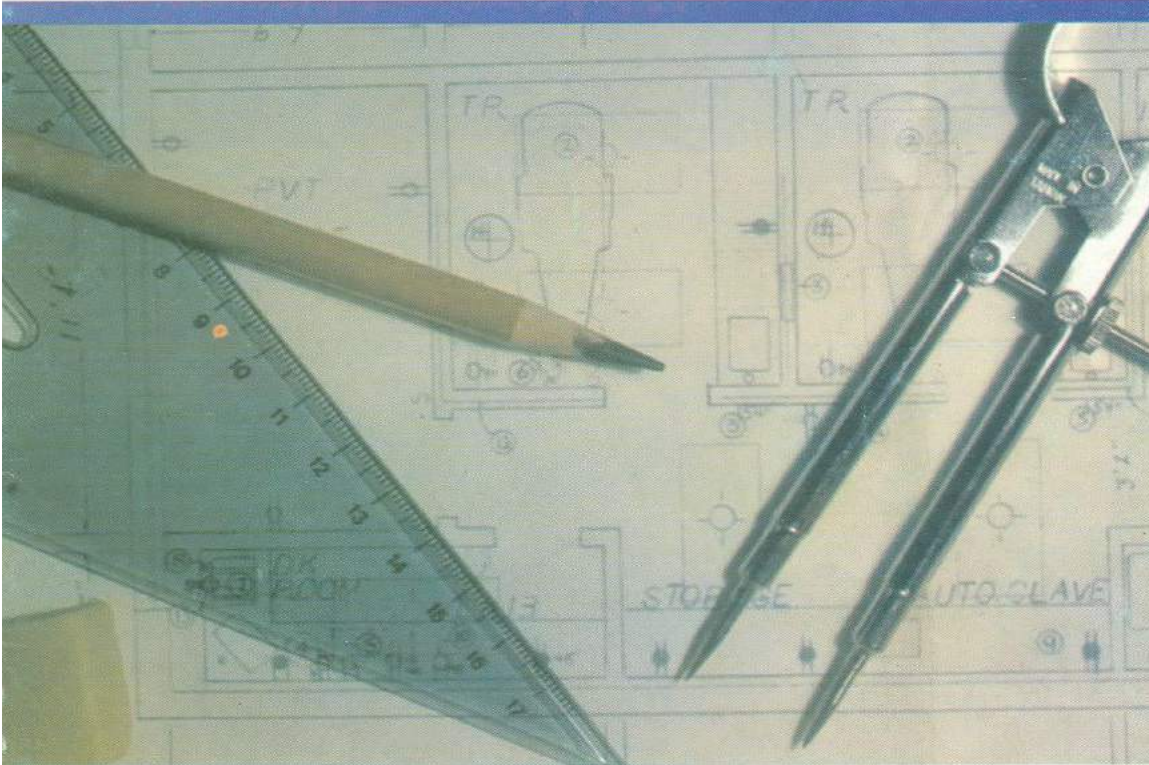




# Annual Report & Financial Statements 2005



HFC Investment Services Limited  
A Subsidiary of HFC Bank (Ghana) Limited

**PlannedInvestment**  
A guaranteed Future

# Annual Report



**HFC REIT**

**HFC REIT  
Annual Report & Financial Statements 2005**

HFC

HFC REIT | 2005 |  
Annual Report & Financial Statements

# Manager

## THE MANAGER

<b>Name:</b>	HFC Investment Services Limited (HFCISL)
<b>Country of Incorporation:</b>	Ghana
<b>Registration Number:</b>	50,533
<b>Nature of Corporate Form:</b>	Limited liability, wholly-owned subsidiary of the HFC Bank (Ghana) Ltd.
<b>Registered Office:</b>	Ebankese No. 35 Sixth Avenue, North Ridge P. O. Box CT. 4603 Cantonments, Accra
<b>Principal Place of Business:</b>	HFC Bank (Ghana) Ltd., Ridge Branch 6 Sixth Avenue, West Ridge Ridge Ambassadorial Enclave, Ridge, Accra
<b>Date of Incorporation:</b>	7 <sup>TH</sup> JULY 1993 (Name changed from Home Finance Investment Fund Limited to HFC Investment Services Limited on 1 <sup>ST</sup> OCTOBER 2001).
<b>Capitalization (as at December 31 2005)</b>	
<b>Authorized:</b>	1,000,000 (One million) Ordinary shares of no Par value
<b>Issued:</b>	100,000 shares
<b>Auditors:</b>	Pannell Kerr Forster Chartered Accountants Farrar Avenue, Accra

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## HFC REIT

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Unitholders will be held at the Ebenezer Presbyterian Church Hall, Osu, Accra at 10.00am on 12<sup>th</sup> July, 2006 to transact the following businesses:

#### AGENDA

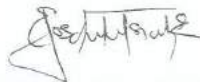
1. To receive the report of the Manager for the Year 2005.
2. To receive the Audited Statement of Income and Expenditure and Distribution Statement of HFC REIT for the financial year ended December 31, 2005 together with the Trustees and Auditors reports thereon.
3. To authorize the Manager to fix the remuneration of the Auditors for Year 2006.

A Unitholder has the right to appoint a proxy to attend and vote on his/her behalf at the Meeting. Such a proxy need not be a Unitholder. A copy of the instrument appointing the proxy may be deposited at any time prior to the commencement of the Meeting at the principal place of business of the Manager.

**HFC Investment Services Limited**  
**6 Sixth Avenue, West Ridge**  
**Ridge Ambassadorial Enclave, Ridge**  
**Accra**

Dated 6<sup>th</sup> June, 2006

By Order of the Manager.



**JOSEPH NKETSI AH**  
For: HFC Investment Services Limited

