



ALUWORKS LIMITED (ALW) – HALF YEAR BEST PERFORMING STOCK

As listed companies continue to release their audited full year 2005 financial results the stock pick column will throw its searchlight on companies' 2005 performance as and when they are released. So this week, the searchlight falls on Aluworks Limited one the best performing stock so far in terms of year to date gain.

VITAL TRADING STATISTICS

Price(¢)	6,800	Dividend (¢)	500
Price/Earnings Ratio	217	Dividend Yield (%)	7.4
Market Capitalization (¢b)	283.41	EPS (¢)	31.38
Ticker	ALW	Shares Outstanding	41.68 mil.

SHAREHOLDING STRUCTURE (%)

SSNIT	24.9
Ghana Cocoa Board	11.27
Strategic Initiatives Ltd.	10.16
Others	53.67

Note: Information as of 14 July, 2006. Figures are based on 1st. Quarter, 2006 Result.

BRIEF COMPANY PROFILE AND BUSINESS OPERATIONS

Aluworks Limited was incorporated on February 24, 1978 as a private limited liability company. The company was converted to a public limited liability company on June 28, 1996. Aluworks' core business consists of the production and sale of aluminium sheet-in-coil, circles, flat sheets, corrugated roofing sheets, aluminium louvre blades and other aluminium based products. Its products are turned out in an economical, efficient and competitive manner in order to obtain an acceptable return on capital employed. The Company began operations in October 1985 at seventy per cent of its installed plant capacity of 10,000 metric tonnes (MT) per annum. The continued successful operation of Aluworks in addition to increasing demand for its products encouraged the Management to embark on an expansion programme, which doubled the capacity to 20,000 MT per annum in 1992. In 1998, Aluworks effectively overcame problems related to the energy crisis and by August 2002, the company's production was expanded to 30,000 MT per annum and achieved 84 per cent utilisation of plant capacity.

SIX-YEAR EARNINGS HISTORY AND RATIO ANALYSIS (¢ 'Mil)

Indicators	2005	2004	2003	2002	2001	2000
Gross Sales	519,226	497,719	408,964	362,442	309,885	247,780
Sales and value added tax	(41,499)	(39,759)	(31,775)	(26,626)	(22,718)	(18,755)
Net Sales	477,727	457,960	377,189	335,816	287,167	229,025
Cost of Sales	(416,843)	(402,194)	(319,971)	(274,609)	(213,634)	(175,972)
Gross Profit	60,884	55,766	57,218	61,207	73,531	53,053
General, Admin. & Selling Expenses	(28,068)	(26,139)	(25,396)	(23,442)	(18,856)	(12,960)
Trading Profit	32,816	29,627	31,822	37,766	54,674	40,094
Sundry income	2,785	2,438	1,574	6,374	3,897	6,367
Net interest (expense)/income	(7,278)	(6,781)	(7,970)	(5,226)	(1,066)	11
Taxation	(5,743)	(4,752)	(6,970)	(9,560)	(18,938)	(11,877)
Profit after Taxation	22,580	20,752	18,456	29,354	38,567	34,595
Fixed Assets	63,393	69,518	72,458	80,141	60,447	45,247
Investments	276	276	275	276	276	276
Stocks	140,579	75,773	133,839	72,526	48,373	23,368

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Debtors		41,780	45,757	51,842	44,903	30,222
Short term investments	-	-	-	-	22,208	4,852
Cash & Bank balances	2,871	7,543	24,969	11,422	13,420	22,163
Total Assets	281244	202,211	280,597	216,207	189,627	126,128
Bank overdraft & loans	96,727	46,994	95,853	36,168	7,835	1,315
Creditors	43,465	13,200	37,914	23,301	18,952	13,977
Taxation	7,435	7,321	3,298	2,503	8,221	7,895
Dividend Payable	17,578	12,504	10,418	14,588	20,840	-
Total Current Liabilities	157,770	72,698	144,185	76,560	55,848	23,187
Deferred Taxation	7,016	7,516	9,264	8,262	6,362	2,721
Loans	-	7,280	14,208	20,232	20,583	-
Total long term liabilities	7,016	14,796	23,472	28,494	26,945	2,721
Stated Capital	50,024	50,024	50,024	50,024	50,024	14,491
Share Deals Account	874	874	874	875	903	902
Capital Surplus	-	-	-	-	-	35,533
Income Surplus	65,560	63,819	62,042	60,255	55,908	38,179
Total Shareholders' Funds	116,458	114,717	112,940	111,154	106,835	89,105
Issued Shares (millions)	41.68	41.68	41.68	41.68	41.68	13.89

