over the assets of the company.
- ii) The company also obtained an Ecobank facility of loan of GH¢4 million as Documentary Line of Credit (Revolving) to back issuance of standby letter of credit in favour of overseas suppliers of raw materials in 2012. Interest rate is at EGH base rate plus a spread of 2% per annum payable monthly in arrears. This is secured by the assignment of exports and pari passu fixed and floating charge over the company assets. The facility expires on 31 May 2013. There is also a loan of US\$1 million with interest rate of EGH base rate plus a spread of 2% per annum payable monthly in arrears expiring on 30 April 2013. It is secured by fixed and floating assets of the company.
- iii) The company obtained a new facility of US\$10 million (GH¢18,276,000) from SSNIT to fund the acquisition of the second cold rolling mill under the terms of a six-year 14.25% convertible bond with two years moratorium. In line with IAS 32, the facility qualifies for a compound financial instrument and as such, an amount of GH¢ 980,000 has been recognised as reserves in the statement of changes in equity on initial recognition. An amount of GH¢17,296,000 has been recognised as the carrying amount of the loan in the statement of financial position.

## 16. SHORT-TERM LOAN

	2012 GH¢'000	2011 GH¢'000
Current portion of Medium Term Loan (Note 15)	5,993 =====	6,129 =====

## 17. DIVIDEND PAYABLE

	2012 GH¢'000	2011 GH¢'000
Balance at 1 January and 31 December	699 ===	699 ===

## 18. STATED CAPITAL

### (a) Ordinary shares

	No. of Shares 2012 '000	Proceeds 2012 GH¢	No. of Shares 2011 '000	Proceeds 2011 GH¢
Authorised				
Ordinary shares of no par value	300,000 =====		300,000 =====	
Issued and fully paid				
For cash	57,421	20,494	57,421	20,494
Transfer from capital surplus	34,629	4,237	34,629	4,237
	-----	-----	-----	-----
	92,050	24,731	92,050	24,731
	=====	=====	=====	=====

The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the company. There is no call or instalment unpaid on any shares.

## 19. EARNINGS PER SHARE

### Basic

Basic earning per share is calculated by dividing the net loss attributable to equity holders of the company by the number of shares in issue, excluding treasury shares, during the year.

Loss attributable to equity holders of the Company (GH¢'000)	(2,590) =====	(3,477) =====
Number of ordinary shares in issue	92,051,863 =====	92,051,863 =====
Basic earnings per share (expressed in GH¢ per share)	(0.0281) =====	(0.0378) =====

### Diluted

Loss attributable to equity holders of the Company (GH¢'000)	(2,590) =====	(3,477) =====
--	------------------	------------------



**19. EARNINGS PER SHARE - (CONT'D)**

	2012	2011
Weighted average number of ordinary shares in issue	122,251,463 =====	92,051,863 =====
Basic earnings per share (expressed in GH¢ per share)	(0.0212) =====	(0.0378) =====

Diluted earning per share is calculated by adjusting the weighted average number of ordinary shares, to assume conversion of all the dilutive potential ordinary shares.

At 31 December 2012 the company had 45,690,000 (2011: nil) dilutive potential ordinary shares as a result of the six-year convertible loan issued during the year. The weighted average number of ordinary shares in issue is calculated as follows;

**Weighted average number of ordinary shares (diluted)**

	2012	2011
Issued ordinary shares at 1 January	92,051,863	92,051,863
Effect of convertible loan in April 2012	30,459,600 -----	- -----
Weighted average number of ordinary shares at 31 December	122,251,463 =====	92,051,863 =====

The six-year floating rate convertible loan issued during the year was concluded in April 2012 and letter of undertaking issued to SSNIT who subscribed to it. The new issued convertible loan therefore ran for 8 months during 2012.

