

ALUWORKS LIMITED

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Our Ref:.....

Your Ref:.....

4th November 2009

Commentary on 3rd Quarter Results Strategy Going Forward.

Due to the world wide recession and the credit crunch, the year 2009 has so far proven been a very difficult year for the company.

Although the reduction in local demand has been fairly modest, export demand has been very low. This has reduced our total sales severely as half of our sales have traditionally been in exports. In effect in this period Aluworks has had to contend with less than half of its regular revenue stream. Furthermore the company has faced increased costs of production associated with the importation of metal as consequence of the closure of our preferred supplier. Having to import input metal for production adds up to a third to costs of production.

In addition the company's working capital financing has experienced severe pressure during the year due our embarkation in 2007 and 2008 upon two major capital projects via debt financing. The objectives of these projects were to add value to our products to enhance acceptability on the European markets, and to enhance our capacity to enable us meet unsatisfied demand, these have been put paid by the turn of events already described ascribed to the world recession. These projects are currently non-earning, nevertheless the costs of the debt financing have been inexorable leading to high interest expense and exchange losses, which have wiped out operational profits during the year (even at the low levels of throughput) into losses at net level after financing costs. Out of a loss of GH¢5.6 million as at 30th September, 2009, exchange loss amounted to GH¢5.4 million and interest expense amounted to GH¢1.89million.

The Future

Management has mapped out strategies aimed at addressing these deficiencies. Notable among them are;

- 1) The injection of additional equity into the company through a rights issue in the next few months. This will provide new funds for capital expenditure and more importantly for additional working capital to be used to write down debts, resulting in the drastic reduction of interest expense and exchange loss in our financial statements.

Directors: W. E. Inkumsah (Chairman); E. Kwasi Okoh (Managing); Kwadwo Kwarteng; Togbe Afede XIV; Ben A. Gogo; Napoleon Kpoh; Anthony Fofie

- 2) With the global recession lifting (prognosis is for the recession to be fully over by mid 2010), demand for aluminium products will again grow thereby permitting us to enter the European markets with our value added products in the form of coloured coils (through reviving sales contracts that have had to be put on hold),
- 3) Continuation of outsourcing projects that the company has embarked upon, thus severing several non-core activities, to bring down cost of production.

With these measures we are confident that the company will return to its long term plans once it has fully restored profitability (by mid 2010). The company is fundamentally profitable, and should be but for the current difficulties which will be overcome once the upcoming rights issue is concluded. Aluworks looks forward to the next phase of its life cycle post the credit crunch and recession with considerable optimism.

ALUWORKS LIMITED
INCOME STATEMENT
FOR THE PERIOD ENDED 30TH SEPTEMBER 2009

	Note	2009 GH¢'000	2008 GH¢'000
REVENUE	2	29,547	43,098
Operating costs		(25,755)	(40,998)
GROSS PROFIT		3,792	2,100
Other Income	3	56	101
General and administrative expenses		(7,573)	(4,400)
Operating loss before finance cost		(3,725)	(2,199)
Net Finance Expense	6	(1,892)	(1,796)
PROFIT(LOSS) BEFORE TAXATION		(5,617)	(3,995)
Income Tax Expense		-	-
Loss for the period		(5,617)	(3,995)
Basic earnings per share		(0.1395)	(0.0093)
Diluted earnings per share		(0.1395)	(0.0093)

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD ENDED 30TH SEPTEMBER 2009

	2009 GH¢'000	2008 GH¢'000
Loss for the year	(5,617)	(3,995)
Total recognised income and expense for the year	(5,617)	(3,995)

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ALUWORKS LIMITED
BALANCE SHEET AS AT 30TH SEPT 2009

Assets	Note	2009 GH¢'000	2008 GH¢'000
Property, Plant and Equipment	9	45,429	22,303
Intangible Assets	11	21	-
Long term Investments	12	28	28
Total non-current assets		45,478	22,331
Inventories	13	5,587	7,663
Trade and other receivables	14	4,462	7,295

Cash and cash equivalents	15	555	746
Income Tax Assets	7	808	805
Total current assets		11,412	16,509
Total assets		56,890	38,840
EQUITY			
Stated Capital	20	5,002	5,002
Share deals Accounts	21	90	90
Revaluation Surplus		18,681	-
Retained Earnings(Deficit)		(7,169)	(2,589)
Total Equity		16,604	2,503
Non-current liabilities			
Medium Term Loan	18	17,096	19,914
Deferred tax liabilities	8	1,032	735
Total non-current liabilities		18,128	20,649
Current Liabilities			
Bank overdraft	16	14,054	10,586
Trade & other payables	19	7,405	4,403
Dividend payable	22	699	699
Total current liabilities		22,158	15,688
Total liabilities		40,286	36,337
TOTAL EQUITY & LIABILITIES		56,890	38,840

