



United Finance Co. SAOG

P O Box 3652, PC 112, Ruwi, Sultanate of Oman.
Tel: 24577300 Fax 24561557 E-mail: ufc@ufcoman.com,
Website: www.ufcoman.com

Board of Directors' Report for the period ended 30th September 2018 Report on material events covering the interim financials

BOARD OF DIRECTORS' REPORT

OVERVIEW

During Q3 2018 oil prices registered a gradual increase and crossed the USD 80 mark. Considering the prevailing uncertainties in the Gulf region and International markets as a whole, the government adopted a conservative approach and exercised restraint on spending to conserve resources to meet exigencies. However, while ongoing projects progressed at a modest pace, new ones were limited to need based projects. Though economic activity progressed at a modest pace, the market conditions were subdued and provided limited potential for business opportunities. There was a decline in the demand for capital goods and vehicles. The market witnessed volatile liquidity, intense competition, high interest rates and strained cash flows.

PERFORMANCE HIGHLIGHTS

The Company recorded a net profit of RO 305k for the period ended September 2018 as against RO 1.52m for the corresponding period last year. The loan portfolio of the company stood at RO 103.05m as at 30 September 2018 as against RO 113.59m as at December 2017. The Management adopted a pragmatic approach of booking fresh business with emphasis on asset quality. During the period under review the market witnessed volatile liquidity and increase in interest cost. Lending rates remained competitive, resulting in contraction of net interest margin.

On the recovery front, delinquencies increased despite the stringent measures taken by the company to recover its dues. This was mainly triggered by the prevailing practice of delayed settlement of contractual dues by counter parties that severely affected the cash flow of customers forcing them to delay payment of their loan commitments. The strained cash flow of borrowers and increasing debt burden are a cause of concern and pose a severe challenge in controlling delinquencies.

PROVISIONING POSITION

The company maintained total provisions of RO 14.29m, in line with regulatory requirements. In addition, the company maintains a special reserve of RO 2.37m to guard against any delinquencies from unforeseen circumstances.

FUNDING

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

FUTURE OUTLOOK

It is expected that the government would continue to exercise restraint on its spending on infrastructure projects to conserve resources to meet exigencies. Economic activity is expected to be modest. The market is likely to be highly competitive in view of the limited opportunities for expanding business. We foresee the market liquidity to remain volatile and interest rates would continue to remain high. The prevailing delayed payment cycle is expected to impact the cash flow of borrowers and affect their ability to meet their loan commitments in time. The market conditions are expected to be very challenging in the near term till the liquidity position eases.

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 2018

	30 September 2018 RO	30 September 2017 RO
ASSETS		
Property and equipment	2,481,634	2,555,575
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	250,000
Installment finance debtors	103,055,404	114,134,514
Deferred tax asset	9,757	5,881
Other receivables and prepaid expenses	145,041	106,834
Cash and cash equivalents	1,210,541	1,748,841
Total assets	107,706,527	119,355,795
EQUITY AND LIABILITIES		
Equity		
Share capital	34,914,441	34,914,440
Share premium reserve	528,402	528,403
Legal reserve	4,680,027	4,577,742
Special reserve	2,368,989	2,368,989
Foreign currency reserve	294,514	294,514
Retained earnings	727,259	1,697,898
Total shareholders' equity	43,513,632	44,381,986
Liabilities		
Borrowings	50,567,681	59,529,678
Corporate deposits	9,400,000	9,250,000
Creditors and other payables	3,775,019	5,527,871
Taxation	450,195	666,260
Total liabilities	64,192,895	74,973,809
Total equity and liabilities	107,706,527	119,355,795

Un-Audited Statement Of Comprehensive Income For The Period Ended 30 September 2018

	30 September 2018 RO	30 September 2017 RO
Installment finance income	6,905,715	7,632,854
Interest expense	(1,953,589)	(1,952,162)
Net installment finance income	4,952,126	5,680,692
Other income	522,086	693,589
Other expenses	(2,392,716)	(2,644,819)
Depreciation	(93,226)	(92,309)
Impairment on installment finance debtors - net	(2,629,014)	(1,842,049)
Profit before tax	359,256	1,795,104
Income tax expense	(53,888)	(269,266)
Net Profit for the period	305,368	1,525,838

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: ufc@ufcoman.com, Website: www.ufcoman.com