



*Annual Report 2001*



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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 11<sup>th</sup> Annual General Meeting of the Company will be held at the Golden Tulip Hotel on Independence Avenue, Accra at eleven (11:00) o'clock in the forenoon on Thursday, the 25<sup>th</sup> day of April, 2002 to transact the following business:-

### AGENDA

#### ORDINARY BUSINESS

1. To receive the Chairman's Statement and the Managing Director's report on the operations of the Group for the year 2001.
2. To consider and approve consolidated Accounts and Financial Statements of Home Finance Company Limited and its wholly owned subsidiary, HFC Investment Services Limited (HFCISL) for the financial year ended 31<sup>st</sup> December, 2001 together with the Auditor's Report thereon.
3. To receive the Directors' report and approve their recommendation for the payment of dividend for the year ended 31<sup>st</sup> December 2001.
4. To elect Mr. John Sey for one year to replace Mr. Henry Dei who is retiring in accordance with Regulation 65 of the Company's Regulations and Section 298(e) of the Companies Code, 1963 (Act 179).
5. To authorize the Directors to approve the remuneration of the Auditors for the year 2002.

#### SPECIAL BUSINESS

6. To consider and if thought fit to pass the following as a special Resolution:  
"To authorize the directors to change the company's name in accordance with Regulation 95 of the Company's Regulations and Section 15 (3) of the Companies Code, 1963 (Act 179)."
7. To consider and if thought fit to pass the following as a special resolution:  
"That the objects clauses of the Regulations be amended by substituting Regulation 2 (a) (b) & (c) of the Company Regulations with the attached new object clauses:- (see page 3)
8. To authorize the Directors to increase the stated capital to a minimum of thirty billion cedis by a renounceable Rights Issue in accordance with the company's regulations and Section 202 (1) (b) of the Companies Code, 1963 (Act 179)

A member of the company is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member.

Proxies may be deposited at the Company's Registered Office, Ebankese, No. 35, 6<sup>th</sup> Avenue, North Ridge, Accra, aforesaid 48 hours to the commencement of the meeting in accordance with the Company's Regulations.

Dated this 20<sup>th</sup> day of March 2002

**BY ORDER OF THE BOARD**

**MERCY MAMLETETTEH (MRS)**  
**COMPANY SECRETARY**

## OBJECTS CLAUSES

- a) To issue bonds and other financial instruments for undertaking mortgage financing for housing and commercial purposes.
- b) To carry on the business of banking including inter alia the following:-
  - i. borrowing, raising or taking deposits or money; lending or advancing money, taking securities and property; discounting notes, coupons, drafts, bills of lading, warrants, debentures, certificates, scripts and other instruments and securities, transferable or negotiable; granting and issuing of letter of credit, bonds and guarantees and circular notes; buying, selling and dealing in bullion and specie; acquiring, holding, issuing on commission, undertaking and dealing with stocks, funds, shares, debentures, debenture stocks, bond obligations, securities and investments of all kinds, negotiating loans and advances; receiving money and valuables on deposit, or for safe custody, or otherwise; collecting and transmitting money and securities, and transacting all kinds of agency business commonly transacted by bankers.
  - ii. To undertake and carry on the business of trade development and finance, including mobilization of deposits, to offer credit facilities and to provide services to facilitate the payments systems. These include: Current and Savings accounts, Fixed and Call deposits, Cash Collection, Issue of Bonds, Guarantees and Certificates of Deposits; to engage in provision of import letters of credit, export letters of credit, handling of inward and outward bills for collection, negotiation of export bills; Dealings in Foreign Exchange, provision of foreign currency and foreign exchange accounts, handling of foreign transfers, remittances and cheque collection, international transactions and services; advisory and financial services for small and medium scale industries and enterprises.
  - iii. To carry on the business of discounting, dealing in exchanges, in specie and securities.
  - iv. To undertake the collection of dividends, debts and taxes, for or on behalf of any government, person, partnership or association.
  - v. To advance and lend money on immovable, moveable, personal and mixed securities, on cash credit or other accounts, on policies, bonds, bills of exchange, promissory notes, letters of credit, or other obligations, or on rates or tolls duly authorized to be made or levied by any Act, Decree or Law or the statutes of law of any place where the Company may carry on business, or on deeds, goods, wares and merchandise, bills of exchange, bills of sale, or bills of lading, delivery orders, warehousemen and wharfingers certificates, notes, dock warrants, or other mercantile insignia or tokens, bullion, assayed gold, specie, metals and metal ores, minerals, precious stones and stocks, shares and debentures or other securities for money.
- c) To undertake any other business related or incidental to the foregoing.



## **BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE**

### **DIRECTORS**

Samuel K Botchway	(Chairman)
Stephanie Baeta Ansah (Mrs)	(Managing Director)
Edusei Derkyi	(Deputy Managing Director)
Asare Akuffo	(Finance Director)
E.N.A. Adjei*	
Christopher N. N. Nartey*	
Esther Kumado (Mrs)	
Kwadwo Duku	
Francis Nsiah Afriyie*	
Ken Ofori-Atta	(Resigned) April 2001
Henry Dei	(Resigned) December 2001
Paul Koranteng	(Appointed) April 2001
Sam Mensah *	
Ras Boateng *	
Franklin Asafo Adjei *	

### **SECRETARY**

Mercy Mamle Tetteh (Mrs)  
Ebankese  
No. 35 Sixth Avenue, North Ridge, Accra

### **REGISTERED OFFICE**

Ebankese  
No. 35 Sixth Avenue, North Ridge, Accra  
P.O. Box CT 4603  
Accra

### **PRINCIPAL PLACE OF BUSINESS**

Ebankese  
No. 35 Sixth Avenue, North Ridge, Accra  
P.O. Box CT 4603  
Accra

### **AUDITORS**

PricewaterhouseCoopers  
Chartered Accountants  
4<sup>th</sup> Floor - Gulf House  
Legon Road, PMB CT42  
Cantonments, Accra

### **PRINCIPAL BANKERS**

Bank of Ghana	Accra
Merchant Bank (Ghana) Limited	Accra
SSB Bank Limited	Accra
Agric. Development Bank	Accra
Ghana International Bank	London
HSBC Bank	New York

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\* Corporate Representatives

\* Mr. E.N.A. Adjei, the SSNIT representative was replaced by Mr. Ras Boateng. Dr. Sam Mensah was appointed as an additional representative on 15<sup>th</sup> November 2001 when SSNIT increased its holding.

\* Mr. Franklin Asafo Adjei replaced Mr. Nsiah Afriyie of State Insurance Company on 13<sup>th</sup> December 2001.

\* Mr. C.N.N. Nartey resigned as Merchant Bank representative after Merchant Bank reduced its holding.

## REPORT OF THE DIRECTORS

The directors have the pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2001.

### Statement of directors' responsibilities

The directors are responsible for the preparation of consolidated financial statements for each financial year, which give a true and fair view of the state of affairs of the group and of the profit or loss and cash flows for that period. In preparing these consolidated financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed Ghana Accounting Standards

The directors are responsible for ensuring that the group keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the group. The directors are also responsible for safeguarding the assets of the group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Activities

The principal activities of the company and its subsidiary continued to be:

- i. to operate and manage a fund for the provision of long term resources for home mortgage financing;
- ii. to issue and deal in bonds and other financial instruments.
- iii. to undertake the business of housing finance.
- iv. to undertake the management of investments including real estate and arrangement of capitalisation/financing packages for its clientele.

### Results

The group made a profit after tax of ₵7,584 million for the year ended 31 December 2001. The Income Surplus account amounted to ₵10,401 million after transfers of ₵2,744 million and ₵3,266 million into two new accounts, Share Deals and Mandatory Reserves respectively during the year. The directors consider the state of affairs of the group to be satisfactory.

### Subsidiary

HFC Investment Services Limited (formerly Home Finance Investment Fund Limited), a company incorporated in Ghana to manage investments including real estate and arrange capitalisation/financing package for its clientele, is a wholly-owned subsidiary of the company and its results have been consolidated in these accounts.

