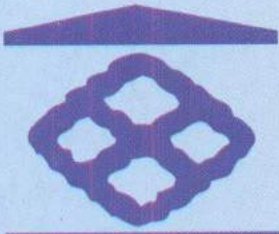
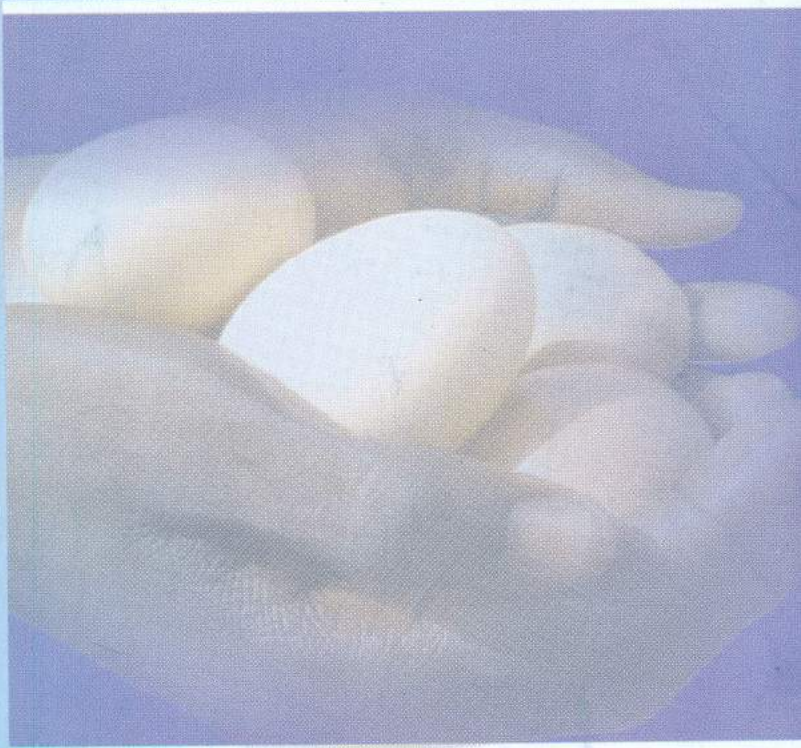


DRIL



**HFC UNIT TRUST**

# **Annual Report & Financial Statements 2005**



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

**Putting Your Future**

**In the right hands**

# *Annual Report*



HFC UNIT TRUST

HFC Unit Trust  
Annual Report & Financial Statements 2005

# 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>	7TH JULY 1993 (Name changed from Home Finance Investment Fund Limited to HFC Investment Services Limited on 1ST OCTOBER 2001).
<b>Capitalisation (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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# Notice

## HFC UNIT TRUST

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Unitholders will be held at the Ebenezer Presbyterian Church Hall, Osu, Accra at 1:00pm 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 Unit Trust 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 UNIT TRUST

### 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 Unit Trust. 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 Unit Trust, 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 11, 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 UNIT TRUST

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 14<sup>th</sup> May, 1991 and all regulations for the time being in force under the Securities Industry Law, 1993 (PNDCL 333).

Dated this 5th Day of June 2006



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

# Report

## HFC UNIT TRUST

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

#### ECONOMIC OVERVIEW

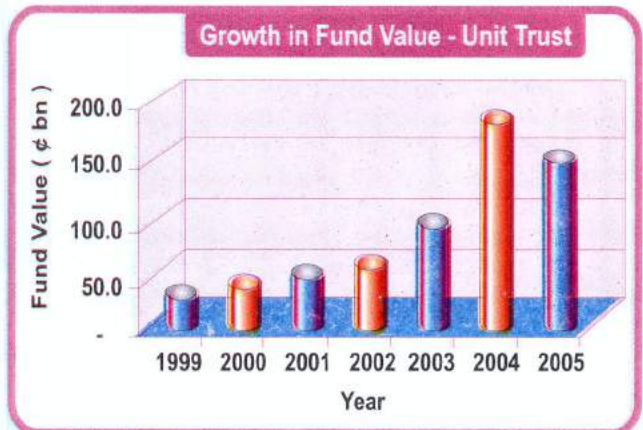
The prudent economic management, through tight fiscal and monetary regimes initiated by the Government few years back, continued during year 2005. These registered appreciable results that showed overall stability in the economy. Real GDP growth stabilized at 5.8% despite a 50% upward adjustment in the 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.

#### Financial Market Environment

The bearish trend that characterized the Ghana Stock Market during the last quarter of 2004 continued into 2005. The market recorded its first decline in four years with the stock exchange posting negative 29.89% return at the end of December 2005 compared to a positive return of 91.32% during the same period in 2004.





