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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

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**CORPORATE INFORMATION**

**DIRECTORS**

Hon. S T Salia (Chairman)  
Mrs Shirley Ababio  
Mr E L Quartey, Jnr. – Chief Executive  
Mrs Twumasi-Ankra Selby  
Mrs M Botsio Phillips  
Mr E A Folsom

**SECRETARY**

Mr B A Donkor

**AUDITORS**

PricewaterhouseCoopers  
Chartered Accountants  
Gulf House  
4th Floor  
PMB CT42  
Cantonments, Accra

State Enterprises Audit Corporation  
Republic House  
Kwame Nkrumah Avenue  
P O Box M198  
Accra

**SOLICITORS**

Tetteh & Co.  
3<sup>rd</sup> Floor  
Swanzy Arcade  
Kwame Nkrumah Avenue  
P O Box 14767  
Accra

**MAIN BANKERS**

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

## REPORT OF THE DIRECTORS

The Directors being responsible for the preparation and fair presentation of the company's accounts submit herewith the audited financial statements of the company for the year ended 31 December 1998 together with other financial information contained in this annual report.

### Nature of Business

The company provides domestic and international air transportation.

### Financial results

	1998 c'000	1997 c'000
The financial results of the company are set out below:		
Profit for the year ended 31 December 1998 before tax is from which is deducted taxation of	303,952	780,484
giving a profit for the year after taxation of to which is added deficit balance brought forward on income surplus account of	303,952 (27,896,754)	780,484 (28,677,238)
giving deficit balance carried forward on income surplus account of	(27,592,802)	(27,896,754)

The company's networth increased from c20.8 billion as at 1 January 1998 to 21.1 billion at the end of 1998.

### Subsidiary companies

The following subsidiaries of the company are incorporated in Ghana:

Company	Nature of business	% interest held
Ghanair Forex Bureau Limited	Trade in foreign currencies	100
Airways Catering Limited	Catering	100
Ghana Airtours Limited	Travel agents	100

The subsidiary undertakings have not been consolidated with the parent company's financial statements.

### Dividend

The Directors do not recommend the payment of dividend for the year ended 31 December 1998.

BY ORDER OF THE BOARD

Director:

Director:

Dated: October 13, 2000

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

We have audited the financial statements on pages 4 to 15 which have been prepared in accordance with the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

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, on those statements and to report our opinion to you.

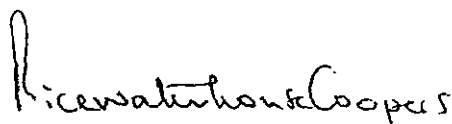
**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures made by the directors 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.

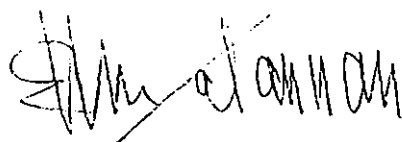
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence whether the financial statements are in agreement with proper books of account kept by the company and to give reasonable assurance that 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**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Ghana Companies Code 1963 (Act 179).



PricewaterhouseCoopers  
Chartered Accountants  
Accra.  
October 16, 2000



State Enterprises Audit Corporation  
Chartered Accountants  
Accra.  
October 16, 2000

*Ghana Airways Limited*  
*Financial Statements*  
*for the year ended 31 December 1998*

**PROFIT AND LOSS ACCOUNT**

(All amounts are expressed in thousands of Cedis)

	Notes	<u>Year ended 31 December</u>	
		1998	1997
Turnover	2	260,002,332	194,740,042
Operating costs		(260,940,248)	(213,295,977)
Direct operating expenses	3	(194,316,778)	(146,307,710)
General and admin. expenses	4	(66,623,470)	(66,988,267)
Operating loss		(937,916)	(18,555,935)
Other income		1,241,868	19,336,419
Profit before tax		303,952	780,484
Tax	10	-	-
Profit after tax		303,952	780,484
transferred to income surplus account		303,952	780,484

**INCOME SURPLUS ACCOUNT**

Balance at 1 January - (deficit)	(27,896,754)	(28,677,238)
Profit for the year transferred from profit and loss account	303,952	780,484
Balance at 31 December - (deficit)	(27,592,802)	(27,896,754)

The notes on pages 7 to 15 form an integral part of these financial statements.