### Dividends

The directors recommend the payment of a dividend of ₵45 per share (2000: ₵37), amounting to ₵2,528 million for the year ended 31 December 2001.

### Auditors

In accordance with Section 134(5) of the Ghana Companies Code, 1963, (Act 179) PricewaterhouseCoopers will continue in office as auditors of the group.

**Chairman: Kwadwo Duku**

**Managing Director: Stephanie Baeta Ansah (Mrs)**

**20<sup>th</sup> March 2002**



## CHAIRMAN'S STATEMENT



**Mr. Kwadwo Duku, Chairman**

Dear Shareholders  
Ladies and Gentlemen

Welcome to the 11<sup>th</sup> Annual General Meeting of your Company, which is my first as Chairman, following the retirement of Mr. S. K. Botchway. As Chairman of the Board of Directors, I stand on behalf of the Board to applaud and thank Mr. S. K. Botchway for his exemplary leadership of the Board since the inception of the Company in 1991.

### **MACROECONOMIC PERFORMANCE IN 2001**

Businesses in Ghana not excluding HFC saw year 2001 as a year of mixed-fortunes. We were faced with the following economic phenomena:

- the spill- over effect of about 100 per cent depreciation of the cedi in 2000
- stabilization of macroeconomic conditions
- September 11 event

Ghana's economy in 2001 was considerably better in 2001 than in 2000 as there were

indications of growth and stability. Real GDP grew by 4.5 per cent powered by a 5.1 per cent growth in the Services sector. The rate of inflation declined from 40.5 per cent to 21.3 per cent, the local currency stabilised at about ₵7,300 to the US Dollar, depreciating by 3.7 per cent on the inter bank forex market.

By a combination of stricter fiscal discipline and tighter monetary control, the budget deficit of 4.4 per cent of GDP was lower than the planned deficit of 9.0 per cent of GDP. As a consequence, interest rates declined from their high levels of 2000. The rate on the benchmark 91-day treasury bill declined from 47.0 per cent in 2000 to 28.9 per cent in 2001.

### **OPERATIONS**

Against the background of a relatively stable macroeconomic environment, the Company was able to improve upon its performance for the benefit of shareholders. The growth targets set for 2001 in the Company's Business Plan (2000-2004) were achieved.

Total assets continued to grow, increasing from ₵216.8 billion in 2000 to ₵274.7 billion. Similarly, the mortgage portfolio increased from ₵155.9 billion to ₵186.5 billion. Profits after tax also increased by 21.8 per cent to ₵7.6 billion. In line with the increase in profits, your Directors have recommended payment of a dividend of ₵45.00 per share, representing ₵8.00 increase over the ₵37.00 per share paid in the previous year.

These were achieved against the background of really difficult and challenging conditions. As our mortgage portfolio continued to increase our arrears position began to cause concern, requiring higher provisioning in our books. Of particular concern is interpretation of the provisioning rules that seem to require even larger provisioning in future. This is a matter that is receiving the attention of the Board and Management. With a dedicated Management and staff it is only to be expected that your Company's future is still bright. The Board of Directors will continue to support Management

in every way possible.

### **CONCLUDING REMARKS**

Five Directors left the Board during the past year. They are Messrs Ken Ofori-Atta, Christopher N. N. Nartey, Francis Nsiah Afriyie, E. N. A. Adjei and Henry Dei. On behalf of the Board I would like to extend to each of them our gratitude for their dedicated services during their tenure. In the same vein we extend to the new Directors, Messrs Paul Koranteng, Ras Boateng, Chief O. N. Chionuma, Franklin Asafo Adjei and Dr. Sam Mensah, our gratitude for accepting to put their expertise at the disposal of this



**Mr. S.K. Botchway**  
**Chairman from 1991 - March 2002**

Company.

I would like to take this opportunity to thank all shareholders, customers and partners for your trust and support during the past year. I hope your support will remain steadfast in the years ahead.

Finally, I like to take the opportunity offered by this AGM to offer my sincerest gratitude to my colleagues on the Board of Directors for their support and counsel so far. I trust that their wise counsel will help me steer this unique company through the challenging times ahead and make us all truly proud of your company - HFC.

Thank you all.



## MANAGING DIRECTOR'S REPORT

Mr. Chairman, Fellow Directors, and Valued Shareholders,

The beginning of year 2001 marked the smooth democratic transition of Government in Ghana. It not only produced confidence in the economy, but also led to a change in the macro-economic situation. Government put in place prudent economic policies with respect to controlling government expenditure. This resulted in the reduction of inflation, stabilization of the local currency and interest rates. The significant development for HFC, was Bank of Ghana's decision to extend a deposit taking permit to your company. The permit was issued on the following conditions:-

- the opening of deposit accounts by our customers, existing and prospective.
- HFC credit portfolio should be comprised of credit to the housing and construction industry.

Following this positive development which will enable your company to diversify its funding base, and take an important step towards the diversification of the company's business, a Commercial Department has been established which commenced business in February 2002. There is now a requirement that new customers maintain deposits of at least ₵1million for a minimum of six (6) months before they access our facilities. The relevant software program has been acquired, and staff with banking background have been recruited to handle the additional business of the company. This Commercial Department will be operating within 25 per cent of the company's core business, which is mortgage financing. However, we intend to add commercial mortgages to our existing home loans business.

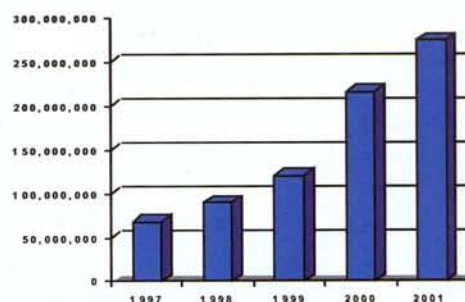
It has therefore been recommended to shareholders that we amend the objects clauses of the company's regulations to agree with our new line of business. New solutions are also emerging to achieve management's goal of ultimately converting to full banking status, which license will give HFC the best regulatory environment for a more diversified and profitable business portfolio.

HFC's performance in year 2001, our most challenging year so far, was commendable.

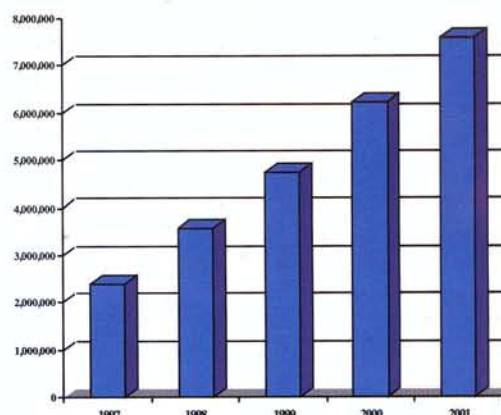
During the year we had to bear the full brunt of the severe devaluation of approximately 100 per cent that took place in year 2000. House prices doubled leading to a marked reduction in purchase of new homes. Origination in 2001 therefore fell below that of 2000.

Total assets of the group stood at ₵274.7 billion at year end 2001, comprising of mortgage portfolio which grew by ₵30.6 billion to ₵186.5 billion. Investment in short-term securities increased from ₵17.2 billion to ₵31.2 billion, after redemption of Series 'A' Housbonds, indicating an improved liquidity position. The assets were funded by total liability of ₵237.6 billion made up of long-term bonds and loans of ₵210.6 billion and current liabilities of ₵27.0 billion. Total shareholders funds increased by 12.6 per cent to ₵37.2 billion.

**TOTAL ASSETS (₵'000)**



**PROFIT AFTER TAX (₵'000)**





As a result of the cedi devaluation, arrears as a percentage of the mortgage portfolio was 5 per cent. The Bank of Ghana is currently working on rules for provisioning for mortgage finance institutions. We have submitted memoranda on the matter and expect the final document to be published in year 2002.

Meanwhile, the company operates a policy of provision for losses on the mortgage portfolio of 1 per cent of the loan book value for over-dues of less than 3 months and specific provisions of 2 per cent for loans in arrears of 3 to 6 months, and 5 per cent for loans in arrears for over 6 months.

