



2012
ANNUAL REPORT

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HFC Investments

A Subsidiary of HFC Bank (Ghana) Limited



HFC REAL ESTATE INVESTMENT TRUST

2012

ANNUAL REPORT & FINANCIAL STATEMENTS

The Manager

Name: HFC Investment Services Limited (HFC Investments)

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: No. 48 A, Sixth Avenue
North Ridge, Accra

Date of Incorporation: 7TH JULY 1993 (Name changed from Home Finance Investment Fund Limited to HFC Investment Services Limited on 1ST OCT. 2001).

Capitalization (as at December 31 2012)

Authorized: 10,000,000 (Ten million) Ordinary shares of no Par value

Issued: 1,346,000 shares

Auditors: Ernst and Young
G 15 White Avenue
Airport Residential Area
P.O. Box 16009
Accra



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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of Unitholders will be held at the British Council, Accra at 11:00 am on Wednesday 29th May, 2013 to transact the following businesses:

AGENDA

1. To receive the report of the Manager for the Year 2012.
2. To receive the Audited Statement of Income and Expenditure of HFC Real Estate Investment Trust (REIT) for the financial year ended December 31, 2012 together with the Trustees and Auditors report thereon.
3. To authorize the Manager to fix the remuneration of the Auditors for Year 2013.
4. Special Business:

To pass the following as a Special Resolution:

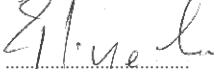
“That the Manager is hereby authorised and mandated in accordance with Section 81 of the UNIT TRUST and MUTUAL FUNDS REGULATIONS, 2001 L. I. 1695, to send statements of Unit holders and the Annual reports of the fund via Electronic Mail and Short Message Service.”

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 Investments
No. 48 A, Sixth Avenue
North Ridge, Accra

Dated 8th May 2013

By Order of the Manager.



PETER LARBI-YEBOAH
For: HFC Investments

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 Real Estate Investments 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 explain 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 Real Estate Investments 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 12, the respective responsibilities of the Trustees and the Auditors in relation to the financial statement.

Report of the Trustees to the Unit Holders of the HFC Real Estate Investment Trust For the year ended 31 December 2012

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 Unit Trust and Mutual Funds Regulations, 2001, (L.I. 1695).

Dated this 12th Day of April 2013


For: MERCHANT BANK (GHANA) LIMITED

HFC REIT

Fund Manager's Report for the year ended December 31, 2012

The year 2012 continued to record global market uncertainties, stemming from a fragile Euro Zone and the US fiscal cliff, which without a deal at the tail end of 2012, would have probably sent the US economy into recession. As a result of the uncertainties, the GDP growth for the Eurozone, a major trading block, fell by 0.6% for 2012, whereas the US grew by 0.4%.

The Ghanaian economy remained generally resilient in spite of continued uncertainties in the global economy. The estimated GDP growth rate of 8.5% for the period was moderated by domestic challenges emanating chiefly from the shortfall in energy supply.

These challenges notwithstanding, the construction and real estate sector of the economy witnessed strong growth and expansion, growing by 11% and 13% respectively. A further indicator of the health of the sector was the double digit growth of cement, a staple ingredient for the sector, over the period under review. A bag of cement grew by approximately 25% over the period from Ghs13 at the beginning of the year. In the course of the year, it is worth noting that the strong demand underpinning growth in the sector, saw cement prices rise by as much as 85% during the month long shut down of the Diamond Cement plant in Aflao in April 2012.

Despite the positive indicators within the sector, the year 2012 witnessed significant macro-economic developments that did not aid business within the sector. In a sector heavily reliant on imports, the significant weakening of the cedi against the major trading currencies in the first half of 2012 placed undue pressure on prices and the commensurate rent on property. Furthermore the sudden and sustained increase in market interest rates from April 2012 compounded the cost of doing business for real estate developers and end-consumers alike.

Your fund however managed to return a yield of 22.87% over the period, which was well above the average 1 year government paper for the same period. This was made possible through the fund's investments in land banks and residential properties. Other notable projects invested in were property related bonds purposed at putting up University Hostels and faculties

Investor confidence by existing unit holders in the fund and new investors, reached new heights in the course of the year with the fund value increasing by 70% over the period under review to end the year at GHs18.87million. The total pool of investors in the fund as at the end of 2012 was 3,257.

Your fund manager wishes to note that investor confidence should remain strong as there is every indication that the real estate sector will remain key in years to come. With approximately 40% of the population below the age of 17, and urban population rising from 43% of the overall populace in 2000 to 50% as at 2010, it is expected that modern housing stock requirements will grow considerably, adding on to the currently estimated government deficit of approximately 1.5million units. Furthermore Ghana's gradual transition towards a middle income status nation will undoubtedly create new opportunities in the commercial segment of the sector.

The outlook for your fund is therefore a positive one and I do thank you for the renewed confidence in the fund, but I ask that you continue to invest to take full advantage of the opportunities that the sector will bring to the fund in the months and years ahead.