Ghana Airways Limited  
Financial Statements  
for the year ended 31 December 1998

**BALANCE SHEET**

(All amounts are expressed in thousands of Cedis)

	Notes	As at 31 December 1998	1997
Fixed assets	5	60,823,738	63,374,712
Investments	6	83,626	82,000
Deferred expenditure	7	8,109,586	41,149
		<u>69,016,950</u>	<u>63,497,861</u>
Current assets			
Stocks	8	2,612,948	2,829,863
Debtors	9	47,367,744	32,648,104
Tax	10	145,352	137,653
Bank and cash balances	11	31,608,416	17,831,633
		<u>81,734,460</u>	<u>53,447,253</u>
Current liabilities			
Creditors	12	63,579,687	48,667,683
Bank overdrafts	13	2,781,448	3,165,679
Current portion of long term loan	14	38,143,379	19,553,066
		<u>104,504,514</u>	<u>71,386,428</u>
Net current liabilities		(22,770,054)	(17,939,175)
Long term loan	15	(25,135,072)	(24,750,814)
Net assets		<u>21,111,824</u>	<u>20,807,872</u>
<b>CAPITAL AND SURPLUS</b>			
Stated Capital	16	19,400	19,400
Capital surplus	17	48,685,226	48,685,226
Income surplus		(27,592,802)	(27,896,754)
		<u>21,111,824</u>	<u>20,807,872</u>

The financial statements on pages 4 to 15 were approved by the Board of Directors on October 13, 2000 and were signed on its behalf by:

Director:

Director:

The notes on pages 7 to 15 form an integral part of these financial statements.

*Ghana Airways Limited*  
*Financial Statements*  
*for the year ended 31 December 1998*

**CASH FLOW STATEMENT**

(All amounts are expressed in thousands of Cedis)

	Notes	<u>Year ended 31 December</u>	
		<u>1998</u>	<u>1997</u>
<b>Operating activities</b>			
Cash generated from operations	18	<u>18,629,860</u>	<u>6,159,541</u>
Dividend received		111,530	28,000
Interest received		601,296	374,047
Interest paid		(6,238,922)	(4,036,798)
Tax paid		<u>(7,699)</u>	<u>(52,430)</u>
Net cash from generating activities		<u>(5,533,795)</u>	<u>(3,687,181)</u>
<b>Investing activities</b>			
Disposal of fixed assets		-	10,470,692
Purchase of tangible fixed assets		(13,300,499)	(22,727,821)
Sale of investments		-	8,683
Purchase of investments		<u>(1,626)</u>	<u>-</u>
Net cash used in investing activities		<u>(13,302,125)</u>	<u>(12,248,446)</u>
<b>Financing activities</b>			
Loan drawdowns		30,116,768	38,132,782
Loan repayment		<u>(15,749,694)</u>	<u>(21,049,847)</u>
Net cash from financing activities		<u>14,367,074</u>	<u>17,082,935</u>
Increase in cash and cash equivalents		14,161,014	7,306,849
Cash and cash equivalents at beginning of year		<u>14,665,954</u>	<u>7,359,105</u>
Cash and cash equivalents at end of year	19	<u>28,826,968</u>	<u>14,665,954</u>

The notes on pages 7 to 15 form an integral part of these financial statements.



## **NOTES TO THE FINANCIAL STATEMENTS**

(In the notes all amounts are expressed in thousands of Cedis unless otherwise stated)

### **1. Accounting policies**

The principal accounting policies adopted by the company in the preparation of these financial statements are set out below: -

#### **(a) Basis of accounting**

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain aircraft, land and buildings.