**20. TRADE AND OTHER PAYABLES**

	2012 GH¢'000	2011 GH¢'000
Trade payables	6,249	4,004
Non-trade payables and accrued expenses	693	1,004
Accrued charges	3,107 -----	74 -----
	10,049 =====	5,082 =====

**21. REVENUE**

	2012 GH¢'000	2011 GH¢'000
Local sales	40,670	34,634
Export sales	14,455 -----	19,627 -----
	55,125	54,261
Less: Value Added Tax	(5,284)	(4,517)
Rebate	(160) -----	(28) -----
Net sales value	49,681 =====	49,716 =====

**22. OTHER INCOME**

	2012 GH¢'000	2011 GH¢'000
Roofing fixings, argon gas and dross	68	69
Sundries	17	16
	----	---
	85	85
	==	==

**23. LOSS BEFORE TAX IS STATED  
AFTER CHARGING:**

Personnel cost (note 24)	5,049	4,084
Auditors remuneration	40	35
Depreciation	3,178	3,011
Directors emoluments	112	101
Net finance cost (note 25)	2,045	2,348
Exchange loss	3,635	2,554
	=====	=====

**24. PERSONNEL COSTS**

Wages and salaries	4,642	3,744
Social security contributions	259	213
Provident fund	148	127
	-----	-----
	5,049	4,084
	=====	=====

The average number of persons employed by the company during the year was 210. (2011: 217)

**25. NET FINANCE EXPENSE**

	2012 GH¢'000	2011 GH¢'000
Interest expense	(2,045)	(2,348)
	=====	=====

**26. PRIOR PERIOD RESTATEMENT**

In 2010 the capital gains tax rate was revised from 5% to 15% but the computation of deferred capital gains tax in respect of the revaluation surplus on leasehold land and buildings revalued in 2009 was not recomputed and the resulting increase in deferred capital gains tax was not adjusted in the financial statements.

This resulted in understatement of deferred capital gains tax by GH¢916,000 and overstatement of capital surplus by GH¢916,000. The correction of the error has been effected retrospectively, and the comparative statements for 2011 and 2010 have been restated.



## 26. RESTATEMENT ADJUSTMENT – (CONT'D)

The effect of the error on 2010 closing balance is as stated below:

2010	GH¢'000
Deferred tax payable	2,156
Understatement corrected	916
	-----
Balance as restated	3,072
	=====
<b>2010</b>	
Revaluation surplus	19,383
Overstatement corrected	(916)
	-----
Balance as restated	18,467
	=====

The restatement flowed through to the 2011 balances. Opening deferred tax payable for 2011 and 2010 have been increased by GH¢916 and opening revaluation surplus balances decreased by the same amount which is the amount of the error relating to 2010.

## 27. FINANCIAL RISK MANAGEMENT

### (i) Overview

The company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board's Audit Sub Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the company.

The Audit Sub Committee gain assurance in relation to the effectiveness of internal control and risk management from: summary information in relation to the management of identified risks; detailed review of the effectiveness of management of selected key risks; and results of management's self assessment process over internal control, which ensures that the Audit Sub Committee and management understand the company's key risks and risk management capability; sets standards on governance and compliance; and provides assurance over the quality of the company's internal control and management of key risks.

## 27. FINANCIAL RISK MANAGEMENT – (CONT'D)

The company also has in place an internal audit department, which monitors compliance with internal procedures and processes and also assesses the effectiveness of internal controls.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

### (ii) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivable from customers.

#### *Trade and other receivables*

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit control committee has established a credit policy under which a new customer is analysed individually for credit worthiness before the company's standard payment terms and conditions are offered. The company generally trades with pre-defined and selected customers. Credit exposure on trade receivable is covered by guarantee from well established banks.

#### *Allowances for impairment*

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss allowance established for homogeneous assets in respect of losses that have been incurred but have not yet been identified. The collective loss allowance is determined based on historical data of payment for similar financial assets.

#### *Exposure to credit risks*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012 GH¢'000	2011 GH¢'000
Trade and receivables	2,878	2,670
Other receivables	4,487	2,931
	-----	-----
	7,365	5,601
	=====	=====



## 27. FINANCIAL RISK MANAGEMENT – (CONT'D)

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2012 GH¢'000	2011 GH¢'000
Foreign companies	1,939	2,611
Local Institutions	1,588	727
	-----	-----
	3,527	3,338
	=====	=====

### Impairment losses

The aging of trade receivables at the reporting date was:

	2012		2011	
	Gross GH¢	Impairment GH¢	Gross GH¢	Impairment GH¢
Current (less than 30 days)	2,173	-	2,772	-
Due but not impaired (30-150 days)	834	-	168	-
Impaired (more than 150 days)	520	-	398	201
	-----	-----	-----	-----
	3,527	-	3,338	201
	=====	=====	=====	=====

Based on historical default rates, the company believes that no impairment is necessary in respect of trade receivables past due up to 180 days. However, impairment loss has been recognised for specific customers whose debts are considered impaired.