# Report

Some of the equities that contributed to the decline were ALW (-50%), BAT (-60%), CPC (-40%), HFC (-40%), UNIL (-30%), and SCB (-24%). Even though some equities, such as CFAO, Camelot and PZ recorded positive gains, their impact was so marginal.

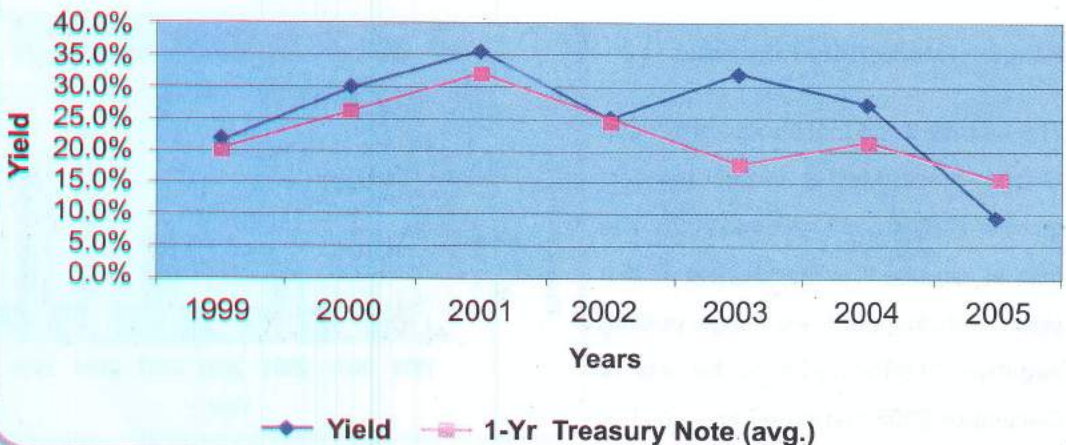
## FUND PERFORMANCE

The HFC Unit Trust managed a marginal performance in 2005. The funds twelve-month yield of 3.00% as compared to the 27% made in 2004 was the lowest ever made by the Fund since its inception in 1991. This was mainly due to the impact of the equity performance on the portfolio. As you may be aware, the Fund is a hybrid fund with some of its portfolio investment in listed equities on the Ghana Stock Exchange. It was adversely affected by the various degrees of falls in the share prices of the various companies we invested in.

The stock market turned a year-end performance of negative 29.85%. Besides the bearish nature of the stock market; interest rates generally were on continuous decline throughout the year.

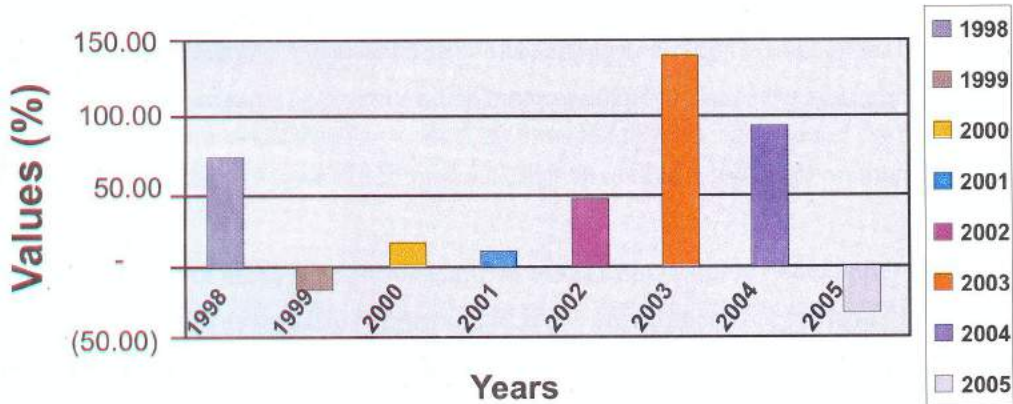
At the beginning of the year, the benchmark 91-day Treasury bill rate was 17.71% but declined to 11.53% by end of year. This thus affected the investment income of the fund.

HFC Unit Trust Vs One - year Treasury Note



# Report

## Historic Performance of the Ghana Stock Exchange ( GSE All-Share Index )



As a result of the low performance of the Fund, new and additional investments into the Fund slowed. Some investors withdrew part or all of their investments and thus, the fund value fell from **¢194.4 billion to ¢158.14 billion**, a decrease of **18.65%** at the close of the year.

The number of Unitholders also decreased from 13,059 to 12,954 by end of year but Net Income increased by 35.93% from ¢15.54 billion in 2004 to ¢21.12 billion in 2005.

### INVESTMENT PORTFOLIO

The Fund's investments were adequately diversified to achieve appreciable returns at minimal risk. Fixed income instruments such as Treasury Bills and Notes, Fixed Deposits, Commercial Paper and Corporate Bonds comprised 85.08% of total assets. The Fund's Equity holdings included ordinary shares and preference shares and were 10.76%, a reduction of 3.64% from 2004 level of 14.40%. Investments in the HFC Equity Fund and the HFC REIT were 0.26% and 3.91% respectively.

