

Coopers
& Lybrand

GHANA AIRWAYS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 1997

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GHANA AIRWAYS LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1997**

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GHANA AIRWAYS LIMITED**CORPORATE INFORMATION****DIRECTORS**

Hon. S T Salia (Chairman)
Mrs Twumasi-Ankra Selby
Mrs Shirley Ababio
Mrs M Botsio Phillips
Mr E L Quartey, Jnr.
Mr E A Folson
Mr Rex Leizard - Chief Executive (resigned 30 June 1997)

SECRETARY

Mr B A Donkor

AUDITORS

Coopers & Lybrand
Chartered Accountants
Swanmill
2nd Floor
P O Box 2533
Accra

State Enterprises Audit Corporation
P O Box M 198
Accra

MAIN BANKERS

Ghana Commercial Bank
Ecobank (Ghana) Limited
Merchant Bank (Ghana) Limited

GHANA AIRWAYS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1997

The Directors present the financial statements of the company for the year ended 31 December 1997 together with the report of the Auditors thereon.

Activities

2. The company provides domestic and international air transportation services.

Results

¢'000

3. The profit for the year after taxation amounted to 780,484
After deducting the net profit for the year from the
deficit brought forward from previous year of (28,677,238)

The deficit being carried forward now amounts to (27,896,754)

Subsidiary companies

- 4 The following subsidiary of the company is incorporated in Ghana:

Name	Nature of business	% holding
Ghanair Forex Bureau Limited	Trade in foreign currencies	100
Airways Catering Limited	Catering	100
Aviation Handling Limited	Cargo Handling	100

BY ORDER OF THE BOARD

Director:

SHIRLEY A. ABABIO (MRS)

Director:

E. L. QUARTEY (JNR)

GHANA AIRWAYS LIMITED

**REPORT OF THE AUDITORS TO THE MEMBERS OF
GHANA AIRWAYS LIMITED**

We have audited the financial statements set out on pages 4 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Respective responsibilities of directors and auditors

2. The company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, of these statements and to report our opinion to you.

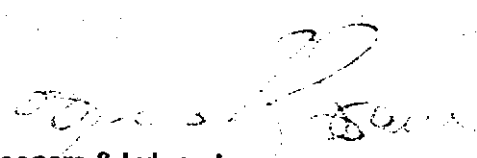
Basis of opinion

3. We conducted our audit in accordance with Auditing Standards. An audit includes examining, on test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

4. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence whether the financial statements are in agreement with proper books of account kept by the company and to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

5. In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Code 1963.


Coopers & Lybrand
Chartered Accountants
Accra

Date:

20th July, 1999


State Enterprises Audit Corporation
Accra

Date:

20th July, 1999

GHANA AIRWAYS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 ¢'000	1996 ¢'000
Turnover	2	194,740,042	126,482,657
Operating costs			
Direct operating expenses	3	(146,307,710)	(113,770,903)
General and admin. expenses	4	<u>(66,988,267)</u>	<u>(42,398,496)</u>
		<u>(213,295,977)</u>	<u>(156,169,399)</u>
Operating loss		(18,555,935)	(29,686,742)
Other income		<u>19,336,419</u>	<u>6,863,569</u>
Profit/(loss) before taxation		780,484	(22,823,173)
Taxation	11	<u>-</u>	<u>-</u>
Profit/(loss) after taxation			
transferred to income surplus account		<u><u>780,484</u></u>	<u><u>(22,823,173)</u></u>

INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

Balance (deficit) at 1 January	(28,677,238)	(5,854,065)
Profit/(loss) for the year transferred from profit and loss account	<u>780,484</u>	<u>(22,823,173)</u>
Balance (deficit) at 31 December	<u><u>(27,896,754)</u></u>	<u><u>(28,677,238)</u></u>

The notes on pages 7 to 14 form part of these financial statements.

Report of the auditors - page 3.