# Trustees

## HFC REIT

### STATEMENT OF TRUSTEES RESPONSIBILITIES

The Trust Deed requires the Trustees to prepare financial statements for each financial period, which gives a true and fair view of the state of affairs of the HFC REIT. In preparing the financial statements, the Trustees are required to:

- Select suitable accounting policies and apply them consistently,
- Make judgments and estimates that are responsible and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained them in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Investment Trust will continue in business.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the HFC REIT, which will ensure that the financial statements comply with the Trust Deed and Securities Industry Law, 1993 (PNDCL 333). They are also responsible for safeguarding the assets of the Investment Trust and taking reasonable steps for the prevention and detection of fraud and other irregularities.

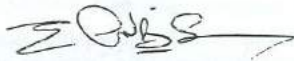
The statements should be read in conjunction with the statement of the Auditors' responsibilities as set out on page 10, the respective responsibilities of the Trustees and the Auditors in relation to the financial statements.

# Report

**REPORT OF THE TRUSTEES TO THE UNITHOLDERS  
OF THE HFC REIT**

In our opinion, according to the information made available to us and the explanations provided, we confirm that in all material respects, the manager has managed the scheme during the period covered by these financial statements in accordance with the Trust Deed dated 5<sup>th</sup> August, 1994 and all regulations for the time being in force under the Securities Industry Law, 1993 (PNDCL 333).

Dated this 9th Day of May, 2006



For: **MERCHANT BANK (GHANA) LIMITED**



# Report

## HFC REIT

MANAGER'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2005

### **ECONOMIC OVERVIEW**

The prudent economic management, through tight fiscal and monetary regimes initiated by the Government few years back, continued during year 2005. These registered appreciable results that showed overall stability in the economy. Real GDP growth stabilized at 5.8% despite a 50% upward adjustment in the prices of petroleum products in the first quarter of the year and marginal price increases in petroleum products later in the year. In the year under review, average annual inflation was 13.5%, which is 1.7 percentage points above the 2004 figure. The government's target of single digit inflation could however not be attained.

