

REIT

Real Estate Investment Trust



2013
annual report

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A Subsidiary of HFC Bank (Ghana) Limited



HFC REAL ESTATE INVESTMENT TRUST

2013

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 2013)

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

Issued: 2,346,400 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 Eighteenth Annual General Meeting of Unitholders will be held at the British Council, Accra at 10:30 am on Wednesday 28th May, 2014 to transact the following businesses:

AGENDA

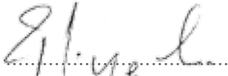
1. To receive the report of the Manager for the Year 2013.
2. To receive the Audited Statement of Income and Expenditure of HFC Real Estate Investment Trust (REIT) for the financial year ended December 31, 2013 together with the Trustees and Auditors report thereon.
3. To authorize the Manager to fix the remuneration of the Auditors for Year 2014.

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 30th April 2014

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.

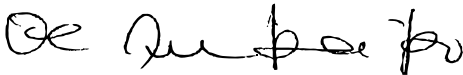
The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Real Estate Investments Trust, which will ensure that the financial statements comply with the Trust Deed and Securities Industry Law, 1993 (PNDCL 333). 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 14, 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 2013

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 20th Day of March 2014



For: MERCHANT BANK (GHANA) LIMITED

HFC REIT

Fund Manager's Report for the year ended December 31, 2013

The year 2013 was characterised by strong signs of recovery in the developed economies, coupled with a relative weakening of emerging markets, leading to the broad reversal of capital flows from the emerging markets.

On the domestic front the bearish commodity prices on the world market also impacted the country's foreign exchange earnings and did not aid an already weak position on account of fiscal pressures.

Headline inflation which was significantly impacted upon by higher petroleum and utility prices ended the year 2013 at 13.5%. This was above the inflation target of 9%

Interest rates on money market Instruments declined between January and December 2013. The benchmark 91-Day Treasury Bill opened at 23.02% but ended the year at 19.22%.

The provisional GDP estimates for 2013 indicate that the economy grew by 7.4% above the 2012 position, with the services sector recording the highest growth of 9.2%. The real estate sector which forms an integral part of the domestic economy however recorded a slowdown in the pace of growth than recorded for each year for the past five years, in comparison with GDP. Having grown consistently from 3.99% as a percentage of GDP in 2009 to 4.49% in 2012, the sector witnessed a slump in 2013 by recording a growth rate of 4.38% for 2013.

While the sector continues to face significant challenges ranging from land acquisition and encroachment issues, to inefficient land titling processes, the sector in 2013 was undeniably impacted upon by the key macroeconomic fundamentals, inflation, interest rates and foreign exchange prices. Local Clinker supply for cement, a staple item for real estate business has been a challenge and therefore cement companies must import clinker, which in 2013 was impacted by the 14.61% depreciation of the cedi. Headline inflation of 13.5%, further heightened the cost of doing business for both real estate developers and end consumers within the sector alike.

FUND PERFORMANCE

Your fund in these circumstances, managed to return a yield of 23.01%, considerably exceeding the average government bills and bond yields for 2013. Investor confidence by new and existing investors also continued to soar throughout 2013 with the fund value increasing by 48% to close the year at GHs27.9million. The total pool of investors in the fund at the end of the period under review was 4,105, and this represented an increase of 26% over the 2012 figure.

OUTLOOK FOR 2014

Your confidence expressed in the fund is in the right direction given that Ghana's real estate market still holds considerable growth potential despite the numerous challenges that have to be circumvented and dealt with to realise it. We expect to see stronger cooperation in the months and years ahead between the private and public sectors to make housing accessible to the largely untapped middle and lower income market, which continues to grow; the outlook for excellent commercial space will remain positive as the economy continues to expand, fuelled by oil related growth; we expect to see innovative products aimed at making home ownership affordable, in the wake of new funding as the New Pension Scheme continues to develop; and we expect Ghana's democracy to further develop. We therefore believe the real estate sector will offer significant long term rewards for the patient investor.