GHANA AIRWAYS LIMITED

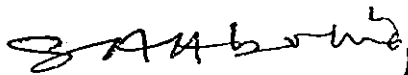
BALANCE SHEET
AT 31 DECEMBER 1997

ASSETS EMPLOYED	Notes	1997		1996	
		¢'000	¢'000	¢'000	¢'000
Fixed assets	5		63,128,493		51,285,685
Capital work in progress	6		246,219		246,219
Investments	7		82,000		90,683
Deferred expenditure	8		41,149		528,987
			63,497,861		52,151,574
Current assets					
Stocks	9	2,829,863		2,362,544	
Debtors	10	32,648,104		26,849,063	
Taxation	11	137,653		85,223	
Bank and cash balances	12	17,831,633		8,348,516	
		53,447,253		37,645,346	
Current liabilities					
Creditors	13	48,667,683		40,462,262	
Bank overdrafts	14	3,165,679		989,411	
Current portion of long term loan	15	19,553,066		22,404,918	
		71,386,428		63,856,591	
Net current liabilities			(17,939,175)		(26,211,245)
Long term loan	16		(24,750,814)		(382,890)
Net assets			20,807,872		25,557,439
CAPITAL AND SURPLUS					
Stated Capital	16		19,400		19,400
Capital surplus	17		48,685,226		54,215,277
Income surplus			(27,896,754)		(28,677,238)
			20,807,872		25,557,439

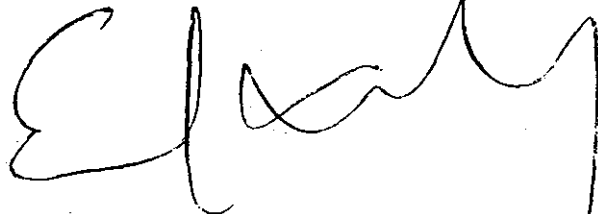
The financial statements on pages 4 to 14 were approved by the board of directors
on and were signed on its behalf by:

29 JUN 1999

Director:



Director:



The notes on pages 7 to 14 form part of these financial statements.
Report of the auditors - page 3.

GHANA AIRWAYS LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Notes	1997 ¢'000	1996 ¢'000
Net cash inflow/(outflow) from operating activities	19	<u>6,159,541</u>	<u>(9,012,517)</u>
Return on investment and servicing of finance			
Dividend received		28,000	18,000
Interest received		374,047	194,352
Interest paid		<u>(4,036,798)</u>	<u>(1,449,089)</u>
Net cash outflow from return on investment and servicing of finance		<u>(3,634,751)</u>	<u>(1,236,734)</u>
Taxation			
Tax paid		(52,430)	(33,222)
Investing activities			
Disposal of fixed assets		10,470,692	-
Purchase of tangible fixed assets		(22,727,821)	(1,389,731)
Sale of investments		8,683	-
Purchase of investments		<u>-</u>	<u>(107)</u>
Net cash outflow from investing activities		<u>(12,248,446)</u>	<u>(1,389,838)</u>
Net cash outflow before financing		(9,776,086)	(11,672,314)
Financing			
Loan drawdowns		38,132,782	25,780,943
Loan repayment		<u>(21,049,847)</u>	<u>(12,229,416)</u>
Net cash inflow from financing		<u>17,082,935</u>	<u>13,551,528</u>
Increase in cash and cash equivalents	20	<u>7,306,849</u>	<u>1,879,214</u>

The notes on pages 7 to 14 form part of these financial statements.

Report of the auditors - page 3.

GHANA AIRWAYS LIMITED

7.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

1. ACCOUNTING POLICIES

The following are the more important accounting policies adopted by the company in the preparation of these financial statements.

(a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed assets.

(b) Fixed assets

Certain fixed assets are stated at market values based on periodic valuations by qualified valuers. Subsequent additions are recorded at cost.

(c) Depreciation

Depreciation of fixed assets is calculated to write off the cost of the assets on a straight line basis over the expected useful lives of the assets concerned.

The principal annual rates used for this purpose are:

Land and Buildings	3%
Motor Vehicles	25%
Furniture & Equipment	20%
Aircraft	8 to 10%
Ground equipment	20%
Rotables	10%

(d) Stocks

Aircraft consumables and engineering stocks are valued at cost including all expenses incurred in bringing these stocks to their destination and present condition.

Stationery is valued at invoice price.

Catering stocks are valued at average cost.

(e) Debtors

Debtors are stated after deducting adequate provisions for doubtful debts.

(f) Investments

Investments are stated at cost. Provision is made for diminution in value of investment.

(g) Foreign currencies

Transactions denominated in foreign currencies are translated at rates of exchange ruling on the transaction date. Assets and liabilities in foreign currencies are translated into cedis at rates of exchange ruling at the balance sheet date. Gains and losses arising from the translation of balances are dealt with through the profit and loss account.

(h) **Aircraft engine overhaul cost**

No provision is made for aircraft engine overhaul costs in the financial statements. Major overhaul costs are written off over a period of five(5) years.

