

HFC INVESTMENT SERVICES

HFC REIT

2007

Annual Report & Financial Statements

THE MANAGER

Name:	HFC Investment Services Limited (HFCISL)
Country of Incorporation:	Ghana
Registration Number:	50,533
Nature of Corporate Form:	Limited liability, wholly-owned subsidiary of the HFC Bank (Ghana) Ltd.
Registered Office:	Ebankese No. 35 Sixth Avenue, North Ridge P. O. Box CT. 4603 Cantonments, Accra
Principal Place of Business:	HFC Bank (Ghana) Ltd., Ridge Branch 6 Sixth Avenue, West Ridge Ridge Ambassadorial Enclave, Ridge, Accra
Date of Incorporation:	7TH JULY 1993 (Name changed from Home Finance Investment Fund Limited to HFC Investment Services Limited on 1ST OCTOBER (2001)).
Capitalization (as at December 31 2007)	
Authorized:	1,000,000 (One million) Ordinary shares of no Par value
Issued:	100,000 shares
Auditors:	PANNELL KERR FORSTER CHARTERED ACCOUNTANTS Farrar Avenue Accra.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of Unitholders will be held at the National Theater, Accra at 9:00am on 24th July, 2008 to transact the following businesses:

AGENDA

1. To receive the report of the Manager for the Year 2007.
2. To receive the Audited Statement of Income and Expenditure and Distribution Statement of HFC REIT for the financial year ended December 31, 2007 together with the Trustees and Auditors reports thereon.
3. To authorize the Manager to fix the remuneration of the Auditors for Year 2008.

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 6th May 2008

By Order of the Manager.



JOSEPH NKETSI AH

For: HFC Investment Services Limited

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 OF THE TRUSTEES TO THE UNIT HOLDERS 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 5th August, 1994 and all regulations for the time being in force under the Securities Industry Law, 1993 (PNDCL 333).

Dated this 15th Day of June, 2007

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

MANAGER'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2007

REVIEW OF YEAR 2007

The economy continued its macroeconomic stability in spite of the high crude oil prices in 2007. The macroeconomic indicators continued its relatively stable trend, with government sustaining its efforts to place the economy firmly on the path of continued disinflation, and bring inflation into the middle single digit range along with some monetary tightening to anchor inflation expectations to underpin financial stability and growth.

Inflation

The headline inflation, measured as year-on-year changes in the consumer price index, began the year 2007 at 10.9%, declined steadily to reach 10.1% in October but picked up to end the year 2007 at a rate of 12.7% compared to the year 2006 figure of 10.5%, thus failing to achieve a single digit target for the year. This high rate of 12.7% resulted mainly from higher crude oil prices and increases in electricity and water tariffs during the year.

The build-up in inflationary pressures as a result of the upward adjustment in prices of petroleum products resulted in increased transport fares, which triggered the hike in inflation rates for the fourth quarter of 2007. This contributed significantly to the rise in the consumer price index (CPI) for the last quarter of 2007.

Interest rate

The Bank of Ghana prime rate remained stable at 12.5% for the first ten months of 2007. It was however re-adjusted by the BoG Monetary Policy Committee to 13.5% in November 2007 to contain the inflationary pressures that were building up.

The benchmark 91-day Treasury bill began the year at 9.96%. It fell to 9.64% by the end of the second quarter but inched up to close the year at 10.62%. The 182-day was quoted at 10.49% at the beginning of the year but closed the year 2007 at 10.80% after a decline to 10.21% by



the end of the second quarter. The 1-year Treasury note started trading at a rate of 13.0% but declined steadily to close the year at 12.30%

Exchange rates

The foreign exchange market remained relatively stable in 2007 notwithstanding marginal fluctuations. The depreciation of the cedi against the major international currencies was relatively marginal for the first three quarters of the year. The fourth quarter of year 2007 however saw a relatively sharp decline in the value of the Cedi against the US dollar and Euro resulting in a cumulative depreciation of 4.0% and 17.5% respectively.

