



**PRESS RELEASE**

**PR. No 340/2019**

**ALUWORKS LIMITED (ALW) -**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 2018**

ALW has released its audited Financial Statements for the year ended December 31, 2018 as per the attached.

Issued in Accra, this 17<sup>th</sup>  
day of September, 2019.

**- E N D -**

att'd.

Distribution:

1. All LDMs
2. General Public
3. Company Secretary, ALW
4. NTHC Registrars, (Registrars for ALW shares)
5. Custodians
6. Central Securities Depository
7. Securities and Exchange Commission
8. GSE Council Members
9. GSE Notice Board

**For enquiries, contact:**

**Head of Listing, GSE on 0302 669908, 669914, 669935**

**\*JEB**

***ALUWORKS LIMITED***

***ANNUAL REPORT AND FINANCIAL STATEMENTS***

***31 DECEMBER 2018***

**ALUWORKS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**I N D E X**

	<b>Page</b>
Corporate Information	3
Report of the Directors	4
Independent Auditor's Report	11
<b>Financial Statements</b>	
Statement of Financial Position	15
Statement of Profit or Loss and Other Comprehensive Income	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19

**ALUWORKS LIMITED**  
**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Seth Adjei - *Chairman*  
 Ernest Kwasi Okoh - *Managing Director*  
 Togbe Afede XIV  
 Professor Lade Wosornu  
 Kingsley Okoe Ofosu Obeng  
 Agnivesh Agarwal  
 Dr. Alhassan Mutaka Alolo  
 Prof. Yaw Adu-Gyamfi  
 Kofi Duodu Fynn

**PRINCIPAL PLACE OF BUSINESS**

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

**SECRETARY**

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

**REGISTRARS**

Universal Merchant Bank Limited  
 No. 123 Kwame Nkrumah Avenue  
 Sethi Plaza, Adabraka  
 Accra.

**SOLICITOR**

E. K. Jones Mensah & Associates  
 Alpha Law Chambers  
 Community 1  
 P. O. Box 1382  
 Tema

**AUDITOR**

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

**BANKERS**

Ecobank Ghana Limited  
 Societe Generale Ghana Limited

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

The Directors present their report and the financial statements of Aluworks Limited ("the Company") for the year ended 31 December 2018.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of the Company, comprising the statement of financial position at 31 December 2018, statements of profit or loss and other comprehensive income, of changes in equity and of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179). In addition, the directors are responsible for the preparation of the directors' report.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Company's ability to continue as a going concern (refer to going concern consideration below).

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

#### Five year financial highlights

Company	2018 GHS'000	2017 GHS'000	2016 GHS'000	2015 GHS'000	2014 GHS'000
Revenue	62,495	84,470	69,470	78,665	76,845
(Loss) before tax	(33,162)	(23,877)	(19,314)	(14,231)	(4,982)
(Loss) after tax	(33,162)	(23,877)	(19,314)	(14,810)	(4,400)
Basic and diluted earnings per share (GHS per share)	(0.1401) (0.1174)	(0.1009) (0.0846)	(0.0816)(0.0684)	(0.0626) (0.0524)	(0.0186) (0.0156)

### FINANCIAL STATEMENTS AND DIVIDEND

	2018 GHS'000	2017 GHS'000
The results for the year are summarised as follows:		
Loss for the year after taxation	(33,162)	(23,877)
Adjustment on initial application of IFRS 9	(543)	-
Remeasurement of defined benefit liability	55	-
which when added to the brought forward balance on retained earnings account of	<u>(86,128)</u>	<u>(62,251)</u>
leaves a balance to be carried forward on the retained earnings account of	<u>(119,778)</u>	<u>(86,128)</u>

The Directors consider the state of affairs of the Company to be satisfactory. The directors do not recommend the payment of dividend for the year ended 31 December 2018 (2017: Nil).

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

**GOING CONCERN and subsequent events**

The Company incurred a net loss for the year ended 31 December 2018 of GHS 33,162,000 (2017: GHS 23,877,000) and as of that date its current liabilities exceeded its current assets by GHS 60,293,000 (2017: GHS 32,978,000). The Company continues to incur losses on its operations.

The directors assess that the immediate concern is to clear the VALCO debt and restore business volumes:

The directors of the Company had an arrangement with the Social Security and National Insurance Trust (SSNIT) to pay its debt with VALCO at the end of 2018. This was to foster the uninterrupted supply of raw materials to increase volume of production especially in 2019. This is believed to increase production volumes and sales for the year 2019.

The company continues to experience the negative effect of the high interest charges on SSNIT loan which has significantly contributed to the company's losses over the years. The Company is in discussions with SSNIT to restructure the loan and provide the Company with a revised repayment plan.

The Company has over the last six years been in negotiation with another shareholder Caitlyn Limited who wished to make the necessary financial intervention in exchange for an issue of new share. All arrangements for completion of this project are in place. The investor/shareholder has decided to seek control over the company by attaining 50%+ shareholding through purchasing sufficient new shares to achieve the objective. The investor (Caitlyn) will provide leadership in technology, processes and introduce new products. The process of takeover is at its final stage following the completion of due diligence exercise in June 2019. The financial intervention by Caitlyn is dependent on SSNIT retaining an interest in the Company.

The Directors acknowledges that the Company's ability to continue to continue as a going concern is dependent on the successful restructuring of the SSNIT loan and the financial intervention by Caitlyn. This condition give rise to a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore that it may be unable to realise its assets at their recognised values and discharge its liabilities in the normal course of business.

Accordingly, the financial statements are prepared on the basis of accounting policies applicable to going concern. This basis presumes that cash flows arising from the normal course of business will be available to finance future operations of the Company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

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

**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.

**Holding company**

Refer to the appendix for information on the Company's shareholders.

**Objectives of the Company**

The purpose of the Company is to manufacture and market quality aluminium products to its customers responsibly, and profitably and in an innovative way.

**Related party transactions**

Information regarding directors' interests in ordinary shares of the Company and remuneration is disclosed in the notes to the financial statements. No director has any other interest in any shares or loan stock of the Company. Other than service contracts, no director had a material interest in any contract to which the Company was a party during the year.

**Audit Committee**

The Audit Committee has responsibility delegated from the board of directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. KPMG has been the auditor of Aluworks Limited for 12 years. KPMG does not provide non-audit services to the Company. The principal responsibilities of the Committee include reviewing financial reports, internal audit reports, management letters and other information it requests to be tabled.

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

**Board of Directors**

**Profile**

<b>Non-executive</b>	<b>Qualification</b>	<b>Outside board and management position</b>
Seth Adjei	Fellow, Ghana Institution of Engineers	Council Member, Energy Foundation; Director, City Parks Limited
Togbe Afede XIV	Bsc., MBA Finance	CEO, SAS Finance Group; Chairman, Board of National Investment Bank, Accra Hearts of Oak; Board Member, Pioneer Kitchenware Limited, Sunon-Asogli Power (Ghana) Ltd, World Trade Centre (Accra), Principal Founder, Africa World Airlines.
Professor Lade Wosornu	MD, FRCSEdin, FRCSEng, FGCPs, MB (Hons), Bsc.	Columnist, Ghanaian Times
Kingsley Ofori Obeng	Bsc., FCCA	Investment Analyst, SSNIT
Agnivesh Agarwal	Bsc in Commerce	Non-Executive Chairman, Hindustan Zinc Ltd; Managing Director, Fujairah Gold
Dr. Alhassan Mutaka Alolo	PhD	Managing Partner at iGroup, Inc
Professor Yaw Adu-Gyamfi	MD, FFARCS, FRCA, FWACS, FGCP&S	Consultant and Professor of Anaesthesiology and Critical Care
Kofi Duodu Fynn	MD, MBA	Managing Director of Petra Trust Company Ltd.
<b>Executive</b>	<b>Qualification</b>	<b>Outside board and management position</b>
Ernest Kwasi Okoh	Bsc., MBA, ICA (Ghana)	Board Member, MS Research International, Expandable Polystyrene products and Trading Ltd, WT-2 Company Ltd;



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

### *Biographical information of directors*

<b>Age category</b>	<b>Number of directors</b>
Up to – 40 years	<b>1</b>
41 – 60 years	<b>4</b>
Above 60 years	<b>4</b>

### **Role of the Board**

The directors are responsible for the long term success of the Company, determine the strategic direction of the Company and review operating, financial and risk performance. There is a formal schedule of matters reserved for the board of directors, including approval of the Company's annual business plan, strategy, acquisitions, disposals and capital expenditure projects above certain thresholds, all guarantees, treasury policies, the financial statements, the Company's dividend policy, transactions involving the issue or purchase of Company shares, borrowing powers, appointments to the Board, alterations to the memorandum and articles of association, legal actions brought by or against the Company, and the scope of delegations to Board committees, subsidiary boards and the management committee.