PETER LARBI-YEBOA

GENERAL MANAGER

REIT - Highlights / Fund Statistics

	2010	2011	2012	3 yr Avg
REIT (%)	16.00	13.51	22.87	17.46
GOG 1-Year Treasury Note (%)	14.52	11.81	18.77	15.03

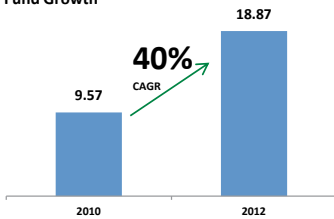
Fund Value

GHS 11.06m  70% **GHS18.87m**
 2011 2012

2012 Return (YTD)

22.87 

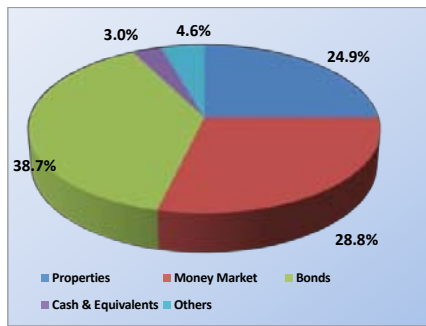
Fund Growth



No. of Unit Holders

3,257 (Dec 2012)
 57% Growth (y/y)

Portfolio / Asset Mix - Fund Value (2012)



Type	Value (GH¢)	Proportion of NFV
Properties	4,705,314	24.9%
Money Market	5,440,003	28.8%
Bonds	7,295,370	38.7%
Cash & Equivalents	572,570	3.0%
Others	859,257	4.6%
Total	18,872,515	100%



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HFC REIT FOR THE YEAR ENDED 31 DECEMBER 2012

Report on the Financial Statements

We have audited the accompanying financial statements of HFC Real Estate Investment Trust which comprise the statement of assets and liabilities as of December 31, 2012, the income and distribution accounts, statement of movement in net assets and issued units for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustee's Responsibility for the Financial Statements

The Trustee are responsible for the preparation and fair presentation of these financial statements in accordance with Ghana Accounting Standards and in the manner required by Unit Trust and Mutual Funds Regulations, 2001, (L.I. 1695) and the Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Trustee, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of HFC Real Estate Investment Trust as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with Ghana Accounting Standards and comply with the Companies Code, 1963 (Act 179) and have been properly prepared in accordance with the Unit Trust and Mutual Funds Regulations, 2001, (L.I. 1695).

Report on Other Legal and Regulatory Requirements

The Companies Code, 1963, (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion proper books of accounts have been kept by the Trust, so far as appears from our examination of those books, and
- iii. The Trust's Statement of Assets and Liabilities and Income and Distribution Account are in agreement with the books of accounts.

Signed by: F. Bruce-Tagoe (ICAG/P/1087)

For and on behalf of
PKF: (ICAG/F/2013/039)
Chartered Accountants
Farrar Avenue
P. O. Box GP 1219,
Accra.
9th April 2013



**HFC HFC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS DECEMBER 31, 2012**

HFC REAL ESTATE INVESTMENT TRUST

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 DECEMBER 2012

Description	Notes	Market Value GH c	% Net Assets
Properties			
Land		2,258,204	12.03
Investment Properties		2,344,238	12.49
TOTAL		4,602,442	24.52
SHORT TERM FUNDS			
Cash at Bank and on Call	4	845,574	4.51
Treasury Bills		4,820,006	25.68
Fixed Deposit		620,000	3.30
Bonds		7,295,370	38.87
HFC Equity Trust		315,346	1.68
		13,050,722	69.53
Total Short Term Funds		13,896,296	74.04
Total Investments		18,498,738	98.56
Other Assets in Excess of Liabilities		269,973	1.44
Total Net Assets		18,768,711	100.00

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 DECEMBER 2012

	Notes	2012 GH c	2011 GH c
Assets:			
Total Investments		18,498,738	9,431,718
Receivables:			
Property Debtors		102,874	1,021,231
Deposit for Land		0	750,000
Interest	5	419,938	397,795
Other Receivables		1,774	4,095
Total Assets		19,023,324	11,604,839
Liabilities:			
Amount Due to Managers		40,072	22,000
HFC ISL Current Account		51,438	0
HFC UT Current Account		2,312	0
Other Creditors		101,056	370,471
Deposits	6	43,399	409,349
Accrued Charges		16,336	14,500
Total Liabilities		254,613	816,320
Net Assets		18,768,711	10,788,519

SIGNED FOR HFC INVESTMENT SERVICES LIMITED 9th April, 2013.



