



الشركة المتحدة للتمويل ش.م.ع.  
United Finance Company SAOG

Board of Directors' Report for the period ended 30th September 2017  
Report on material events covering the interim financials

**Overview**

During Q3 2017 oil prices remained above the budgeted level. However, the government continued its austerity measures and exercised restraint on spending to curtail the deficit and conserve resources to meet exigencies. While ongoing projects progressed at a modest pace, new projects were restricted on need based projects. Economic activity progressed at a modest pace and provided little opportunities for business. The demand for capital goods and vehicles was subdued. The market was witness to intense competition, tight liquidity, high interest rates, strained cash flows.

**Performance highlights**

The Company recorded a net profit of RO 1.525 Million for the period ended September 2017 as against RO 3.262 Million for the corresponding period last year. The loan portfolio of the company stood at RO 114.13 Million as at 30 September 2017 as against RO 114.55 Million as at December 2016. The Management adopted a cautious approach while booking fresh business with emphasis on asset quality. During the period under review the market witnessed tight liquidity and high interest cost. Lending rates remained competitive, resulting in narrowing of net interest margin.

Despite the concerted efforts of the company on the recovery front, increase in delinquencies was inevitable on account of the tight liquidity and tough market conditions. The delayed settlement of contractual dues by counter parties severely affected the cash flow of customers forcing them to delay payment of their loan commitments. This situation is a cause of concern and poses a challenging task to restrain delinquencies.

**Provisioning position**

The company maintained principal provisions of nearly RO 6.34 Million, which is above the regulatory requirements. In addition, the company maintains a special reserve of RO 2.37 Million to guard against any delinquencies from unforeseen circumstances.

**Funding**

The fund position of the company is adequate to meet its budgeted business requirements. Banks have renewed / enhanced the credit facilities extended to the company. Management is confident of mobilizing the required funds at competitive interest rates to meet the budgeted business levels for the current year.

**Future Outlook**

It is envisaged that the government would continue its spending on infrastructure projects, albeit at a modest pace, to restrain the gap in deficit and conserve resources to meet exigencies. Economic activity is expected to be modest in view of the restraint in government spending on new projects. We foresee the market to provide reasonable opportunities for business but competition is likely to be intense. Market liquidity is forecast to be fairly tight and interest rates would continue to remain high. The prevailing delays in settlement of contractual dues by counter parties is expected to impact the cash flow of borrowers and affect their ability to meet their loan commitments in time. Considering these factors, the market conditions are expected to be tough in the near term. The outlook is challenging.

**Acknowledgment**

We thank His Majesty Sultan Qaboos Bin Said, His Government, Central Bank of Oman, Capital Market Authority and other regulatory authorities for their support and guidance. We also thank our bankers for their continued trust, confidence and support.

Mohamed Abdulla Mohamed Al Khonji  
Chairman

UN-AUDITED STATEMENT OF FINANCIAL POSITION AT  
30 SEPTEMBER 2017

	30 September 2017 RO	30 September 2016 RO
<b>ASSETS</b>		
Property and equipment	2,555,575	2,639,725
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	210,000
Installment finance debtors	114,134,514	120,402,244
Deferred tax asset	5,881	5,881
Other receivables and prepaid expenses	106,834	98,333
Cash and cash equivalents	1,748,841	2,431,379
<b>Total assets</b>	<b>119,355,795</b>	<b>126,341,712</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	34,914,440	32,630,318
Share premium reserve	528,403	528,403
Legal reserve	4,577,742	4,127,224
Special reserve	2,368,989	2,408,045
Foreign currency reserve	294,514	294,514
Retained earnings	1,697,898	=4,234,689
<b>Total shareholders' equity</b>	<b>44,381,986</b>	<b>44,223,193</b>
<b>Liabilities</b>		
Borrowings	59,529,678	61,522,594
Corporate deposits	9,250,000	14,989,125
Creditors and other payables	5,527,871	4,634,975
Taxation	666,260	971,825
<b>Total liabilities</b>	<b>74,973,809</b>	<b>82,118,519</b>
<b>Total equity and liabilities</b>	<b>119,355,795</b>	<b>126,341,712</b>

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	30 September 2017 RO	30 September 2016 RO
Installment finance income	7,632,854	8,721,654
Interest expense	(1,952,162)	(1,938,228)
<b>Net installment finance income</b>	<b>5,680,692</b>	<b>6,783,426</b>
Other income	693,589	679,550
Other expenses	(2,644,819)	(2,722,941)
Depreciation	(92,309)	(87,323)
Impairment on installment finance debtors - net	(1,842,049)	(657,876)
<b>Profit before tax</b>	<b>1,795,104</b>	<b>3,994,836</b>
Income tax expense	(269,266)	(733,036)
<b>Net Profit for the period</b>	<b>1,525,838</b>	<b>3,261,800</b>

The complete accounts will be sent by mail to any shareholder who requests them, in either Arabic or English within 7 days of the receipt of such request addressed to: Chief Executive Officer, United Finance Co. SAOG P O Box 3652, PC 112, Ruwi, Sultanate of Oman. Tel: 24577300 Fax 24561557 E-mail: ulf@ulcoman.com, Website: www.ulcoman.com