### **Internal control systems**

The directors have overall responsibility for the Company's internal control systems and annually review their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the executive directors and other senior management. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The directors have reviewed the effectiveness of the internal control systems, including controls related to financial, operational and reputational risks identified by the Company as at the reporting date and no significant failings or weaknesses were identified during this review.

### **Directors' performance evaluation**

There is currently no yearly evaluation process for Board Members, However, members of the board undergo series of training programmes upon appointment. Overall, it was noted that the board of directors and its committees were operating in an effective manner and performing satisfactorily, with no major issues identified.

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

**Professional development and training**

On appointment to the Board, directors are provided with a full, formal and tailored programme of induction, to familiarise them with the Company's business, the risks and strategic challenges it faces, and the economic, competitive, legal and regulatory environment in which the Company operates. A programme of strategic and other reviews, together with the other training provided as and when required, ensures that directors continually update their skills, their knowledge and familiarity with the Company's businesses, and their awareness of sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board.

**Conflicts of interest**

The Company has established appropriate conflicts authorisation procedures, whereby actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year, no such conflicts arose and no such authorisations were sought.

**Board balance and independence**

The composition of the board of directors and its Committees is regularly reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained. The Board considers that the Chairman is independent on appointment and all non-Executive Directors are independent as it pertains to the management of the Company. The continuing independent and objective judgement of the non-Executive Directors has been confirmed by the Board of Directors.

The code of ethics is available for all board members and staff of the Company upon employment. All board members are required to comply with the requirements of the provision under the Companies Act, Act 179. There are no exceptions to the adherence of the requirement of the code.

**Directors Remuneration**

Directors' remunerations are determined upon appointment. There are no variations to the remuneration given to directors. No additional allowances except sitting allowances are paid to members of the board during meetings.

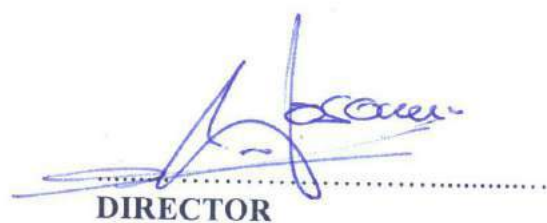
**REPORT OF THE DIRECTORS  
TO THE MEMBERS OF  
ALUWORKS LIMITED (CONT'D)**

**APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements of the Company as identified above were approved by the Board of Directors on

13 September..... 2019, and signed on their behalf by:

  
.....  
**DIRECTOR**

  
.....  
**DIRECTOR**

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

**Report on the Audit of the Financial Statements**

*Disclaimer of Opinion*

We were engaged to audit the financial statements of Aluworks Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information as set out on pages 15 to 59.

We do not express an opinion on the financial statements of the Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements..

*Basis for Disclaimer of Opinion*

The Company has been reporting losses for the past five years from its operations. Note 30 to the financial statements indicates that the Company incurred a net loss for the year ended 31 December 2018 of GHS 33,162,000 and as of that date its current liabilities exceeded its current assets by GHS 60,293,000.

As indicated in Note 30, the Company is in discussions with the majority shareholder, Social Security and National Insurance Trust (SSNIT) to restructure the loan (both principal and interest portion) and provide the Company with a revised loan repayment plan. The purpose of this is to reduce the high interest burden which has contributed to the Company's losses over the years.

In addition, the Company has over the last six years been in negotiations with another shareholder, Caitlyn Limited (Caitlyn), to make financial intervention in exchange for an issue of new shares to seek control over the Company by obtaining a 50%+ shareholding. The Company is in discussions with SSNIT and Caitlyn over the modalities of the takeover in line with regulations governing takeovers in Ghana.

These conditions indicate material uncertainties which cast significant doubt on the entity's ability to continue as a going concern.

Management has not provided documentation or evidence to support the progress of the restructuring arrangement with SSNIT as well as the takeover discussions with SSNIT and Caitlyn. Consequently we are unable to confirm or dispel whether the use of the going concern assumption in the preparation of the financial statements is appropriate.

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

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Revaluation of Property Plant and Equipment (GHS 213,229,881 )</b>	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Company revalued its property, plant and equipment during the year.</p> <p>The valuation involves judgments and complex computations.</p> <p>The presentation of a strong asset base to attract potential investors may be the driving focus of the Company thereby influencing the valuation results. In addition, there is the risk that the useful economic lives assigned to the revalued assets are inappropriate.</p>	<p>Our principal audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and testing the Company's controls over property, plant and equipment including controls over acquisition and disposal of property, plant and equipment and reconciliations between financial information in accounting system and the general ledger</li> <li>• Challenged the key assumptions applied by management to value property, plant and equipment by comparing parameters to verifiable market data as well as our understanding of the industry.</li> <li>• Re-computed the surplus on revaluation to assess compliance with International Financial Reporting Standards. We also tested the accuracy of the underlying data used for the valuation of assets</li> <li>• Evaluated the appropriateness of useful lives of assets by considering our knowledge of the business and practice in the industry. We also tested whether approved asset life changes were appropriately applied prospectively</li> <li>• Physically verified assets of the company including new assets purchased during the year. Assets verified were tested for indicators of impairment. Tested management's assessment of impairment during the year and checked for reasonableness of the assessment</li> <li>• Re-computed depreciation charge for the year over the useful lives for each category of assets</li> <li>• Assessed the adequacy of the Company's disclosures of property, plant and equipment policy, the degree of estimation involved in arriving at the useful life of the assets, and other related disclosures.</li> </ul>

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

*Responsibilities of the Directors for the Financial Statements*

The Directors are responsible for the preparation of financial statements that give a true and fair view 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS'S 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)*

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report:

- we have not obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit; and
- we cannot opine on whether proper books of account have been kept, and whether the statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is **Frederick Nyan Dennis (ICAG/P/1426)**

*Kpmg*

.....  
**For and on behalf of:**  
**KPMG: (ICAG/F/2019/038)**  
**CHARTERED ACCOUNTANTS**  
**13 YIYIWA DRIVE, ABELENKPE**  
**P O BOX GP 242**  
**ACCRA**

*13 September*  
....., 2019.

**ALUWORKS LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

		<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
<b>ASSETS</b>			
Property, plant and equipment	7	213,230	173,920
Investment securities	8	<u>120</u>	<u>120</u>
<b>Non-current assets</b>		<u><b>213,350</b></u>	<u><b>174,040</b></u>
Inventories	11	13,149	16,580
Current tax asset	9(iii)	1,401	1,343
Trade and other receivables	12	1,973	2,314
Cash and cash equivalents	13.a	<u>260</u>	<u>861</u>
<b>Current assets</b>		<u><b>16,783</b></u>	<u><b>21,098</b></u>
<b>Total assets</b>		<u><b>230,133</b></u>	<u><b>195,138</b></u>
<b>EQUITY AND LIABILITIES</b>			
Stated capital	17	31,650	31,650
Retained earnings		(119,778)	(86,128)
Other reserves		980	980
Revaluation surplus		<u>160,833</u>	<u>105,260</u>
<b>Total equity</b>		<u><b>73,685</b></u>	<u><b>51,762</b></u>
Medium-term loans	15	51,774	52,121
Employee benefits	16	4,524	2,295
Deferred tax liabilities	10	<u>23,074</u>	<u>34,884</u>
<b>Total non-current liabilities</b>		<u><b>79,372</b></u>	<u><b>89,300</b></u>
Bank overdrafts	14	1,892	5,374
Trade and other payables	19 a	22,887	31,476
Advance payment - Land	19 b	20,658	-
Short-term loans	15b	<u>31,639</u>	<u>17,226</u>
<b>Current liabilities</b>		<u><b>77,076</b></u>	<u><b>54,076</b></u>
<b>Total liabilities</b>		<u><b>156,448</b></u>	<u><b>143,376</b></u>
<b>Total equity and liabilities</b>		<u><b>230,133</b></u>	<u><b>195,138</b></u>

These financial statements were approved by the Board of Directors on 13 September 2019 and signed on its behalf by:

DIRECTOR

DIRECTOR

The notes on pages 19 to 59 are an integral part of the financial statements.