Real GDP growth

In spite of the energy supply disruptions and load shedding and the eventual effects on economic activities, the GDP growth was robust and resilient. The Ghanaian economy achieved a GDP growth rate of 6.2 percent for the year 2007, a slight deviation from the initial forecast of 6.5 percent.

FINANCIAL MARKET ENVIRONMENT

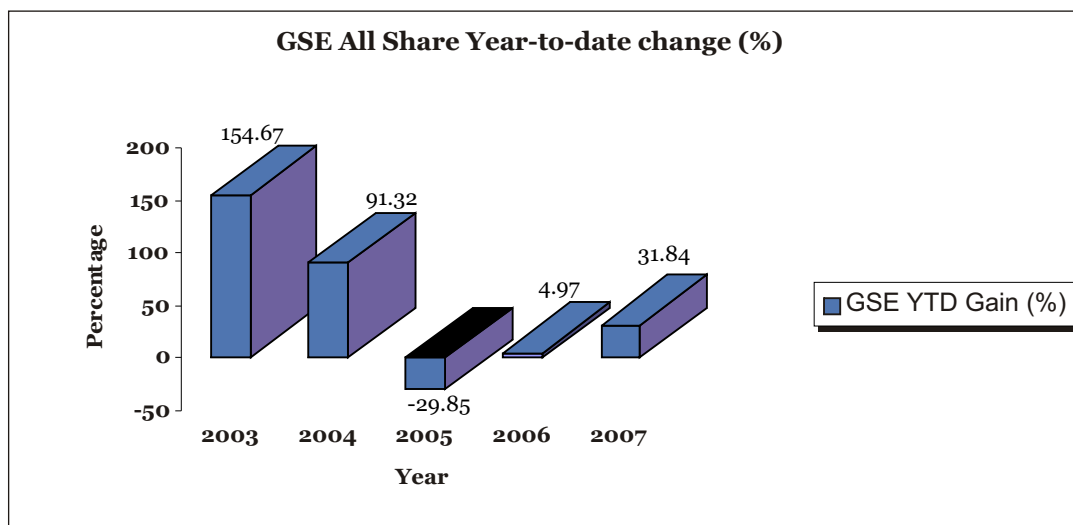
Stock Market Review-2007

Following the stock market's bearish performance in 2005 and a slight rebound in 2006, a strong recovery was recorded in the year 2007. The GSE All-share index recorded a year to date gain of 31.84%, the highest ever within the last three (3) years. Falling interest rates on money market instruments generated investors' interest in the activities of the stock exchange.

Overall, three IPOs namely, Ghana Oil Company Ltd (GOIL), SIC Insurance Company Ltd and Golden Star Resources (GSR) were registered in the year. The Government took advantage of the growing investor confidence in the market to sell its Golden Jubilee savings bond to raise an amount of GH¢50 million over a maturity period of five (5) years.

Table 1:

Year	2003	2004	2005	2006	2007
GSE Year-to-date Gain (%)	154.67	91.32	(29.85)	4.97	31.84

Fig1


Out of thirty-two (32) companies listed on the stock exchange, twenty-three (23) recorded price changes in year 2007. In all, there were seventeen (17) equity gainers and six (6) losers as at the end of December 31, 2007. SG-SSB and CAL Bank were the largest price gainers recording more than 100 percent at the end of the year.

Total market capitalization rose by 9.95% from GH¢11,249.60 million in 2006 to GH¢12,368.60 million in 2007.

Real Estate Sector

The year under review saw a lot of development in the real estate sector. The Government developed two up-market residential estates in Cantoments and Ridge purposely for the country's 50th anniversary celebration and the African Union summit in Ghana. Other



private developers also constructed first class residential houses to supplement the effort of the government to provide decent accommodation for delegates at the African Union summit.

In line with the policy to provide safe, decent and affordable housing for all people the government embarked on the construction of 3,500 flats at various regional and district capitals. Most of these flats were at different stages of completion at the end of the year.

The government also sourced about 50,000 acres of land in Accra and other regional and district capitals, purposely for National Housing programme and associated infrastructure development. The objective was to establish a Land Bank system to facilitate access to land by developers.