(i) **Unearned transportation revenue**

Passenger and freight revenue receipts are recognised as income as and when transportation services are rendered to customers. The value of tickets sold but not utilised by customers at the year end is carried forward in the financial statements as unearned transportation revenue under current liabilities.

2. TURNOVER

	1997 ¢'000	1996 ¢'000
Passenger, passenger related revenue and excess baggage	164,449,001	103,346,251
Pool revenue	14,237,068	11,163,288
Commercial freight	14,288,920	10,121,821
Other services	<u>1,765,053</u>	<u>1,851,297</u>
	<u>194,740,042</u>	<u>126,482,657</u>

3. DIRECT OPERATING COST

This includes aircraft depreciation charge of ¢3,981,213,902 (1996: ¢3,929,123,320).

4. GENERAL AND ADMINISTRATIVE EXPENSES

	1997 ¢'000	1996 ¢'000
These include:		
Depreciation	2,594,443	1,757,068
Auditors remuneration	75,000	40,000
Exchange gain (Net)	4,615,309	1,994,230
Interest on loans	3,271,668	1,449,089
Directors emoluments	10,853	6,627

5. **FIXED ASSETS**

Cost	Land and Buildings	Aircraft	Rotables	Motor vehicles	Furniture & fittings	Ground equipment	Total	
	¢'000	¢'000	¢'000	¢'000	¢'000	¢'000	1997 ¢'000	1996 ¢'000
Balance at 1 January	15,288,452	39,487,195	-	1,832,382	3,258,392	3,773,045	63,639,466	62,265,946
Additions	69,293	16,919,750	3,439,826	634,726	702,223	962,003	22,727,821	1,389,730
Transfer from capital work in progress	-	-	-	-	-	-	-	30,557
Disposals	-	(5,563,550)	-	-	-	-	(5,563,550)	(46,767)
Balance at 31 December	<u>15,357,745</u>	<u>50,843,395</u>	<u>3,439,826</u>	<u>2,467,108</u>	<u>3,467,615</u>	<u>4,735,048</u>	<u>80,803,737</u>	<u>63,639,466</u>
Depreciation								
Balance at 1 January	1,033,451	6,381,245	-	1,038,511	1,566,191	2,334,383	12,353,781	6,709,681
Charge for the year	451,922	3,981,214	343,982	501,152	660,696	630,689	6,575,655	5,686,190
Disposal	-	(1,254,192)	-	-	-	-	(1,254,192)	(42,090)
Balance at 31 December	<u>1,485,373</u>	<u>9,108,267</u>	<u>343,982</u>	<u>1,539,663</u>	<u>2,232,887</u>	<u>2,965,072</u>	<u>17,675,244</u>	<u>12,353,781</u>
Net Book Value at 31 December	<u>13,872,372</u>	<u>41,735,128</u>	<u>3,095,844</u>	<u>927,445</u>	<u>1,727,728</u>	<u>1,769,976</u>	<u>63,128,493</u>	<u>51,285,685</u>

6. **CAPITAL WORK IN PROGRESS**

	Balance 1/1/97 ¢'000	Additions in year ¢'000	Transfer ¢'000	31/12/97 ¢'000
Staff housing complex	197,186	-	-	197,186
Catering and Stopover extension works	<u>49,033</u>	<u>-</u>	<u>-</u>	<u>49,033</u>
Total	<u>246,219</u>	<u>-</u>	<u>-</u>	<u>246,219</u>

7.	INVESTMENTS	1997 ¢'000	¢'000	1996 ¢'000	¢'000
	Equity shares in wholly owned subsidiary (Ghana Airtours Ltd)	40		40	
	Less:				
	Provision for diminution in value	<u>(40)</u>		<u>(40)</u>	
	Equity Shares in Accra City Hotels Limited		80,000		80,000
	Equity shares in International Aerad PLC		-		6
	Terminal Benefits Investment		-		7,050
	13.5% Registered Stock 1995/2000		-		1,627
	Equity shares in wholly owned subsidiary (Forex Bureau)		<u>2,000</u>		<u>2,000</u>
			<u>82,000</u>		<u>90,683</u>

8. **DEFERRED EXPENDITURE**

This relates to major aircraft engine overhaul costs being amortised over a 5 year period:

