

The Business



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 BUSINESS NEWS INFORMATION

BCFC net profit hits BD20.7m

MANAMA: Bahrain Commercial Facilities Company (BCFC) has reported a net profit of BD20.7 million for 2017 which is four per cent higher than BD19.9m earned in 2016.

Profit for the fourth quarter was BD6.3m (2016: BD5.3m). The board has recommended a cash dividend of 50pc (2016: 50pc).

"The performance of the group in the context of current challenging environment is extremely satisfying," said chairman Abdulrahman Fakhro.

"The company has yet again achieved its highest net profit. The results are testament of the strong business model, efficient business processes, innovative approach to product offerings and fine execution of initiatives as identified in its three-year strategic plan."

BCFC's consumer finance business, Bahrain Credit has achieved net profit of BD17.5m (2016: BD14.5m).

During 2017, the company continued its conservative underwriting policies and advanced new loans of BD161m (2016: BD158m).

It has undertaken initiatives for refining business operations to enhance customer

experience and introduced new products to reach more customers.

Bahrain Credit remains extremely cautious within current market realities and continues to enhance its risk management framework by observing and learning from customers payments patterns.

Non-performing loans stood at 3.49pc of the total loans portfolio.

The company has completed implementation of IFRS 9 and will apply the new standard from the reporting period commencing January this year.

In the automotive business, National Motor Company has earned a net profit of BD2.2m (2016: BD1.9m), despite continued contraction in new car sales in Bahrain.

The reduction in sales has resulted in overall inventory built-up and erosion of margins.

The company was able to arrest this trend by taking timely decisions pertaining

to inventory management and becoming lean and efficient.

Despite decrease in new vehicle sales volume for both General Motors and Honda, National Motor was able to retain its market share.

Tasheelat Automotive Company has reported net profit of BD54,000 for the GAC brand of vehicles.

Within two years, the company has sold around 1,000 GAC cars leading to a higher brand visibility and equity.

Tasheelat Insurance Services Company achieved a net profit of BD610,000 (2016: BD1.1m).

The performance was severely affected due to decline in new car sales, pressure on its margins as a result of cut-throat competition and increase in its cost structure.

However, on the foundation of its strong brand, largest branch network amongst insurance brokers and group synergies, the company maintained leadership in the motor insurance market.

During the year, the company arranged for more than 23,000 motor insurance policies.

It has taken prudent steps to diversify its portfolio and income streams by introducing innovative products.



■ Mr Fakhro



■ Dr Hubail

Tasheelat Real Estate Services Company had a challenging year and registered net profit of BD449,000 (2016: BD2.6m).

The performance was significantly affected due to delay in regulatory approvals on one of its large real estate projects which left the company with inadequate land inventory to sell.

All approvals were received before the year end and the new project received an encouraging response from the market and the company has already liquidated 25pc of the plots.

All the investment properties for rental income are maintaining healthy occupancy rate.

Tasheelat Car Leasing commenced operations in July 2017 to further expand and develop core competencies in the automotive business.

Since inception, the company has established a network of six branches.

It is currently operating more than 700 cars to provide vehicles to customers

on daily, monthly and long-term lease contracts.

For the first six months of operations, it reported a net loss of BD80,000.

BCFC maintains a healthy liquidity position with a well-defined maturity profile for borrowings which is spread over years to avoid any concentration.

During the year, it arranged a \$125m syndicated loan to repay a maturing \$55m loan.

The remaining \$70m from the new loan was used to fund business expansion.

The transaction was oversubscribed and received strong support from local and regional banks.

The group is currently operating at a low leverage of 1.7 which bodes well for future expansion and growth plans.

Commenting on the results, chief executive Dr Adel Hubail said the performance was an outcome of "relentless efforts to refine services, innovate new synergies and actively reach out to business partners and customers".

"The financial position remains exceptionally strong and with the available strong equity, the group will continue to look for investment opportunities that increase value for shareholders," he added.

Consolidated Statement of Financial Position

	2017 US\$ 000	2016 US\$ 000
ASSETS		
Demand and call deposits with banks	97,993	176,880
Placements with banks	68,577	187,350
Investments carried at fair value through statement of income	19,268	45,178
Non-trading investments	221,566	404,436
Loans and receivables	4,216	1,184,804
Other assets	31,820	112,735
Investments in associates	77,512	709,043
Investment properties	105,093	101,326
Property and equipment	1,679	32,117
Goodwill	52,390	51,868
TOTAL ASSETS	680,114	3,005,737
LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and other financial institutions	250,211	726,222
Deposits from customers	31,018	965,210
Loans payable	98,658	652,125
Subordinated debt	-	50,000
Other liabilities	37,358	62,724
TOTAL LIABILITIES	417,245	2,476,281
EQUITY		
Share capital	101,132	208,651
Treasury shares	-	(18,131)
Share premium	5,687	11,459
Statutory reserve	49,881	100,514
General reserve	29,612	80,999
Treasury shares reserve	-	14,248
Fair value reserve	12,867	(49,966)
Foreign currency translation reserve	(3,871)	(37,476)
Retained earnings	7,659	83,711
CAPITAL AND RESERVES ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	202,967	394,009
Perpetual Tier 1 capital	33,000	33,000
Non-controlling interests in equity	26,902	102,447
TOTAL EQUITY	269,869	529,456
TOTAL LIABILITIES AND EQUITY	680,114	3,005,737