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CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

<i>2009</i>	Share capital GH¢'000	Share deals GH¢'000	Retained earnings GH¢'000	Revaluation reserve GH¢'000	TOTAL GH¢'000
Balance at 1 January 2009	5,002	90	(1,552)	18,777	22,317
Dividends declared			-		-
Total recognised income and expense			(5,617)		(5,617)
Loss on sale of revalued assets			-	(96)	-
Balance as at 30th Sept 2009	5,002	90	(7,169)	18,681	16,604

ALUWORKS LIMITED
CASHFLOW STATEMENT
FOR THE PERIOD ENDED 30th SEPT 2009

	2009	2008
	GH¢' 000	GH¢' 000
Cash flows from operating activities		
Loss before taxation	(5,713)	(3,995)
Adjustments for:		
Depreciation	2,032	800
Amortisation of Intangible asset	17	-
Interest expense	1,892	1,796
Exchange loss	5,400	2,229
Profit/(loss) on disposal	96	(22)
	-----	-----
	3,724	808
Changes in inventories	2,076	9,003
Changes in trade and other receivables	2,833	1,196
Changes in trade and other payables	3,002	601
	-----	-----
Cash generated from operations	11,635	11,608
Interest paid	1,678	1,796
Income taxes paid	-	(127)
	-----	-----
Net cash from operating activities	13,313	13,277
Cash from investing activities		
Property, plant and equipment purchased	(2,420)	(4,167)
Proceeds from sale of fixed assets	25	44
Interest received	-	-
	-----	-----
Net cash used in investing activities	(2,395)	(4,123)
Cash flow from financing activities		
Loan received/(paid) net	(14,602)	(19,857)
Dividend paid	-	-
	-----	-----
Net cash used in financing activities	(14,602)	(19,857)
	-----	-----
Net Increase/(Decrease) in cash and cash equivalents	(3,684)	(10,703)
	-----	-----
Analysis of changes in cash and cash equivalents during the period		
Balance at 1 January	(9,815)	863
Net cash flow	(3,684)	(10,703)
	-----	-----
Balance at 30th Sept 2009	(13,499)	(9,840)
	-----	-----
Analysis of the balances of cash and cash equivalents as shown in the balance sheet		
Cash and bank balances	555	746
Bank overdraft	(14,054)	(10,586)
	-----	-----
	(13,499)	(9,840)
	-----	-----

ALUWORKS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th SEPT 2009

2. REVENUE

	2009	2008
	GH¢'000	GH¢'000
LOCAL SALES	23,578	26,236
FOREIGN SALES	9,253	20,295
	-----	-----
	32,831	46,531
Less Rebates	(4)	(9)
	-----	-----
	32,827	46,522
Less Value Added Tax	(3,280)	(3,424)
	-----	-----
Net sales value	29,547	43,098
	-----	-----

3 OTHER INCOME

	2009	2008
	GH¢'000	GH¢'000
Roofing Fixings	48	41
Sale of Scrap	5	-
Dross and Sundries	3	52
Profi/(Loss) on disposal of PPE	-	8
	-----	-----
	56	101
	=====	=====

4. TRADING PROFIT/(LOSS)
is stated after charging:

	GH¢' 000	GH¢' 000
Personnel costs (note 5)	2,809	2,899
Auditors remuneration	21	18
Depreciation	2,032	800
Amortised Intangible assets	17	-
Directors emoluments	24	30
Exchange loss	5,400	2,229
Net finance cost (note 6)	1,892	1,796
	=====	=====

5. PERSONNEL COSTS

	GH¢' 000	GH¢' 000
Wages and salaries	2,263	2,362
Social Security Contribution	253	273
Provident Fund	210	217
Provision for end of service benefit	34	43
Long service award	49	4
	-----	-----
	2,809	2,899
	=====	=====

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6. NET FINANCE EXPENSE

	2009	2008
Interest on loans and overdraft	1,892	1,796
Interest earned on Current Accounts	-	-
	-----	-----
	1,892	1,796
	=====	=====

7. INCOME TAX

Balance at 1/1/09 GH¢' 000	Charge Payments for period GH¢' 000	GH¢' 000	Balance at 30/09/09 GH¢' 000

Taxation payable				
Up to 2004	(719)	-	-	(719)
2005	26	-	-	26
2006	336		-	336
2007	(270)		-	(270)
2008	(137)			(137)
Capital Gains Tax	7			7
National Reconstruction Levy	(51)	-	-	(51)
	-----	-----	-----	-----
	(808)	-	-	(808)
	-----	-----	-----	-----

(ii) The income tax liabilities are subject to the agreement of the tax authorities.