The Cedi maintained its relative stability against the major world currencies. The Cedi depreciated by only 0.4% against the US Dollar, but appreciated by 11.6% against the Euro and 8.2% against the Pound Sterling. The benchmark 91-day Treasury bill ended the year at 11.53% compared to 17.06% in 2004.

The government again continued with its tight but prudent economic policies to contain pressure on national revenue. The deregulation of the oil industry further reduced Government's borrowing from the banking system. During the year, eight of the world's richest economies cancelled the debts of 18 African countries including Ghana. Ghana therefore enjoyed debt relief to the tune of over \$4.0 billion. This relief was expected to be channeled into poverty reduction programmes.

### **FUND PERFORMANCE**

The HFC Real Estates Investment Trust suffered a negative performance last year. The twelve-month yield of the Fund was negative 3.88% as compared to positive 10.00% in the previous year.

The Fund value decreased to ₵ 13.2 billion as against ₵ 19.2 billion in 2004. Net Income also reduced to negative ₵ 563 million. The performance was the result of legal dispute on REIT TOP Housing Estates land near East Legon, and the general slow down in the property market resulting in low margins on the sale of houses.



# Report

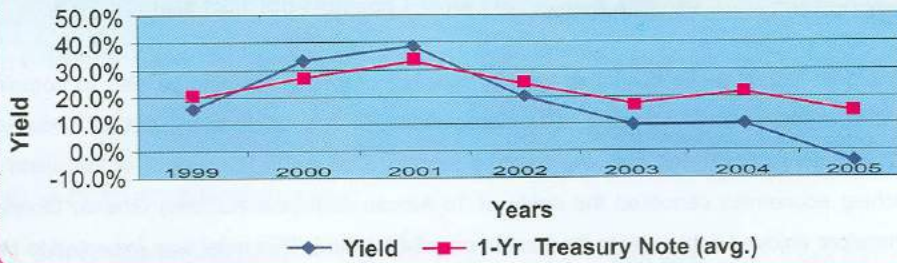
## INVESTMENT PORTFOLIO

The Fund completed forty-nine houses at Batsonaa of which forty-one houses were sold by the close of the year; the eight held in stock are expected to be sold in 2006. The Fund intends to develop additional 15 houses for sale in 2006 resulting from plots allotted to it by the O'Sullivan Estates Limited, its Joint venture partner, as a means of reducing their indebtedness to the REIT Fund.

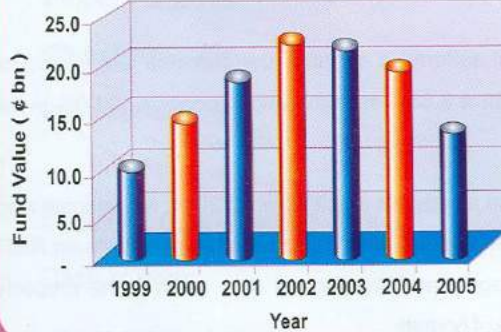
The Fund currently holds a unit for rental in Kumasi. The property in Kumasi is located at Ridge, which is a prime location. Due to the large plot size, the Fund intends to redevelop the property into four (4) duplex for sale.

The Funds investments in fixed income securities consisted of investments in US Dollar denominated bonds and Fixed Deposit.

REIT Vs One - year Treasury Note



Growth in Fund Value - REIT



## SOFTWARE

The teething problems associated with the introduction of the new software were resolved and customer service improved during the period under review.

# Report

## **OUTLOOK**

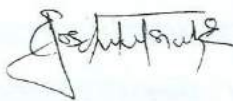
It is expected that the government will continue to pursue prudent economic policies to stabilize the economy. Inflation is however expected to remain within single digits throughout year 2006. The upward adjustments in fuel prices and the knock on effects on general price levels continue to be a threat to the achievement of the single digit inflation.