The total provision as at the end of the year 2001 stood at ₵3.9 billion. This represented 2.1 per cent of the loan portfolio. The current level of provision has been influenced significantly by the impact on our forex mortgages, of the cedi depreciation in year 2000.

The group's profit performance over the year was satisfactory, viewed against the background of the austere environment. The group made a total income of ₵57.7 billion in the year 2001, an increase of ₵19.7 billion over that of the previous year. Income from our loan portfolio increased by ₵17.8 billion to ₵41.0 billion on account of improved margins. Investment income increased to ₵10.5 billion; total expenditure stood at ₵49.7 billion an increase of ₵19.6 billion over that of year 2000. After-tax profit was ₵7.6 billion an increase of 21.8 per cent over the previous year's figure.

The company completed the implementation of a new financial application software which went live in July 2001. This software has integrated all our operations and application systems into one seamless transaction. Staff training is being undertaken on the company's new software program which will provide us with the ability to accommodate high transaction volumes, enhance our productivity and increase our efficiency levels.

In addition, we have built a unified network system through which reliable data, voice and video converge at one point at any particular time. The wide area network (WAN) has been successfully installed and currently links 'Ebankese' (the Head Office), with Kumasi and the Tower Block offices.

During the year under review, the Government of

Ghana instituted the new medium term government securities on the capital market known as the Government of Ghana Indexed Linked Bonds (GGILBs). These bonds are indexed to inflation. This replicates HFC's inflation indexed bonds issued to implement the pilot housing finance scheme between December 1991 and June 30, 1996. The indexed mortgages which HFC issued during that period are progressing satisfactorily. Indeed, from a total of 4,000 mortgages extended by your company since its inception, 1,600 have been fully repaid. We now have 2,400 outstanding mortgages.

HFC fully redeemed its first US dollar five-year bonds (Series 'A') in November 2001. This redemption was financed from the company's own resources.

In view of the events of September 11<sup>th</sup> 2001 and their effects, on the world economic order, Management has decided to restrict new lending to Non-Resident Ghanaians to 20 per cent of originations. The chart provided in the report shows the level of foreign exchange denominated mortgages vis-à-vis the cedi mortgages. The intention is to maintain a balance of portfolios at all times.

In 2001, we changed the name of our wholly-owned subsidiary company to HFC Investment Services Limited (HFC-ISL). This was in accordance with the advice of the Securities and Exchange Commission (SEC) to adopt a name that fully reflects the business of the subsidiary.

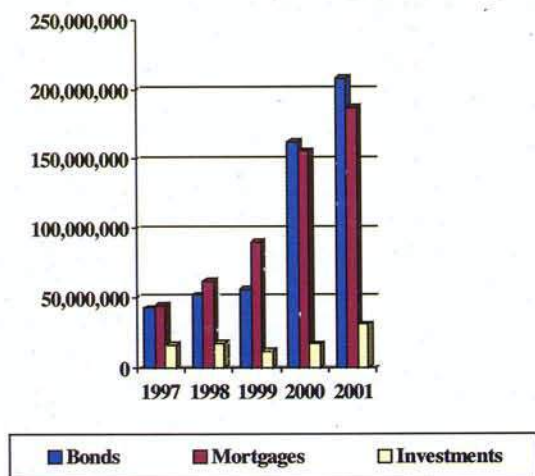
During the year under review, HFC-ISL contributed ₵1.2 billion to the group's year-end pre-tax earnings. This represents an increase of 38.8 per cent on that of year 2000. Shareholder funds stood at ₵3 billion.

The managed funds, HFC Unit Trust and HFC REIT ended the year as follows; the HFC Unit Trust achieved a fund value of ₵30.6 billion (Year 2000: ₵24.2 billion) and a yield of 38 per cent. The HFC REIT on the other hand, ended the year with a fund value of ₵18.6 billion (Year 2000: ₵13.9 billion) and a yield of 36 per cent.

HFC-ISL made considerable progress on the real estate projects under its management. The provision of serviced plots at the Bougainville Estates, Batsonaa, Accra is nearing completion



## BONDS, MORTGAGES & INVESTMENTS



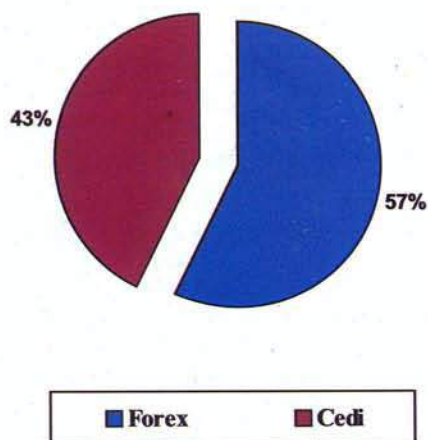
business under a Technical Assistance contract under which your company will assist the Gambia HFC for an initial period of two (2) years.

Management wishes to express to the Board of Directors, its deepest appreciation for their continued good counsel and support. In particular, Management hereby expresses its thanks to Mr. S. K. Botchway, the first chairman of the company for his experienced leadership of the Board during the formative years of the company. We also express our thanks to Mr. Henry Dei who is retiring, having served on our Board for two years. Mr. Dei played a significant role in the promotion of Home Finance Company Limited. We shall miss them greatly but have the assurance of their continued interest in the company's affairs. We wish both of them well.

Finally, to all the staff of the company I would like to extend my personal appreciation for their hardwork during the past years. I hope I can continue to count on them in the coming year.

Last but not least of all, we thank you the shareholders for your continued support.

## COMPOSITION OF MORTGAGE PORTFOLIO BY VALUE, end - 2001



STEPHANIE BAËTA ANSAH (MRS)  
MANAGING DIRECTOR

With good marketing prospects. A similar project at Amanokrom on the Akwapim hills, Bepowso Estate, will be completed this year. The company has a joint venture with SSNIT, the Home Trust Estate Limited, which commenced development of housing units at Asuoyeboah in Kumasi in the first quarter of 2002. The Top-REIT project at Adjiringaano (East Legon) is expected to be completed as soon as the case currently before the fast track High Court is completed.

We are happy to inform shareholders that HFC Gambia has been licensed and has commenced

## **REPORT OF THE AUDITORS TO THE MEMBERS OF HOME FINANCE COMPANY LIMITED AND ITS SUBSIDIARY**

We have audited the consolidated financial statements on pages 15 to 31, which have been prepared in accordance with the accounting policies, set out on pages 8 and 9. We report in terms of section 23(2) of the Financial Institutions (Non-Banking) Law, 1993 (PNDCL 328).

### **Respective responsibilities of directors and auditors**

As stated on page 5, the directors are responsible for the preparation of the consolidated 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 conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examination, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

### **Opinion**

In our opinion, the group's transactions were within its powers, proper books of account have been kept and the consolidated financial statements which are in agreement therewith give a true and fair view of the state of affairs of the group at 31 December 2001 and of the profit and cash flows of the group for the year then ended and comply with Ghana Accounting Standards, the Ghana Companies Code, 1963 (Act 179) and the Financial Institutions (Non-Banking) Law, 1993 (PNDCL 328).

*PricewaterhouseCoopers*  
**Chartered Accountants**

**20<sup>th</sup> March 2002**





HFC Executive Directors displaying their long service awards. Left to right: Mr. Edusei Derkyi (Deputy Managing Director), Mrs. Stephanie Baëta Ansah (Managing Director) and Mr. Asare Akuffo (Finance Director)



Anniversary banquet at the International Conference Centre, Accra. Cutting the cake is Hajia Ramatu Mahama, wife of the Vice President, Alhaji Aliu Mahama (left). Others in the picture are (left to right), Mrs. Stephanie Baëta Ansah (MD of HFC), Mrs. Christina Botchway (wife of the Chairman of HFC) and Mrs. Regina Botchway (Regimmanuel-Gray Ltd).



With our guests from Union Homes Savings & Loans, Nigeria (UHSL) at the 10<sup>th</sup> AGM. Left to right: Mr. Edusei Derkyi (HFC), Chief O. N. Chionuma (UHSL), Mrs. Stephanie Baëta Ansah (HFC), Mr. Asare Akuffo (HFC) and Mr. Lai Alabi (UHSL).