**ALUWORKS LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

		<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Revenue	20	62,495	84,470
Cost of sales		<u>(68,275)</u>	<u>(82,839)</u>
<b>Gross profit</b>		(5,780)	1,631
Other income	21	157	199
General and administrative expenses		(10,609)	(8,551)
Impairment charge of trade receivables		<u>(343)</u>	<u>(10)</u>
<b>Results from operating activities before financing cost</b>		<b>(16,575)</b>	<b>(6,731)</b>
Net finance cost	24	<u>(16,587)</u>	<u>(17,146)</u>
<b>Loss before income tax</b>		(33,162)	(23,877)
Income tax expense	9 (i)	=	=
<b>Loss for the year</b>		<u>(33,162)</u>	<u>(23,877)</u>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		43,763	-
Income tax on revaluation surplus		-	-
Remeasurement of defined benefit liabilities		55	-
Income tax		<u>11,810</u>	=
<b>Other comprehensive income net of tax</b>		<u>55,628</u>	=
<b>Total comprehensive income for the year</b>		<u><u>22,466</u></u>	<u><u>(23,877)</u></u>
Basic earnings per share (Ghana Cedis)	18	(0.1401)	(0.1009)
Diluted earnings per share (Ghana Cedis)	18	(0.1174)	(0.0846)

The notes on pages 19 to 59 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Stated Capital GHS'000</b>	<b>Share Deals GHS'000</b>	<b>Other Reserves GHS'000</b>	<b>Revaluation Surplus GHS'000</b>	<b>Retained Earnings GHS'000</b>	<b>Total Equity GHS'000</b>
Balance at 1 January 2018	31,650	-	980	105,260	(86,128)	51,762
Adjustment on initial application of IFRS 9	=	=	=	=	(543)	(543)
Restated balance at 1 January 2018	31,650	-	980	105,260	(86,671)	51,219
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(33,162)	(33,162)
Surplus on revaluation, net of taxes	=	=	=	<u>55,573</u>	=	<u>55,573</u>
Remeasurement of defined benefit liability	-	-	-	-	55	55
	-	-	-	55,573	(33,107)	<u>22,466</u>
<b>Balance at 31 December 2018</b>	<u>31,650</u>	=	<u>980</u>	<u>160,833</u>	<u>(119,778)</u>	<u>73,685</u>
Balance at 1 January 2017	31,650	90	980	105,170	(62,251)	75,639
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(23,877)	(23,877)
Treasury stock matured	=	<u>(90)</u>	=	<u>90</u>	=	=
<b>Balance at 31 December 2017</b>	<u>31,650</u>	=	<u>980</u>	<u>105,260</u>	<u>(86,128)</u>	<u>51,762</u>

The notes on pages 19 to 59 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 GHS'000	2017 GHS'000
<b>Cash flows from operating activities</b>			
Loss after tax		(33,162)	(23,877)
<i>Adjustments for:</i>			
Depreciation charges	7a	5,484	4,469
Profit on sale of property, plant and equipment	7b	(9)	-
Interest expense		16,587	17,146
Exchange loss		-	1,592
Tax expense	9	-	-
End of service benefit expense	16	1,550	1,703
Long service award expense		678	733
Impairment allowance		<u>343</u>	<u>10</u>
		(8,529)	1,776
<i>Changes in:</i>			
Trade and other receivables***	12	(195)	(165)
Inventories	11	3,431	2,410
Trade and other payables	19 a	(8,589)	6,112
Advance payment - Land	19 b	<u>20,658</u>	=
<b>Cash from operating activities</b>		<b>6,776</b>	<b>10,133</b>
End of service benefit paid	16	(292)	-
Long service benefit paid		-	(141)
Interest paid		(16,587)	(17,146)
Income tax paid	9	<u>(58)</u>	<u>(90)</u>
<b>Net cash used in operating activities</b>		<b><u>(10,161)</u></b>	<b><u>(7,244)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(1,032)	(731)
Proceeds from sale of property, plant and equipment	7b	<u>9</u>	=
<b>Net cash used in investing activities</b>		<b><u>(1,023)</u></b>	<b><u>(731)</u></b>
<b>Cash flows from financing activities</b>			
Loan proceeds	15	42,273	40,963
Loan repaid	15	<u>(28,208)</u>	<u>(31,467)</u>
<b>Net cash from financing activities</b>		<b><u>14,065</u></b>	<b><u>9,496</u></b>
Net increase in cash and cash equivalents		2,881	1,521
<b>Analysis of changes in cash and cash equivalents during the year</b>			
Cash and cash equivalents at 1 January		(4,513)	(6,145)
Net increase in cash and cash equivalents		2,881	1,521
Effect of exchange difference on cash and cash equivalents		=	<u>111</u>
<b>Cash and cash equivalents at 31 December</b>	<b>13</b>	<b><u>(1,632)</u></b>	<b><u>(4,513)</u></b>

\*\* Changes in Trade and Other Receivables excludes impairment amount of GHS 343,000

The notes on pages 19 to 59 are an integral part of the financial statements..

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **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.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by part of the statement of profit or loss and other comprehensive income, in these financial statements.

The Company is listed on the Ghana Stock Exchange.

#### **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) and in the manner required by the Companies Act, 1963 (Act 179).

##### **b Basis of measurement**

They are prepared on the historical cost basis except for property, plant and equipment which are recognised at revalued amounts and trade and other receivables that are stated at fair values.

##### **c Functional and presentation currency**

The financial statements are presented in Ghana cedis (GHS) which is the Company's functional currency. All financial information presented in Ghana cedi has been rounded to the nearest thousand, unless otherwise indicated.

##### **d Use of estimates and judgements**

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 SIGNIFICANT ACCOUNTING POLICIES

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 25. 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) *Recognition and Initial Measurement derecognition*

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL (Fair Value Through Profit or Loss), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### ii. *Classification and subsequent measurement*

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair Value Through Other Comprehensive Income) - debt investment; FVOCI- equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Financial Instruments- Cont'd

##### ii. *Classification and subsequent measurement- Cont'd*

Financial assets - Business model assessment:

at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

" how the performance of the portfolio is evaluated and reported to the Company's management;

" the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

" how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

" the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest: For the purposes of this assessment, 'principal' is defined as the fair -value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time -value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination} is treated as consistent with this criterion if the fair -value of the prepayment feature is insignificant at initial recognition.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES- CONT'D

#### (a) Financial Instruments- Cont'd

##### ii. *Classification and subsequent measurement- Cont'd*

Financial assets - Subsequent measurement and gains and losses:

Financial assets at amortized cost

The Company subsequently measured its financial assets (loans and receivables) at amortised cost using the effective interest method.. The amortised cost is reduced by impairment losses.

Financial assets - Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. The Company's financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### (iii) Derecognition

###### *Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

###### *Financial Liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (b) Impairment

(i) *Financial assets- Assets carried at amortised costs*

##### i. Non-derivative financial assets

*Policy applicable from 1 January 2018*

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for amounts due from related parties which are measured at 12-month ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties presentation allowance for ECL in the statement of financial position.



## NOTES TO THE FINANCIAL STATEMENTS

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

#### (b) Impairment-Cont'd

##### (i) *Financial assets- Assets carried at amortised costs*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial assets not classified as at fair value through profit or loss were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included default or delinquency by a debtor and observable data indicating that there was measurable decrease in expected cash flows from a group of financial assets.

The Company considered impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Company considered that there was no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (b) Impairment-Cont'd

##### *(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. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and risks specific to the asset.

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

#### (c) Assets classified as available-for-sale (AFS)

The Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each reporting date. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. In general, the Company considers a decline of 20% to be significant and a period of nine months to be prolonged. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

#### (d) 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (d) Leases

##### (ii) Lease payments

Payments made under operating leases are charged to the profit or loss 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.

#### (e) Property, Plant and Equipment

##### (i) Recognition and measurement

Property, plant and equipment are measured at fair value less subsequent depreciation. The fair values are determined every three (3) years 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 equipment are credited to other comprehensive income and accumulated in the revaluation surplus in shareholders' equity.

Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to profit or loss.

If property becomes an investment property because its use has changed, the property is reclassified appropriately and any difference arising between the carrying amount and the fair value at the date of transfer is recognised as follows:

Any gain arising on this remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in revaluation surplus. Any loss is recognised in profit or loss. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognised in Other Comprehensive Income (OCI) and reduces the revaluation surplus in equity. 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).

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (e) Property, Plant and Equipment- Cont'd

- 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 profit or loss as incurred.

(iii) Depreciation is recognised in profit or loss 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 profit or loss.

#### (e) Intangible Assets

##### Software

Software acquired by the Company is measured at cost less accumulated amortisation and any 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 profit or loss 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 for the current and comparative periods is three years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

#### (f) 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 selling expenses.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (h) Employee Benefits

##### Defined contribution plans

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 profit or loss when they are due.

##### Short-term Employment benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liabilities of the Company arising from defined benefit obligations and related current service costs are determined on an actuarial basis using the projected unit credit method. The Company uses this method to determine the present value of defined benefit obligations, related current service costs and, where applicable, past service costs. Actuarial gains and losses, which arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what actually occurred, are charged to profit or loss.

##### Other long-term benefit

The Company's obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the rate on long dated Government of Ghana bonds. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss.