#### **(b) Fixed assets**

Aircraft, land and buildings acquired prior to 31 December 1995 are stated at market values, based on valuations by qualified valuers less depreciation. All other fixed assets are stated at historical cost less depreciation.

#### **(c) Depreciation**

Depreciation of fixed assets is calculated on the straight line method to write off the cost of each asset to their residual values over their estimate useful lives as follows:-

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

#### **(d) Stocks**

Stocks are stated at lower of cost or net realisable value. Cost of catering stocks is determined by the average cost. Cost of all other stocks including aircraft consumables and engineering stocks is determined by all expenses incurred in bringing these stocks to their current destination and present condition. Net realisable value is the estimate of the selling price in the ordinary course of business less the selling expenses.

#### **(e) Debtors**

Debtors are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year which it is identified.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(f) Investments**

Fixed assets investments are shown at cost and provision is only made where in the opinion of the directors there is a permanent diminution in value.

### **(g) Foreign currencies**

Transactions denominated in foreign currencies are translated at rates of exchange ruling on the transaction date.

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

### **(h) Deferred expenditure**

Major aircraft engine overhaul costs are deferred and amortised over a period of five years. No amortisation is charged for engine overhaul carried out in the second half of the company's financial year.

No provision is made for aircraft engine overhaul costs in the financial statements.

### **(i) Revenue recognition**

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.

Other revenues earned by the company are recognised on the following bases:

Royalty income – on an accrual basis in accordance with the substance of the relevant agreement

Interest income – as it accrues unless collectibility is in doubt.

Dividend income – when the shareholder's right as to receive payment is established.

### **(j) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks net of bank overdrafts.

### **(k) Deferred income taxes**

No provision is made for deferred income taxes.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Turnover

	1998	1997
Passenger related revenue and excess baggage	206,926,222	164,449,001
Pool revenue	29,524,697	14,237,068
Commercial freight	21,208,328	14,288,920
Other services	<u>2,343,085</u>	<u>1,765,053</u>
	<u>260,002,332</u>	<u>194,740,042</u>

### 3. Direct operating expenses

Direct operating expenses include aircraft and rotables depreciation charge of c\$5,649,074,000 (1997: c\$4,325,196,000).

### 4. General and administrative expenses

General and administrative expenses include:

	1998	1997
Depreciation	2,696,630	2,594,443
Auditors remuneration	96,000	75,000
Exchange gain (net)	4,396,256	4,615,309
Interest on loans	6,238,922	3,271,668
Directors' emoluments	1,883	10,853

### 5. Fixed assets

	Land and Buildings	Aircraft	Rotables	Motor Vehicles	Ground Equipment & Furniture & fittings	Capital work in progress	Total
<b>Cost or valuation</b>							
Balance at 1 January	15,357,745	50,843,395	3,439,826	2,467,108	8,695,663	246,219	81,049,956
Additions	<u>31,502</u>	<u>-</u>	<u>2,598,347</u>	<u>471,799</u>	<u>2,089,265</u>	<u>-</u>	<u>5,190,913</u>
Balance at 31 December	<u>15,389,247</u>	<u>50,843,395</u>	<u>6,038,173</u>	<u>2,938,907</u>	<u>10,784,928</u>	<u>246,219</u>	<u>86,240,869</u>
<b>Depreciation</b>							
Balance at 1 January	1,485,373	9,108,267	343,982	1,539,663	5,197,959	-	17,675,244
Charge for the year	<u>434,043</u>	<u>5,045,257</u>	<u>603,817</u>	<u>451,354</u>	<u>1,207,416</u>	<u>-</u>	<u>7,741,887</u>
Balance at 31 December	<u>1,919,416</u>	<u>14,153,524</u>	<u>947,799</u>	<u>1,991,017</u>	<u>6,405,375</u>	<u>-</u>	<u>25,417,131</u>
<b>Net Book Value</b>							
31 December 1998	<u>13,469,831</u>	<u>36,689,871</u>	<u>5,090,374</u>	<u>947,890</u>	<u>4,379,553</u>	<u>246,219</u>	<u>60,823,738</u>
31 December 1997	<u>13,872,372</u>	<u>41,735,128</u>	<u>3,095,844</u>	<u>927,445</u>	<u>3,497,704</u>	<u>246,219</u>	<u>63,374,712</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Investments