The movement in the allowance in respect of trade receivables during the year was as follows:

	2012 GH¢'000	2011 GH¢'000
Balance at 1 January	201	201
Impairment (gain)/loss recognised	-	-
	-----	-----
Balance at 31 December	201	201
	=====	=====

No impairment loss was recognised for financial assets other than trade receivables.

### (iii) Liquidity risk

Liquidity risk is the risk that the company either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. The company's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due.

## 27. FINANCIAL RISK MANAGEMENT – (CONT'D)

The following are contractual maturities of financial liabilities:

### 31 December 2012

	Carrying Amount GH¢'000	6mths or less GH¢'000	6-12 mths GH¢'000	1-3 years GH¢'000
<b>Non-derivative financial liability</b>				
Trade and other payables	10,049	10,049	-	-
Bank overdraft	6,676	6,676	-	-
Short term loan	5,993	-	5,993	-
Medium term loan	25,473	-	-	25,473
	-----	-----	-----	-----
Balance at 31 December 2012	48,191	16,725	5,993	25,473
	=====	=====	=====	=====

### 31 December 2011

	Amount GH¢'000	6mths or less GH¢'000	6-12 mths GH¢'000	1-3 years GH¢'000
<b>Non-derivative financial liability</b>				
Trade and other payables	5,082	5,082	-	-
Bank overdraft	5,762	5,762	-	-
Short term loan	6,129	-	6,129	-
Medium term loan	10,253	-	-	10,253
	-----	-----	-----	-----
Balance at 31 December 2011	27,226	10,824	6,129	10,253
	=====	=====	=====	=====

#### (iv) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Foreign currency risk

The company is exposed to currency risk on purchases and borrowings that are denominated in currencies other than the functional currency. The currencies in which these transactions primarily are denominated are Euro, Great British Pounds and US Dollars.

#### Currency Risk

The company's exposure to foreign currency risk was as follows based on notional amounts.

	31 December 2012			31 December 2011	
	EURO	USD	POUND	EURO	USD
Bank balances	-	3,107,646	-	-	262,653
Bank overdraft	-	(2,544,348)	-	-	(2,700,155)
Trade and other receivables	114,798	1,616,798	1,378	102,096	2,157,286
Trade and other payables	(70,535)	(196,920)	-	(343,063)	(22,643)
Loan Payable	-	(6,258,642)	-	-	(9,287,636)
	-----	-----	-----	-----	-----
Gross exposure	44,263	(4,275,466)	1,378	(240,967)	(9,590,495)
	=====	=====	=====	=====	=====



## 27. FINANCIAL RISK MANAGEMENT – (CONT'D)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date	
	2012	2011	2012	2011
Euro	2.3896	2.1179	2.4848	2.0376
USD	1.8557	1.5909	1.8846	1.6024
GBP	2.9464	2.4853	3.0410	2.4906

### Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening of GH¢ against all other currencies on the company's income statement. This sensitivity analysis indicates the potential impact on the income statement based upon the foreign currency exposures recorded at December 31. (See "currency risk" above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on the percentage difference between the highest daily exchange rate and the average exchange rate per currency recorded in the course of the respective financial year.

A strengthening/ weakening of the GH¢, by the rates shown in the table, against the following currencies at 31 December have increased/decreased equity and income statement by the amounts shown below:

This analysis assumes that all other variables, in particular interest rates, remain constant.