#### (i) Revenue

##### **Revenue recognition under IFRS 15 (applicable from 1 January 2018)**

The Company has initially applied IFRS 15 from 1 January 2018. Information about the Company's accounting policies relating to contracts with customers is provided below. Under IFRS 15, revenue is recognised when the customer obtains control of the service over time.

Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, discounts, and other similar deductions

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Significant Accounting Policies (CONT'D)

#### (i) Revenue- Cont'd

##### **Revenue recognition under IAS 18 (applicable before 1 January 2018)**

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.

##### Rendering of services

Other income from services rendered such as fixing of roofing for customers is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on survey of work performed.

#### (j) Finance Income and Expense

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss on the date that the company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

#### (l) Taxation

Tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

##### *(a) Current tax*

Current tax comprises the expected tax payable or receivable on taxable incomes or losses for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

##### *(b) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Significant Accounting Policies (CONT'D)

#### (l) Taxation- Cont'd

##### *(b) Deferred tax*

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

#### (m) Foreign currency translation

Transactions denominated in foreign currency are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or at exchange rates ruling at the date that fair value was determined if held at fair value, with the resulting exchange gain or loss generally recognised in profit or loss.

Foreign currency differences arising on retranslation are generally recognized in profit or loss.

#### (n) Dividend

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

#### (o) 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.

#### (p) 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.

#### (q) 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Significant Accounting Policies (CONT'D)

#### (r) New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. These include the following Standards and Interpretations that may have an impact on future financial statements:

Standard/Interpretation		Effective date
Amendments to IFRS 9	Prepayment Features with Negative Compensation	Annual periods beginning on or after 1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019
IFRS 16	<i>Leases</i>	Annual periods beginning on or after 1 January 2019

#### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

The Company is assessing the potential impact on the financial statements resulting from the application of Amendments to IFRS 9.

#### IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- " Judgments made;
- " Assumptions and other estimates used; and
- " The potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

The Company is assessing the potential impact on the financial statements resulting from the application of IFRIC 23.

#### IFRS 16 *Leases*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Company is assessing the potential impact on the financial statements resulting from the application of IFRS 16.



## NOTES TO THE 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) Cash and cash equivalents

The fair value of cash and cash equivalent approximate their carrying 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.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of inputs used in making the measurements.

(iv) Trade and other payables

The fair value of trade and other payables 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. Payables due within 6-month period are not discounted as their carrying values approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 DETERMINATION OF FAIR VALUES- CONT'D

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### 5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has initially applied IFRS 15 (see A) and IFRS 9 (see B) from 1 January 2018. A number of new standards are also effective from 1 January 2018 but they do not have material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to an increase in impairment losses recognised on financial assets.

#### • IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

The five step criteria are:

- Identification of contracts with customers
- Determination of Performance Obligations
- Determination of the contract price
- Allocation of the contract Price
- Recognition of revenue

## NOTES TO THE FINANCIAL STATEMENTS

### 5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

- **IFRS 15 Revenue from Contracts with Customers**

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Management of the Company has assessed its revenue recognition as required by the new standard. The assessment was performed by subjecting the terms of its contract with customers against each of the criteria stated.

Management concluded that the revenue recognition; timing and value; for the Company was not affected by the requirements of the new standard.

As a result of management's assessment, there was no material impact of the transition to IFRS 15 on the Company's statement of financial position as at 31 December 2018, statement of comprehensive income and statement of cash flows for the year ended 31 December 2018.

- **IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Company's approach was to include the impairment of trade receivables in general and administrative expenses. Consequently, the Company reclassified impairment reversals amounting to GHS 10,000 recognised under IAS 39, from "other expenses" to "impairment charge on trade receivables" in the statement of comprehensive income for the year ended 31 December 2017.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings.

#### **Impact of adopting IFRS 9 on opening retained earnings GHS'000**

Recognition of expected credit losses under IFRS 9	
Trade receivables	<u>543</u>
Impact at 1 January 2018	<u>543</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES-(CONT'D)

- **IFRS 9 Financial Instruments-Cont'd**

- i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirement.

	Original classification under IAS 39	New classification IFRS 9	Original carrying amount under IAS 39 GHS'000	New carrying amount GHS'000
<b>Financial assets</b>				
Cash and cash equivalents	Loans and receivables	Amortised cost	861	861
Trade receivables and other receivables	Loans and receivables	Amortised cost	2,065	1,522
<b>Financial liabilities</b>				
Trade and Other payables	Other Financial liabilities	Other Financial liabilities	31,047	31,047
Due to related parties		-	-	-
Bank Overdrafts	Loans and receivables	Financial Liabilities	5,374	5,374
Loans	Financial liabilities	Financial liabilities	69,347	69,347

- a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of GHS543,605 in allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

## NOTES TO THE FINANCIAL STATEMENTS

### 5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES-(CONT'D)

#### • IFRS 9 Financial Instruments-Cont'd

The following table reconciles the carrying amounts of the financial assets under IAS39 to the carrying amount under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount at 31 December 2017 GHS'000	Remeasurement GHS'000	IFRS 9 carrying amount at 1 January 2018 GHS'000
<b>Financial assets</b>			
Amortised cost			
Trade and other receivables:			
Brought forward Loans and receivables:	2,065		
Remeasurement:		(543)	
Carried forward: Amortised Cost			1,522

#### ii. *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows:

	GHS'000
Loss allowance at 31 December 2017 under IAS 39	2,992
<i>Additional impairment recognised at 1 January 2018 on:</i>	
Trade and other receivables as at 31 December 2017	<u>543</u>
Loss allowance at 1 January 2018 under IFRS 9	<u>3,535</u>

#### iii. *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application. The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 6 Segment reporting

Operating segments reflect the Company's management structure and the way financial information is regularly reviewed by the Managing Director. Operating segments are reported in a manner consistent with internal reporting provided to the Managing Director.

The Company operates as a single business unit that manufactures aluminium coils, circles, corrugated sheets and flat sheets.

#### Revenue by products

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Sheet in Coil (Plain)	5,945	4,984
Sheet in Coil (Colour)	14,513	18,995
Circles	23,201	42,534
Corrugated Sheets (Plain)	8,748	8,031
Corrugated Sheets (Colour)	5,978	5,940
Flat Sheets (Plain)	3,638	3,470
Flat sheets (Colour)	<u>620</u>	<u>599</u>
	<u>62,643</u>	<u>84,553</u>

#### Geographical Location

Aluworks Limited sells its products in Ghana and other markets in West Africa

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
In Ghana	48,235	62,432
Outside Ghana	<u>14,408</u>	<u>22,121</u>
	<u>62,643</u>	<u>84,553</u>

#### Major Customer

There was no revenue for transactions with a single external customer amounting to 10% of the Company's total revenue during the year (2017: NIL)

## NOTES TO THE FINANCIAL STATEMENTS

## 7 PROPERTY, PLANT AND EQUIPMENT

2018	Leasehold Land and Buildings GHS'000	Plant and Machinery GHS'000	Motor Vehicles GHS'000	Equipment GHS'000	Capital Work in Progress GHS'000	Total GHS'000
<b>Cost</b>						
At 1 January 2018	106,975	79,450	1,213	3,871	=	191,509
Additions	-	76	-	100	856	1,032
Revaluation surplus	23,054	18,557	285	1867	-	43,763
Disposals	-	-	(18)	(259)	-	(277)
Revaluation Adjustment	<u>(1,530)</u>	<u>(11,089)</u>	<u>(497)</u>	<u>(251)</u>	=	<u>(13,367)</u>
At 31 December 2018	<u>128,499</u>	<u>86,994</u>	<u>983</u>	<u>5,328</u>	<u>856</u>	<u>222,660</u>
Comprising						
Cost of assets revalued	3,067	22,692	372	1,280	-	27,411
Surplus/(deficit) on revaluation to 2017	100,169	1,688	(529)	1,074	-	102,402
Surplus on revaluations to 2018	<u>23,054</u>	<u>18,557</u>	<u>285</u>	<u>1,867</u>	=	<u>43,763</u>
At revaluation	126,290	42,937	128	4,221	-	173,576
At cost	<u>2,209</u>	<u>44,057</u>	<u>855</u>	<u>1,107</u>	<u>856</u>	<u>49,084</u>
	<u>128,499</u>	<u>86,994</u>	<u>983</u>	<u>5,328</u>	<u>856</u>	<u>222,660</u>
<b>Accumulated Depreciation</b>						
At 1 January 2018	1,814	12,956	550	2,269	-	17,589
Charge for the period	635	4,213	122	514	-	5,484
Released on disposal	-	-	(18)	(259)	-	(277)
Revaluation adjustment	<u>(1,530)</u>	<u>(11,088)</u>	<u>(497)</u>	<u>(251)</u>	=	<u>(13,366)</u>
At 31 December 2018	<u>919</u>	<u>6,081</u>	<u>157</u>	<u>2,273</u>	=	<u>9,430</u>
<b>Carrying Amounts</b>						
At 31 December 2018	<u>127,580</u>	<u>80,913</u>	<u>826</u>	<u>3,055</u>	<u>856</u>	<u>213,230</u>

There are no restrictions to title on any of the Company's property, plant and equipment and there are no charges on any of these assets. However, we refer to note 19 (b) which states that part payment has been made by SSNIT towards the purchase of 15.9 acres of unused land classified under land and buildings.