# Report

## OUTLOOK FOR THE YEAR 2006

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.

Our investment portfolio will maintain its fixed income dominance to afford investors steady income.

Management has taken steps to realign the portfolio structure in order to hedge against any such future bearish occurrences on the Stock Market and their negative effects. As part of the realignment strategy, management has sold and will continue to sell the equities that are not performing in order to invest the proceeds in other higher yielding instruments like Bonds, Preference Shares and Commercial Paper.

The equity market is however expected to continue in its upward movement throughout the year as new companies continue to list on the Exchange and thus rebuilding investor confidence in the Stock Market after last year's downturn.

## CONCLUSION

Your manager will continue to provide Unitholders with excellent customer service and maintain the Fund's attributes of security and profitability to ensure steady and long-term growth of your investment.

We appreciate your support, commitment and confidence in us and look forward to a recovery and yet another rewarding year for you.



**JOSEPH NKETSI AH**  
**GENERAL MANAGER**

# Report

## REPORT OF THE AUDITORS TO THE UNITHOLDERS OF HFC UNIT TRUST ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements on pages 12 to 17, which have been prepared under the accounting policies, set out on page 14.

### Respective Responsibilities of Trustees and Auditors

The Trustees of the HFC Unit 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 judgments made by the Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the Unit Trust 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 HFC Unit 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).

Farrar Avenue  
Accra,

9th May 2006



PANNELL KERR FORSTER  
CHARTERED ACCOUNTANTS

# Income

## HFC UNIT TRUST

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

	<u>Notes</u>	2005 ¢'000	2004 ¢'000
<b>INCOME</b>		<u>26,400,955</u>	<u>20,273,426</u>
<b>LESS: EXPENSES</b>			
Management Fees	2	3,614,473	3,601,142
Audit Fees		48,300	40,250
Other Expenses	3	<u>1,615,874</u>	<u>1,092,523</u>
		<u>5,278,647</u>	<u>4,733,915</u>
<b>NET INCOME</b>		21,122,308	15,539,511
Transfer to Management Fund	4	<u>(211,223)</u>	<u>(155,395)</u>
		20,911,085	15,384,116
Interest received/( paid) on Disinvestments		<u>413,508</u>	<u>(5,275,611)</u>
<b>INCOME BEFORE DISTRIBUTION</b>		<u>21,324,593</u>	<u>10,108,505</u>
Balance Transferred to Distribution Account		<u>21,324,593</u>	<u>10,108,505</u>
 <b>DISTRIBUTION STATEMENT YEAR ENDED 31 DECEMBER 2005</b>			
Balance at 1st January		6,212,727	6,797,285
Income for Distribution for the year		<u>21,324,593</u>	<u>10,108,505</u>
		27,537,320	16,905,790
Payments made during the year		<u>(14,978,470)</u>	<u>(10,693,063)</u>
<b>Balance at 31st December</b>		<u>12,558,850</u>	<u>6,212,727</u>

# Balance Sheet

## HFC UNIT TRUST

BALANCE SHEET AS AT 31 DECEMBER 2005

	<u>Notes</u>	2005 €'000	2004 €'000
<b>ASSETS</b>			
Investments	5	149,368,391	179,852,521
Accounts Receivable	6	211,990	367,013
Interest Receivable	7	4,466,481	5,772,842
Cash at Bank and on Call	8	<u>1,552,503</u>	<u>5,581,142</u>
		<u>155,599,365</u>	<u>191,573,518</u>
<b>LIABILITIES</b>			
Accounts Payable	9	48,300	2,026,156
Management Fund	10	<u>518,215</u>	<u>306,992</u>
		<u>566,515</u>	<u>2,333,148</u>
<b>NET ASSETS</b>			
		<u>155,032,850</u>	<u>189,240,370</u>
<b><u>AMOUNTS DUE TO UNIT HOLDERS</u></b>			
Capital Account	11	130,246,034	159,948,973
Distribution Account		<u>12,558,850</u>	<u>6,212,727</u>
Capital Surplus	12	<u>12,227,966</u>	<u>23,078,670</u>
		<u>155,032,850</u>	<u>189,240,370</u>

SIGNED FOR HFC INVESTMENT SERVICES LIMITED ON JUNE 9.2006



GENERAL MANAGER

# Notes

## HFC UNIT TRUST

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

#### 1 ACCOUNTING POLICIES

The principal 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 listed investments.

##### 1.2 Investments

Fixed interest bonds have been valued at cost. Stocks listed on the stock exchange are valued at market price at the year end. Interest from fixed bonds are accounted for on accrual basis. Income from listed Investments are accounted for on cash basis.