The outlook for your fund is therefore a positive one, and I encourage you to have a long term view as befits any investment in the sector, to enable your fund take full advantage of the opportunities in the years ahead.

HFC REIT

Highlights / Fund Statistics

	2011	2012	2013	3 yr Avg
REIT (%)	13.51	22.87	23.01	20.57
GOG 1-Year Treasury Note (%)	11.81	18.77	17.00	16.59

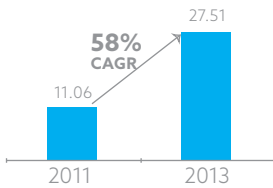
Fund Value

GHS 18.87m  47% **GHS27.51m**
2012 2013


2013 Return (Yield)

23.01% 

Fund Growth

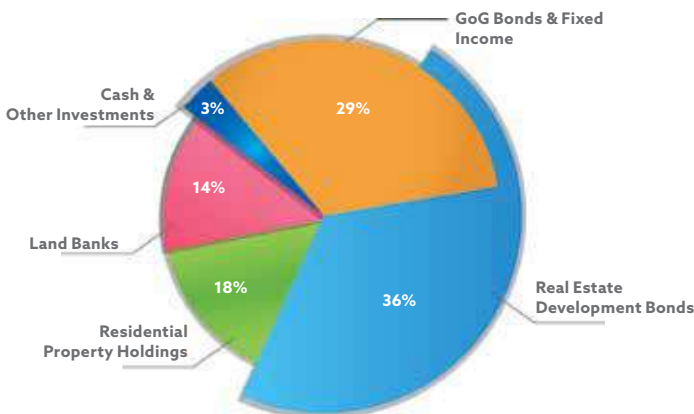


No. of Unit Holders

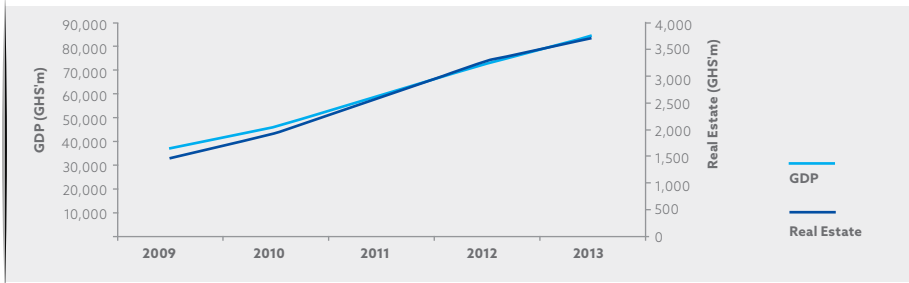
4,105 (Dec 2013)
 **26%** Growth (y/y)

Type	Value (GH¢)	Proportion of NFV
Land Banks	3,746,298	13.6%
Residential Property Holdings	5,037,749	18.3%
Real Estate Dev't Bonds	9,857,880	35.8%
Money Market & GoG Bonds	8,070,796	29.3%
Cash & Others	797,395	2.9%
Total	27,510,118	100%

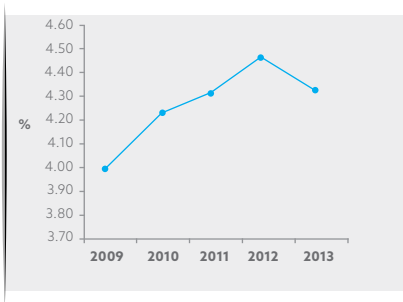
Portfolio / Asset Mix - Fund Value (2013)



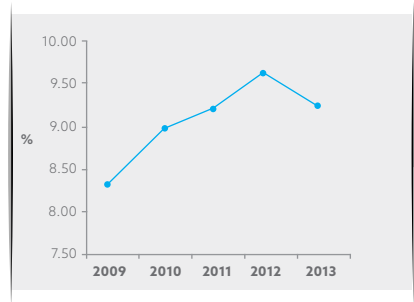
GDP vs Real Estate (GHS'm)