# **NOTES TO THE FINANCIAL STATEMENTS**

## **7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>2017</b>	<b>Leasehold Land and Buildings GHS'000</b>	<b>Plant and Machinery GHS'000</b>	<b>Motor Vehicles GHS'000</b>	<b>Equipment GHS'000</b>	<b>Capital Work in Progress GHS'000</b>	<b>Total GHS'000</b>
<b>Cost</b>						
At 1 January 2017	106,975	79,062	1,213	3,528	=	190,778
Additions	=	<u>388</u>	=	<u>343</u>	-	<u>731</u>
At 31 December 2017	<u>106,975</u>	<u>79,450</u>	<u>1,213</u>	<u>3,871</u>	=	<u>191,509</u>
<b>Accumulated Depreciation</b>						
At 1 January 2017	1,210	9,491	444	1,975	-	13,120
Charge for the period	<u>604</u>	<u>3,465</u>	<u>106</u>	<u>294</u>	=	<u>4,469</u>
At 31 December 2017	<u>1,814</u>	<u>12,956</u>	<u>550</u>	<u>2,269</u>	=	<u>17,589</u>
<b>Carrying Amounts</b>						
At 31 December 2017	<u>105,161</u>	<u>66,494</u>	<u>663</u>	<u>1,602</u>	=	<u>173,920</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 7 Property, PLANT and equipment (CONT'D)

**(a) Depreciation and amortisation has been charged in the financial statements as follows:**

	2018 GHS'000	2017 GHS'000
Cost of sales	4,977	4,020
General, administrative and selling expenses	<u>507</u>	<u>449</u>
	<u>5,484</u>	<u>4,469</u>

**(b) Disposal of property, plant and equipment**

	2018 GHS'000	2017 GHS'000
Cost	277	-
Accumulated depreciation	<u>(277)</u>	=
Net book value	-	-
Proceeds of sales	<u>(9)</u>	=
Profit on disposal of PPE	<u>(9)</u>	=

### 8 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 GHS120,000 (2017: GHS120,000).

### 9 TAXATION

**(i) Income tax (credit)/expense**

	2018 GHS	2017 GHS
Current tax	-	-
Deferred tax	=	=
	=	=

Deferred tax release relates to changes in recognised deductible temporary differences

**(ii) Current tax asset**

	Balance at 1/1/18 GHS'000	Payments GHS'000	Charge for the period GHS'000	Balance at 31/12/18 GHS'000
2017	(1,343)	(58)	-	(1,401)
	=	=	=	=
2018	<u>(1,343)</u>	<u>(58)</u>	=	<u>(1,401)</u>

The above tax position is subject to agreement with the tax authorities.

## NOTES TO THE FINANCIAL STATEMENTS

### 9 TAXATION (cont'd)

Deferred tax release relates to changes in recognised deductible temporary differences

#### (iii) Current tax asset

	Balance at 1/1/18 GHS'000	Payments GHS'000	Charge for the period GHS'000	Balance at 31/12/18 GHS'000
2017	(1,343)	(58)	-	(1,401)
2018	=	=	=	=
	<u>(1,343)</u>	<u>(58)</u>	=	<u>(1,401)</u>

The above tax position is subject to agreement with the tax authorities.

#### (iv) Reconciliation of effective tax rate

	2018 GHS'000	2017 GHS'000
Loss before tax	<u>(33,162)</u>	<u>(23,877)</u>
Tax using the domestic corporation tax rate	(8,291)	(6,173)
Non-deductible expenses	(4,720)	(5,509)
Tax losses	5,914	3,780
Current year losses for which no deferred tax asset is recognised	7,097	7,902
Tax exempt income	=	=

### 10 Deferred Taxation

	2018 GHS'000	2017 GHS'000
Balance at 1 January	34,884	34,884
Deferred tax credit/(charge) for the year	=	-
Other comprehensive income	<u>(11,810)</u>	=
Balance at 31 December	<u>23,074</u>	<u>34,884</u>

#### (i) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018			2017		
	Assets GHS'000	Liabilities GHS'000	Net GHS'000	Assets GHS'000	Liabilities GHS'000	Net GHS'000
Property, plant and equipment	-	-	-	-	3,197	3,197
Capital gains tax	-	11,050	11,050	-	22,860	22,860
Others	-	12,024	12,024	-	8,827	8,827
	=	=	=	=	=	=
	=	<u>23,074</u>	<u>23,074</u>	=	<u>34,884</u>	<u>34,884</u>

#### (ii) Recognised deferred tax assets and liabilities

Deferred tax asset of GHS 15,752 has not been recognised because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

## NOTES TO THE FINANCIAL STATEMENTS

**11 Inventories**

	<b>2018</b>	<b>2017</b>
	<b>GHS'000</b>	<b>GHS'000</b>
Raw materials	601	1,197
Work-in-progress	360	1,848
Finished goods	1,250	2,181
Consumables	<u>10,938</u>	<u>11,354</u>
	<u>13,149</u>	<u>16,580</u>

**12 TRADE AND OTHER RECEIVABLES**

	<b>2018</b>	<b>2017</b>
	<b>GHS'000</b>	<b>GHS'000</b>
Trade receivables due from customers	555	1,369
Other receivables	1,151	692
Staff debtors	26	25
Prepayments	<u>241</u>	<u>228</u>
	<u>1,973</u>	<u>2,314</u>

Included in other receivables are advance payments of GH¢ 268,736 (2017: GH¢581,951) made to suppliers in relation to inventory.

**13 CASH AND CASH EQUIVALENT**

		<b>2018</b>	<b>2017</b>
		<b>GHS'000</b>	<b>GHS'000</b>
Cash and Bank balance	13.a	260	861
Bank Overdraft	14	<u>(1,892)</u>	<u>(5,374)</u>
Cash and cash equivalents in statement of cash flows		<u>(1,632)</u>	<u>(4,513)</u>

**13.a CASH AND BANK BALANCES**

	<b>2018</b>	<b>2017</b>
	<b>GHS'000</b>	<b>GHS'000</b>
Cash at bank	258	858
Cash on hand	<u>2</u>	<u>3</u>
Cash and cash equivalents in statement of cash flows	<u>260</u>	<u>861</u>

**14 BANK OVERDRAFTS**

	<b>2018</b>	<b>2017</b>
	<b>GHS'000</b>	<b>GHS'000</b>
Ecobank Ghana Limited	-	3,339
Societe Generale Ghana Limited	<u>1,892</u>	<u>2,035</u>
	<u>1,892</u>	<u>5,374</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 14 BANK OVERDRAFTS (CONT'D)

- (i) The Company had an overdraft facility not exceeding GH¢2.5 million with Ecobank Ghana Limited (EGH) to finance the purchase of stocks, raw materials, spares and other operational expenses. The interest rate is EGH cedi base rate plus a spread of 2% per annum payable monthly in arrears. The facility expired on 30 September 2018. A new facility was offered which will run to 31 December 2019. The new facility is not to exceed GH¢2.5 million. The facility was secured by assignment of export proceeds, parri passu fixed and floating charges with Societe Generale Ghana (SG Ghana) Limited over the Company's assets including hypothecation over the Company's inventory, legal mortgage over Company's office/factory premises situated at Tema Heavy Industrial Area, cash management agreement. The Company is also to channel a minimum of GHS 200,000 in weekly local sales through its EGH Account.
- (ii) The Company had an overdraft facility not exceeding GH¢2.1 million with Societe Generale Ghana Limited to finance working capital. The Company's floating and fixed assets shared pari passu with Ecobank Ghana Limited have been pledged as security for the facility. The facility expired on 31 January 2019. Interest rate is 28%.