We are expecting the Fund to perform better this year, after the outstanding houses at Batsonaa have been sold and the new projects completed. We are also hopeful that the proceeds of the compensation claim will be received during the year. Your Fund Manager intends to purchase serviced plots at Community 25 from TDC to develop expandable 2 Bedroom Semi-detached units.

## **CONCLUSION**

The HFC REIT is the first and only estate-based collective investment instrument in the country, affording the investors the opportunity of enriching their portfolios with property investment without getting directly involved in development.

We shall count on your support as we make efforts to make your Fund stronger. We take the opportunity to thank you for your commitment and confidence in us and look forward to improved performance in 2006.



**JOSEPH NKETSIAH  
GENERAL MANAGER**





# Report

## REPORT OF THE AUDITORS TO THE UNIT HOLDERS OF HFC REAL ESTATE INVESTMENT TRUST ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

**PKF**  
PANNELL  
KERR  
FORSTER  
CHARTERED ACCOUNTANTS

We have audited the accompanying Balance Sheet of HFC Real Estate Investment Trust as at 31 December 2005 and the related statements of Income and Expenditure Account for the year then ended. These financial statements have been prepared under the accounting policies set out therein.

### Respective Responsibilities of Trustees and Auditors

The Trustees of the HFC Real Estate Investment Trust are responsible for the preparation of 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 have conducted our audit in accordance with International Standards on Auditing. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the Investment Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we required in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, 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

The financial statements are in agreement with the books of account, which in our opinion have been properly kept. We obtained the information and explanations we required. In our opinion the financial statements give a true and fair view of the state of affairs of the Investment Trust as at 31 December 2005 and of the Income and Capital Account for the year then ended and have been properly prepared in accordance with the Securities Industry Law (PNDCL 333) and comply with Ghana National Accounting Standards.

Farrar Avenue  
Accra.

9th May 2006

*Pannell Kerr Forster*  
PANNELL KERR FORSTER  
CHARTERED ACCOUNTANTS



# Income

## HFC REIT INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	<u>Notes</u>	2005 ¢'000	2004 ¢'000
<b>INCOME</b>		<u>232,572</u>	1,832,402
<b>LESS EXPENSES</b>			
Management Fees	2	265,304	957,184
Audit Fees		36,000	28,750
Other Expenses	3	<u>494,343</u>	<u>40,808</u>
		<u>795,647</u>	<u>1,026,742</u>
<b>NET INCOME</b>		(563,075)	805,660
Interest Paid on Disinvestments		-	<u>(350,151)</u>
Income Before Distribution		<u>(563,075)</u>	<u>455,509</u>
Net (Deficit)/ Surplus Transferred to Distribution Account		(563,075)	341,632
Transfer to Capital Account		-	<u>113,877</u>
		<u>(563,075)</u>	<u>455,509</u>
<b>DISTRIBUTION STATEMENT YEAR ENDED 31 DECEMBER 2005</b>			
Balance 1 January		1,809,782	1,468,150
Transfer from Income Statement		<u>(563,075)</u>	<u>341,632</u>
		<u>1,246,707</u>	<u>1,809,782</u>
Balance 31 December		<u>1,246,707</u>	<u>1,809,782</u>

# Balance Sheet

## HFC REIT

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 ¢'000	2004 ¢'000
<b>ASSETS</b>			
Investment Properties	4	4,453,317	4,896,021
Investments	5	4,914,752	6,689,714
Accounts Receivable	6	2,727,892	1,182,047
Cash at Bank	7	1,464,934	968,711
		<u>13,560,895</u>	<u>13,736,493</u>
<b>LIABILITIES</b>			
Accounts Payable	8	1,800,071	359,390
Trustees Account		138,444	146,500
Deposits		550,608	1,531,952
		<u>2,489,123</u>	<u>2,037,842</u>
<b>NET ASSETS</b>		<u>11,071,772</u>	<u>11,698,651</u>
<b>AMOUNTS DUE TO UNIT HOLDERS</b>			
Capital Account	9	6,845,842	6,909,646
Deferred Income	10	2,168,958	2,168,958
Capital Surplus	11	810,265	810,265
Distribution Account		1,246,707	1,809,782
		<u>11,071,772</u>	<u>11,698,651</u>

