

REAL ESTATE INVESTMENT TRUST



2014

ANNUAL REPORT

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REAL ESTATE
INVESTMENT TRUST
2014
ANNUAL REPORT



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 2014)

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 Nineteenth Annual General Meeting of Unitholders will be held at the British Council, Accra at 10:30am on Friday 29th May, 2015 to transact the following businesses:

AGENDA

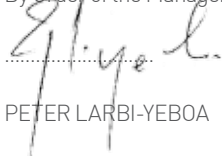
1. To receive the report of the Manager for the Year 2014.
2. To receive the Audited Statement of Income and Expenditure of HFC REIT for the financial year ended December 31, 2014 together with the Trustees and Auditors report thereon.
3. To authorize the Manager to fix the remuneration of the Auditors for the Year 2015.

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, 2015

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 responsible for safeguarding the assets of the Investment Trust and taking reasonable steps for the prevention and detection of fraud and other irregularities.

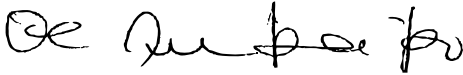
The statements should be read in conjunction with the statements of the Auditors' responsibilities as set out on page 12, the respective responsibilities of the Trustees and the Auditors in relation to the financial statement.

REPORT OF THE TRUSTEES

TO THE UNIT HOLDERS OF THE HFC REAL ESTATE INVESTMENT TRUST FOR THE YEAR ENDED 31 DECEMBER 2014

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 30th Day of March 2015



For: UNIVERSAL MERCHANT BANK (GHANA) LIMITED

HFC REAL ESTATE INVESTMENT TRUST

FUND MANAGER'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2014

The Ghanaian economy in 2014 was a challenging one. The economy struggled for direction for the most part of the year, with all the economic indicators that have a bearing on real estate deteriorating substantially throughout the period.

Inflation rose from 13.5% in January 2014 to 17% for December 2014. The benchmark 91 day Treasury Bill rose from 19.2% to 25.8% and so did the average lending rates of banks, moving from 28% to 31.83% in December 2014. Noticeably the Ghana cedi depreciated substantially against the major trading currencies, falling by 31% against the US Dollar, the cedis' major trading pair. The resulting impact of these deteriorating indicators on the real estate and construction sector was double edged. While the cost of construction soared and impacted final prices, the disposable incomes of consumers were significantly affected. Indeed for the second year running the contribution of the real estate sector to the country's GDP recorded a dip, reflecting the current challenges faced by the sector.

Your fund however managed to return a yield of 23% over the period, which was above the average 1 year government paper for the same period. This was largely attributable to your fund's holdings in residential property which were successfully disposed off, as well as holdings in well located land banks.

But in spite of the current challenges being faced by the sector, your Manager acknowledges that the overall sentiments on the Ghanaian real estate sector remains positive and this view appears to be a shared one, considering the characteristics of the fund over 2014. Investor confidence by existing unit holders of the fund and new investors continued to surge throughout the year, with the fund value increasing by 35.03% over the period under review, to end the year at GHc37.7million. The total pool of investors in the fund as at the end of 2014 was 4,833, reflecting an increase of 17.8% over the 2013 figure.

Your Manager is pleased with the stance of Unit Holders and wishes to emphasise that the long-term outlook for the fund and the sector is a bright one. The landscape for commercial and residential properties continues to evolve, spurred on by strong sub-drivers such as changing demographics, urbanisation and the growing need for modern office and commercial space. The regulatory environment also continues to improve, with the promulgation of legislature such as the Real Estate Bill placed before parliament, and the advocacy of condominium laws to complement reforms being undertaken in land administration and planning.

The outlook for your fund is therefore a positive one, and I wish to thank you for your continued confidence in the fund. I ask that you maintain your established stance in the fund, to take advantage of the opportunities that the sector will bring to the fund in the months and years ahead.




HFC REIT

HIGHLIGHTS / FUND STATISTICS

| | 2012 | 2013 | 2014 | 3 yr Avg |
|------------------------------|-------|-------|-------|----------|
| REIT (%) | 22.87 | 23.01 | 23.61 | 23.16 |
| GOG 1-Year Treasury Note (%) | 18.77 | 17.00 | 22.50 | 19.42 |

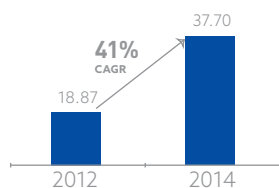
Fund Value

GHS27.51m 2013  **GHS37.7m** 2014

2013 Return (Yield)

23.01% 

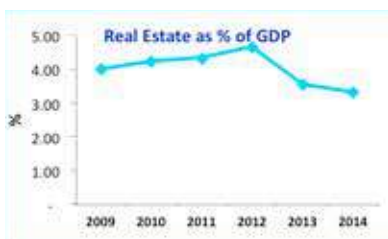
Fund Growth



No. of Unit Holders

4,833 (Dec 2014)

 **17.8%** Growth (y/y)



| Type | Value (GH¢) | Proportion of NFV |
|-------------------------------|-------------------|-------------------|
| Land Banks | 9,417,894 | 24.99% |
| Residential Property Holdings | 5,387,112 | 14.29% |
| Real Estate Dev't Bonds | 12,050,895 | 31.97% |
| Money Market & GoG Bonds | 9,567,246 | 25.38% |
| Cash & Others | 1,272,984 | 3.37% |
| Total | 37,696,131 | 100% |

HFC REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HFC REAL ESTATE INVESTMENT TRUST FOR THE YEAR ENDED 31 DECEMBER 2014

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, 2014, 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.