RATIO ANALYSIS AND MARKET STATISTICS		2004	2003	2002	2001	2000
Gross Profit Margin (%)	11.7	11.2	14.0	16.9	23.7	21.4
Net Profit Margin (%)	4.3	4.2	4.5	8.1	13.4	15.1
Return on Common Equity (%)	19.4	18.1	16.3	26.4	36.1	38.8
Return on Total Assets (%)	8.0	10.2	6.6	13.6	20.3	27.4
Current Ratio	1.4	1.8	1.4	1.8	2.3	3.5
Earnings per share (¢)	542	493	443	704	925	2,491
Dividend per share (¢)	500	450	400	600	500	800
Book value per share (¢)	2,794	2,752	2,710	2,667	2,563	6,415
Market Price per share (¢ - Dec. 31.)	5,003	10,000	4,000	3,700	4,300	4,350
Dividend Yield (%)	10	4.5	10	16.2	11.6	18.4
Price Earnings Ratio	9	20	9	5.3	4.6	1.7
Earnings Yield (%)	10.8	4.9	11.1	19.0	21.5	57.3
P/BV	1.8	3.6	1.5	1.4	1.7	0.7

Fiscal Year End: 31 December

Operational Performance:

Over the years, Aluworks recorded mixed production record. In 2000, the company produced 18,257 metric tons as compared with 17,455 in 1999 representing a 4.6% increase. The following year, 2001, Aluworks production dropped by 4% from the previous year's figure to 17,420 metric tons representing about 85% of the 20,000 metric tons installed capacity. In 2002, the company's production figure made a "U" turn from the 2001 low to 19,057 metric tons only to fall back to 18,422 metric tons in 2003. This management of Aluworks explained, was due to the sudden closure of Valco, Aluworks major raw material supplier.

In spite of soaring aluminium prices to a new high of \$1,972/mt in December 2004, Aluworks managed to produce 18,013 metric tons relying entirely on imports from Switzerland. The importation of raw materials was due to the entire closure of VALCO from May 2003.

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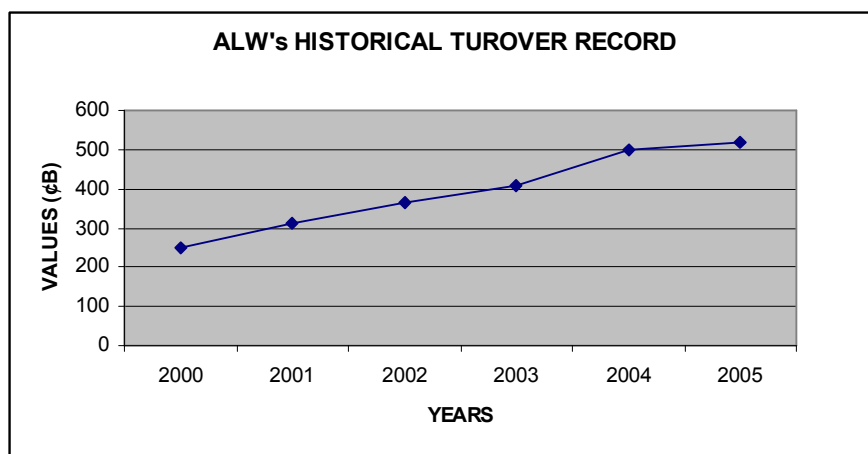
In 2005, ALW produced 18,022mt as against 18,013mt in 2004. the management of ALW explained that the figure could have been higher but for major machinery breakdowns encountered in the first quarter of 2005 which affected the volume of production.