### 15 MEDIUM TERM LOANS

	SSNIT GHS'000	Ecobank Revolving GHS'000	Ecobank Short-term GHS'000	2018 Total GHS'000	2017 Total GHS'000
Balance 1 January	65,348	4,000	-	69,348	59,851
Drawdown during the year	-	26,125	2,500	28,625	27,300
Interest Capitalised	<u>13,648</u>	<u>=</u>	<u>=</u>	<u>13,648</u>	<u>13,663</u>
	78,996	30,125	2,500	111,621	100,814
Repayments during the year	<u>=</u>	<u>(26,125)</u>	<u>(2,083)</u>	<u>(28,208)</u>	<u>(31,467)</u>
Balance at 31 December	<u>78,996</u>	<u>4,000</u>	<u>417</u>	<u>83,413</u>	<u>69,347</u>
Analysed as follows:					
Current portion	27,222	4,000	417	31,639	17,226
Medium term loan Non-current	<u>51,774</u>	<u>=</u>	<u>=</u>	<u>51,774</u>	<u>52,121</u>
	<u>78,996</u>	<u>4,000</u>	<u>417</u>	<u>83,413</u>	<u>69,347</u>

## NOTES TO THE FINANCIAL STATEMENTS

### (i) Social Security and National Insurance Trust

The Company obtained a facility of US\$10 million (GH¢18,276,000) from Social Security and National Insurance Trust (SSNIT) in 2012 to fund the acquisition of the second cold rolling mill under the terms of a six-year convertible bond with two years moratorium. The interest rate on the convertible bond is 2 years note plus 3%. In line with IFRS 9, the facility qualified for a financial instrument and as such, an amount of GH¢ 980,000 was recognised in the statement of changes in equity on initial recognition. An amount of GH¢ 78,995,000 was recognised as the carrying amount of the loan in the statement of financial position. Interest capitalised on the facility in 2018 was GH¢ 13,647,000.

### (ii) Ecobank Revolving Line of Credit

The Company has an revolving line of credit facility of GH¢4 million with Ecobank Ghana Limited (EGH) to back the issuance of standby letters of credit on behalf of Aluworks in favour of its overseas suppliers of raw material. The facility is also to back the issuance of sight and deferred (up to a maximum of 120 days) L/Cs on behalf of Aluworks in favour of excess suppliers for raw material supply, to back the discount of export receivables of up to 60 days. The loan is to be drawn as short terms loan of up to 60 days to finance purchase of raw materials from VALCO and 60 days to finance purchase of spare parts from both local and foreign supplies. The facility is secured by assignment of export proceeds, parri passu fixed and floating charges with Societe Generale Ghana (SG-Ghana) Limited over the Company's assets including hypothecation over Company's inventory, legal mortgage over Company's office/factory premises situated at Tema Heavy Industrial Area. The Company is also to channel a minimum of GHS 200,000 in weekly local sales through its EGH Account. Interest rate is EGH cedi base rate plus a spread of 8% for both facilities per annum payable monthly in arrears and expired on 26 January 2019.

### (iii) Ecobank Short term loan

The Company obtained a short term loan facility of GH¢2.5 million from Ecobank Ghana Limited in 2018 to repay part of outstanding overdraft amount over a 12 month period. The interest rate on the loan is EGH Cedi Base Rate plus a spread of 2% per annum payable monthly in arrears. The duration of the loan was for 12 month after the date of re-booking and expired on 28 February 2019.

## 15b. SHORT-TERM LOAN

	2018 GHS'000	2017 GHS'000
Current portion of Loan (Note 14)	<u>31,639</u>	<u>17,226</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 16 EMPLOYEE BENEFITS

#### (i) Long Service Award

Long Service Award is an unfunded scheme to reward staff for their continuous and dedicated service to the Company. Staff who serve for ten (10) years and above are rewarded with bundles of Aluminium roofing sheets. The awards vary depending on the number of years served by employees who meet the criteria.

Years of Service	Long Service Award
10	One (1) packet of non-coloured Aluworks roofing sheets
15	Two (2) packets of non-coloured Aluworks roofing sheets
20	Three (3) packets of non-coloured Aluworks roofing sheets
25	Four (4) packets of non-coloured Aluworks roofing sheets
30	Four (5) packets of non-coloured Aluworks roofing sheets
35	Six (6) packets of non-coloured Aluworks roofing sheets

#### ii) End of Service Benefit

It is a defined benefit scheme to provide employees with a lump sum on retirement, resignation or death having served the Company for a minimum of ten (10) years. End of Service Benefit is a funded scheme. The plan asset of the scheme is managed by CalAsset Management. The table below shows the benefit entitlements.

Criteria	Benefit Entitlement
Retirement after 10 years	5% of the employee's final 5 years average salary multiplied by the number of years served.
Resignation/Death after 10 years	2.5% of the employee's final 5 years average basic salary multiplied by the number of years served.

	2018 GHS'000	2017 GHS'000
Long service award	1,270	592
Net end of service benefit obligation	<u>3,254</u> <u>4,524</u>	<u>1,703</u> <u>2,295</u>

#### a.Movement in present value of the long service award obligation

	2018 GHS'000	2017 GHS'000
Long service award obligation at 1 January	592	-
Benefits paid during the year	-	(141)
Current service costs	75	733
Interest cost	112	-
Acturial gain/loss	<u>491</u>	<u>-</u>
Long service award obligation at 31 December	<u>1,270</u>	<u>592</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 16 EMPLOYEE BENEFITS (CONT'D)

## Movement in net defined benefit obligation

	Defined benefit obligation		Planned asset		Net defined benefit obligation	
	2018 GHS'000	2017GH S'000	2018 GHS'000	2017GH S'000	2018 GHS'000	2017 GHS'000
Balance at 1 January	2,040	-	(337)	-	1,703	-
<b>Included in profit or loss</b>						
Current service cost	453	2,040	-	-	453	2,040
Net interest cost	<u>1,533</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>1,533</u>	<u>=</u>
	<u>1,986</u>	<u>2,040</u>	<u>=</u>	<u>=</u>	<u>1,986</u>	<u>2,040</u>
	-	-	-	-	-	-
<b>Included in Other Comprehensive Income</b>						
Actuarial loss (gain) arising from:						
Financial assumptions	(4)	-	-	-	(4)	-
Demographic assumptions	-	-	-	-	-	-
Other sources	<u>(432)</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>(432)</u>	<u>=</u>
	<u>(436)</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>(436)</u>	<u>=</u>
Other						
Contributions paid by the employer	-	(337)	-	-	-	(337)
Benefit paid	<u>(292)</u>	<u>=</u>	<u>292</u>	<u>=</u>	<u>=</u>	<u>=</u>
	<u>(292)</u>	<u>(337)</u>	<u>292</u>	<u>=</u>	<u>=</u>	<u>(337)</u>
Balance at 31 December	<u>3,298</u>	<u>1,703</u>	<u>(45)</u>	<u>=</u>	<u>3,253</u>	<u>1,703</u>

## Represented by:

	2018 GHS'000	2017 GHS'000
Defined benefit obligation	3,298	2,040
Defined benefit asset	<u>(45)</u>	<u>(337)</u>
	<u>3,253</u>	<u>1,703</u>

## Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

	2018	2017
Discount rate	17%	18%
Salary inflation	14%	15%
Nominal Inflation	3%	3%
Net effective inflation rate	3%	3%

## NOTES TO THE FINANCIAL STATEMENTS

### 16 EMPLOYEE BENEFITS (CONT'D)

#### Withdrawal rates

Retirement age- It has been assumed that all staff members retire at age 60. No allowance has been made for early retirement either due to ill health or at the option of the member.

	<b>2018</b>
Less than 30	0.02
Age 30 to 39	0.02
Age 40 to 49	0.01
Age 50 to 59	0.01
60 and greater	-

#### Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant would have affected the defined benefit obligation by the amount shown below:

	<b>2018</b>		<b>2017</b>	
	Increase	Decrease	Increase	Decrease
	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>
Discount rate (1%)	3,186	3,423	3,233	3,475
Withdrawal rate (1+10%)	3,296	-	3,345	-
Salary rate (1%)	3,426	-	3,478	-
Mortality (1%)	3241	-	3289	-

### 17 STATED CAPITAL

#### Ordinary shares

	<b>No. of Shares</b>	<b>Proceeds</b>	<b>No. of Shares</b>	<b>Proceeds</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
		<b>GHS'000</b>		<b>GHS'000</b>
<b>Authorised</b>				
Ordinary shares of no par value	<u>1,000,000</u>		<u>1,000,000</u>	
<b>Issued and fully paid</b>				
For cash	202,058	27,413	202,058	27,413
Transfer from revaluation surplus	<u>34,629</u>	<u>4,237</u>	<u>34,629</u>	<u>4,237</u>
	<u>236,687</u>	<u>31,650</u>	<u>236,687</u>	<u>31,650</u>

The holders of the ordinary shares are entitled to receive dividend which is 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 18 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 ordinary shares in issue.

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Loss attributable to equity holders of the Company	<u>(33,162)</u>	<u>(23,877)</u>
Number of ordinary Shares in issue	<u>236,687,001</u>	<u>236,687,001</u>
Basic earnings per share (expressed in GHS per share)	<u>(0.1401)</u>	<u>(0.1009)</u>

#### *Diluted*

The calculation of diluted earnings per share has been calculated based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after the adjustment for the effects of all dilutive potential ordinary shares.