HFC staff at the 10<sup>th</sup> anniversary thanksgiving church service at Accra Ridge Church at Manet.



10<sup>th</sup> anniversary fun games held at El Wak stadium, Accra. Participants included staff from HFC, CDH, Merchant Bank, Ghana Stock Exchange and Empretee Foundation. Our special guests were children from our favourite charity Catholic Action For Street Children.



Children's party at HFC Head Office premises.



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(All amounts are expressed in thousands of Cedis)

		2001	2000		
	NOTES	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
<b>Income</b>					
Operating Income	1	51,051,479	51,502,353	29,082,270	32,032,968
Fees and Commissions		1,217,000	2,209,424	1,312,175	1,633,418
Other Income		3,389,780	3,986,796	4,263,189	4,286,645
		<u>55,658,259</u>	<u>57,698,573</u>	<u>34,657,634</u>	<u>37,953,031</u>
<b>Expenditure and charges</b>					
Interest Charges		35,439,599	35,439,599	20,717,851	19,270,988
Commissions		203,996	203,996	217,587	217,587
General and administrative expenses	2	13,225,509	14,063,920	6,719,715	10,597,612
		<u>48,869,104</u>	<u>49,707,515</u>	<u>27,655,153</u>	<u>30,086,187</u>
<b>Profit before tax</b>		6,789,155	7,991,058	7,002,481	7,866,844
Tax	3	(257,753)	(406,648)	(1,471,715)	(1,641,975)
Profit after tax transferred to Income surplus account		<u>6,531,402</u>	<u>7,584,410</u>	<u>5,530,766</u>	<u>6,224,869</u>

**INCOME SURPLUS ACCOUNT**

Balance at 1 January		9,728,422	11,680,609	6,583,416	7,841,500
Profit for the year		<u>6,531,402</u>	<u>7,584,410</u>	<u>5,530,766</u>	<u>6,224,869</u>
		16,259,824	19,265,019	12,114,182	14,066,369
Transfer to Share deals account	23	(2,743,514)	(2,743,514)	-	-
Transfer to Housing Development Assistance Fund	18	(326,570)	(326,570)	(276,538)	(276,538)
Transfer to Mandatory Reserve	19	(3,265,701)	(3,265,701)	-	-
Proposed dividend	4	<u>(2,528,055)</u>	<u>(2,528,055)</u>	<u>(2,109,222)</u>	<u>(2,109,222)</u>
<b>Balance at 31 December</b>		<u>7,395,984</u>	<u>10,401,179</u>	<u>9,728,422</u>	<u>11,680,609</u>

<b>Earnings Per Share</b>	¢142	¢125
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<b>Dividend Per Share</b>	¢45	¢37
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The accounting policies and notes on pages 17 to 30 form an integral part of these financial statements.

**CONSOLIDATED BALANCE SHEET**

(All amounts are expressed in thousands of Cedis)

		2001	2000		
	NOTES	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
<b>Employment of Capital</b>					
Property and equipment	5	20,200,476	20,505,676	17,491,921	17,683,171
Mortgages	6	186,513,841	186,513,841	155,869,261	155,869,261
Construction finance		15,375,826	15,375,826	11,816,769	8,539,769
		222,090,143	222,395,343	185,177,359	182,092,201
Investment at Cost	7	1,880,460	1,780,460	250,000	150,000
		223,970,603	224,175,803	182,427,359	182,242,201
<b>Current Assets</b>					
Short-term Investments	8	30,123,461	31,215,078	16,406,093	17,197,953
Other Assets	9	8,959,010	11,219,472	1,672,863	5,367,836
Tax	3	43,282	-	-	-
Bank and cash balances	10	8,002,563	8,151,161	9,697,591	11,988,610
		47,128,316	50,585,711	27,776,547	34,554,399
<b>Current Liabilities: -</b>					
Customer Deposits	11	15,844,562	15,939,660	11,313,492	13,216,381
Creditors and Accruals	12	7,055,827	7,516,068	4,222,798	3,884,218
Bank Overdraft		286,323	286,323	-	-
Dividend Payable	4	2,528,055	2,528,055	2,109,222	2,109,222
Tax	3	-	102,061	818,965	895,163
Deferred Credit	13	116,802	116,802	186,159	186,159
Short Term Loan	14	477,795	477,795	477,795	477,795
		26,309,364	26,966,764	19,128,431	20,768,938
<b>Net Current Assets</b>		20,818,952	23,618,947	8,648,116	13,785,461
<b>Total Assets Less Current Liabilities</b>		244,789,555	247,794,750	194,075,475	196,027,662
<b>Long Term Liabilities</b>					
Long Term Bonds	15	208,110,050	208,110,050	162,713,815	162,713,815
Long Term Loans	16	2,497,414	2,497,414	293,904	293,904
		210,607,464	210,607,464	163,007,719	163,007,719
<b>Net Assets</b>		34,182,091	37,187,286	31,067,756	33,019,943
<b>Capital Employed:</b>					
Stated Capital	17	8,094,001	8,094,001	8,027,310	8,027,310
Housing Development Assistance Fund	18	1,190,693	1,190,693	864,123	864,123
Mandatory Reserve	19	3,265,701	3,265,701	-	-
Income Surplus Account		7,395,984	10,401,179	9,728,422	11,680,609
Capital Surplus Account	20	12,447,901	12,447,901	12,447,901	12,447,901
Share Deals Account	23	1,787,811	1,787,811	-	-
		34,182,091	37,187,286	31,067,756	33,019,943

The consolidated financial statements on pages 5 to 21 were approved by the Board of Directors  
On 20<sup>th</sup> March 2002 and signed on its behalf by:

Chairman: Kwadwo Duku

Managing Director: Stephanie Baeta Ansah (Mrs)

The accounting policies and notes on pages 17 to 30 form an integral part of these financial statements.



**CONSOLIDATED CASH FLOW STATEMENT**

(All amounts are expressed in thousands of Cedis)

	NOTES	2001	2000
<b>Operating activities</b>			
Net cash used in operating activities	21	<u>4,317,839</u>	<u>(7,234,758)</u>
<b>Investing activities</b>			
Purchase of property and equipment	5	(3,861,882)	(1,047,101)
Proceeds from sale of fixed assets	5	25,000	22,413
Purchase of equity shares	7	(1,630,460)	-
Purchase of own shares		<u>(955,703)</u>	<u>-</u>
Net cash used in investing activities		<u>(6,423,045)</u>	<u>(1,024,688)</u>
<b>Financing activities</b>			
Loans received	13 & 16	2,203,510	103,295
Dividend paid		(2,109,222)	(1,791,794)
Issue of bonds	15	29,465,223	27,982,220
Redemption of bonds	15	(17,627,643)	(101,499)
Issue of shares	17	66,691	-
Repayment of loan		<u>-</u>	<u>(3,970,447)</u>
Net cash from financing activities		<u>11,998,559</u>	<u>22,221,775</u>
<b>Increase in cash and cash equivalents</b>		<u>9,893,353</u>	<u>13,962,329</u>
<b>Movement in cash and cash equivalents</b>			
At beginning of the year	22	29,186,563	15,224,234
Increase during the year		<u>9,893,353</u>	<u>13,962,329</u>
At end of the year	22	<u>39,079,916</u>	<u>29,186,563</u>

The accounting policies and notes on pages 17 to 30 form an integral part of these financial statements.

## ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

**(a) Basis of preparation**

The consolidated financial statements have been prepared in accordance with, and comply with, Ghana Accounting Standards and the principles of historical cost convention as modified by the revaluation of landed property. The accounting policies adopted are consistent with those of the previous year.

**(b) Consolidation**

The consolidated financial statements of the Group include the accounts of the company and its subsidiary HFC Investment Services Limited (formerly Home Finance Investment Fund Limited) made up to 31 December 2001.