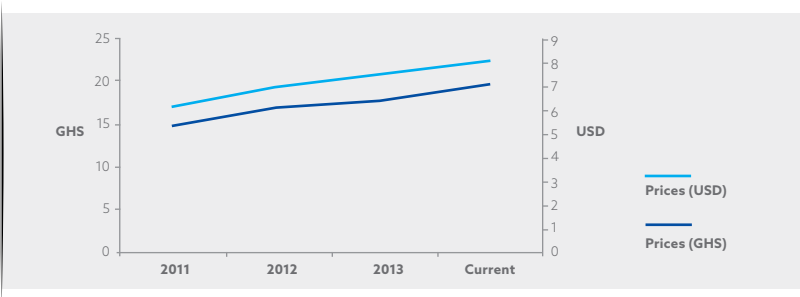
Real Estate as % of GDP



Real Estate as % of Services



Cement Price





HFC REAL ESTATE INVESTMENT TRUST STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2013



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HFC REIT FOR THE YEAR ENDED 31 DECEMBER 2013

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, 2013, 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 is 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, 2013 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/039)
Chartered Accountants
Farrar Avenue
P. O. Box GP 1219,
Accra.
20th March, 2014

HFC REAL ESTATE INVESTMENT TRUST

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 DECEMBER 2013

Description	Notes	Market Value GH ₵	% Net Assets
Properties			
Land		3,794,298	13.79
Investment Properties		1,991,288	7.24
TOTAL		<u>5,785,586</u>	<u>21.03</u>
SHORT TERM FUNDS			
Cash at Bank and on Call	4	489,339	1.78
Treasury Bills		350,003	1.27
Fixed Deposit		3,250,000	11.81
Bonds		13,195,370	47.97
HFC Equity Trust		315,346	1.15
		<u>17,110,719</u>	<u>62.20</u>
Total Short Term Funds		<u>17,600,058</u>	<u>63.98</u>
Total Investments		23,385,644	85.01
Other Assets in Excess of Liabilities		4,124,474	14.99
Total Net Assets		<u>27,510,118</u>	<u>100.00</u>

HFC REAL ESTATE INVESTMENT TRUST

STATEMENT OF ASSETS AND LIABILITIES

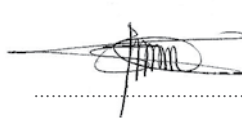
AS AT 31 DECEMBER 2013

Assets:	Notes	2013 GH ¢	2012 GH ¢
Total Investments		23,385,644	18,498,738
Receivables:			
Property Debtors		6,338	102,874
Deposit for Houses	8	3,038,462	0
Interest	5	1,133,805	419,938
HFC ISL Current Account		40,123	0
Other Receivables		1,886	1,774
Total Assets		27,606,258	19,023,324
Liabilities:			
Amount Due to Managers		62,716	40,072
HFC ISL Current Account		0	51,438
HFC UT Current Account		14,682	2,312
Other Creditors		186	101,056
Deposits	6	0	43,399
Accrued Charges		18,556	16,336
Total Liabilities		96,140	254,613
Net Assets		27,510,118	18,768,711

Signed for HFC Investment Services Limited 20th March, 2014.



GENERAL MANAGER



Director

HFC REAL ESTATE INVESTMENT TRUST INCOME AND DISTRIBUTION ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

Investment Income	Notes	2013 GH ¢	2012 GH ¢
Profit on Sale of Houses		0	601,654
Treasury Bills		607,140	320,391
Fixed Deposits		314,879	390,949
Bonds		2,778,459	1,095,495
Call Account		26,720	14,042
Interest		0	0
Rent Income		238,990	191,443
Other Income		194,467	81,419
Total Income		4,160,655	2,695,393
 Expenses			
Management Fees		584,228	393,238
Trustees Fees		17,520	8,655
Auditors Remuneration		18,556	16,000
Other Expenses	3	59,877	1,384,930
		680,181	1,802,823
Net Investment Income		3,480,474	892,570
 ACCUMULATED NET INVESTMENT INCOME			
BALANCE AT 1 JANUARY		3,293,408	2,400,838
Net Investment Income		3,480,474	892,570
BALANCE AT 31 DECEMBER		6,773,882	3,293,408

