

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HFC BANK GROUP

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of HFC Bank (Ghana) Limited, (the Bank) and its subsidiaries (together, the Group) which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Bank; together with the consolidated statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group; and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 24 to 25 and 35 to 111.

standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2013 and of their financial performance and their cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738).

AUDITORS' 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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HFC BANK GROUP

REPORT ON OTHER LEGAL REQUIREMENTS

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the Group, so far as appear from our examination of those books
- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and
- The (balance sheet) statement of financial position and the (profit and loss account) income statement portion statements of the statement of comprehensive income are in agreement with the books of account.

The Banking Act, 2004 (Act 673) Section 78(2) requires that we state certain matters in the report. We confirm that:

- i. The accounts give a true and fair view of the state of affairs of the bank and its results for the period.
- ii. The bank's transactions were within the powers of the bank and
- iii. We were able to obtain all relevant information and explanations required for the efficient performance of our functions.

- iv. The bank has generally complied with the provisions of the Banking Act, 2004 (Act 673), as amended.

Pamela Des Bordes (ICAG/P/1329)

For and on behalf of Ernst & Young
(ICAG/F/2014/126)

Chartered Accountants

Accra, Ghana

Date: 17th March 2014



HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

Statement of Financial Position As at 31 December 2013

(All amounts are expressed in Ghana cedis unless otherwise stated)

		At 31 December			
		The Bank 2013	The Bank 2012	The Group 2013	The Group 2012
Assets					
Cash and balances with Bank of Ghana	14	180,209,971	71,930,479	184,337,284	71,930,479
Due from other banks	15	55,071,312	60,104,578	55,071,312	60,104,578
Government securities	16	122,526,748	65,097,445	128,782,871	67,715,838
Pledged assets (Repos)	17	6,000,000	6,500,000	6,000,000	6,500,000
Loans and advances to customers	18	516,063,047	335,814,761	515,708,022	330,164,156
Loans and advances to banks and financial institutions	19	3,610,933	3,560,780	3,610,933	3,560,780
Investment securities	20	1,432,230	1,471,137	2,515,431	2,562,436
Other investments	21	22,445,427	6,298,433	22,695,427	7,298,433
Other assets	22	20,699,495	12,383,269	40,048,863	24,059,259
Derivative Asset	23	7,501,515	4,561,425	7,501,515	4,561,425
Investment in subsidiaries	24a	5,517,334	4,031,222	-	-
Investment in venture capital fund	24b	9,705,926	1,804,381	9,705,926	1,804,381
Property, plant and equipment	25	16,454,491	13,280,265	18,142,644	14,361,896
Intangible asset - Goodwill	13	3,931,286	-	3,931,286	-
Current income tax assets	27	1,896,339	948,817	959,680	602,045
Total assets		973,066,054	587,786,992	999,011,194	595,225,706
Liabilities and equity					
Deposits from customers	28	453,589,211	312,963,215	453,589,211	312,379,704
Deposits from banks and financial institutions	29	41,937,066	44,844,818	41,937,066	44,844,818
Due to other banks	30	35,000,000	-	35,000,000	-
Other liabilities	31	46,328,934	18,642,450	63,194,499	21,076,365
Derivative Liability	32	6,898,391	4,410,695	6,898,391	4,410,695
Bonds	33	67,437,494	58,128,268	67,437,494	58,128,268
Borrowings	35	49,249,559	20,901,374	49,249,559	20,901,374
Short term borrowings	34	108,165,010	-	108,165,010	-
Deferred tax	26	765,743	540,484	809,451	538,878
Total liabilities		809,371,408	460,431,304	826,280,681	462,280,102
Equity					
Stated capital	36	95,126,624	95,126,624	95,126,624	95,126,624
Income surplus account	48	11,886,476	1,067,248	19,871,411	5,669,364
Statutory reserve fund	37	40,844,598	19,325,453	40,844,598	19,715,074
Capital surplus account	38	4,618,495	4,618,495	4,634,139	4,634,139
Housing development assistance reserve	39	743,680	743,680	743,680	743,680
Regulatory credit risk reserve	40	10,280,979	6,280,394	10,280,979	6,280,394
Other reserve	42	193,794	193,794	193,794	193,794
Total equity before non controlling interest		163,694,646	127,355,688	171,695,225	132,363,069
Non controlling interest	43	-	-	1,035,288	582,535
Total equity		163,694,646	127,355,688	172,730,513	132,945,604
Total liabilities and equity		973,066,054	587,786,992	999,011,194	595,225,706

The financial statements on pages 9 to 91 were approved by the Board of directors on 17th March 2014 and signed on its behalf by:

Chairman:

NANA AGYEI DUKU

Managing Director
Asare Akuffo

HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

Statement of Comprehensive Income as at 31 December 2013

(All amounts are expressed in Ghana cedis unless otherwise stated)