**(c) Fixed assets**

Land and buildings are stated at valuation less accumulated depreciation. Furniture equipment and motor vehicles are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost/gross value of each asset over their useful lives. The principal rates used for these purposes are: -

Building	2%
Furniture and equipment	20%
Motor vehicles	20%

**(d) Foreign currencies**

Transactions in foreign currencies during the year are converted into cedis at rates prevailing at the time of transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into cedis at the exchange rate ruling at that date. Gains and losses resulting from the conversion and translation are dealt with in the profit and loss account for the year.

**(e) Grants**

**(i) Revenue Grants**

Grants of revenue nature are dealt with in the profit and loss account.

**(ii) Capital Grants**

Capital based grants are shown as deferred credit and transferred to the profit and loss account over the estimated life of the related asset.

**(f) Mortgages and Bonds**

Mortgages and Bonds are stated in the financial statements at face value except for the International Development Association and Social Security and National Insurance Trust financed pilot and uncompleted housing mortgage schemes and their related bonds, where an adjustment for inflation is made based on the consumer price index. Additionally specific provision is made for defaults on mortgages.



**(g) Provision for bad and doubtful debts**

Provision for bad and doubtful debts are made, having regard to specific risks.

The provisions are made in respect of those mortgage advances that have been individually reviewed and specifically identified as bad or doubtful. In determining the level of provision required, management considers numerous factors including, but not limited to, domestic economic conditions, the composition of the advance portfolio and prior bad debt experience.

Provisions made during the year are charged as a separate amount in the profit and loss account. When mortgage advance is deemed uncollectable it is written off against the related bad debt provision. Subsequent recoveries of mortgage advance that have been written off are credited to the income statement.

**(H) Inflation adjustment**

Inflation adjustment on pilot and uncompleted housing scheme mortgages are treated as interest income. Inflation adjustment on indexed bonds are treated as interest expense.

**(i) Deferred tax**

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

**(j) Treasury bills**

Treasury bills are debt securities issued by the Bank of Ghana. These bills are stated at face value less unearned interest

**(K) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid, investments and bank overdrafts.

**(l) Post balance sheet events**

Events subsequent to the balance sheet date are reflected only to the extent that they relate to the accounts and when their effect is material.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in the notes are expressed in thousands of cedis unless otherwise stated)

### 1. OPERATING INCOME

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
This is made up of:				
Interest Income	41,033,963	41,033,963	23,212,111	23,212,111
Investment Income	<u>10,017,516</u>	<u>10,468,390</u>	<u>5,870,159</u>	<u>8,820,857</u>
	<u>51,051,479</u>	<u>51,502,353</u>	<u>29,082,270</u>	<u>32,032,968</u>

### 2. GENERAL AND ADMINISTRATIVE EXPENSES

These include:

Depreciation	961,702	1,038,162	680,972	705,160
Directors' Emoluments	957,215	1,018,719	617,914	669,923
Auditors' Remuneration	<u>55,000</u>	<u>65,000</u>	<u>40,000</u>	<u>49,799</u>

### 3. TAX

#### The Company

	Balance 1/1/01	Charge for the year	Payments during year	Balance 31/12/01
Current tax				
Tax Year				
2000	167,576	-	-	167,576
2001	-	611,024	(1,120,000)	(508,976)
	<u>167,576</u>	<u>611,024</u>	<u>(1,120,000)</u>	<u>(341,400)</u>
Deferred tax	651,389	(353,271)	-	298,118
	818,965	257,753	(1,120,000)	(43,282)

#### The Group

	Balance 1/1/01	Charge for the year	Payments during year	Balance 31/12/01
Current tax				
Tax Year				
2000	243,774	-	-	243,774
2001	-	759,919	1,199,750	(439,831)
	<u>243,774</u>	<u>759,919</u>	<u>(1,199,750)</u>	<u>(196,057)</u>
Deferred tax	651,389	(353,271)	-	298,118
	<u>895,163</u>	<u>406,648</u>	<u>(1,199,750)</u>	<u>102,061</u>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2000: 30%)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. DIVIDEND (GROSS)

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Balance as at 1 January	2,109,222	2,109,222	1,791,794	1,791,794
Proposed dividend	<u>2,528,055</u>	<u>2,528,055</u>	<u>2,109,222</u>	<u>2,109,222</u>
	4,637,277	4,637,277	3,901,016	3,901,016
Dividend paid	<u>(2,109,222)</u>	<u>(2,109,222)</u>	<u>(1,791,794)</u>	<u>(1,791,794)</u>
Balance as at 31 December	<u>2,528,055</u>	<u>2,528,055</u>	<u>2,109,222</u>	<u>2,109,222</u>

Payment of dividend is subject to deduction of 10% withholding tax.

### 5. PROPERTY AND EQUIPMENT

#### The Company

	Leasehold Land and Building	Motor Vehicles	Furniture	Equipment	Total
<b>Cost/valuation</b>					
At 1 January 2001	15,283,620	1,145,616	497,735	2,396,200	19,323,171
Additions	<u>63,861</u>	<u>329,063</u>	<u>301,146</u>	<u>2,976,187</u>	<u>3,670,257</u>
At 31 December 2001	<u>15,347,481</u>	<u>1,474,679</u>	<u>798,881</u>	<u>5,372,387</u>	<u>22,993,428</u>
<b>Depreciation</b>					
At 1 January 2001	179,620	536,861	186,968	927,801	1,831,250
Charge for the year	<u>137,934</u>	<u>232,409</u>	<u>107,875</u>	<u>483,484</u>	<u>961,702</u>
At 31 December 2001	<u>317,554</u>	<u>769,270</u>	<u>294,843</u>	<u>1,411,285</u>	<u>2,792,952</u>
<b>Net book value at</b>					
<b>31 December 2001</b>	<u>15,029,927</u>	<u>705,409</u>	<u>504,038</u>	<u>3,961,102</u>	<u>20,200,476</u>
31 December 2000	<u>15,104,000</u>	<u>608,755</u>	<u>310,767</u>	<u>1,468,399</u>	<u>17,491,921</u>

#### The Group

<b>Cost/valuation</b>					
At 1 January 2001	15,283,620	1,262,461	497,735	2,524,204	19,568,020
Additions	<u>63,861</u>	<u>517,108</u>	<u>301,146</u>	<u>2,979,767</u>	<u>3,861,882</u>
Released on disposals	-	<u>(36,450)</u>	-	-	<u>(36,450)</u>
At 31 December 2001	<u>15,347,481</u>	<u>1,743,119</u>	<u>798,881</u>	<u>5,503,971</u>	<u>23,393,452</u>
<b>Depreciation</b>					
At 1 January 2001	179,620	564,455	186,968	953,806	1,884,849
Charge for the year	<u>137,943</u>	<u>282,631</u>	<u>107,875</u>	<u>509,722</u>	<u>1,038,162</u>
Released on disposals	-	<u>(35,235)</u>	-	-	<u>(35,235)</u>
At 31 December 2001	<u>317,553</u>	<u>811,851</u>	<u>294,843</u>	<u>1,463,528</u>	<u>2,887,776</u>
<b>Net Book Value at</b>					
<b>31 December 2001</b>	<u>15,029,927</u>	<u>931,268</u>	<u>504,038</u>	<u>4,040,443</u>	<u>20,505,676</u>
31 December 2000	<u>15,104,000</u>	<u>698,006</u>	<u>310,767</u>	<u>1,570,398</u>	<u>17,683,171</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Messrs. Real Estate Partnership, an independent chartered valuer, revalued the company's landed properties at open market value on 31 December 2000. If Land and Buildings were stated at the historical cost, the amount would be as follows:

	2001	2000
Cost	2,835,719	2,835,719
Accumulated Depreciation	(236,334)	(179,620)
NBV	<u>2,599,385</u>	<u>2,656,099</u>

### 5. FIXED ASSETS (Continued)

#### Profit on Sale of Fixed Assets

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Cost	-	36,450	24,470	24,470
Depreciation	-	(35,235)	(24,470)	(24,470)
Net Book Value	-	1,215	-	-
Proceeds from Sale	-	<u>25,000</u>	<u>22,413</u>	<u>22,413</u>
Profit on Sale	-	<u>23,785</u>	<u>22,413</u>	<u>22,413</u>