	2009	2008
	GH¢000	GH¢000
Tax Charge	-	7
Deferred Tax (relief)/expense (note 8)	-	(691)
	-----	-----
	-	(684)
	-----	-----

8. DEFERRED TAX

	2009	2008
	GH¢000	GH¢000
Balance at 1st January	1,032	735
Charge/Release to income statement		(691)
Charge to revaluation surplus	-	988
	-----	-----
	1,032	1,032
	=====	=====

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9a. PROPERTY, PLANT AND EQUIPMENT - (2009)

	Leasehold				Capital	
	Land and	Plant and	Motor	Motor	Work in	Total
	Buildings	Machinery	Equipment	Vehicles	Progress	GH¢' 000
	GH¢' 000	GH¢' 000	GH¢' 000	GH¢' 000	GH¢' 000	GH¢' 000
Gross Value						
At 1/1/09	11,067	19,339	2,216	1,163	20,013	53,798
Additions					2,420	2,420
Disposals		-	(93)	(91)		(184)
Transfer	1,162	12,680			(13,842)	-
	-----	-----	-----	-----	-----	-----
At 30/09/09	12,229	32,019	2,123	1,072	8,591	56,034
	=====	=====	=====	=====	=====	=====
Comprising						
Cost of asset 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	985	578	-	19,765
	-----	-----	-----	-----	-----	-----
At Cost	11,067	19,296	2,045	1,102	-	33,510
	1,162	12,723	171	61	8,591	22,708
	-----	-----	-----	-----	-----	-----
	12,229	32,019	2,216	1,163	8,591	56,218
	=====	=====	=====	=====	=====	=====
Accumulated depreciation						
At 1/1/09	792	6,501	1,030	497	-	8,820
Charge for the period	210	1,622	165	35	-	2,032
Release on disposal	-		(27)	(36)	-	(63)
	-----	-----	-----	-----	-----	-----
At 30/09/09	1,002	8,123	1,168	496	-	10,789

	=====	=====	=====	=====	=====	=====
Net Book Value						
At 30/09/09	11,227	23,896	1,048	667	8,591	45,429
	=====	=====	=====	=====	=====	=====
At 30/09/08	2,731	12,357	257	34	6,924	22,303
	=====	=====	=====	=====	=====	=====

Leasehold Land and Buildings, Plant, Machinery, Equipment and Vehicles were revalued by Valuation and Investments Associates (Professional Valuers, Estate Agents and Property Consultants) on 30th October 2008 on the basis of their open market values. These figures were incorporated in the financial statements during the year ended 31st December 2008.

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

	2009	2008
	GH¢'000	GH¢'000
Cost of Sales	1,761	727
General , administrative and Selling expenses	271	73
	-----	-----
	2,032	800
	=====	=====

10. Disposal of Property , plant and equipments

	GH¢'000	GH¢'000
Cost	184	62
Accumulated Depreciation	(63)	(40)
	-----	-----
Net Book Value	121	22
Sales Proceeds	(25)	(44)
	-----	-----
Profit/(Loss) on Disposal	96	22
	=====	=====

11. Intangible Asset

This relate to Sun System Accounting Software Package installed in 2008 at a cost of GH¢57,180 Intangible assets acquired are stated at cost less accumulated amortisation and impairment loss. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. The software is amortized over 3 years.

	2009	2008
	GH¢'000	GH¢'000
Balance at 1st January	38	
Acquisition	-	-
	-----	-----
Balance at 30th Sept	38	
	=====	=====

Amortisation

Balance at 1st January		
Amortisation for the year	17	-
	-----	-----
Balance at 30th Sept	17	-
	=====	=====

Carrying amount

30th Septemebr	21	-
	=====	=====

12. INVESTMENTS

This relates to the cost of 2,400,000 ordinary shares in Pioneer Kitchenware Limited. The market value of these investments at 31-09-09 was GH¢ 168,000(2008 GH¢168,000)

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13. INVENTORIES

	GH¢' 000	GH¢' 000
Raw materials	880	1,204
Work in Progress	1,665	1,745
Finished Goods	486	1,691
Consumables	2,556	3,023
	-----	-----
	5,587	7,663
	=====	=====

14. TRADE AND OTHER RECEIVABLES

Trade receivables due from customers	1,174	5,361
Advances to Suppliers	636	445
CEPS-Claim for Duty Drawback	842	1,110
VAT Refund Claim	1,500	273
Staff Debtors	49	48
Prepayments	261	58
	-----	-----
	4,462	7,295
	=====	=====

15. CASH AND CASH EQUIVALENTS

	2009 GH¢000	2008 GH¢000
Bank Balances	308	622
Cash Balances	247	124
	-----	-----
TOTAL	555	746
	=====	=====

Cash and cash equivalents comprise cash and cheques on hand and bank balances as at the end of the period.