	Note	Twelve Months ended 31 December			
		The Bank 2013	The Bank 2012	The Group 2013	The Group 2012
Interest income	4	115,623,273	66,121,784	119,959,015	68,768,032
Interest expense	5	(39,412,557)	(23,336,427)	(39,306,755)	(23,304,605)
Net interest income		76,210,716	42,785,357	80,652,260	45,463,427
Fee and commission income	6	18,404,540	12,603,162	25,582,454	17,218,865
Fee and commission expense	7	(615,660)	(284,399)	(650,441)	(284,399)
Net fee and commission income		17,788,880	12,318,763	24,932,013	16,934,466
Other operating income	8a	773,763	812,155	5,756,206	3,960,090
Trading Income	8b	16,427,374	4,951,139	16,427,374	4,951,139
Operating income		111,200,733	60,867,414	127,767,853	71,309,122
Operating expenses	9	(55,172,046)	(40,584,921)	(67,460,692)	(47,942,821)
Impairment charge for credit losses	18	(10,182,707)	(5,565,880)	(10,182,707)	(5,565,880)
Operating profit		45,845,980	14,716,613	50,124,454	17,800,421
Other income	10	1,684,388	998,958	1,934,323	1,016,393
Profit for the year		47,530,368	15,715,571	52,058,777	18,816,814
National Stabilisation Levy	52	(1,188,259)	-	(1,297,877)	-
Tax expense	11	(10,003,151)	(2,690,224)	(10,975,991)	(3,392,858)
Profit after tax		36,338,958	13,025,347	39,784,909	15,423,956
Attributable to:					
Equity holders of the parent		36,338,958	13,025,347	39,332,156	15,271,999
Non controlling interest	43	-	-	452,753	151,957
		36,338,958	13,025,347	39,784,909	15,423,956
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year		36,338,958	13,025,347	39,332,156	15,271,999
Basic earnings per share (Ghana pesewa)	51	12.26	6.75	13.27	7.91
Diluted earnings per share (Ghana pesewas)	51	12.03	6.43	13.02	7.53

The attached notes 1 to 55 form an integral part of these financial statements.

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HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

Statements of Changes in Equity 31 December 2013

(All amounts are expressed in Ghana cedis unless otherwise stated)

The Bank-2013	Attributable to equity holders of the Bank							Total Equity
	Stated Capital (note 36)	Income surplus account (note 48)	Statutory reserve (note 37)	Capital surplus account (note 38)	Housing dev't assistance reserve (note 39)	regulatory credit risk reserve (note 40)	Other reserves (note 42)	
Balance at 1 January 2013	95,126,624	1,067,248	19,325,453	4,618,495	743,680	6,280,394	193,794	127,355,688
Profit for the year	-	36,338,958	-	-	-	-	-	36,338,958
Dividend	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	(21,519,145)	21,519,145	-	-	-	-	-
Transfer to housing development assistance reserve	-	-	-	-	-	-	-	-
Repurchase of shares	-	-	-	-	-	-	-	-
Transfer to share deals	-	-	-	-	-	-	-	-
Transfer to regulatory credit risk reserve	-	(4,000,585)	-	-	-	4,000,585	-	-
At 31 December	95,126,624	11,886,476	40,844,598	4,618,495	743,680	10,280,979	193,794	163,694,646

The Bank-2012	Attributable to equity holders of the Bank							Total Equity	
	Stated Capital (note 36)	Income surplus account (note 48)	Statutory reserve (note 37)	Capital surplus account (note 38)	Share deals account (note 41)	Housing development assistance reserve (note 39)	Regulatory credit risk reserve (note 40)		Other Reserve (note 42)
1 January	45,000,624	9,237,074	12,812,779	4,618,495	-	743,680	1,402,888	193,794	74,009,334
Profit for the year	-	13,025,347	-	-	-	-	-	-	13,025,347
Proceeds from Executive Share Option Plan (ESOP)	126,000	-	-	-	-	-	-	-	126,000
Proceeds from Share Issue	50,000,000	-	-	-	-	-	-	-	50,000,000
Dividend	-	(9,146,302)	-	-	-	-	-	-	(9,146,302)
Transfer to statutory reserve	-	(6,512,674)	6,512,674	-	-	-	-	-	-
Repurchase of shares	-	-	-	-	(658,691)	-	-	-	(658,691)
Transfer to Share deals	-	(658,691)	-	-	658,691	-	-	-	-
Transfers to regulatory credit risk reserve	-	(4,877,506)	-	-	-	-	4,877,506	-	-
At 31 December	95,126,624	1,067,248	19,325,453	4,618,495	-	743,680	6,280,394	193,794	127,355,688

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HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

Statements of Changes in Equity 31 December 2013

(All amounts are expressed in Ghana cedis unless otherwise stated)

Attributable to equity holders of the parent company

The Group-2013	Stated capital (note 36)	Income surplus account (note 48)	Statutory Reserve (note 37)	Capital surplus account (note 38)	Housing development assistance Reserve (note 39)	Regulatory credit risk reserve (note 40)	Other reserves (note 42)	Non control- ling interest (note 43)	Total Equity
Balance at 1 January	95,126,624	5,669,364	19,715,074	4,634,139	743,680	6,280,394	193,794	582,535	132,945,604
Profit for the year	-	39,332,156	-	-	-	-	-	452,753	39,784,909
Proceeds from ESOP	-	-	-	-	-	-	-	-	-
Proceeds from Share Issue	-	-	-	-	-	-	-	-	-
Convertible bonds	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	(21,129,524)	21,129,524	-	-	-	-	-	-
Repurchase of shares	-	-	-	-	-	-	-	-	-
Transfer to share deals	-	-	-	-	-	-	-	-	-
Transfer to Regulatory credit risk reserve	-	(4,000,585)	-	-	-	4,000,585	-	-	-
At 31 December	95,126,624	19,871,411	40,844,598	4,634,139	743,680	10,280,979	193,794	1,035,288	172,730,513