Condensed Consolidated Statement of Cash Flows

	2017 US\$ 000	2016 US\$ 000
Net cash from operating activities	24,982	234,463
Net cash from investing activities	710,443	30,237
Net cash used in financing activities	(884,756)	(124,506)
Foreign currency translation adjustments	33,605	(2,586)
Movement in non-controlling interests	(75,090)	(1,498)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(190,815)	136,110
Cash and cash equivalents at 1 January	357,067	220,957
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	166,252	357,067

Consolidated Statement of Income and Other Comprehensive Income

	2017 US\$ 000	2016 US\$ 000
Continuing operations	4,431	3,310
Interest income	23,810	9,753
Investment income - net	28,241	13,063
Fees and commissions - net	25,391	19,830
Foreign currency losses - net	(409)	(3,886)
Share of results of associates - net	(2,922)	3,841
Total income	(15,232)	(11,703)
Interest expense	35,069	21,145
Operating income before expenses and provisions	(15,862)	(12,635)
Salaries and benefits	(9,730)	(7,978)
General and administrative expenses	9,477	532
Operating income before provisions and tax	(462)	(2,933)
Impairment loss on investments	(2,895)	894
Provision for doubtful loans and other assets - net	(1,018)	(20)
Taxation - net	5,102	(1,527)
Net profit (loss) for the period from continuing operations	3,268	2,400
Net profit from discontinued operations	8,370	873
Net profit before reclassification adjustments	(87,785)	-
Reclassification adjustments	(79,395)	873
(Loss) profit for the year	87,785	-
Other comprehensive income:	87,785	-
Reclassification adjustments	8,370	873
Foreign currency translation reserve	6,029	(2,806)
Fair value reserve	4,950	6,062
Transfer to consolidated statement of income upon disposal	(1,880)	2,681
Share of other comprehensive loss of associates - net	-	(11,690)
Cash flow hedges	256	655
Other comprehensive income (loss) for the year	9,355	(5,098)
TOTAL COMPREHENSIVE INCOME (LOSS) THE YEAR	17,725	(4,225)
(Loss) profit for the year	(79,850)	6,259
Other comprehensive income (loss) for the year	96,438	(4,303)
Total comprehensive income attributable to shareholders of the parent	16,588	1,866
Profit (Loss) for the year	455	(5,386)
Other comprehensive income (Loss) for the year	682	(705)
Total comprehensive income (Loss) attributable to non-controlling interests	1,137	(6,091)

Consolidated Statement of Changes in Equity For the year ended 31 December 2017

	Share capital US\$ 000	Treasury shares US\$ 000	Share premium US\$ 000	Statutory reserve US\$ 000	General reserve US\$ 000	Treasury share reserve US\$ 000	Fair value reserve US\$ 000	Foreign currency translation reserve US\$ 000	Retained earnings US\$ 000	Total before non-controlling interests US\$ 000	Perpetual Tier 1 capital US\$ 000	Non-controlling interests US\$ 000	Total equity US\$ 000
Balance at 1 January 2017	208,651	(18,131)	11,459	100,514	80,999	14,248	(49,966)	(37,476)	7,915	394,009	33,000	102,447	529,456
Net profit for the year before reclassification adjustments	-	-	-	-	-	-	59,826	27,939	(87,765)	7,915	-	455	8,370
Reclassification adjustments	-	-	-	-	-	-	3,007	5,666	-	8,673	-	682	9,355
Other comprehensive income	-	-	-	-	-	-	62,833	33,605	(79,850)	16,588	-	1,137	17,725
Total comprehensive income for the year	(107,519)	18,131	(5,772)	(50,633)	(36,387)	(14,248)	-	-	15,000	(204,117)	-	-	(204,117)
Capital reduction	-	-	-	-	(15,000)	-	-	-	(3,513)	(3,513)	-	-	(3,513)
Transfers during the year	-	-	-	-	-	-	-	-	(3,513)	(3,513)	-	-	(3,513)
Interest payment on Tier 1 capital	-	-	-	-	-	-	-	-	202,967	202,967	33,000	26,902	262,869
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	303,936	303,936	-	109,331	503,267
Balance at 31 December 2017	101,132	(18,131)	5,687	49,881	29,612	-	12,867	(34,890)	80,497	393,936	-	(5,386)	873
Balance at 1 January 2016	208,651	(18,131)	11,459	99,888	80,373	14,248	(48,159)	-	6,259	393,936	-	(5,386)	503,267
Profit (loss) for the year	-	-	-	-	-	-	(1,807)	(2,586)	6,259	(4,383)	-	(705)	(4,225)
Other comprehensive loss	-	-	-	-	-	-	(1,807)	(2,586)	1,866	1,866	-	(8,091)	(4,225)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(1,793)	(1,793)	-	-	(1,793)
Perpetual Tier 1 capital	-	-	-	-	-	-	-	-	(1,793)	(1,793)	-	-	(1,793)
Interest payment on Tier 1 capital	-	-	-	-	626	626	-	-	(1,252)	-	-	(793)	(793)
Transfers during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Other movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2016	208,651	(18,131)	11,459	100,514	80,999	14,248	(49,966)	(37,476)	83,711	394,009	33,000	102,447	529,456

The above Consolidated Statement of Financial Position, Consolidated Statement of Income and other Comprehensive Income, Condensed Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity have been extracted from the Condensed Consolidated Financial Statements of United Gulf Bank B.S.C.(c) for the year ended 31 December 2017, which were approved by the Board of Directors on 27 February 2018 and on which an unqualified audit opinion was issued by Ernst & Young, Kingdom of Bahrain.

Masaud Hayat
Chairman

Faisal Al Ayyar
Vice Chairman

Hussain Lalani
Acting Chief Executive Officer



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