Trustees Responsibility for the Financial Statements

The Trustees 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 Act, 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 the Trustees, 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, 2014 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 Act, 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 Act, 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.

18th March, 2015

HFC REAL ESTATE INVESTMENT TRUST

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 DECEMBER 2014

| Description | Notes | Market Value GH ₵ | % Net Assets |
|---------------------------------------|-------|-------------------|---------------|
| Properties | | | |
| Land | | 9,418,245 | 25.96 |
| Investment Properties | | 1,991,287 | 5.49 |
| Work In Progress | | 3,328,462 | 9.17 |
| TOTAL | | 14,737,994 | 40.62 |
| SHORT TERM FUNDS | | | |
| Cash at Bank and on Call | 4 | 528,353 | 1.46 |
| Treasury Bills | | 2,290,004 | 6.31 |
| Fixed Deposit | | 2,850,000 | 7.86 |
| Bonds | | 15,385,370 | 42.40 |
| HFC Equity Trust | | 315,346 | 0.87 |
| | | 20,840,720 | 57.44 |
| Total Short Term Funds | | 21,369,073 | 58.90 |
| Total Investments | | 36,107,067 | 99.52 |
| Other Assets in Excess of Liabilities | | 175,137 | 0.48 |
| Total Net Assets | | 36,282,204 | 100.00 |

HFC REAL ESTATE INVESTMENT TRUST

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 DECEMBER 2014

| Assets | Notes | 2014 GH ₵ | 2013 GH ₵ |
|--------------------------|-------|-------------------|--------------|
| Total Investments | | 36,107,067 | 23,385,644 |
| Receivables: | | | |
| Property Debtors | | 6,338 | 6,338 |
| Deposit for Houses | 8 | 0 | 3,038,462 |
| Interest | 5 | 1,092,769 | 1,133,805 |
| Rent Income Receivable | | 27,500 | 0 |
| HFC ISL Current Account | | 32,684 | 40,123 |
| Other Receivables | | 18,060 | 1,886 |
| Total Assets | | 37,284,418 | 27,606,258 |
| Liabilities: | | | |
| Amount Due to Managers | | 77,537 | 62,716 |
| HFC UT Current Account | | 0 | 14,682 |
| Other Creditors | | 18,776 | 186 |
| Deposits | 6 | 885,576 | 0 |
| Accrued Charges | | 20,325 | 18,556 |
| Total Liabilities | | 1,002,214 | 96,140 |
| Net Assets | | 36,282,204 | 27,510,118 |

SIGNED FOR HFC INVESTMENT SERVICES LIMITED MARCH 18th, 2015.



 CHIEF EXECUTIVE OFFICER



 DIRECTOR

HFC REAL ESTATE INVESTMENT TRUST

INCOME AND DISTRIBUTION ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2014

| | Notes | 2014 GH¢ | 2013 GH¢ |
|------------------------------|-------|------------------|------------------|
| Investment Income | | | |
| Profit on Sale of Land | | 92,749 | 0 |
| Treasury Bills | | 238,336 | 607,140 |
| Fixed Deposits | | 604,703 | 314,879 |
| Bonds | | 3,403,362 | 2,778,459 |
| Call Account | | 17,872 | 26,720 |
| Rent Income | | 318,882 | 238,990 |
| Other Income | | 22,681 | 194,467 |
| Total Income | | 4,698,585 | 4,160,655 |
| Expenses | | | |
| Management Fees | | 798,971 | 584,228 |
| Trustees Fees | | 27,044 | 17,520 |
| Auditors Remuneration | | 21,900 | 18,556 |
| Other Expenses | 3 | 61,059 | 59,877 |
| | | 908,974 | 680,181 |
| Net Investment Income | | 3,789,611 | 3,480,474 |

ACCUMULATED NET INVESTMENT INCOME

| | | |
|-------------------------------|-------------------|------------------|
| BALANCE AT 1 JANUARY | 6,773,882 | 3,293,408 |
| Net Investment Income | 3,789,611 | 3,480,474 |
| BALANCE AT 31 DECEMBER | 10,563,493 | 6,773,882 |

