

The Business



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GFH posts \$17m profit

MANAMA: Bahrain-based financial group GFH yesterday reported a consolidated net profit of \$17 million for the fiscal year ended on December 31 when compared to a net loss of \$18m for the previous year.

A statement by the bank said it was a transformative year as it marked the launch of the new strategy and identity.

The profit attributable to shareholders is \$11m as compared to a loss of \$18m for 2013.

Total consolidated income for 2014 is \$160m as compared to \$13.5m in 2013.

Excluding income of \$94.3m from non-banking operations, this reflected a sharp 387 per cent rise in investment banking income, compared with the previous year.

This was the result of a significant increase in placements and recoveries made during the year.

Operating profit before provisions for the year was \$27.6m compared to a loss of \$14.6m in 2013.

Total provisions of \$10.5m were taken last year by GFH.

Operating expenses for the year were \$133.8m.



■ Dr Al Mutawa

a loss of \$18.7m in 2013.

This was mainly attributed to the successful placement of the group's investments in two key residential transactions during the last quarter of the year, whilst this was affected by an equity market crash in fourth quarter by \$6.3m.

GFH chairman Dr Ahmed Al Mutawa said steps had been taken last year to recapitalise the balance sheet and strengthen the structure.

"We embarked upon a new strategy to create a more stable financial position by increasing our capital and enhancing the balance sheet, while focusing on acquisitions to strength-

en the financial position of the group and our co-investors through steady streams of income and opportunities for strong upside potential at exit," he said.

Dr Al Mutawa said the board and the management was hopeful of achieving even better results this year so as to make distributions to shareholders.

GFH chief executive Hisham Alrayes said last year was a year of returning back strongly to investment placement, with \$86m placed in a number of attractive investment transactions.

"We also concluded a number of successful exits from some of the investment projects, in addition to successful recoveries due to the bank from various parties, and the settlement of some claims," he said.



■ Mr Alrayes

Three investment projects, Philadelphia Private School in Dubai, 'Nurollife' residential project in Istanbul, and a diversified investment portfolio including residential properties in Houston and Atlanta, were launched.

These projects are located in a different economic environment with distinctive options in each area.

"We profitably exited a UK real estate investment during the third quarter of last year delivering returns to investors at a rate of 21pc per annum," Mr Alrayes said.

Last year also saw GFH resume its activity in projects in Tunisia and Morocco through working with a number of companies to restructure the debts and liabilities of the projects.

In addition, the group worked towards the completion of the master plan of its Dubailand project with Stantec of Canada engaged with WATG of the US to advance the Waterfront project in Bahrain as well as making progress on restarting the development of the Villamar project in Bahrain.

Hinnawi new Batelco CEO

MANAMA: Bahrain-based Batelco Group, an international telecommunications group with operations across 14 countries, has announced the appointment of Ihab Hinnawi as the new chief executive following the exit of Alan Whelan.

Mr Hinnawi will move to the new role from the position of chief executive at Batelco's sister company Umniah.



■ Mr Hinnawi

Prior to that, Mr Hinnawi held the role of enterprise division general manager at Batelco Bahrain and subsequently the role of chief executive at Batelco Jordan.

In a statement, Batelco chairman Shaikh Hamad bin Abdulla Al Khalifa said the board of directors wished Mr Whelan well in his future endeavours.

The board has also wished Mr Hinnawi well as he takes on a challenging role at the helm of the Batelco Group, he said.



CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2014 / US\$ 000's	31 December 2014	31 December 2013 (restated)
ASSETS		
Cash and bank balances	46,147	21,847
Placements with financial institutions	45,753	-
Investment securities	248,418	196,141
Investment properties	259,404	259,404
Development properties	45,501	-
Assets held-for-sale	-	23,824
Equity-accounted investees	158,804	209,739
Property, plant and equipment	141,301	299
Intangible assets	125,176	-
Other assets	234,603	172,669
Total assets	1,305,107	883,923
LIABILITIES		
Investors' funds	14,885	19,166
Placements from financial and other institutions	90,145	93,511
Financing liabilities	231,224	207,767
Other liabilities	101,560	60,408
Total liabilities	437,714	380,852
Equity of investment account holders	1,663	2,155
OWNERS' EQUITY		
Share capital	1,253,626	972,281
Treasury shares	(912)	(912)
Capital adjustment account	(475,582)	(229,656)
Statutory reserve	69,251	68,146
Accumulated losses	(165,851)	(310,185)
Fair value reserve	(2,345)	-
Foreign currency translation reserve	(780)	-
Share grant reserve	1,129	1,242
Total equity attributable to shareholders of the Bank	678,536	500,916
Non-controlling interests	187,194	-
Total owners' equity	865,730	500,916
Total liabilities, equity of investment account holders and owners' equity	1,305,107	883,923

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY for the year ended 31 December 2014 / (US\$ 000's)	Attributable to shareholders of the Bank								Non-controlling interests	Total owners' equity	
	Share Capital	Treasury share	Capital adjustment account	Statutory reserve	Accumulated losses	Fair value reserve	Foreign currency translation reserve	Share grant reserve			
Balance at 1 January 2014	972,281	(912)	(229,656)	68,146	(310,185)	-	-	1,242	500,916	-	500,916
Profit for the year	-	-	-	-	11,059	(2,345)	(780)	11,059	5,975	17,034	17,034
Fair value changes	-	-	-	-	-	(2,345)	-	(2,345)	-	(2,345)	(2,345)
Foreign currency translation differences	-	-	-	-	-	-	(780)	(780)	(1,080)	(1,860)	(1,860)
Total recognised income and expense	-	-	-	1,105	(1,105)	-	-	7,934	4,895	12,829	12,829
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-
Conversion of Murabaha to capital	415,725	-	(245,325)	-	-	-	-	170,400	-	170,400	170,400
Share issue related expenses	-	-	(601)	-	-	-	-	(601)	-	(601)	(601)
Capital reduction	(134,380)	-	-	-	134,380	-	-	-	-	-	-
Share grants vesting expense, net of forfeitures	-	-	-	-	-	-	-	(113)	(113)	(113)	(113)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	182,299	182,299	182,299
Balance at 31 December 2014	1,253,626	(912)	(475,582)	69,251	(165,851)	(2,345)	(780)	1,129	678,536	187,194	865,730

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY for the year ended 31 December 2014 (continued) / (US\$ 000's)	Share capital	Treasury shares	Capital adjustment account	Share premium	Statutory reserve	Accumulated losses	Share grant reserve	Total	
Balance at 1 January 2013	595,087	(2,995)	-	-	13,235	66,356	(291,280)	903	381,306
Loss for the year	-	-	-	-	-	-	(17,663)	-	(17,663)
Total recognised income and expense	-	-	-	-	-	-	(17,663)	-	(17,663)
Transfer to statutory reserve	-	-	-	-	-	1,630	(1,630)	-	-
Conversion of Murabaha to capital	37,194	(8,528)	(229,656)	(13,235)	-	-	-	-	125,775
Purchase of treasury shares	-	(1,192)	-	-	-	-	-	-	(1,192)
Sale of treasury shares	-	10,997	-	-	-	-	-	-	10,997
Gain on sale of treasury shares	-	-	-	-	286	-	-	-	286
Share grants vesting expense, net of forfeitures	-	-	806	-	(126)	-	339	-	1,019
Gain on partial disposal of assets of subsidiary held-for-sale	-	-	-	-	-	-	388	-	388
Balance at 31 December 2013	972,281	(912)	(229,656)	-	68,146	(310,185)	1,242	500,916	