	1998	1997
Equity Shares	82,000	82,000
Government Registered Stock	<u>1,626</u>	<u>-</u>
	83,626	82,000

Investments in equity shares include the following subsidiaries, all of which are incorporated in Ghana:

Company	Nature of business	% interest held
Ghanair Forex Bureau Limited	Trade in foreign currencies	100
Airways Catering Limited	Catering	100
Ghana Airtours Limited	Travel agents	100

The subsidiary undertakings have not been consolidated with the parent company's financial statements.

At the balance sheet date certain equity shares amounting to €80 million had been pledged as security for a bank facility.

### 7. Deferred expenditure

Deferred expenditure represents to major aircraft engine overhaul costs being amortised over a five year period:

	1998	1997
Balance at 1 January	41,149	528,987
Additions	<u>8,109,586</u>	<u>-</u>
	8,150,735	528,987
Amortisation during the year	<u>(41,149)</u>	<u>(487,838)</u>
Balance at 31 December	8,109,586	41,149

### 8. Stocks

Consumables	643,435	712,931
Catering stocks	1,296,107	831,588
Engineering stores	59,441	797,740
Stationery and printing materials	360,152	326,137
Others	<u>253,813</u>	<u>161,467</u>
	2,612,948	2,829,863

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Debtors

	1998	1997
Trade debtors	12,545,486	11,677,017
Staff debtors	1,699,780	1,281,750
Interline balances receivable	14,844,783	7,065,312
Sundry debtors	17,120,321	12,210,753
Prepayments	<u>1,157,374</u>	<u>413,272</u>
	47,367,744	32,648,104

The maximum amount of staff indebtedness at any one time during the year was c£1,699,780,200 (1997: c£1,281,750,000).

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

### 10. Tax

	Balance at 1 January 1998	Paid during year	Charge to Profit and Loss Account	Balance at 31 December 1998
Pre 1994	65,906	-	-	65,906
1994	(107,893)	-	-	(107,893)
1995	(10,321)	-	-	(10,321)
1996	(32,915)	-	-	(32,915)
1997	(52,430)	-	-	(52,430)
1998	-	(7,699)	-	(7,699)
	<u>(137,653)</u>	<u>(7,699)</u>	<u>-</u>	<u>(145,352)</u>

### 11. Bank and cash balances

	1998	1997
Local bank balances	611,595	9,178,999
Foreign bank balances	24,525,505	3,880,170
Cash in transit	-	250,752
Cash in hand	<u>6,471,316</u>	<u>4,521,712</u>
	31,608,416	17,831,633

NOTES TO THE FINANCIAL STATEMENTS

12. Creditors

	1998	1997
Trade creditors	30,035,151	24,163,823
Interline balances payable	4,656,706	10,735,982
Sundry creditors	1,587,873	2,208,357
Amount due to related companies	3,538,494	2,837,569
Accruals and provisions	547,060	561,910
Unearned transportation revenue	1,128,381	7,505,003
Royalty advances	21,432,000	-
End of service benefits	-	1,017
Controller and Accountant General	<u>654,022</u>	<u>654,022</u>
	<u>63,579,687</u>	<u>48,667,683</u>

13. Bank overdrafts

Local banks	2,682,632	2,252,822
Foreign banks	<u>98,816</u>	<u>912,857</u>
	<u>2,781,448</u>	<u>3,165,679</u>

At the balance sheet date, the company had an approved overdraft facility of c500 million and secured short term loan of US\$1.2 million with Ecobank Ghana Limited. The facilities are secured by a cash collateral of US\$390,369 and an assignment of royalties from KLM and a pledge of balances on all accounts at the bank.