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Loss attributable to equity holders of the Company	<u>(33,162)</u>	<u>(23,877)</u>
Number of ordinary Shares in issue	<u>282,377,001</u>	<u>282,377,001</u>
Diluted earnings per share (expressed in GHS per share)	<u>(0.1174)</u>	<u>(0.0846)</u>

### 19(a) TRADE AND OTHER PAYABLES

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Trade payables	16,063	28,695
Sundry payables	<u>6,824</u>	<u>2,781</u>
	<u>22,887</u>	<u>31,476</u>

### 19(b) ADVANCE PAYMENT

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Advance payment - Land	<u>20,658</u>	=

The Company entered into an agreement for the sale of 15.9 acres of unused land at a value of US\$5,843,037.57 to Social Security and National Insurance Trust (SSNIT). SSNIT has made an advance payment of GHS 20,657,190 (equivalent of US\$4,284,479.63) and the balance to be paid in 2019. The Company is yet to transfer legal title of ownership to SSNIT.

## NOTES TO THE FINANCIAL STATEMENTS

**20 REVENUE**

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Local sales	55,375	72,880
Export sales	<u>14,408</u>	<u>22,121</u>
	69,783	95,001
Less: Value Added Tax	(7,140)	(10,448)
Rebate	<u>(148)</u>	<u>(83)</u>
Net sales value	<u>62,495</u>	<u>84,470</u>

**21 Other income**

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Scrap sales	13	22
Rent receivable	6	26
Sundry income	115	145
(Gain)/Loss on export freight	14	6
Asset disposal	<u>9</u>	<u>=</u>
	<u>157</u>	<u>199</u>

Sundries include income from sale of scrap, rent receivable and gain/loss on export freight.

**22 LOSS BEFORE TAX IS STATED AFTER CHARGING:**

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Personnel cost (note 23)	12,894	11,547
Auditors remuneration	75	70
Depreciation	4,893	4,467
Directors emoluments	66	55
Net finance cost (note 24)	16,587	17,146
Exchange loss	1,956	1,592

**23 Personnel costs**

	<b>2018</b> <b>GHS'000</b>	<b>2017</b> <b>GHS'000</b>
Wages and salaries	9,836	8,358
Social security contributions	474	424
Provident fund	274	245
End of service benefits	<u>2,310</u>	<u>2,520</u>
	<u>12,894</u>	<u>11,547</u>

The average number of persons employed by the Company during the year was 262. (2017: 265)

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Net finance COST

	2018 GHS'000	2017 GHS'000
Interest income	-	-
Interest expense	<u>16,587</u>	<u>17,146</u>
	<u>16,587</u>	<u>17,146</u>

### 25 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 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 Committee gains 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 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Financial risk management (CONT'D)

#### (i) 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:

	<b>2018</b>	<b>2017</b>
	<b>GHS'000</b>	<b>GHS'000</b>
Trade receivables	555	1,369
Other receivables	1,151	692
Staff debtors	26	25
Cash and cash equivalent	<u>260</u>	<u>861</u>
	<u>1,992</u>	<u>2,947</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Financial risk management (CONT'D)

#### (i) Credit risk- Cont'd

##### Impairment

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 December 2018 and 31 December 2017 (under IAS 39) is as follows:

	2018		2017	
	Gross GHS'000	Impairment GHS'000	Gross GHS'000	Impairment GHS'000
Current(less than 30 days)	539	55	918	-
Due but not impaired (30-90 days)	141	70	97	-
Impaired (more than 90 days)	<u>3,357</u>	<u>3,357</u>	<u>3,346</u>	<u>(2,992)</u>
	<u>4,037</u>	<u>3,482</u>	<u>4,361</u>	<u>(2,992)</u>

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the age of the receivables. Loss rates are based on historical roll rates over the past three years.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from customers as at 31 December 2018.

	Weighted average loss rate	Gross carrying amount	Loss allowance
	GHS'000	GHS'000	GHS'000
Current(less than 30 days)	10%	539	56
Due but not impaired (30-60 days)	38%	115	43
Due but not impaired (60-90 days)	100%	26	26
Impaired (more than 90 days)	100%	<u>3,357</u>	<u>3,357</u>
	-	<u>4,037</u>	<u>3,482</u>

## NOTES TO THE FINANCIAL STATEMENTS

**25 Financial risk management (CONT'D)****(i) Credit risk- Cont'd**

Movements in the allowance for impairment in respect of trade receivables and contract assets  
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	<b>2018</b>	<b>2017</b>
	<b>GHS'000</b>	<b>GHS'000</b>
Balance at 1 January	2,992	2,586
Adjustment on initial application of IFRS 9	543	-
Impairment (reversal)/ charge	(53)	406
Balance at 31 December	<u>3,482</u>	<u>2,992</u>

**Cash and cash equivalents**

None of these balances were impaired at the year end and at 31 December 2018

**Investment securities**

The Company's investments comprise investment in equity securities. None of these investments were impaired at the year end and at 31 December 2018.

**(ii) 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.

The following are contractual maturities of financial liabilities:

	<b>Contractual cash flows</b>			
	<b>Carrying amount</b>	<b>6mths or less</b>	<b>6-12mths</b>	<b>1-3 years</b>
	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>
<b>31 December 2018</b>				
<b>Non-derivative financial liability</b>				
Trade and other payables	22,887	22,887	-	-
Bank overdrafts	1,892	1,892	-	-
Short term loans	31,639	31,639	-	-
Medium term loans	<u>51,774</u>	<u>51,774</u>	=	=
Balance at 31 December 2018	<u>108,192</u>	<u>108,192</u>	=	=
<b>31 December 2017</b>				
<b>Non-derivative financial liability</b>				
Trade and other payables	31,476	31,476	-	-
Bank overdrafts	5,374	5,374	-	-
Short term loans	17,226	17,226	-	-
Medium term loans	<u>52,121</u>	<u>52,121</u>	=	=
Balance at 31 December 2017	<u>106,197</u>	<u>106,197</u>	=	=

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Financial risk management (CONT'D)

#### (iii) 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.

#### Currency risk

##### *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 currency in which these transactions primarily are denominated is the US Dollar (US\$). The Company's exposure to foreign currency risk was as follows based on notional amounts.

##### **Amounts are stated in GHS**

<b>2018</b>	<b>USD</b>
Trade and other receivables	642,847
Cash and cash equivalents	140,829
Trade and other payables	=
<b><i>Net exposure</i></b>	<b><u>783,676</u></b>

<b>2017</b>	<b>USD</b>
Trade and other receivables	608,652
Cash and cash equivalents	191,406
Trade and other payables	=
<b><i>Net exposure</i></b>	<b><u>800,058</u></b>

The following significant exchange rates were applied during the period:

	Average Rate		Reporting Rate	
	2018 GHS	2017 GHS	2018 GHS	2017 GHS
US\$	4.6146	4.3283	4.8600	4.4400
EUR	5.4377	4.9243	5.5573	5.3120
Rand	0.3517	0.3282	0.3375	0.3618

#### Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening of GHS against all other currencies on the Company's profit or loss and equity. This sensitivity analysis indicates the potential impact on the profit or loss and equity 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 25 FINANCIAL INSTRUMENTS- FAIR VALUES AND RISK MANAGEMENT (CONT'D)

#### iii Market risks (Cont'd)

A strengthening/ weakening of the GHS, by the rates shown in the table, against the following currencies at 31 December have increased/decreased equity and profit or loss by the amounts shown below:  
This analysis assumes that all other variables, in particular interest rates, remain constant.

At 31 December	2018			2017		
In GHS	% Change	Profit or loss/Equity impact – increase/(decrease): Strengthening	Profit or loss/Equity impact – increase/(decrease): Weakening	% Change	Profit or loss/Equity impact – increase/(decrease): Strengthening	Profit or loss/Equity impact – increase/(decrease): Weakening
		GHS	GHS		GHS	GHS
US\$	±5.3%	(3,254)	3,254	±0.2%	(6,255)	6,255
€	±2.2%	-	-	±0.4%	-	-
Rand	±4%	-	-	±0.0%	-	-

#### Interest rate risk Profile

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

A change of 300 basis points in interest rate at the reporting date would have increased (decreased) profit or loss or equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis for 2018 is performed on the basis that interest rate changed by 300 basis points.