Attributable to equity holders of the parent company

The Group-2012

Year	Stated capital (note 36)	Income surplus account (note 48)	Statutory reserve (note 37)	Capital surplus account (note 38)	Housing development assistance reserve (note 39)	Share deals account (note 41)	Regulatory credit risk reserve (note 40)	Other Reserves (note 42)	Non controlling interest (note 43)	Total Equity
Balance at 1 January	45,000,624	11,592,538	13,202,400	4,634,139	743,680	-	1,402,888	193,794	430,578	77,200,641
Profit for the year	-	15,271,999	-	-	-	-	-	-	151,957	15,423,956
Proceeds from ESOP	126,000	-	-	-	-	-	-	-	-	126,000
Proceeds from Share Issue	50,000,000	-	-	-	-	-	-	-	-	50,000,000
Dividend	-	(9,146,302)	-	-	-	-	-	-	-	(9,146,302)
Transfer to statutory reserve	-	(6,512,674)	6,512,674	-	-	-	-	-	-	-
Transfer to Share deals	-	(658,691)	-	-	-	658,691	-	-	-	-
Repurchase of shares	-	-	-	-	-	(658,691)	-	-	-	(658,691)
Transfer to regulatory credit risk reserve	-	(4,877,506)	-	-	-	-	4,877,506	-	-	-
At 31 December	95,126,624	5,669,364	19,715,074	4,634,139	743,680	-	6,280,394	193,794	582,535	132,945,604

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HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

Statement of Cash Flows for the year ended 31 December 2013

(All amounts are expressed in Ghana cedis unless otherwise stated)

	Note	Twelve Months ended 31 December			
		The Bank		The Group	
		2013	2012	2013	2012
Cash flows from Operating activities					
Cash generated from operations	45	160,649,344	8,671,810	167,717,950	14,296,837
Interest paid-long term bonds and borrowing	33/35	(4,275,074)	(1,287,369)	(4,275,074)	(1,287,369)
Mandatory deposits with Bank of Ghana	14	(91,804,108)	(35,837,506)	(91,804,108)	(35,837,506)
Tax paid	27	(10,725,414)	(3,586,165)	(11,063,053)	(4,162,398)
National stabilization levy paid	52	(1,108,550)	-	(1,218,168)	-
Net cash generated from operating activities		<u>52,736,198</u>	<u>(32,039,230)</u>	<u>59,357,547</u>	<u>(26,990,436)</u>
Cash flows from investing activities					
Purchase of property ,plant and equipment	25	(5,638,309)	(2,760,792)	(6,774,110)	(3,314,004)
Proceeds from sale of property, plant and equipment	25	3,455	31,834	84,054	75,930
(Purchase)/Sale of government securities		(29,538,818)	14,710,487	(29,584,132)	10,706,584
Purchase of other investments		(16,146,994)	(742,528)	(15,396,994)	(1,742,528)
Sale of investment securities		38,907	-	47,005	-
Purchase of branches		(5,707,780)	-	(5,707,780)	-
Investment in associates, subsidiaries and venture capital fund		(9,387,657)	(881,996)	(7,951,545)	(7452,391)
Purchase of debt securities		-	(471,137)	-	(1,562,436)
Net cash used in investing activities		<u>(66,377,196)</u>	<u>9,885,868</u>	<u>(65,283,502)</u>	<u>3,421,155</u>
Cash flows from financing activities					
Dividend paid	12	(3,839)	(9,144,899)	(3,839)	(9,144,899)
Redemption of bonds	33	(665,546)	(8,184,204)	(665,546)	(8,184,204)
Borrowings repaid	35	(5,728,668)	(3,581,431)	(5,728,668)	(3,581,431)
Proceeds from borrowings	35	32,254,718	18,845,500	32,254,718	18,845,500
Proceeds from ESOP issue	47	-	63,000	-	63,000
Proceeds from share issue	36	-	50,000,000	-	50,000,000
Net cash generated from financing activities		<u>25,856,665</u>	<u>47,997,966</u>	<u>25,856,665</u>	<u>47,997,966</u>
Increase in cash and cash equivalents		12,215,667	25,844,604	19,980,711	24,428,685
Net foreign exchange difference		6,578,507	6,236,588	6,578,507	6,236,588
At 1 January		117,759,414	85,678,222	120,377,807	89,712,534
At 31 December	46	<u>136,553,588</u>	<u>117,759,414</u>	<u>146,937,025</u>	<u>120,377,807</u>

The attached notes 1 to 55 form an integral part of these financial statements.