As of 31 December		2012		2011		
In GH¢	% Change	Income statement impact: Strengthening	Income statement impact: Weakening	% Change	Income statement impact: Strengthening	Income statement impact: Weakening
		GH¢	GH¢		GH¢	GH¢
€	±0.7%	769	(769)	±0.7%	1,135	(1,135)
US\$	±3%	(241,726)	241,726	±3%	(475,724)	475,724
£	±3%	126	(126)	±3%	-	-

### Interest rate risk profile

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	Carrying amounts	
	2012 GH¢'000	2011 GH¢'000
<b>Variable rate instrument</b>		
Financial liabilities	38,142	22,145
	=====	=====
<b>Fixed rate instrument</b>		
Treasury Bills	5,000	-
	=====	=====

## 27. FINANCIAL RISK MANAGEMENT – (CONT'D)

### Cash flow sensitivity analysis for variable rate instrument

A change of 300 basis points in interest rate at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis for 2012 is performed on the basis that interest rate changed by 300 basis points.

Variable rate instrument	300bp Increase GH¢'000	300bp Decrease GH¢'000
<i>Effect in cedis</i>		
<b>31 December 2012</b>		
Variable rate instrument	264	(264)
	===	===
<b>31 December 2011</b>		
Variable rate instrument	94	(94)
	==	==

### Fair values

#### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2012		31 December 2011	
	Carrying Amount GH¢'000	Fair Value GH¢'000	Carrying Amount GH¢'000	Fair Value GH¢'000
<b>(i) Loans and receivables</b>				
Trade and other receivables	7,365	7,365	5,601	5,601
Cash and bank balances	5,862	5,862	500	500
Treasury Bills	5,000	5,000	-	-
	-----	-----	-----	-----
	18,227	18,227	6,101	6,101
	=====	=====	=====	=====
<b>(ii) Other financial liabilities</b>				
Trade and other payables	10,049	10,049	5,082	5,082
Bank overdraft	6,676	6,676	5,762	5,762
Short term loan	5,993	5,993	6,129	6,129
Medium term loan	25,473	25,473	10,253	10,253
	-----	-----	-----	-----
	48,191	48,191	27,226	27,226
	=====	=====	=====	=====



## 27. FINANCIAL RISK MANAGEMENT – (CONT'D)

### (iii). Fair Value Hierarchy

#### **Fair value hierarchy- Financial instruments measured at fair value**

IFRS 7 requires certain fair value disclosures for each class of financial instruments. It requires an entity to classify fair value measurement into fair value hierarchy with the following levels by reference to the observability and significance of the input used in making the measurement.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange)
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. As at 2012, the company did not hold any level 3 financial assets and/or liabilities. This hierarchy requires the use of observable market data when available. The company considers relevant observable market prices in its valuation where possible.

## 28. CAPITAL COMMITMENTS

Commitment for capital expenditure for second cold mill project not provided for at the reporting date amounted to GH¢9,550,625 (2011: GH¢ Nil).

## 29. CONTINGENT LIABILITIES

There was a legal suit pending against the company, instituted by eleven former employees, alleging wrongful dismissal. Should judgment go in favour of the plaintiffs, likely claims against the company have been estimated at GH¢35,000 (2011: GH¢35,000).

## 30. EMPLOYEE BENEFITS

### Defined Contribution Plans

#### (i) *Social Security*

Under a National Defined Contribution Pension Scheme, the company contributes 13.5% of employees' basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pensions. The company's obligation is limited to the relevant contributions, which were settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

#### (ii) *Provident Fund*

The company has a provident fund scheme for staff under which the company contributes 7.5% of staff basic salary. The obligation under the plan is limited to the relevant contribution and these are settled on due dates to the fund manager.

**ALUWORKS LIMITED**  
**SHAREHOLDING INFORMATION**

**(i) Number of Shares in Issue**

Earnings and dividend per share are based on 92,051,863 (2011: 92,051,863) ordinary shares in issue at the end of the year.