Financial Performance:

The historical financial performance of ALW over the past years had been remarkable as shown in figure 1 below. Turnover which stood at ₵11.85billion in 1999 shot up by 121.53% to ₵247.78billion at the close of the 2000 financial year. The following year 2001, ALW recorded a further 25.1% increase in turnover from ₵247.78billion to ₵209.89 billion.

Fig. 1

Table1

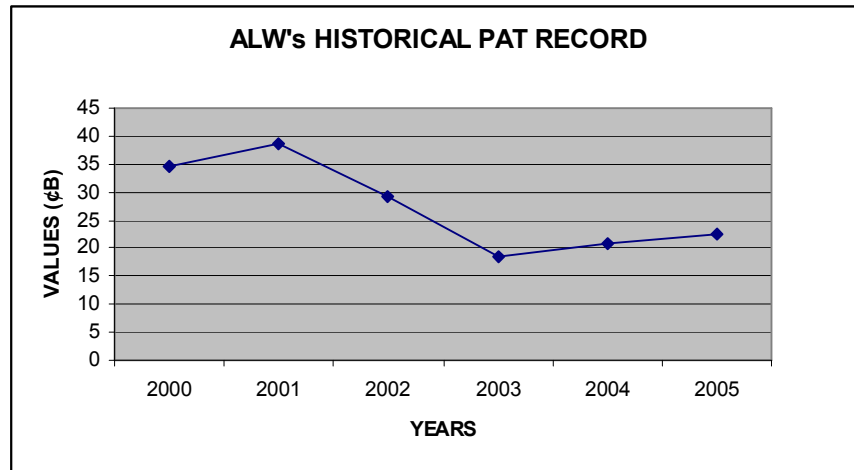


In 2002, ALW’s turnover again increased further by 16% from the previous year’s figure to ₵362.44 billion. ALW’s turnover continued rising and as at the close of 2004 financial year, the company’s turnover stood at ₵497.72billion and again rose further 4.3% to ₵519.23billion as of the close of the 2005 financial year..

Financial Performance

ALLW’s profit after tax (PAT) record had also been quite encouraging but mixed over the years (see figure 2). From ₵6.8billion in 1999 ALW’s PAT shot up by 408.8% to ₵34.6billion at the close of the 2000 financial year. The following year 2001, ALW’s PAT appreciated again to ₵38.57billion representing an 11.47% increase.

Fig.2

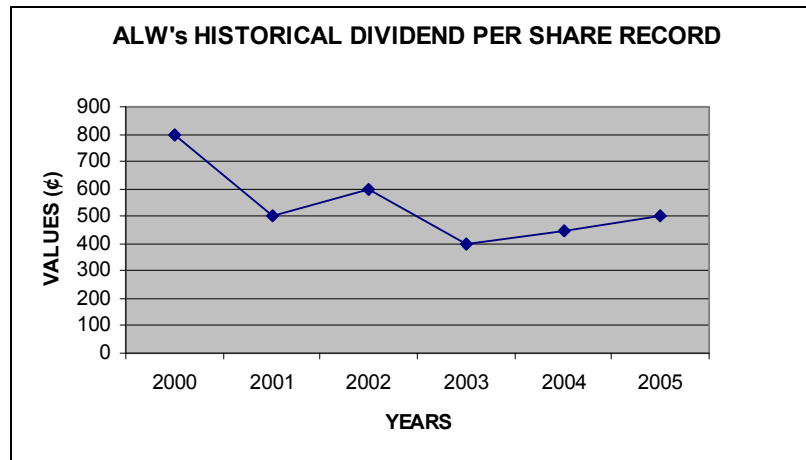


Thereafter, ALW's profit after went down by 23.9% to ¢29.35billion in 2002 and then went down further by 37.1% to ¢18.46billion the following year 2003 before appreciating by 12.4% to ¢20.53billion at the close of the 2004 financial year. ALW's financial result for the 12 month ended 31 December 2005 showed a 9.9% increase from ¢20.531billion during the same period in 2004 to ¢22.58 billion.