#### 2 MANAGEMENT FEES

This is based on 2% of the fair market value of the total assets owned by the Trust.

3 OTHER EXPENSES comprise the following:	2005 ¢'000	2004 ¢'000
Bank Charges	192,925	291,695
Loss on Revaluation	403,179	-
Manager's Reimbursable Expenses	<u>1,019,770</u>	<u>800,828</u>
	<u>1,615,874</u>	<u>1,092,523</u>

#### 4 MANAGEMENT FUND

Transfers to the Management fund are made in accordance with the Trust Deed. The Trustees shall be paid out of this fund.

#### 5 INVESTMENTS

Short Term Securities	106,285,052	141,459,926
Fixed Deposits	-	3,985,766
Listed Securities	16,959,582	32,142,409
Other Securities	<u>26,123,757</u>	<u>2,264,420</u>
	<u>149,368,391</u>	<u>179,852,521</u>

#### 6 ACCOUNTS RECEIVABLE

HFC-REIT Current Account	-	304,745
Equity Fund Current Account	34,049	-
HFC Bank	177,941	-
HFC Current Account	-	62,268
	<u>211,990</u>	<u>367,013</u>

# Notes

## HFC UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2005

	2005 ¢'000	2004 ¢'000
<b>7 INTEREST RECEIVABLE</b>		
Treasury bills	3,936,329	5,571,946
Fixed Deposit	-	67,142
Bonds	495,253	-
Housebonds	<u>34,899</u>	<u>133,754</u>
	<u>4,466,481</u>	<u>5,772,842</u>
<b>8 CASH AT BANK AND ON CALL</b>		
Cash at Bank	393,955	2,013,775
Cash on Call	<u>1,158,548</u>	<u>3,567,367</u>
	<u>1,552,503</u>	<u>5,581,142</u>
<b>9 ACCOUNTS PAYABLE</b>		
Amounts Due to Managers	-	1,973,405
Equity Fund Current Account	-	12,501
Accrued Charges	<u>48,300</u>	<u>40,250</u>
	<u>48,300</u>	<u>2,026,156</u>
<b>10 MANAGEMENT FUND</b>		
Balance at 1 January	306,992	210,245
Payments made during the year	-	(58,648)
Charge for the year	<u>211,223</u>	<u>155,395</u>
Balance at 31 December	<u>518,215</u>	<u>306,992</u>



# Notes

## HFC UNIT TRUST

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

	<u>Units</u>	2005 ¢'000	<u>Units</u>	2004 ¢'000
<b>11 CAPITAL ACCOUNT</b>				
Balance at 1st January	135,988,017	159,948,973	63,343,575	60,042,751
Value of Units Sold and Converted	<u>110,117,689</u>	<u>158,389,759</u>	<u>146,888,123</u>	<u>194,723,766</u>
	246,105,706	318,338,732	210,231,698	254,766,517
Value of Units Disinvested	<u>(127,970,805)</u>	<u>(188,092,698)</u>	<u>(74,243,681)</u>	<u>(94,817,544)</u>
Value of the Trust Fund at 31 December	<u>118,134,901</u>	<u>130,246,034</u>	<u>135,988,017</u>	<u>159,948,973</u>

### 12 CAPITAL SURPLUS

This arose as a result of the revaluation of the listed securities by the Managers of the Trust

	2005 ¢'000	2004 ¢'000
Balance at 1 January	23,078,670	7,704,392
(Deductions) / Additions during the year	<u>(10,850,704)</u>	<u>15,374,278</u>
Balance at 31 December	<u>12,227,966</u>	<u>23,078,670</u>

# Schedule

## HFC UNIT TRUST

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

1	2005 ¢'000	2004 ¢'000
<b>INCOME</b>		
Interest on Fixed Deposits	105,476	650,935
Interest on Treasury Bills	24,787,009	18,122,207
Dividends	465,167	243,679
Interest on Call Account	405,274	469,616
Other Income	62,983	100,201
Interest on Bonds	575,046	686,788
	<u>26,400,955</u>	<u>20,273,426</u>
<b>2 EXPENSES</b>		
Management Fees	3,614,473	3,601,142
Audit Fees	48,300	40,250
Other Expenses:		
Bank Charges	192,925	291,695
Loss on Revaluation	403,179	-
Reimbursable Expenses-Manager	1,019,770	800,828
	<u>5,278,647</u>	<u>4,733,915</u>
<b>NET INCOME FOR THE YEAR</b>	<u>21,122,308</u>	<u>15,539,511</u>

# Admission

## HFC UNIT TRUST | Admission Form

**Annual General Meeting to be held at the Ebenezer Presbyterian Church Hall, Osu, Accra at 1:00pm 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 30th June 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 UNIT TRUST | Proxy Form

Annual General Meeting to be held at the Ebenezer Presbyterian Church Hall, Osu, Accra at 1:00pm 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.**