**(ii) Number of Shareholders**

The company had 3,129 ordinary shareholders at 31 December 2012 (2011:3,194) distributed as follows:

Holding	No. of Holders	Total Holding	% Holding
1 - 1,000	2,311	605,070	0.66
1,001 - 5,000	495	1,213,211	1.32
5,001 - 10,000	126	925,575	1.01
10,001 and over	197	89,308,007	97.02
	-----	-----	-----
	3,129	92,051,863	100.00
	=====	=====	=====

**(iii) List of twenty largest shareholders as at 31 December 2012**

Name of Shareholder	No. of Shares	% of Issued Capital
1. Ghana Cocoa Board	44,696,683	48.56
2. Social Security & National Insurance Trust	19,714,966	21.42
3. Strategic Initiatives Limited	4,170,540	4.53
4. SCBN/SSB Eaton Vance Tax-Managed	1,810,900	1.97
5. DAMSEL/Oteng-Gyasi Anthony	1,684,698	1.83
6. SCBN/IAM Africa Fund	1,027,200	1.12
7. SCBN/Investec Africa-RNKP	1,003,800	1.09
8. Wosornu Lade	980,500	1.07
9. Galtere International Master Fund	842,788	0.92
10. Arthur, Elizabeth Mrs.	820,000	0.89
11. Qualitec Industries Limited	750,688	0.82
12. Colin M. Waugh	633,271	0.69
13. Moses Kwasi Afedo	501,053	0.54
14. SCB/SSB Eaton Vance Structured	457,409	0.50
15. Ghana Commercial Bank	450,000	0.49
16. Tema Oil Refinery	450,000	0.49
17. National Investment Bank	442,080	0.48
18. NTHC Limited	431,857	0.47
19. Aryee Clifford Edward	427,830	0.46
20. SAS/Amenuvor Gideon Mr.	290,029	0.32
	-----	-----
	81,586,292	88.63
	=====	=====



## APPENDIX

### (iv) Directors' Shareholding

The Directors named below held the following number of shares in the company as at 31 December 2012:

#### Ordinary Shares

	2012	%
Ernest Kwasi Okoh	11,100	0.01
Kwadwo Kwarteng	108,607	0.12
Victor Kodjo Djangmah	193,000	0.21
	-----	----
	312,707	0.34
	=====	===

## NOTES

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## NOTES

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**ALUWORKS LIMITED**

**PROXY FORM FOR USE AT THE 26<sup>TH</sup> ANNUAL GENERAL MEETING TO BE HELD AT THE FIESTA ROYALE HOTEL, DZORWULU (NEXT TO THE NESTLÉ HEAD OFFICE BUILDING) ON THURSDAY JULY 9, 2013 AT 10 O'CLOCK IN THE FORENOON**

I/We \_\_\_\_\_ being member(s) of  
**ALUWORKS LIMITED** hereby appoint \_\_\_\_\_ or failing him/her the  
Chairman as my/our Proxy to vote for me/us, and on my/our behalf at the Annual General Meeting of the  
company to be held on the 9<sup>th</sup> day of July, 2013 and at any and every adjournment thereof.

**This form to be used:-**

**Ordinary Business**

1. \*in favour of the Resolution to adopt the Reports of the Directors,  
against Auditors and the Financial Statements of the Company for the  
year ended December 31, 2012.
2. \*in favour of the Resolution to re-elect Mr. Kwadwo Kwarteng as a  
against Director of the company.
3. \*in favour of the Resolution to re-elect Mr. Victor Kodjo Djangmah as  
against a Director of the company.
4. \*in favour of the Resolution to maintain Non-Executive Directors fees  
against at the 2007 level i.e. – not exceeding GH¢45,000.00 per annum.
5. \*in favour of the Resolution to authorise the Directors to fix the  
against remuneration of the Auditors for the ensuing year.

On any other business transacted at the meeting and unless otherwise instructed in paragraphs 1 to 5 under Ordinary Business above, the resolutions to which reference is made in those paragraphs, the proxy will vote as he/she thinks fit.

\* **Strike out whichever is not desired**

\_\_\_\_\_  
**Signature of Shareholder**

Signed this ..... day of ..... 2013.

**THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE REGISTERED OFFICE IF THE MEMBER WILL BE ATTENDING THE MEETING.**



1. A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The 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 so 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.
3. In case of joint holders, each joint holder must sign.
4. If executed by a Corporation, the Proxy Form must 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 4.00 p.m. on Friday July 5th, 2013.
6. The Proxy must produce the Admission Card with the Notice of the Meeting to obtain entrance to the meeting.