Dividend Record

The mixed operational and financial performances of ALW had imparted negatively on the dividend record of the company as shown in figure 3 below. As a result, the company's dividend payment over the years had not been consistent.

Fig.3



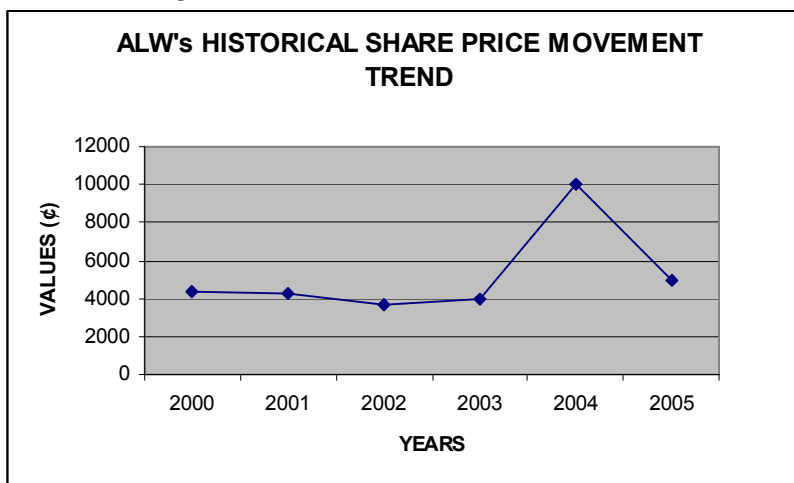
After paying ¢400 and ¢800per share for the 1999 and 2000 financial years respectively, ALW's dividend per share fell by37.5% to ¢500 in 2001 before moving up to ¢600 per share in 2002.

However from 2003, ALW's dividend payments dropped to ¢400 and ¢450 for 2003 and 2004 financial years respectively and ¢500 per share for the 2005 financial year..

Stock Market Performance

ALW's performance on the stock market over the years had been quite encouraging as depicted in figure four below. From 1999 year end price of ¢2,489 per share, ALW's share price went up by 74.77% to close the 2000 financial year at ¢4,350 per share. However, in 2001, ALW's share price recorded a 1.15% depreciation to ¢4,300 per share.

Fig.4



The following year, 2002, ALW share price declined further by 14% and closed the year at ¢3,700 per share and then went up by 8.1% to ¢4,000 per share at the end of the 2003 financial year. In 2004 ALW's share price also rode on the back of that year's bull market jumped up by 150% from the 2003 figure to ¢10,000 per share. As a result of the 2005 bearish market regime, ALW registered a 50% price drop to close the year at ¢5,003 per share.

ALW, one of the most sought for stocks and ended the half year 2006 trading at ¢6,740 per share. With a 34.7 % year to date gain, ALW had established its position as the best performing stock during the first half of 2006. There are positive signs that the share's price is likely to appreciate further than the current ¢6,800 per share.

Strengths and Profit Drivers;

The following are some of Aluwork's strengths and profit drivers:

- ISO certification for conforming to International standards
- Production of high quality products;
- Good corporate image in both the local and international market;
- Highly trained, skilled and qualified workforce;
- Rigorous cost reduction;
- Restructuring of manpower base;
- Strengthening the core competencies within the organization;



- Increase in exports values and volumes;
- Competent and dedicated management team; and
- Good corporate governance culture.

Comments & Recommendation.

From the strengths and profit driving factors catalogued above, it is evident that the management of ALW has realized the increasingly difficult operating environment and trends of the company's performance over the past years. Management has therefore put in place appropriate structures, plans and programmes in place with the aim of turning the company's fortunes of the company around.

The resumption of production by VALCO, after a couple of years of complete closure, ALW is assured of continuous supply of raw materials locally at lower cost. This positive development will definitely impact on ALW's operational cost and profitability.

Aluworks Limited can therefore be said to be gotten positioned to make a dramatic "U" turn and regain its lost glory of being the giant in the manufacturing of aluminum products in Ghana. ALW is well positioned to make a clean break from the difficult past and look into the future with brighter prospects. Value and growth investors who have the patience could therefore include ALW in their portfolios and wait for a long term future rewards.