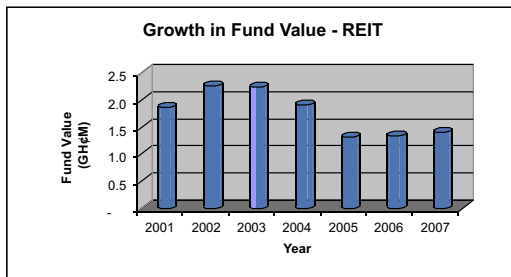
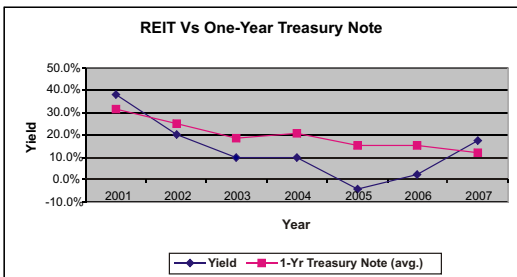
The Government also established a housing mortgage programme for public servants designed to provide mortgages of up to GHC25,000.00 at low interest rates and with zero down payment.

Fund Performance

HFC REIT completed construction and sold 8 No. 2-bedroom semi-detached houses at Community 18 in Tema. It also completed the 4 No. 4 bedroom two-storey up-market houses at Cantoments. These houses were used by the government for the 50th independence anniversary celebration and the African Union summit held in Ghana.

The Trust sold its residential property in Kumasi and invested the proceeds in land acquisition at the AU village in Cantoments. It also acquired residential plots at Community 25 at Tema.

The cumulative effect of these activities helped the Fund to achieve a yield of 17.5% as compared to 2.39% the previous year. The Fund value also inched up from GHC1.29 million in 2006 to GHC1.4 million in 2007.



OUTLOOK FOR 2008

The year 2008 looks promising. HFC REIT hopes to complete the sale of houses at Cantoments and also complete a 4-bedroom two storey duplex at the AU village. Work on the construction of 30 No. 2-bedroom semi-detached houses at Community 25 in Tema is expected to reach advance stage by the end of this year.

With these developments your Fund is expected to achieve a remarkable growth in value and also a high yield. If you had in the past contemplated on an opportune time to increase your investment then that time has come. Don't let this opportunity pass by.


JOSEPH NKETSIAH
 GENERAL MANAGER



REPORT OF THE AUDITORS TO THE UNIT HOLDERS OF HFC REAL ESTATE INVESTMENT TRUST ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

We have audited the accompanying Balance Sheet of HFC Real Estate Investment Trust as at 31 December 2007 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 2007 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.


PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

 2008.



INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTES	<u>2007</u> GH ¢	<u>2006</u> GH ¢
INCOME		<u>83,329</u>	<u>141,103</u>
Less Expenses			
Management Fees	2	20,642	24,510
Audit Fees		5,750	4,500
Other Expenses	3	<u>8,315</u>	<u>23,995</u>
		<u>34,707</u>	<u>53,005</u>
NET INCOME		<u>48,622</u>	<u>88,098</u>
Net Surplus Transferred to			
Distribution Account		<u>48,622</u>	<u>88,098</u>

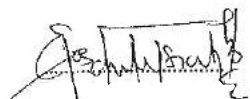
DISTRIBUTION STATEMENT YEAR ENDED 31 DECEMBER 2007

Balance 1 January	212,769	124,671
Net Surplus For The Year	<u>48,622</u>	<u>88,098</u>
Balance 31 December	<u>261,391</u>	<u>212,769</u>

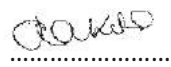
BALANCE SHEET AS AT 31 DECEMBER 2007

	NOTES	<u>2007</u> GH ¢	<u>2006</u> GH ¢
ASSETS			
Investment Properties	4	1,347,145	861,362
Investments	5	247,703	341,483
Accounts Receivable	6	125,703	221,785
Cash at Bank	7	45,503	282,057
		<u>1,766,054</u>	<u>1,706,687</u>
LIABILITIES			
Commercial Papers	8	450,000	300,000
Accounts Payable	9	107,407	112,694
Trustees Account		10,844	10,844
Deposits	10	0	100,873
		<u>568,251</u>	<u>524,411</u>
NET ASSETS		<u><u>1,197,803</u></u>	<u><u>1,182,276</u></u>
AMOUNTS DUE TO UNIT HOLDERS			
Capital Account	11	638,489	671,584
Deferred Income	12	216,896	216,896
Capital Surplus	13	81,027	81,027
Distribution Account		261,391	212,769
		<u>1,197,803</u>	<u>1,182,276</u>