### 6. MORTGAGES

Balance at 1 January	155,869,261	155,869,261	90,909,850	90,909,850
Disbursements during year	33,742,906	33,742,906	38,990,282	38,990,282
Interest Charged	12,631,232	12,631,232	9,661,514	9,661,514
Exchange Gain	2,650,000	2,650,000	33,633,008	33,633,008
Inflation Adjustment	<u>22,486,345</u>	<u>22,486,345</u>	<u>13,550,596</u>	<u>13,550,596</u>
	227,379,744	227,379,744	186,745,250	186,745,250
Less:				
Repayments	<u>(36,932,532)</u>	<u>(36,932,532)</u>	<u>(29,084,233)</u>	<u>(29,084,233)</u>
	190,447,212	190,447,212	157,661,017	157,661,017
Provision for Bad and Doubtful Debts	<u>(3,933,371)</u>	<u>(3,933,371)</u>	<u>(1,791,756)</u>	<u>(1,791,756)</u>
Balance at 31 December	<u>186,513,841</u>	<u>186,513,841</u>	<u>155,869,261</u>	<u>155,869,261</u>

### 7. INVESTMENTS AT COST

Investment in Subsidiary Company	100,000	-	100,000	-
Investment in associated companies	<u>1,780,460</u>	<u>1,780,460</u>	<u>150,000</u>	<u>150,000</u>
	<u>1,880,460</u>	<u>1,780,460</u>	<u>250,000</u>	<u>150,000</u>

Investment in associated represents equity shares in Metropolitan and Allied Bank, Gambia HFC and UG HFC.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. SHORT-TERM INVESTMENTS

These are made up as follows:

Fixed Deposits	2,766,317	2,766,317	3,219,337	3,219,337
Treasury Dealings	8,207,144	8,207,144	2,434,192	2,434,192
Treasury Bills	13,031,841	13,031,841	5,865,858	5,865,858
Unit and Investment Trust	<u>6,118,159</u>	<u>7,209,776</u>	<u>4,886,706</u>	<u>5,678,566</u>
	<u>30,123,461</u>	<u>31,215,078</u>	<u>16,406,093</u>	<u>17,197,953</u>

### 9. OTHER ASSETS

These are made up as follows:

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Staff loans (a)	1,362,929	1,362,929	754,278	754,278
Accrued Income	800,166	800,166	257,665	283,067
Other Receivables	<u>6,795,915</u>	<u>9,056,377</u>	<u>660,920</u>	<u>4,330,491</u>
	<u>8,959,010</u>	<u>11,219,472</u>	<u>1,672,863</u>	<u>5,367,836</u>

(a) The maximum amount of such indebtedness by officers during the year did not exceed **₹1,363million** (2000: ₹754 million)

### 10. BANK AND CASH BALANCES

These consist of:

Local Banks	1,596,351	1,744,948	8,046,876	10,337,895
Foreign Banks	6,182,724	6,182,724	1,282,126	1,282,126
Call Accounts	<u>223,489</u>	<u>223,489</u>	<u>368,589</u>	<u>368,589</u>
	<u>8,002,563</u>	<u>8,151,161</u>	<u>9,697,591</u>	<u>11,988,610</u>

### 11. CUSTOMER DEPOSITS

	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Borrowers Deposit	5,931,134	6,026,232	6,410,756	8,313,645
Legal Deposit	1,839,153	1,839,153	1,682,675	1,682,675
HFC Housenotes	7,249,164	7,249,164	2,486,589	2,486,589
Unit Trust Dollar Forex Deposits	50,735	50,735		
GNPC Deposits	<u>774,376</u>	<u>774,376</u>	<u>733,472</u>	<u>737,472</u>
	<u>15,844,562</u>	<u>15,939,660</u>	<u>11,313,492</u>	<u>13,216,331</u>

### 12. CREDITORS AND ACCRUALS

Interest on Bonds	2,836,426	2,836,426	1,270,570	1,270,570
Others	<u>4,219,401</u>	<u>4,679,642</u>	<u>2,952,228</u>	<u>2,613,648</u>
	<u>7,055,827</u>	<u>7,516,068</u>	<u>4,222,798</u>	<u>3,884,218</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. DEFERRED CREDIT

This represents the balance on capital based grants and consists of:

Balance as at 1 January	186,159	186,159	255,516	255,516
Transfers to profit and loss account	(69,357)	(69,357)	(69,357)	(69,357)
<b>Balance at 31 December</b>	<b><u>116,802</u></b>	<b><u>116,802</u></b>	<b><u>186,159</u></b>	<b><u>186,159</u></b>

### 14. SHORT TERM LOAN

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Balance at 1 January	477,795	477,795	4,241,221	4,241,221
Interest charged	-	-	207,021	207,021
	477,795	477,795	4,448,242	4,448,242
Repayments	-	-	(3,970,447)	(3,970,447)
<b>Balance at 31 December</b>	<b><u>477,795</u></b>	<b><u>477,795</u></b>	<b><u>477,795</u></b>	<b><u>477,795</u></b>

The International Development Association through the Government of Ghana made available an additional US\$2.3 million to HFC under the Urban II Project. The facility attracts interest at one percentage point below the average of commercial banks 180-day fixed deposits rate.

### 15. LONG TERM BONDS

These consist of:

Balance at 1 January	162,713,815	162,713,815	89,910,338	89,910,338
Issues during the year	29,465,223	29,465,223	27,982,220	27,982,220
Interest charged	13,252,002	13,252,002	4,619,938	4,619,938
Exchange loss	4,606,827	4,606,827	30,312,671	30,312,671
Inflation adjustment	19,020,853	19,020,853	14,671,575	14,671,575
	229,058,720	229,058,720	167,496,742	167,496,742
Less: Redemptions	(17,627,643)	(17,627,643)	(101,499)	(101,499)
Interest paid	(3,321,027)	(3,321,027)	(4,681,428)	(4,681,428)
<b>Balance at 31 December</b>	<b><u>208,110,050</u></b>	<b><u>208,110,050</u></b>	<b><u>162,713,815</u></b>	<b><u>162,713,815</u></b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The breakdown is as follows: -

Ghana Government Bond (Note (i) below)	37,870,297	37,870,297	30,145,028	30,145,028
Social Security & National Insurance Trust Bonds (Note (ii) below)	87,608,808	87,608,808	60,221,023	60,221,023
HFC Unit Trust	<u>648,833</u>	<u>648,833</u>	<u>507,256</u>	<u>507,256</u>
Total Cedi Bonds (Note (iii) below)	126,127,938	126,127,938	90,873,307	90,873,307
HFC Dollar Housbonds (Note (iv) below)	69,075,842	69,075,842	71,840,508	71,840,508
HFC Sterling Housbonds (Note (v) below)	<u>12,906,270</u>	<u>12,906,270</u>	-	-
<b>Balance at 31 December</b>	<b><u>208,110,050</u></b>	<b><u>208,110,050</u></b>	<b><u>162,713,815</u></b>	<b><u>162,713,815</u></b>

### 15. LONG TERM BONDS (Continued)

#### i. Ghana Government Bond

The International Development Association has made available to the Government of Ghana (GOG) a credit of **US\$70 million** for the Urban II Project. GOG has on-lent an amount of **US\$7 million** from the proceeds of the Credit to HFC for home mortgage financing. As at 31 December 2001, the outstanding balance on the facility stood at **¢37,870million** (2000: ¢30,145 million). The term of the bond is 30 years. These are fully indexed to inflation and attract interest at the rate of 1% per annum.

#### ii Social Security and National Insurance Trust Bonds

##### (A) Uncompleted Housing Scheme

A loan of **¢2,000 million** was contracted to finance the Uncompleted Housing Scheme. The loan, which is fully indexed to inflation, has a 20-year maturity period and attracts interest at the rate of 1.5% per annum on amounts drawn-down. The initial disbursement was made in 1993.