#### Variable rate instrument

**300bp  
Increase  
GHS'000**

#### 31 December 2018

Variable rate instrument (4,313)

#### 31 December 2017

Variable rate instrument (4,458)



## NOTES TO THE FINANCIAL STATEMENTS

### 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:

(i) Amortised cost/ receivables	31 December 2018		31 December 2017	
	Carrying Amount	Level 2 Fair Value	Carrying Amount	Level 2 Fair Value
	GHS'000	GHS'000	GHS'000	GHS'000
Trade and other receivables	1,732	1,732	2,065	2,065
Cash and cash equivalents	<u>260</u>	<u>260</u>	<u>862</u>	<u>862</u>
	<u>1,992</u>	<u>1,992</u>	<u>2,927</u>	<u>2,927</u>

(ii) Fair Value Through Other Comprehensive Income/ Available-for-sale	31 December 2018		31 December 2017	
	Amount	Value	Amount	Value
	GHS'000	GHS'000	GHS'000	GHS'000
Investment securities	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>
	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>

(iii) Other financial liabilities	31 December 2018		31 December 2017	
	Carrying Amount	Level 2 Fair Value	Carrying Amount	Level 2 Fair Value
	GHS'000	GHS'000	GHS'000	GHS'000
Trade and other payables	22,887	22,887	31,476	31,476
Bank overdrafts	1,892	1,892	5,374	5,374
Short term loans	25,074	25,074	4,000	4,000
Medium term loans	<u>78,995</u>	<u>78,995</u>	<u>65,348</u>	<u>65,348</u>
	<u>128,848</u>	<u>128,848</u>	<u>106,198</u>	<u>106,198</u>

#### (iv) 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)

## NOTES TO THE FINANCIAL STATEMENTS

### (iv) Fair Value Hierarchy (cont'd)

- 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 the year ended 31 December 2018, the Company did not have any level 2 and 3 financial assets and/or liabilities.

## 26 RELATED PARTY DISCLOSURES

The Company's related party is Pioneer Kitchenware Limited (PKL) on which Togbe Afede XIV a board member of Aluworks, is also the Board Chairman of the Company. Pioneer Kitchenware Limited purchases significant quantities of finished products from Aluworks as inputs for its own production processes. Items are purchased at arms-length (market prices).

Another related party is SSNIT who is the principal shareholder of Aluworks. SSNIT has contracted the Modula Group to construct houses under the SSNIT affordable housing projects. The roofing sheets being used for the construction are supplied by Aluworks. Although the invoices raised for the roofing sheets are in the name of Modula Group, SSNIT directly makes payments to Aluworks for the invoices raised. Items are purchased at arms-length (market prices).

### (i) Transactions

The following transactions were carried out with related parties:

	2018 GHS'000	2017 GHS'000
Purchases by Pioneer Kitchenware	95	67
Purchases by Modula Group (SSNIT affordable housing project)	31	612

### (ii) Outstanding balances arising from related party transactions:

	2018 GHS'000	2017 GHS'000
Trade Receivables: Pioneer Kitchenware	382	153
Modula Group (SSNIT affordable housing project)	-	-
Loan : Social Security and National Insurance Trust (SSNIT)	78,996	65,348

## NOTES TO THE FINANCIAL STATEMENTS

### 26 RELATED PARTY DISCLOSURES (CONT'D)

#### (iii) Key management compensation

	2018 GHS'000	2017 GHS'000
Salaries and other short-term benefits	<u>66</u>	<u>55</u>

#### (iv) Loans and advances to related parties

	2018 GHS'000	2017 GHS'000
Loan advances to senior management and staff	<u>26</u>	<u>25</u>

### 27 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividend to ordinary shareholders. The Company monitors capital using a ratio of “adjusted net debt” to “adjusted equity”. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserve.

The Company's policy is to keep the ratio below 2. The Company's adjusted net debt to equity ratio at 31 December 2018 was as follows:

The Company's capital position is as shown below:

	2018 GHS'000	2017 GHS'000
Total liabilities	156,448	143,376
Less: Cash and cash equivalents	<u>(260)</u>	<u>(861)</u>
<b>Net debt</b>	<u>156,188</u>	<u>142,515</u>
Total equity	<u>73,685</u>	<u>51,762</u>
<b>Net debt to equity ratio</b>	<u>2.1197</u>	<u>2.7533</u>

### 28 CAPITAL COMMITMENTS

The Company had no commitments for capital expenditure at the reporting date (2017: Nil).

### 29 CONTINGENT LIABILITIES

The Company had no contingent liabilities at the reporting date (2017: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 30 GOING CONCERN AND SUBSEQUENT EVENTS

The Company incurred a net loss for the year ended 31 December 2018 of GHS 33,162,000 (2017: GHS 23,877,000) and as of that date its current liabilities exceeded its current assets by GHS 60,293,000 (2017: GHS 32,978,000). The Company continues to incur losses on its operations.

The directors assess that the immediate concern is to clear the VALCO debt and restore business volumes:

The directors of the Company had an arrangement with the Social Security and National Insurance Trust (SSNIT) to pay its debt with VALCO at the end of 2018. This was to foster the uninterrupted supply of raw materials to increase volume of production especially in 2019. This is believed to increase production volumes and sales for the year 2019.

The company continues to experience the negative effect of the high interest charges on SSNIT loan which has significantly contributed to the company's losses over the years. The Company is in discussions with SSNIT to restructure the loan and provide the Company with a revised repayment plan.

The Company has over the last six years been in negotiation with another shareholder Caitlyn Limited who wished to make the necessary financial intervention in exchange for an issue of new share. All arrangements for completion of this project are in place. The investor/shareholder has decided to seek control over the company by attaining 50%+ shareholding through purchasing sufficient new shares to achieve the objective. The investor (Caitlyn) will provide leadership in technology, processes and introduce new products. The process of takeover is at its final stage following the completion of due diligence exercise in June 2019. The financial intervention by Caitlyn is dependent on SSNIT retaining an interest in the Company.

The Directors acknowledge that the Company's ability to continue to continue as a going concern is dependent on the successful restructuring of the SSNIT loan and the financial intervention by Caitlyn. These condition give rise to a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore that it may be unable to realise its assets at their recognised values and discharge its liabilities in the normal course of business.

Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that cash flows arising from the normal course of business will be available to finance future operations of the Company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

**APPENDIX****ALUWORKS LIMITED****SHAREHOLDING INFORMATION****(i) Number of Shares in Issue**

Earnings and dividend per share are based on 236,687,001 (2017:236,687,001) ordinary shares in issue at the end of the year.

**(ii) Number of Shareholders**

The Company had 3,008 ordinary shareholders at 31 December 2018 (2017: 3,029) distributed as follows:

Holding	No. of Holders	Total Holding	% Holding
1 - 1,000	2,173	549,738	0.23
1,001 - 5,000	483	1,185,370	0.50
5,001 - 10,000	155	1,164,932	0.49
10,001 and over	197	233,786,961	98.77
	3,008	236,687,001	100

**(iii) List of twenty largest shareholders as at 31 December 2018**

	Name of Shareholder	No. of Shares	% of Issued Capital
1.	Social Security & National Insurance Trust	148,219,086	62.6224
2.	tlyn Limited	49,413,652	20.8772
3.	Professor Wosornu Lade	8,524,375	3.6015
4.	SCBN/SSB Eaton Vance Tax-Managed Emerg Mkts	5,176,100	2.1869
5.	Strategic Initiatives Limited	4,170,540	1.7620
6.	Mr. Ken Kobina Dela Alor	2,435,439	1.0290
7.	Colin M. Waugh	1,464,668	0.6188
8.	Mrs. Elizabeth Arthur	820,000	0.3464
9.	Qualitec Industries Limited	750,688	0.3172
10.	Prof Yaw Adu-Gyamfi'	652,019	0.2755
11.	Ghana Commercial Bank Limited	450,000	0.1901
12.	Tema Oil Refinery Limited	450,000	0.1901
13.	National Investment Bank Limited	442,080	0.1868
14.	NTHC Limited	431,857	0.1825
15.	Dr. Clifford Edward Aryee	427,830	0.1808
16.	SAS / Professor Lade Wosornu	334,628	0.1414
17.	Dr. Larbi Emmanuel Bekoe	323,726	0.1368
18.	Anim Jehoram Tei	315,580	0.1333
19.	Lifespring Capital	300,000	0.1267
20.	SAS / Mr. Gideon Amenuvor	290,029	0.1225
	Reported totals	225,392,297	95.2280
	Not reported	11,294,704	4.7720
	Grand totals	236,687,001	100.00
	Company capital	236,687,001	

**APPENDIX****ALUWORKS LIMITED****(iv) Directors' Shareholding**

The Directors named below held the following number of shares in the Company as at 31 December 2018:

**Ordinary Shares**

	<b>2018</b>	<b>%</b>
Seth Adjei	-	-
Togbe Afede XIV	-	-
E. Kwasi Okoh	100,000	0.0422
Professor Lade Wosornu	8,859,003	3.7429
Agnivesh Agarwal	-	-
Kingsley Ofosu Obeng	-	-
Dr. Alhassan Mutaka Alol	-	-
Prof. Yaw Adu-Gyamfi	693,071	0.2928
Kofi Duodu Fynn	-	-
	9,652,074	4.0780