SIGNED FOR HFC INVESTMENT SERVICES LIMITED ON JUNE 9, 2007



GENERAL MANAGER



DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>2007</u>	<u>2006</u>
	GH ₵	GH ₵
Cash flows from Operating Activities		
Net Surplus for the year	<u>48,622</u>	<u>88,098</u>
Changes In Working Capital		
Decrease In Accounts Receivable	96,083	51,004
(Decrease) / Increase In Deposits	(100,873)	45,812
Decrease In Accounts Payable	(5,287)	(67,314)
Payment to Trustees	<u>0</u>	<u>(3,000)</u>
Net Cash Inflow / (Outflow) from Operating Activities	<u>38,545</u>	<u>114,600</u>
Cash Flows from Investing Activities		
Investment Properties Acquired	(485,783)	(416,031)
Net Cash used in Investing Activities	<u>(485,783)</u>	<u>(416,031)</u>
Cash Flow from Financing Activities		
Commercial Papers	150,000	300,000
Value of Units Sold and Converted	962	1,214
Value of Units Disinvested	(34,057)	(14,213)
	<u>116,905</u>	<u>287,001</u>
Net Increase in Cash and Cash Equivalents	(330,333)	(14,430)
Balance at 1 January	<u>623,539</u>	<u>637,969</u>
	<u>293,206</u>	<u>623,539</u>
Cash And Cash Equivalents		
Bank and Cash Balances	45,503	282,057
Short Term Investments	<u>247,703</u>	<u>341,482</u>
	<u>293,206</u>	<u>623,539</u>

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

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% of the fair market value of the total assets owned by the Trust.

3 OTHER EXPENSES comprise of the following:

	<u>2007</u>	<u>2006</u>
	GH ¢	GH ¢
Bank Charges	295	565
Interest Expense	744	0
Exchange Loss	0	7,425
General Expenses	7,276	16,005
	<u>8,315</u>	<u>23,995</u>

4 INVESTMENT PROPERTIES

Land -Serviced Plots	194,766	258,102
Kumasi Ellis Avenue	0	140,000
Community 18, Tema	0	120,237
Work in Progress -Batsonaa	0	69,715
Ghana @ 50 Project	1,152,379	273,308
	1,347,145	861,362

5. INVESTMENTS

Joint Venture Osullivan Estates	0	17,422
Joint Venture Reit Top Housing Estate Ltd.	247,703	247,703
Bonds	0	0
Treasury Bills	0	76,358
	247,703	341,483

2007

GH ¢

2006

GH ¢

6 ACCOUNTS RECEIVABLE

HFC - Current Account	64,461	64,461
HFC - ISL Current Account	0	42,826
Property Debtors	61,242	101,058
Interest Receivable	0	13,440
	125,703	221,785

7 CASH AT BANK AND ON CALL

Cash at Bank	45,503	282,057
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8 COMMERCIAL PAPER

HFC- Unit Trust	350,000	200,000
HFC - Investment Services Limited	100,000	100,000
	450,000	300,000

9 ACCOUNTS PAYABLE

Management Fees	228	2,212
UT - Current Account	7,473	1,100
Other Creditors	0	6,070
Accruals	99,706	103,312
	107,407	112,694

10 DEPOSITORS

Amounts paid by customers in respect of subsequent purchase of houses.

0 100,873

11 CAPITAL ACCOUNT	Units	2007 GH ¢	Units	2006 GH ¢
Balance at 1st January	2,855,538	671,584	2,873,538	684,584
Value of Units sold & Converted	1,060	962	6,400	1,214
Value of Units Disinvested	2,856,598 (77,668)	672,546 (34,057)	2,879,938 (24,400)	685,798 (14,214)
	2,778,930	638,489	2,855,538	671,584
Balance at 31 December	2,778,930	638,489	2,855,538	671,584

12 DEFERRED INCOME

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

	<u>2007</u> GH ¢	<u>2006</u> GH ¢
Balance - 31 December	<u>216,896</u>	<u>216,896</u>

13 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), at open market value.