SIGNED FOR HFC INVESTMENT SERVICES LIMITED ON JUNE 9, 2006

  
GENERAL MANAGER

# Notes

## HFC REIT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2005

#### 1 ACCOUNTING POLICIES

The significant accounting policies adopted by the Trust and which have been used in preparing these financial statements are stated below:

##### 1.1 Basis of Accounting

The Trust prepares the financial statements under the historical cost convention as modified by the revaluation of Properties.

##### 1.2 Investments

Investments in bills and bonds have been stated at cost. Investments in properties have been stated at current market values. Investment income is accounted for on accrual basis.

##### 1.3 Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into cedis at the exchange rates ruling at the balance sheet date Investments. Gains and losses resulting from foreign currency translation are included in the income and expenditure statement for the year.

#### 2 MANAGEMENT FEES

This is based on 2.5% of the fair market value of the total assets owned by the Trust.

#### 3 OTHER EXPENSES comprise of the following:

	2005 ¢'000	2004 ¢'000
Bank Charges	11,085	6,341
Advertising/Marketing Expenses	9,920	8,467
Bad Debt	441,581	-
Printing & Stationery	-	6,500
General Expenses	<u>31,757</u>	<u>19,500</u>
	<u>494,343</u>	<u>40,808</u>



# Notes

## HFC REIT

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2005

	2005 ¢'000	2004 ¢'000
<b>4 INVESTMENT PROPERTIES</b>		
Land-Serviced Plots	90,591	1,636,579
Kumasi Ellis Avenue	1,400,000	1,400,000
Community 18, Tema	<u>2,962,726</u>	<u>1,859,442</u>
	<u>4,453,317</u>	<u>4,896,021</u>
<b>5 INVESTMENTS</b>		
Joint Venture Osullivan Estates	1,425,460	2,634,257
Joint Venture Reit Top Housing Estate Ltd.	2,477,029	2,477,029
Bonds	<u>1,012,263</u>	<u>1,578,428</u>
	<u>4,914,752</u>	<u>6,689,714</u>
<b>6 ACCOUNTS RECEIVABLE</b>		
HFC-Current Account	944,611	544,611
UT-HFC Current Account	90,765	110,765
Property Debtors	1,652,444	434,418
Other Receivables	-	92,253
Interest Receivable	<u>40,072</u>	<u>-</u>
	<u>2,727,892</u>	<u>1,182,047</u>
<b>CASH AT BANK AND ON CALL</b>		
Cash at Bank	<u>1,464,934</u>	<u>968,711</u>

# Notes

## HFC REIT

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2005

	2005 ¢'000	2004 ¢'000
<b>8 ACCOUNTS PAYABLE</b>		
Management Fees	852,937	216,215
HFC-ISL Current Account	-	1,715
HFC-ISL Forex Account	112,877	112,710
Accruals	834,257	28,750
	<u>1,800,071</u>	<u>359,390</u>

	2005 Units	¢'000	2004 Units	¢'000
<b>9 CAPITAL ACCOUNT</b>				
Balance at 1st January	2,877,938	6,909,646	3,179,307	9,665,587
Value of Units sold & Converted	<u>34,000</u>	<u>124,511</u>	<u>61,777</u>	<u>401,551</u>
	2,911,938	7,034,157	3,241,084	10,067,138
Value of Units Disinvested	<u>(38,400)</u>	<u>(188,315)</u>	<u>(363,146)</u>	<u>(3,271,369)</u>
	2,873,538	6,845,842	2,877,938	6,795,769
Transfer from Income Statement	-	-	-	113,877
Balance at 31 December	<u>2,873,538</u>	<u>6,845,842</u>	<u>2,877,938</u>	<u>6,909,646</u>

### 10 DEFERRED INCOME

This represents accrued interest on Medium term loans granted to the Joint Venture Projects.