HFC REAL ESTATE INVESTMENT TRUST

STATEMENT OF MOVEMENT IN NET ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 GH ¢	2012 GH ¢
Net Investment Income		3,480,474	892,570
Change In Unrealised Gains	7	1,124,601	1,352,121
Net Increase in Net Assets Resulting from Operations		4,605,075	2,244,691
Capital Transactions			
Value of Units Sold and Converted		12,259,995	9,350,063
Value of Units Disinvested		(8,123,663)	(3,614,562)
Net Proceeds from Capital Transactions		4,136,332	5,735,501
Total Increase in Net Assets		8,741,407	7,980,192
Net Assets:			
Balance at 1 January		18,768,711	10,788,519
Total Increase in Net Assets		8,741,407	7,980,192
Balance at 31 December		27,510,118	18,768,711

STATEMENT OF MOVEMENT IN ISSUED UNITS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 GH ¢	2012 GH ¢
Number of Units at 1 January		17,318,809	12,077,716
Number of Units Issued during the year		8,740,250	8,435,109
		26,059,059	20,512,825
Number of Units disinvested during the year		(5,681,814)	(3,194,016)
Number of Units at 31 December		20,377,245	17,318,809

CAPITAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

CAPITAL ACCOUNT	2013 Units	2013 GH ¢	2012 Units	2012 GH ¢
Balance at 1st January	17,318,809	13,730,289	12,077,716	7,994,788
Value of Units sold & Converted	8,740,250	12,259,995	8,435,109	9,350,063
	26,059,059	25,990,284	20,512,825	17,344,851
Value of Units Disinvested	(5,681,814)	(8,123,663)	(3,194,016)	(3,614,562)
Balance at 31 December	20,377,245	17,866,621	17,318,809	13,730,289

HFC REAL ESTATE INVESTMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

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 transferred 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 of the following:

	2013 GH ¢	2012 GH ¢
Bank Charges	17,683	24,592
Interest Expense	0	1,270,589
General Expenses	42,194	89,749
	59,877	1,384,930

4. CASH AT BANK AND ON CALL

Cash at Bank	489,339	845,574
	489,339	845,574

HFC REAL ESTATE INVESTMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

	2013 GH ¢	2012 GH ¢
5. INTEREST RECEIVABLE		
Fixed Deposits	1,113,065	290,289
Call	499	2,077
Bonds	0	0
Treasury Bills	20,241	127,572
	1,133,805	419,938
6. DEPOSITORS		
Amounts paid by customers in respect of subsequent purchase of houses.	0	43,399
	0	43,399
7. UNREALIZED GAINS / (LOSSES)		
Market Value of Investment Property	3,794,298	2,258,204
Cost of Investment Property	(2,669,697)	(906,083)
Change in Unrealised gains	1,124,601	1,352,121
Add Unrealised gains from previous years	1,745,013	392,892
Unrealised gains as at 31 December	2,869,614	1,745,013

8. DEPOSIT FOR HOUSES

This represent part payment for a number of Houses under construction at Ridge that the fund is purchasing.

9. CONTINGENT LIABILITIES

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

HFC REAL ESTATE INVESTMENT TRUST

ADMISSION FORM

Annual General Meeting to be held at the British Council, Accra at 10:30am on Wednesday, 28th May 2014.

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 28th May, 2014.

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 10:30am on Wednesday, 28th May 2014.

I/we..... being a Unitholder(s)
 hereby appointor 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 28th May 2014 and at any adjournment thereof

Dated this 30th day of April 2014.

.....

Unit Holder(s) Signature

Resolution	For	Against
To adopt the 2013 Manager's Report		
To approve the accounts for the financial year ended 31st December, 2013.		
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 Investments
No. 48 A, Sixth Avenue
North Ridge, Accra