##### (B) Pilot Scheme

Social Security and National Insurance Trust have lent the cedi equivalent of **US\$16.2 million** for the implementation of the Home Finance Pilot Scheme. The loan, which has a 20-year term, is fully indexed to inflation and attracts interest at the rate of 1% per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### iii. Total Cedi Bonds

The movement on the account is as follows: -

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Balance at 1 January	90,873,307	90,873,307	58,664,721	58,664,721
Issues during the year	11,700,000	11,700,000	17,700,000	17,700,000
Interest charges	5,243,592	5,243,592	876,713	876,713
Inflation adjustment	19,020,853	19,020,853	14,671,575	14,671,575
	<u>126,837,752</u>	<u>126,837,752</u>	<u>91,913,009</u>	<u>91,913,009</u>
Less: Redemption	-	-	(101,499)	(101,499)
Interest repayments	<u>(709,814)</u>	<u>(709,814)</u>	<u>(938,203)</u>	<u>(938,203)</u>
<b>Balance at 31 December</b>	<b><u>126,127,938</u></b>	<b><u>126,127,938</u></b>	<b><u>90,873,307</u></b>	<b><u>90,873,307</u></b>

### iv. HFC Dollar Housbonds

The company on 17 September 1996 made a shelf registration of **US\$35 million** bonds on the Ghana Stock Exchange. The issued bonds have a maturity of five years and investors have the option to redeem their holdings at a discount value of **US\$98.25** for every **US\$100** at the end of the second year of issue. The bonds are also listed and traded, on the Ghana Stock Exchange.

### v. HFC Dollar Housbonds

As at 31 December 2001 **US\$10.3million** (2000:US\$11m) has been issued. The movement on the account is as follows:

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Balance at 1 January	71,840,508	71,840,508	31,245,617	31,245,617
Issues during the year	6,942,341	6,942,341	10,282,220	10,282,220
Interest charges	6,953,939	6,953,939	3,743,225	3,743,225
Exchange loss	<u>3,577,910</u>	<u>3,577,910</u>	<u>30,312,671</u>	<u>30,312,671</u>
	<u>89,314,698</u>	<u>89,314,698</u>	<u>75,583,733</u>	<u>75,583,733</u>
Less: Interest repayments	(2,611,213)	(2,611,213)	(3,743,225)	(3,743,225)
Redemption	<u>(17,627,643)</u>	<u>(17,627,643)</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December</b>	<b><u>69,075,842</u></b>	<b><u>69,075,842</u></b>	<b><u>71,840,508</u></b>	<b><u>71,840,508</u></b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Vi. HFC Sterling Housbonds

The company on 13 August 2001 issued **£1.2million** bonds out of a shelf registration on the Ghana Stock Exchange. The issued bonds have a maturity of five years and investors have the option to redeem their holdings at a discount value of **£98.80** for every **£100** at the end of the second year of issue. The bonds are also callable at the end of the 2<sup>nd</sup> year at a premium of **£101.20**, and are also listed and traded on the Ghana Stock Exchange.

As at 31 December 2001 **£1.2million** (2000: £ nil) has been issued. The movement on the account is as follows:

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Balance at 1 January	-	-	-	-
Issues during the year	10,822,882	10,822,882	-	-
Interest charges	1,054,471	1,054,471	-	-
Exchange loss	1,028,917	1,028,917	-	-
	<u>12,906,270</u>	<u>12,906,270</u>		
Less: Interest repayments	-	-	-	-
Redemption	-	-	-	-
Balance at 31 December	<u>12,906,270</u>	<u>12,906,270</u>	-	-

### 16. LONG TERM LOAN

	2001		2000	
	THE COMPANY	THE GROUP	THE COMPANY	THE GROUP
Balance at 1 January	293,904	293,904	190,609	190,609
Drawdowns	<u>2,203,510</u>	<u>2,203,510</u>	<u>103,295</u>	<u>103,295</u>
Balance at 31 December	<u>2,497,414</u>	<u>2,497,414</u>	<u>293,904</u>	<u>293,904</u>

This represents an IDA co-ordinated loan through the Non-Bank Financial Institution (NBFI) for the procurement of computer systems and accessories. The loan represents **US\$500,000** out of a total IDA Credit of **SDR16, 000,000** given to the Government of Ghana under a Development Credit Agreement, dated 26<sup>th</sup> February 1996. The loan has a ten-year term, with a three-year grace period from the date of first draw down. The first draw down was made in September 1999. Repayment of the loan is in cedis at an interest rate based on the market determined average cost of 180-days fixed deposits, with the Government of Ghana bearing the foreign exchange risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. STATED CAPITAL

The company has authorised shares of 1,000,000,000 (2000: 1,000,000,000) of which 57,129,000 (2000: 57,006,000) have been issued. All shares have been issued for cash consideration.

	No. of Shares '000	Stated capital
At 1 January 2000	57,006	8,027,310
Issue of shares share option scheme	-	-
At 31 December 2000	57,006	8,027,310
Issue of shares share option scheme	123	66,691
<b>At 31 December 2001</b>	<b>57,129</b>	<b>8,094,001</b>

There are no unpaid liabilities on any share and there are no calls or instalments unpaid. Included in the ordinary shares are 950,294 (2000: Nil) treasury shares.

### 18. HOUSING DEVELOPMENT ASSISTANCE FUND

	2001		2000	
Balance 1 January	864,123	864,123	587,585	587,585
Additions during year	301,570	301,570	276,538	276,538
<b>Balance at 31 December</b>	<b>1,165,693</b>	<b>1,165,693</b>	<b>864,123</b>	<b>864,123</b>

(C) The Housing Development Assistance Fund has been set up to fund housing related research and new technologies and is as such restricted from distribution as dividend.

### 19. MANDATORY RESERVE

Mandatory reserve represents the cumulative amount set aside from annual net profit after tax as required under Rules 7 of Bank of Ghana Business Rules (Deposit Taking). The proportion of net profits transferred to this reserve ranges from 15% to 50% of net profit after tax, depending on the ratio of existing mandatory reserve to paid up capital.

### 20. CAPITAL SURPLUS ACCOUNT

This represents the unrealised surplus arising on the revaluation of the company's landed property at 31 December 2001



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATIONS

	2001	2000
<b>Profit before tax</b>	<b>7,991,058</b>	<b>7,866,844</b>
Depreciation	1,038,162	705,160
Increase in provision for losses on mortgages	2,141,615	620,687
Profit on disposal of fixed assets	(23,785)	(22,413)
Net interest receivable	(12,631,232)	(9,661,514)
Net increase in mortgages	4,981,382	(9,906,049)
Net increase in construction finance	(6,836,057)	(4,008,176)
Net increase in other assets accounts	(5,851,636)	(4,065,917)
Net exchange gain	(1,508,665)	(2,199,358)
Net increase in creditors and accruals	3,631,850	2,113,722
Decrease in deferred credits	(69,357)	(69,357)
Increase in deposits	2,723,279	8,045,156
Interest on bonds and loans	13,252,002	4,826,959
Repayment of interest	(3,321,027)	(4,681,428)
Tax paid	(1,199,750)	(807,250)
<b>Net cash from operating activities</b>	<b><u>4,317,839</u></b>	<b><u>(7,234,758)</u></b>

### 22. CASH AND CASH EQUIVALENTS

#### Analysis of balances

	2001	2000	Change in year
Cash and Short term investments	39,366,239	29,186,563	10,179,676
Bank overdraft	(286,323)	-	(286,323)
	<u>39,079,916</u>	<u>29,186,563</u>	<u>9,893,353</u>

### 23. SHARE DEALS ACCOUNT

	2001	2000
Balance at 1 January	-	-
Transfer from income surplus account	2,743,514	-
Less: Purchase of shares into Treasury	(2,743,514)	-
	-	-
Add: Net proceeds from Treasury shares resold	1,787,811	-
Balance at 31 December	<u>1,787,811</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the shareholders resolution of 20th March 1997, the company transferred €2,744 million (2000:Nil) from income surplus account during the year to share deals account for the purchase of the company's own shares.