 GENERAL MANAGER



 DIRECTOR

INCOME AND DISTRIBUTION ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 GH c	2011 GH c
Investment Income			
Profit on Sale of Houses		601,654	136,542
Treasury Bills		320,391	367,030
Fixed Deposits		390,949	509,134
Bonds		1,095,495	90,790
Call Account		14,042	5,324
Interest		0	2,542
Rent Income		191,443	126,418
Other Income		81,419	93,709
Total Income		<u>2,695,393</u>	<u>1,331,489</u>
Expenses			
Management Fees		393,238	253,319
Trustees Fees		8,655	11,523
Auditors Remuneration		16,000	14,500
Other Expenses	3	1,384,930	1,090,983
		<u>1,802,823</u>	<u>1,370,325</u>
Net Investment Income		<u>892,570</u>	<u>(38,836)</u>

ACCUMULATED NET INVESTMENT INCOME

BALANCE AT 1 JANUARY		<u>2,400,838</u>	<u>2,439,674</u>
Net Investment Income		892,570	(38,836)
BALANCE AT 31 DECEMBER		<u>3,293,408</u>	<u>2,400,838</u>

STATEMENT OF MOVEMENT IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 GH c	2011 GH c
Net Investment Income		892,570	(38,836)
Change In Unrealised Gains	7	1,352,121	392,892
Net Increase in Net Assets Resulting from Operations		2,244,691	354,056
Capital Transactions			
Value of Units Sold and Converted		9,350,063	4,100,712
Value of Units Disinvested		(3,614,562)	(2,888,867)
Net Proceeds from Capital Transactions		5,735,501	1,211,845
Total Increase in Net Assets		7,980,192	1,565,901
Net Assets:			
Balance at 1 January		10,788,519	9,222,618
Total Increase in Net Assets		7,980,192	1,565,901
Balance at 31 December		18,768,711	10,788,519

STATEMENT OF MOVEMENT IN ISSUED UNITS FOR THE YEAR ENDED 31 DECEMBER 2012

Number of Units at 1 January	12,077,716	10,682,157
Number of Units Issued during the year	8,435,109	4,259,042
	20,512,825	14,941,199
Number of Units disinvested during the year	(3,194,016)	(2,863,483)
Number of Units at 31 December	17,318,809	12,077,716

CAPITAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

CAPITAL ACCOUNT	2012 Units	2012 GH ¢	2011 Units	2011 GH ¢
Balance at 1st January	12,077,716	7,994,788	10,682,157	6,782,944
Value of Units sold & Converted	8,435,109	9,350,063	4,259,042	4,100,711
	20,512,825	17,344,851	14,941,199	10,883,655
Value of Units Disinvested	(3,194,016)	(3,614,562)	(2,863,483)	(2,888,867)
Balance at 31 December	17,318,809	13,730,289	12,077,716	7,994,788

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

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 Income

Income from Sale of properties is recognised only when the trust has transfer ownership of the property to the buyer.

1.3 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.

1.4 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 the following:

	2012 GH c	2011 GH c
Bank Charges	24,592	17,172
Interest Expense	1,270,589	1,007,235
General Expenses	89,749	66,576
	1,384,930	1,090,983

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

4. CASH AT BANK AND ON CALL

	2012 GH ¢	2011 GH ¢
Cash at Bank	845,574	149,841
	845,574	149,841

5. INTEREST RECEIVABLE

Fixed Deposits	290,289	108,223
Call	2,077	21,083
Bonds	0	90,790
Treasury Bills	127,572	177,699
	419,938	397,795

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 GH ¢	2011 GH ¢
6. DEPOSITORS		
Amounts paid by customers in respect of subsequent purchase of houses.	43,399	409,428
	43,399	409,428
7. UNREALIZED GAINS / (LOSSES)		
Market Value of Investment Property	2,258,204	1,537,120
Cost of Investment Property	(906,083)	(1,144,228)
Change in Unrealised gains	1,352,121	392,892
Add Unrealised gains from previous years	392,892	0
Unrealised gains as at 31 December	1,745,013	392,892

8. CONTINGENT LIABILITIES

There were no contingent liability at the end of the year.

ADMISSION FORM

Annual General Meeting to be held at the British Council, Accra at 11:00am on Wednesday, 29th May 2013.

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 29th May, 2013.

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 Real Estate Investment Trust / Proxy Form

Annual General Meeting to be held at the British Council, Accra at 11:00am on Wednesday, 29th May 2013.

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 29th May 2013 and at any adjournment thereof

Dated this 9th day of April 2013.

.....

Unit Holder(s) Signature

Resolution	For	Against
To adopt the 2012 Manager's Report		
To approve the accounts and distribution statement for the financial year ended 31st December, 2012.		
To authorize the Manager to Fix the Auditor's Remuneration		
To pass the following as a Special Resolution: "That the Manager is hereby authorised and mandated in accordance with Section 81 of the UNIT TRUST and MUTUAL FUNDS REGULATIONS, 2001 L. I. 1695, to send statements of Unit holders and the Annual reports of the fund via electronic mail and Short Message Service."		

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 Investments
No. 48 A, Sixth Avenue
North Ridge, Accra