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2014 / US\$ 000's	2014	2013 (restated)
Continuing operations		
Income from investment banking services	16,152	1,862
Management and other fees	1,045	7,316
Income from placements with financial institutions	286	473
Share of profit / (loss) of equity-accounted investees	10,363	(22,207)
Income from investment securities, net	(5,795)	1,433
Foreign exchange gain, net	57	1,018
Other income	43,600	23,565
Income from investment banking business	65,708	13,460
Revenue from industrial business	94,350	-
Total income	160,058	13,460
Staff cost	11,643	8,597
Investment advisory expenses	4,224	1,575
Finance expense	13,032	16,270
Other expenses	13,094	8,147
Total expenses of investment banking business	41,993	34,589
Cost of sales	80,333	-
Other operating expenses	11,505	-
Total expenses of industrial business	91,838	-
Total expenses	133,831	34,589
Profit / (loss) from continuing operations before impairment allowances	26,227	(21,129)
Impairment allowances	(10,585)	(3,000)
Profit / (loss) from continuing operations	15,642	(24,129)
Profit from assets held-for-sale, net	1,392	6,466
Profit / (loss) for the year	17,034	(17,663)
Attributable to:		
Shareholders of the Bank	11,059	(17,663)
Non-controlling interests	5,975	-
Earnings per share	0.46	(0.60)
Basic and diluted earnings per share (US cents)		
Earnings per share - continuing operations	0.43	(0.82)
Basic and diluted earnings per share (US cents)		

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2013 / US\$ 000's	2014	2013
OPERATING ACTIVITIES		
Profit / (loss) for the year	17,034	(17,663)
Adjustments for:		
Impairment allowances	10,585	3,000
Income from investment securities	3,687	(1,433)
Gain from assets held-for-sale	(1,392)	(6,466)
Share of profit of equity-accounted investees	(10,363)	22,207
Foreign exchange gain	(57)	(1,018)
Management and other fees	75	-
Finance expenses, net	7163	16,270
Other income	(41,963)	(23,565)
Depreciation and amortisation	4,514	1,164
Investment banking income	(16,252)	-
	(26,969)	(75,041)
Changes in:		
Placement with / from financial institutions	(9,146)	(27,052)
Investor's funds	(4,281)	(7,262)
Other assets	8,946	(11,578)
Other liabilities	(82)	(8,463)
Net cash used in operating activities	(31,532)	(61,859)
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(11,280)	-
Proceeds from assets held-for-sale	14,559	(158)
Purchase of investment securities	(122,988)	(30,153)
Dividends received	418	156
Proceeds from sale of investment securities	106,485	3,546
Acquisition of development property	(1,329)	-
Payment for acquisition of properties	(21,977)	-
Net cash flow on acquisition of subsidiaries	7,341	9,776
Dividends received from equity-accounted investees	2,257	-
Advance for acquisition of investment	1,954	(1,954)
Net cash used in investing activities	(24,560)	(18,629)
FINANCING ACTIVITIES		
Financing liabilities, net	(33,568)	(20,345)
Finance expense paid	(14,243)	(15,039)
Proceeds from issue of convertible murabaha	170,400	115,775
Proceeds from sale of treasury shares	-	11,283
Dividends paid	(10)	(748)
Payment to investment account holders	(10)	(158)
Net cash generated from financing activities	122,579	89,728
Net increase in cash and cash equivalents during the year	66,487	9,240
Cash and cash equivalents at 1 January	21,847	5,105
CASH AND CASH EQUIVALENTS at 31 December	88,334	14,345
Cash and cash equivalents comprise:		
Cash and balances with banks	42,581	14,345
Placements with financial institutions	45,753	-
	88,334	14,345

The consolidated financial statements were approved by the Board of Directors on 22/02/2015 and signed on its behalf by:

Ahmed Al Mutawa
Chairman

Mosabah Saif Al Mautariy
Vice Chairman

Hisham Alrayes
Chief Executive Officer

The above Consolidated Balance Sheet, Income Statement, Statement of Cash Flow and the Changes in Owners' Equity have been extracted from the Consolidated Financial Statements of Gulf Finance House B.S.C. for the year ended 31st December 2014, which were audited by the KPMG, who have expressed an Unqualified Opinion on 22nd February 2015.