	1997 ¢'000	1996 ¢'000
Balance at 1 January	528,987	1,016,825
Amortisation during the year	<u>(487,838)</u>	<u>(487,838)</u>
Balance at 31 December	<u>41,149</u>	<u>528,987</u>

9. **STOCKS**

Consumables	712,931	792,365
Catering stocks	831,588	1,189,109
Engineering stores	797,740	73,344
Stationery and printing materials	326,137	197,344
Others	<u>161,467</u>	<u>110,382</u>
	<u>2,829,863</u>	<u>2,362,544</u>

10. **DEBTORS**

Trade debtors	11,677,017	8,293,846
Staff debtors	1,281,750	1,057,282
Interline balances receivable	7,065,312	9,538,939
Sundry debtors	12,187,054	7,527,993
Prepayments	<u>413,272</u>	<u>481,003</u>
	<u>32,624,710</u>	<u>26,849,063</u>

(a) The maximum amount of staff indebtedness at any one time during the year was ¢1,453,487,753 (1996: ¢1,211,019,768).

(b) Prepayments represent the unexpired portion of certain expenditure apportioned on a time basis.

11. **TAXATION**
Income tax

	Balance 1/1/97 ¢'000	Paid during year ¢'000	Charge to P&L A/c. ¢'000	Balance 31/12/97 ¢'000
Pre 1994	79,211	-	-	79,211
1994	(100,000)	-	-	(100,000)
1995	-	-	-	-
1996	-	-	-	-
1997	-	(50,000)	-	(50,000)
	<u>(20,789)</u>	<u>(50,000)</u>	<u>-</u>	<u>(70,789)</u>
Withholding tax				
Pre 1994	(13,305)	-	-	(13,305)
1994	(7,893)	-	-	(7,893)
1995	(10,321)	-	-	(10,321)
1996	(32,915)	-	-	(32,915)
1997	-	(2,430)	-	(2,430)
	<u>(64,434)</u>	<u>(2,430)</u>	<u>-</u>	<u>(66,864)</u>
Total	<u>(85,223)</u>	<u>(52,430)</u>	<u>-</u>	<u>(137,653)</u>

12. **BANK AND CASH BALANCES**

	1997 ¢'000	1996 ¢'000
Local bank balances	9,178,999	1,838,522
Foreign bank balances	3,880,170	5,542,846
Cash in transit	250,752	18,000
Cash in hand - Ghana	3,377,416	865,060
Cash in hand - Overseas Stations	<u>1,144,295</u>	<u>1,033,630</u>
	<u>17,836,633</u>	<u>8,348,516</u>

13. **CREDITORS**

Trade creditors	24,163,823	23,904,665
Interline balances payable	10,735,982	6,162,445
Sundry creditors	5,045,926	2,998,096
Accruals and provisions	561,910	661,724
Unearned transportation revenue	7,505,003	5,802,042
End of service benefits	1,017	279,268
Controller & Accountant General	<u>654,022</u>	<u>654,022</u>
	<u>48,667,683</u>	<u>40,462,262</u>

14. **BANK OVERDRAFT**

Local banks	2,252,822	717,659
Foreign banks	<u>912,857</u>	<u>271,752</u>
	<u>3,165,679</u>	<u>989,411</u>

The company has an approved overdraft facility of ¢500 million and secured short term loan of US\$1.2 million with Ecobank Ghana Limited. The facilities were secured by a cash collateral of US\$390,369 and an arrangement of royalties from KLM and a pledge of balances on all accounts at the bank.

15. CURRENT PORTION OF LONG TERM LOAN

	1997 ¢'000	1996 ¢000
COFACE Loan	1,180,545	611,675
Ecobank loan	2,925,238	-
Ghana Commercial Bank - Building Loan	9,591,167	6,992,316
Societe General Loan	-	14,800,927
Goldwin loan	2,267,180	-
Kredietbank - London	<u>3,588,936</u>	<u>-</u>
	<u>19,553,066</u>	<u>22,404,918</u>

16. LONG TERM LOAN

	Balance 1/1/97 ¢'000	Drawdown during year ¢'000	Repayment in year ¢'000	Exchange Rate Adjustment ¢'000	Balance 31/12/97 ¢'000
Cofface Loan (i)	994,565	56,903	-	129,077	1,180,545
Ecobank Loan (ii)	-	2,917,494	(78,937)	86,681	2,925,238
GCB - Building Loan (iii)	6,992,316	1,446,001	(62,432)	1,215,282	9,591,167
Societe Generale Loan (iv)	14,800,927	48,384	(17,944,478)	3,095,167	-
Goldwin Loan (v)	-	2,200,000	-	67,180	2,267,180
Kredietbank-London(vi)	<u>-</u>	<u>31,464,000</u>	<u>(2,964,000)</u>	<u>(160,251)</u>	<u>28,339,750</u>
	<u>22,787,808</u>	<u>38,132,782</u>	<u>(21,049,847)</u>	<u>4,433,136</u>	<u>44,303,880</u>