Foreign bank overdrafts are temporary unsecured facilities.

14. Current portion of long term loan

	1998	1997
COFACE	1,337,019	1,180,545
Ecobank, Ghana	-	2,925,238
Ghana Commercial Bank	10,442,322	9,591,167
Goldwin Transworld Limited	6,022,396	2,267,180
Kredietbank, London	14,222,429	3,588,936
Consolidated Discount House	<u>6,119,213</u>	<u>-</u>
	<u>38,143,379</u>	<u>19,553,066</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Long term loan

	Balance at 1 December 1998	Drawdown during year	Repayment in year	Exchange rate adjustment	Balance at 31 December 1998
COFACE	1,180,545	96,931	-	59,543	1,337,019
Ecobank, Ghana	2,925,238	-	(3,032,097)	106,859	-
Ghana Commercial Bank	9,591,167	923,314	(347,330)	275,171	10,442,322
Goldwin Transworld Ltd.	2,267,180	8,407,310	(4,536,934)	(115,160)	6,022,396
Kredietbank, London	28,339,750	14,570,000	(7,833,333)	4,281,084	39,357,501
Consolidated Discount House	-	6,119,213	-	-	6,119,213
	44,303,880	30,116,768	(15,749,694)	4,607,497	63,278,451
Current portion due within one year (Note 14)					38,143,379
					25,135,072

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.

Ecobank, Ghana loan of \$1.3 million was secured to finance the company's operational expenses. The facility had been fully repaid at the balance sheet date.

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.

The Goldwin Transworld Limited loan facility of sterling equivalent of US\$4,000,000. Interest is at 14% per annum and repayable in twelve quarterly instalments commencing 31 January 1998.

Kredietbank, London 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.

Consolidated Discount House loan is a bridging facility of £3 billion maturing February 1999. Interest is at 2% above the prevailing Bank of Ghana bank rate. The loan is secured by certain equity shares of the company.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. Stated capital

The company is registered with 20,000,000 (1997: 20,000,000) ordinary shares of no par value which have been issued as follows:

	1998	1997
Issued for cash consideration (number)	<u>20,000,000</u>	20,000,000
Proceeds of issue for cash (value)	<u>19,400</u>	19,400

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

## 17. Capital surplus

	1998	1997
Balance at 1 January	<u>48,685,226</u>	54,214,922
Released on disposal of certain fixed assets	<u>-</u>	<u>(5,529,696)</u>
Balance at 31 December	<u>48,685,226</u>	<u>48,685,226</u>

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

## 18. Reconciliation of profit before tax to cash generated from operations

	1998	1997
Net profit before tax	303,952	780,484
Interest paid and payable	6,238,922	4,036,798
Depreciation charges	7,741,887	6,575,655
Dividend received	(111,530)	(28,000)
Interest received	(601,296)	(374,047)
Profit on disposal of tangible assets	-	(11,691,385)
Amortisation of deferred expenditure	41,149	487,838
Loans - exchange rate changes	4,607,497	4,433,137
Decrease/(increase) in stocks	216,915	(467,319)
Increase in debtors	(14,719,640)	(5,799,041)
Increase in creditors	<u>14,912,004</u>	<u>8,205,421</u>
Cash generated from operations	<u>18,629,860</u>	<u>6,159,541</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**19. Cash and cash equivalents**

For purposes of the cashflow statement the year end cash and cash equivalents comprise the following:

	1998	1997
Bank and cash balances	31,608,416	17,831,633
Bank overdraft	<u>(2,781,448)</u>	<u>(3,165,679)</u>
	<u>28,826,968</u>	<u>14,665,954</u>

**20. Contingent liabilities**

There were no contingent liabilities at the balance sheet date (1997: cNil).

**21. Commitments**

There were no commitments at the balance sheet date (1997: cNil).