### 24. SHARE OPTIONS

On 21<sup>st</sup> April 1999 the shareholders of the company approved a share option scheme for the Executive Directors and Management Staff of the company. The number of shares offered under the scheme is 587,690 for Executive Directors and 885,373 for Management Staff. The Executive Directors may exercise their option within a 5-year period ending 31<sup>st</sup> December 2006. The Management Staff options are exercisable in equal amounts on 31<sup>st</sup> December of each year to 31<sup>st</sup> December 2006.

The beneficiaries of the Executive Directors options are restricted from trading in the shares before the options' expiry date of 31<sup>st</sup> December 2006. The beneficiaries of the Management Staff options are also restricted from selling in any year, more than 50% of options exercised in that particular year.

The options exercised on 31<sup>st</sup> December 2001 by Management Staff were 70,460 at €665 per share. The options exercised by the Executive Directors by 31<sup>st</sup> December 2001 were 52,892 at €375 per share. The movements in the number of shares under the scheme are as follows:

#### EXECUTIVE DIRECTORS

	2001	2000
Options granted during the year	587,690	-
Less: Options lapsed during the year	-	-
	587,690	-
Options exercised during the year	(52,892)	-
Options at the end of the year	534,798	-

#### MANAGEMENT STAFF

	2001	2000
Options granted during the year	177	-
Less: Options lapsed during the year.	(107)	-
	70	-
Options exercised during the year	70	-
Options at the end of the year	-	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The options exercised resulted in an increase of €66,691,000 in the company's stated capital. The summary is provided below:

	2001	2000
Addition to stated capital from share options fully paid for.	<u>66,691</u>	<u>-</u>
Fair value of options exercised at 31/12/2001	<u>117,096</u>	<u>-</u>

### 25. COMPARATIVE FIGURES

The comparative figures have been restated to conform with current presentation.

### 26. CAPITAL COMMITMENTS

There were no outstanding capital commitments at the financial year end (2000: Nil)

### 27. CONTINGENT LIABILITY

There were no contingent liabilities at the financial year end (2000: Nil)

**SHAREHOLDING STRUCTURE**

As at 31st December 2001

Holding	No of Holders	No of Shares
1 - 1,000	329	140,585
1,001 - 5,000	147	339,256
5,001 - 10,000	39	307,764
10,001 - 9,999,999,999	53	56,216,262

**DIRECTORS' SHAREHOLDING**

Name	No of Shares
Mr. S.K. Botchway	5,000
Mr. Kwadwo Duku	30,000
Mrs. Stephanie Baeta Ansah	101,638
Mr. Edusei Derkyi	80,860
Mr. Asare Akuffo	62,737
Mrs. Esther Kumado	10,000



## 20. LARGEST SHAREHOLDERS AS AT 31 DECEMBER, 2001

Name	# of Shares	% of issued capital
1. SOCIAL SEC. & NAT. INS. TRUST	14,142,831	24.81
2. GHANA UNION ASSURANCE CO. LTD	8,265,303	14.50
3. BANK OF GHANA	7,410,765	13.00
4. STATE INSURANCE COMPANY OF GHANA	6,020,680	10.56
5. MIHL/UNION HOMES SAVINGS & LOANS LIMITED	4,720,616	8.28
6. GHANA REINSURANCE ORGANISATION	3,500,000	6.14
7. MIHL/UNION HOMES PENSION FUND	3,000,000	5.26
8. BBGN/CHASE MANHATAN ONSHORE	2,614,840	4.59
9. HFC UNIT TRUST	1,406,573	2.47
10. MERBAN STOCKBROKERS LIMITED	951,194	1.67
11. ENTERPRISE INSURANCE CO. LTD	783,420	1.37
12. CAPITAL AND EQUITY LTD.	500,000	0.88
13. MIHL/UNION HOMES O. N. CHIONUMA PENSION FUND	500,000	0.88
14. HFC ESPW FUND	387,019	0.68
15. VANGUARD ASSURANCE COMPANY LIMITED	346,123	0.61
16 MR. K. T. AGYARE	199,840	0.35
17. FANEL LIMITED	110,000	0.19
18. MRS. S. H. B. ANSAH	101,638	0.18
19. REGIMAMUEL GRAY LTD.	100,400	0.18
20. TEMA DEVELOPMENT CORPORATION	100,000	0.18
TOTAL	55,161,242	96.76
COMPANY CAPITAL	57,005,887	

# HOME FINANCE COMPANY LIMITED

## PROXY

I/We .....

of .....

being members of HOME FINANCE COMPANY LIMITED

hereby appoint .....

Or failing him MR. KWADWO DUKU, Chairman of Home Finance Company Limited, P. O. Box CT 4603, Cantonments, Accra, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Golden Tulip, Accra at eleven (11:00) o'clock in the forenoon on the 25<sup>th</sup> day of April, 2002 and at any adjournment thereof.

Please indicate with an X in the space below how you wish your votes to be cast.

### SPECIAL RESOLUTIONS

1. To authorize the Directors to change the Company's name in accordance with Regulation 95 of the Company's regulations and section 15 (3) of the Companies Code, 1963 (Act 179).
2. To authorise the Directors to amend the objects clauses of the company in accordance with Regulation 95 of the Company's regulations and Section 22 (C) and 26 (1) of the Companies Code, 1963 (Act 179) by the subscription for regulation 2(a) b & (c) of a new Regulation 2(a) (b) & (c) (refer to objects clauses on page 3)
3. To authorize the Directors to increase the stated capital by an additional €30 billion by a Renounceable Rights Issue in accordance with the Company's regulations and Section 202 (1) (b) of the Companies Code 1963 (Act 179)

### ORDINARY RESOLUTIONS

4. To consider and approve consolidated accounts and financial Statement of Home Finance Company Limited and its wholly owned subsidiary, HFCISL for the financial year ended 31<sup>st</sup> December 2001 together with the Auditors Report thereon.
5. To receive the Directors' report and approve their recommendations for the Payment of dividend for the year-ended 31st December, 2001
6. To elect Mr. John Sey for one year to replace Mr. Henry Dei who is retiring in accordance with Regulation 65 of the company's regulations and Section 298(e) of the Companies Code, 1963 (Act 179)
7. To authorize the Directors to approve the remuneration of the Auditors

FOR	AGAINST

On any other business transacted at the meeting and otherwise instructed in the paragraphs above, the proxy will vote as he/she thinks fit.

Signed this                      day of                      2002                      Signature of Shareholder

.....  


THIS FORM SHOULD NOT BE COMPLETED AND SENT TO THE SECRETARY IF THE SENDER WILL BE ATTENDING THE MEETING

1. A member (shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The Proxy Form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the form for MR. KWADWO DUKU the Chairman of the meeting to act as your Proxy but if so wish, you may insert in the blank space the name of any person whether a member of the company or not who will attend the meeting and vote on your behalf instead of the chairman.
3. In the case of joint holder, each holder must sign. In case of a company, the Proxy Form must be by a director or its Common Seal appended.
4. If you intend to sign a Proxy, please sign the above Proxy Form and post it to reach the address shown overleaf not later than 5:00 p.m. on 25<sup>th</sup> day of April, 2002
5. The Proxy must produce the Admission Form printed overleaf to obtain entrance to the meeting.



THIRD FOLD HERE

SECOND FOLD HERE

FIRST FOLD HERE

THE SECRETARY  
HOME FINANCE COMPANY LIMITED  
'EBANKESI'  
P.O. BOX CT 4603  
ACCRA - GHANA

BEFORE POSTING THE ABOVE FORM, TEAR OFF AND RETAIN THE PART BELOW



## ADMISSION CARD

Annual General Meeting of the Company to be held at Golden Tulip at eleven (11:00) o'clock on the 25<sup>th</sup> day of April 2002 and at any adjournment thereof.

Name of Shareholder .....

Name of Proxy .....

Signature of Person Attending .....

### IMPORTANT

- (A) This Admission Form must be produced by the shareholder or his Proxy in order to obtain entrance to the Annual General Meeting.
- (B) Shareholders or their Proxy are requested to complete and sign the Admission Form before the meeting.