	2005 ¢'000	2004 ¢'000
Balance - 31 December	<u>2,168,958</u>	<u>2,168,958</u>

### 11 CAPITAL SURPLUS

This represents Surplus on Revaluation of properties at 31 December 2003. The valuation of the properties was carried out by Ben Dwimoh & Co. (Chartered Surveyors, valuers and International Property Consultants) at open market value.

# Schedule

## HFC REIT

### SCHEDULE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 ¢'000	2004 ¢'000
<b>INCOME</b>		
Profit on Sale of Houses	88,615	1,244,067
Call Interest	2,055	-
Bank Interest	11,939	8,740
Investment Income	102,513	353,670
Rent Income	16,166	-
Exchange Gain	11,284	225,925
	<u>232,572</u>	<u>1,832,402</u>
<b>EXPENSES</b>		
Management Fees	265,304	957,184
Audit Fees	36,000	28,750
Other expenses:		
Bank Charges	11,085	6,341
General Expenses	31,757	19,500
Bad Debt	441,581	-
Advertising & Marketing Expenses	9,920	8,467
Printing and Stationery	-	6,500
	<u>795,647</u>	<u>1,026,742</u>
<b>NET(DEFICIT)/ SURPLUS FOR THE YEAR</b>	<u><u>(563,075)</u></u>	<u><u>805,660</u></u>

**(Continuation of Page 15)**

15 b



# Admission

## HFC REIT | Admission Form

**Annual General Meeting to be held at the Ebenezer Presbyterian Church Hall, Osu, Accra at 10:00am on 12th July 2006.**

A Unitholder who is unable to attend an Annual General Meeting is allowed to vote by proxy. The Proxy form on the next page has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting.

Provision has been made on the form for the Chairman of the meeting to act as your proxy, but if you wish, you may insist in the blank space on the form (marked\*\*) the name of any person whether a Unitholder or not, who will attend the meeting and vote on your behalf instead of the Chairman of the Meeting.

Please sign the proxy form on the next page and post it so as to reach the address in the front not later than 12th July 2006.

If executed by a Body Corporate, the proxy form should bear its common seal or be signed on behalf by a director.

### IMPORTANT:

- a) The name of the Unitholder must be written in BLOCK LETTERS on the Proxy form where marked (\*\*)
- b) This admission form must be produced by the Unitholder or his/her proxy in order to obtain admission to the Annual General Meeting.
- c) Unitholders or their Proxies are requested to sign the admission form before attending the meeting.
- d) In case of joint holders, each joint holder should sign.

# Proxy Form

## HFC REIT | Proxy Form

Annual General Meeting to be held at the Ebenezer Presbyterian Church Hall, Osu, Accra at 10:00am on Wednesday, 12th July 2006.

I/We\*\* \_\_\_\_\_ being a Unitholder(s) hereby appoint \_\_\_\_\_ or failing him/her the Chairman of the meeting as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Fund to be held on 12th July 2006 and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006

\_\_\_\_\_  
Unit Holder(s) Signature

Resolution	For	Against
To adopt the 2005 Manager's Report		
To approve the accounts and distribution statement for the financial year ended 31st December, 2005		
To authorise the Manager to fix the Auditor's Remuneration		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on the resolution set out above.

Unless otherwise instructed the proxy will vote for or abstain from voting at his/her discretion

**(Do not complete this form if you will not attend the meeting)**

# Mail To:

**Mail to:**

**The Secretary  
HFC Bank Ghana Limited  
Ebankese  
No. 35 Sixth Avenue  
North Ridge Area, Accra**

**A person attending the meeting should produce this form to obtain admission.**



# Notes

HFC

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