16. BANK OVERDRAFT

	2009 GH¢000	2008 GH¢000
Ecobank Ghana Ltd	12,768	8,395
SG-SSB Bank Ltd	1,286	2,191
Barclays Bank Gh Ltd	-	-
	-----	-----
	14,054	10,586
	=====	=====

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17. Banking Facilities

Bank facilities available to the company were as follows:

Facility Type	Amount	Collateral Security
Overdraft	GH¢1.5 ml	This is an overdraft facility from SG-SSB Bank for working capital. Interest

rate is at Base rate plus 2%p.a. This is secured by fixed and floating assets of the company. The facility is renewable annually at 31st March

\$ 5 ml	This is Ecobank facility to finance raw material inports, spares, and payment of other operational bills. Interest rate is at six month libor plus a spead of 1.5% payable monthly in arrears. This is secured by Fixed and floating assets of the company. The facility expires on 30th March 2010
Short term loan \$4.2 ml	This is a facility from Barclays bank to finnace the cold mill. Interest is at 11% This is secured by fixed and floating assets of the company. The repayment period has been schedule from January 2009 to 31 December 2011 on equal quarterly installment.
Stand by letter of credi \$8.2ml	This is Ecobank facility of Documentary Line of Credit(Revolving) to back issurance of a standby letter of credit in favour of overseas suppliers of raw materials. Interest rate is at six month libor plus spead of 1.5%p.a payable monthly in arrears. This is secured by the assignment of exports and pari pasu fixed and floating charge over the company assets.The facility is renewable annually at 31st March

18. MEDIUM TERM LOANS

	Ecobank USD GH¢000	Barclays USD GH¢000	SG-SSB USD GH¢000	TOTAL 30-09-09 GH¢000	TOTAL 30-09-08 GH¢000
Balance at 1/1/09	5,337	5,217	9,742	20,296	20,280
Draw down during the year	11,370	-		11,370	16,343
	-----	-----	-----	-----	-----
Repayments during the year	16,707 (15,719)	5,217 (992)	9,742 (1,107)	31,666 (17,818)	36,623 (18,938)
	-----	-----	-----	-----	-----
Exchange loss	988 834	4,225 924	8,635 1,490	13,848 3,248	17,685 2,229
	-----	-----	-----	-----	-----
Balance at 30th Sept 2009	1,822	5,149	10,125	17,096	19,914
	-----	-----	-----	-----	-----

Analysed as follows:

Current portion	1,822	1,358	1,205	4,385	11,712
Medium term portion	0	3,791	8,920	12,711	8,202
	-----	-----	-----	-----	-----
	1,822	5,149	10,125	17,096	19,914
	-----	-----	-----	-----	-----

Note

The exchange loss of GH¢5,400,000 in the cash flow statement include losses on Valco debt and Ecobank dollar current accounts overdraft which amount to GH¢2,152,000.

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19. CREDITORS

	2009 GH¢000	2008 GH¢000
Trade and other payables	5,695	3,185
Sundry Creditors	1,607	1,042
Accruals and Deferred Income	103	176
	-----	-----
	7,405	4,403
	=====	=====

20. STATED CAPITAL

No of Shares	2009	2008	Proceeds 2009 GH¢000	2,008 GH¢000

Authorised				
Ordinary shares of no par value	----- 50,000 =====	----- 50,000 =====		
Issued				
For cash	7,049	7,049	765	765
Transfer from Capital Surplus	34,629	34,629	4,237	4,237
	----- 41,678 =====	----- 41,678 =====	----- 5,002 =====	----- 5,002 =====

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.

21. SHARE DEALS ACCOUNTS	2009	2008
	GH¢000	GH¢000
Balance at 1st January	90	90
Proceeds from sale of treasury shares	-	-
	-----	-----
Balance at 30th September	90	90
	=====	=====

There was no movement on the share deals accounts during the year.

22. DIVIDEND PAYABLE

Balance at 1st January	699	699
Proposed for the year	-	-
	-----	-----
	-	-
Less; payments for the year	-	-
	-----	-----
Balance at 30th Septemebr	699	699
	=====	=====

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23. EARNINGS PER SHARE

Basic

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

	2009	2008
	GH¢000	GH¢000
Loss attributable to equity holders of the Company	(5,713)	(3,995)
	=====	=====
Weighted average number of ordinary shares in issue	41,678,000	41,678,000
	=====	=====
Basic earnings per share(expressed in GH¢ per share)	(0.1371)	(0.0959)
	=====	=====

Diluted

Diluted earning per share is calculated by adjusting the weighted average number of ordinary shares, to assume of all dilutive potential ordinary shares. At 30th Septemebr 2009 and 2008 the company had no dilutive potential ordinary shares.
The loss attributed to ordinary shareholders is GH¢5,713,000 (2009); and GH¢3,339,000(2008)

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