Current portion due within one year (Note 15)

(19,553,066)24,750,814

- i. The COFACE loan is an export credit facility of FF6.5 million made available to the company by Compagnie Francaise d'Assurance pour le Commerce Interieur (COFACE) through Banque Nationale de Paris (BNP) for the purchase of ground equipment and vehicles for the second phase of the modernisation of the company's ground handling facilities. The loan is repayable in eight equal semi annual instalments commencing May 1994. Interest is at the rate of 7.96% per annum.
- ii. The Ecobank loan of \$1.3 million was to finance the company's operational expenses. Repayments are on monthly basis with the last one due on March 31, 1998.
- iii. Ghana Commercial Bank - Building Loan of £2,550,000 was contracted in August 1990 to purchase an office building for the company at base rate plus 2% annual interest. The repayment of the facility commenced in November, 1990 and was to be fully settled by August 1995.
- iv. The Societe Generale Loan is a dollar loan facility in the maximum amount of US\$10,000.00 to be made available to Ghana Airways Limited. The loan agreement was made on 6th of June 1996. Interest is at a rate of 8.5% per annum.

- v. The Goldwin Transworld Limited loan facility of sterling equivalent of US\$4,000,000. The interest is at 14% per annum and repayable in twelve quarterly instalments commencing 31 January 1998.
- vi. The Kredietbank loan is Tranche 1 of a facility of US\$13.8 million secured under an aircraft mortgage agreement. The loan shall be fully repaid not later than 31 March 2001. Interest is at LIBO plus margin to be determined by the lender.

17. STATED CAPITAL	1997	1996
Authorised shares of no par value (Number)	<u>20,000,000</u>	<u>20,000,000</u>
Issued for cash consideration (Number)	<u>20,000,000</u>	<u>20,000,000</u>
	¢'000	¢'000
Proceeds of issue for cash	<u>19,400,000</u>	<u>19,400,000</u>

There is no unpaid liability on any shares. There are no calls or installments unpaid. There are no treasury shares.

18. CAPITAL SURPLUS		
Balance at 1 January	54,214,922	54,214,922
Released on disposal of certain fixed assets	<u>(5,529,696)</u>	<u>-</u>
Balance at 31 December	<u>48,685,226</u>	<u>54,214,922</u>

Capital surplus represents unrealised surplus on the revaluation of certain fixed assets carried out in 1995.

19. RECONCILIATION OF OPERATING LOSS TO NET CASHFLOW FROM OPERATING ACTIVITIES	1997	1996
	¢'000	¢'000
Net profit/(loss) before tax	780,484	(22,823,173)
Interest paid and payable	4,036,798	1,449,089
Depreciation charges	6,575,655	5,686,190
Dividend received	(28,000)	(18,000)
Interest received	(374,047)	(194,352)
Profit on disposal of tangible assets	11,691,385	4,677
Amortisation of deferred expenditure	487,838	487,838
Loans - Uplift for exchange rate changes	4,433,137	3,233,158
(Increase)/decrease in stocks	(467,319)	126,292
Increase in debtors	(5,799,041)	7,730,313
Increase in creditors	<u>8,205,421</u>	<u>10,766,382</u>
Net cash outflow from operating activities	<u>6,159,541</u>	<u>9,012,517</u>

20. CASH AND CASH EQUIVALENTS		
Changes during the year		
Balance at 1 January	7,359,105	5,479,891
Net cash inflow	<u>7,306,849</u>	<u>1,879,214</u>
Balance at 31 December	<u>14,665,954</u>	<u>7,359,105</u>

Analysis of balances

	Change in year ¢'000	1997 ¢'000	1996 ¢'000
Bank and cash balances	9,483,117	17,831,633	8,348,516
Bank overdraft	<u>(2,176,268)</u>	<u>(3,165,679)</u>	<u>(989,411)</u>
	<u>7,306,849</u>	<u>14,665,954</u>	<u>7,359,105</u>