HFC REAL ESTATE INVESTMENT TRUST

STATEMENT OF MOVEMENT IN NET ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2014

| | Notes | 2014 GH¢ | 2013 GH¢ |
|--|-------|--------------|-------------|
| Net Investment Income | | 3,789,611 | 3,480,474 |
| Change In Unrealised Gains | 7 | 2,233,299 | 1,124,601 |
| Net Increase in Net Assets Resulting from Operations | | 6,022,910 | 4,605,075 |
| Capital Transactions | | | |
| Value of Units Sold and Converted | | 14,523,989 | 12,259,995 |
| Value of Units Disinvested | | (11,774,813) | (8,123,663) |
| Net Proceeds from Capital Transactions | | 2,749,176 | 4,136,332 |
| Total Increase in Net Assets | | 8,772,086 | 8,741,407 |
| Net Assets: | | | |
| Balance at 1 January | | 27,510,118 | 18,768,711 |
| Total Increase in Net Assets | | 8,772,086 | 8,741,407 |
| Balance at 31 December | | 36,282,204 | 27,510,118 |

STATEMENT OF MOVEMENT IN ISSUED UNITS

FOR THE YEAR ENDED 31 DECEMBER 2014

| | | |
|---|-------------|-------------|
| Number of Units at 1 January | 20,377,245 | 17,318,809 |
| Number of Units Issued during the year | 8,564,348 | 8,740,250 |
| | 28,941,593 | 26,059,059 |
| Number of Units disinvested during the year | (7,011,350) | (5,681,814) |
| Number of Units at 31 December | 21,930,243 | 20,377,245 |

HFC REAL ESTATE INVESTMENT TRUST

CAPITAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

| CAPITAL ACCOUNT | 2014 | | 2013 | |
|---------------------------------|--------------------|---------------------|-------------|-------------|
| | Units | GH¢ | Units | GH¢ |
| Balance at 1st January | 20,377,245 | 17,866,621 | 17,318,809 | 13,730,289 |
| Value of Units sold & Converted | 8,564,348 | 14,523,989 | 8,740,250 | 12,259,995 |
| | 28,941,593 | 32,390,610 | 26,059,059 | 25,990,284 |
| Value of Units Disinvested | (7,011,350) | (11,774,813) | (5,681,814) | (8,123,663) |
| Balance at 31 December | 21,930,243 | 20,615,797 | 20,377,245 | 17,866,621 |

HFC REAL ESTATE INVESTMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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.

HFC REAL ESTATE INVESTMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

3 OTHER EXPENSES comprise of the following:

| | 2014 | 2013 |
|------------------|---------------|--------|
| | GH¢ | GH¢ |
| Bank Charges | 16,752 | 17,683 |
| General Expenses | 44,307 | 42,194 |
| | 61,059 | 59,877 |

4 CASH AT BANK AND ON CALL

| | | |
|--------------|----------------|---------|
| Cash at Bank | 528,353 | 489,339 |
| | 528,353 | 489,339 |

5 INTEREST RECEIVABLE

| | | |
|----------------|------------------|-----------|
| Fixed Deposits | 1,076,681 | 1,113,065 |
| Call | 0 | 499 |
| Treasury Bills | 16,088 | 20,241 |
| | 1,092,769 | 1,133,805 |

HFC REAL ESTATE INVESTMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

| | 2014 GH¢ | 2013 GH¢ |
|--|--------------------|--------------------|
| 6 DEPOSITORS | | |
| Amounts paid by customers in respect of subsequent purchase of houses. | <u>885,576</u> | <u>0</u> |
| | 885,576 | 0 |
| 7 UNREALIZED GAINS / (LOSSES) | | |
| Market Value of Investment Property | 9,418,245 | 3,794,298 |
| Cost of Investment Property | <u>(7,184,946)</u> | <u>(2,669,697)</u> |
| Change in Unrealised gains | 2,233,299 | 1,124,601 |
| Add Unrealised gains from previous years | <u>2,869,614</u> | <u>1,745,013</u> |
| Unrealised gains as at 31 December | 5,102,913 | 2,869,614 |

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.





CORPORATE FINANCE & ADVISORY

The Financial Advisory Department of HFC Investments Services Ltd offers unsurpassed corporate finance advisory services to companies and institutions. It has a rich performance history in the structuring of long-term debt instruments and undertaking equity financing transactions.

AREAS OF EXPERTISE

- Raising of Funds (Private Placement/ Public Offerings)
- Investment Banking
- Corporate Restructuring and Valuations
- Takeovers, Mergers & Acquisitions
- Securities Issuance
- Industry & Investment Research
- Investment Appraisals

Our in-depth, industry-specific expertise and market acumen enables us to serve the evolving needs of our clients

HFC REAL ESTATE INVESTMENT TRUST

ADMISSION FORM

Annual General Meeting to be held at the British Council, Accra at 10:30am on Friday, 29th May 2015.

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, 2015.

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 Friday, 29th May 2015.

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 2015 and at any adjournment thereof

Dated this 30th day of April 2015.

.....

Unit Holder(s) Signature

| Resolution | For | Against |
|--|-----|---------|
| To adopt the 2014 Manager's Report | | |
| To approve the accounts for the financial year ended 31st December, 2014. | | |
| To authorize the Manager to Fix the Auditor's Remuneration for the year 2015 | | |

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)

START
an
INVESTMENT PLAN
today @ HFC Investments

Call us on
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Visit us on
www.hfcinvestments.com





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