	<u>2007</u> GH ¢	<u>2006</u> GH ¢
INCOME		
Profit on Sale of Houses	69,623	104,619
Call Interest	0	4,662
Bank Interest	1,657	6,186
Investment Income	8,437	21,344
Rent Income	0	2,495
Exchange Gain	2,766	0
Others	846	1,797
	<u>83,329</u>	<u>141,103</u>
EXPENSES		
Management Fees	20,642	24,510
Audit Fees	5,750	4,500
Other expenses:		
Bank Charges	295	565
General Expenses	7,276	16,005
Interest Expense	744	0
Exchange Loss	0	7,425
	<u>34,707</u>	<u>53,005</u>
NET SURPLUS FOR THE YEAR	48,622	88,098

HFC REIT / ADMISSION FORM

Annual General Meeting to be held at the National Theater, Accra at 10:00 am on 24th July, 2008.

A Unitholder who is unable to attend an Annual General Meeting (AGM) 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 17th July 2008.

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.



HFC REIT / Proxy Form

Annual General Meeting to be held at the National Theater, Accra at 9:00 am on Thursday, 24th July, 2008.

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 23rd July, 2008 and at any adjournment thereof

Dated this _____ day of _____ 2008

 Unit Holder(s) Signature

Resolution	For	Against
To adopt the 2007 Manager's Report		
To approve the accounts and distribution statement for the financial year ended 31st December, 2007.		
To authorize 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 attend the meeting)

HFC ASSET MANAGEMENT

We are professionals in:

- Provident Fund Management
- Individual Client Investment Services
- Fund Management For Groups & Institution (Churches, Investment Clubs, NGO's, Etc)
- Endowment Fund Management

What You receive:

- High Returns on your Investments
- Benefits from the expertise of our competent Investment Managers
- Low and highly competitive management fees
- Quarterly Reports on your Investment
- Provident Fund statements for individual members within a fund
- Ability to use your Investment to secure a wide variety of loans (including mortgage loans) from HFC BANK
- Ability to use your investment statement to support visa application
- Holding a Diversified Portfolio with one competent Investment Manager
- The peace of mind that comes with leaving the management of your finances to professionals!

With Us, Your Future Cash Flows Are Secured!! Talk To Us!

021 683891-3

Isl@hfcbank.com

HFC BROKERAGE SERVICES LTD

- We undertake the following:
 - Brokerage Services
 - Portfolio Management
 - Research, and
 - Corporate Finance

Timely Delivery and Value Addition is our Hallmark



FINANCIAL ADVISORY

HFC-ISL provides advisory services for corporate clients in the following areas:

- ❶ **Public Offering:** HFC-ISL provides quality and efficient advisory and marketing services for clients who desire to raise capital by offering equity or debt instrument to the investing public in public offer of shares, notes and bonds. HFC-ISL ensures that all such instruments meet the legal requirements of the SEC, and where such instruments are to be listed on the stock market, the legal and procedural requirements of the Ghana Stock Exchange as well.
- ❷ **Private Placement:** HFC-ISL is a significant market player in the private placement of debt (short and medium term) and equity instrument by offering such instruments directly to a number of sophisticated institutional investors which include insurance companies, trusts and collective investment schemes, or as it frequently does, fully underwrite the entire issue.
- ❸ **Investment Banking:** HFC-ISL also provides a wide range of advisory services in mergers, acquisitions, corporate defence activities, restructuring, Management Buyout (MBO) and Leveraged Buyout (LBO) deals.
- ❹ **Feasibility Studies:** HFC-ISL undertakes the preparation of financial feasibility studies for clients and also reviews and refines feasibility reports presented by clients seeking funds for the implementation of business projects. We propose viable options available to the client, and consult with the client to select the option that best suits the goals and objectives of the business.