



## UNITED FINANCE COMPANY SAOG

### Board of Directors' Report for the period ended 31st March 2018 Report on material events covering the interim financials

#### Overview

Q1 2018 witnessed a gradual recovery in oil prices and economic activity was modest. The government adopted a prudent approach and exercised restraint on spending to conserve resources and curtail the budget deficit. Government pursued the developmental and infrastructure projects that are in progress and also embarked on certain essential projects to meet the socio economic needs of the country. Though there were indications of improvement in market conditions, liquidity remained tight resulting in high interest rates that pushed up borrowing costs. The market was witness to delays in settlement of contractual dues triggering an increase in delinquencies.

#### Performance highlights

The Company recorded a net profit of RO 275K for Q1 2018 as against RO 757K for the corresponding period last year. The loan portfolio stood at RO 110.08 million as at 31st March 2018 as against RO 112.85 million as at 31st December 2017. The decrease in loan portfolio was due to the subdued market conditions and the cautious lending to restrain delinquencies. Due to the limited market potential, competition was intense and lending rates were highly competitive. The increase in cost of borrowing resulted in contraction of net interest margin. The tight market liquidity coupled with the long delays in settlement of contractual dues by counter parties severely affected the cash flow of borrowers resulting in their inability to meet their loan commitments in time and contributed to the increase in early delinquencies and defaults.

#### Provisioning position

The company maintained principal provisions of RO 9.99 million in line with IFRS and regulatory guidelines. In addition, the company maintains a special reserve of RO 2.37 million to guard against any delinquencies from unforeseen circumstances. The company is pursuing concerted efforts on the recovery front to restrain the level of impaired loans. However, the prevailing harsh market conditions pose a major challenge in the ensuing period.

#### Funding

The company has adequate funds to meet its current business requirements. Banks have renewed their credit limits and some have expressed their willingness to extend further credit lines to meet the company's business requirements. The market witnessed an increase in the cost of borrowing due to the tight liquidity and interest rates on bank borrowing continue to remain high. Interest rates on corporate deposits also witnessed an increase. Management is confident of raising the required funds, at competitive rates, to meet the budgeted business levels for the current year.

#### Future Outlook

The government is pursuing ongoing projects and is also expected to take up vital projects which have been budgeted for in the State Budget to cater to the social and economic needs of the country. As a conservative measure the government is pursuing various means to source funds from the international markets to bridge the budget deficit. These initiatives are expected to improve market liquidity, sustain a modest pace of economic activity, ease the cash flow of counter parties and encourage private sector participation in developmental projects pursued by the government. These developments, we believe would improve market potential and provide reasonable avenues for growth.

#### Acknowledgement

The Board of Directors, Management and staff express their highest gratitude to His Majesty Sultan Qaboos Bin Said and wish him good health and a long life. 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 during the quarter. We also thank our bankers for their continued trust, confidence and support.

Mohamed Abdulla Mohamed Al Khonji  
Chairman

#### UN-AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	31 March 2018 RO	31 March 2017 RO
<b>ASSETS</b>		
Property and equipment	2,505,060	2,590,487
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	250,000
Installment finance debtors	110,077,018	112,855,649
Deferred tax asset	9,757	5,881
Other receivables and prepaid expenses	124,626	113,217
Cash and cash equivalents	2,137,030	1,455,134
<b>Total assets</b>	<b>115,667,540</b>	<b>117,824,618</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
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	697,096	929,218
<b>Total shareholders' equity</b>	<b>43,483,469</b>	<b>43,613,306</b>
<b>Liabilities</b>		
Borrowings	59,760,408	52,832,328
Corporate deposits	8,000,000	13,352,625
Creditors and other payables	3,978,791	7,495,749
Taxation	444,872	530,610
<b>Total liabilities</b>	<b>72,174,071</b>	<b>74,211,212</b>
<b>Total equity and liabilities</b>	<b>115,667,540</b>	<b>117,824,618</b>

#### UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

	31 March 2018 RO	31 March 2017 RO
Installment finance income	2,356,066	2,556,996
Interest expense	(631,972)	(674,749)
<b>Net installment finance income</b>	<b>1,724,094</b>	<b>1,882,247</b>
Other income	172,504	249,837
Other expenses	(762,418)	(912,810)
Depreciation	(30,618)	(30,050)
Impairment on installment finance debtors - net	(779,792)	(298,450)
<b>Profit before tax</b>	<b>323,770</b>	<b>890,774</b>
Income tax expense	(48,565)	(133,616)
<b>Profit for the period</b>	<b>275,205</b>	<b>757,158</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: ufc@ufcoman.com. Website: www.ufcoman.com