



United Finance Co. SAOG

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Directors' Report for the period ended 31st March 2019 Report on material events covering the interim financials

BOARD OF DIRECTORS' REPORT

OVERVIEW

Despite the oil price remaining fairly stable, economic activity was subdued during Q1 2019. The government is pursuing a balanced approach of restraining spending in line with the predictable revenue streams to conserve resources and curtail the budget deficit. While ongoing developmental and infrastructure projects are progressing, albeit at a restrained pace, certain vital projects are also being undertaken on a selective basis. Market liquidity tightened triggering higher interest rates resulting in borrowing costs moving up. The market continued to witness delays in settlement of contractual dues triggering an increase in delinquencies.

PERFORMANCE HIGHLIGHTS

The Company recorded a net profit of RO 261K for Q1 2019 as against RO 275K for the corresponding period last year. The loan portfolio stood at RO 101.14 million as at 31st March 2019 and against RO 101.47 million as at December 2018. The loan portfolio remained flat due to the subdued market conditions and the cautious lending with emphasis on asset quality. Market potential was limited resulting in intense competition with no scope for increasing lending rates. Cost of borrowing witnessed an increase resulting in a stress on net interest margin. The tight market liquidity coupled with the prolonged delays in settlement of contractual dues by counter parties affected the cash flow of borrowers forcing them to abstain from paying their loan commitments in time. This contributed to the increase in early delinquencies and defaults.

PROVISIONING POSITION

The company maintained principal provisions of RO 12.58 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 control and bring down the level of impaired loans. However, the prevailing difficult 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 liquidity tightened resulting in interest rates on bank borrowing moving up and increasing the cost of borrowing. 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 expected to pursue ongoing projects for completion. However, new projects are likely to be taken up only on priority basis. It is envisaged that the government would more or less align its planned expenditure in line with the expected sources of revenue and adopt conservative measures to curtail expenditure to restrain the budget deficit with a view to reduce borrowings. We believe that the government would be pursuing steps to source funds from the international and local markets to bridge the budget deficit. These measures are expected to maintain a reasonable level of economic activity and promote private sector participation in developmental projects pursued by the government. The market is expected to remain subdued and challenging in the near term.

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 At 31 March 2019

	31 March 2019 RO	31 March 2018 RO
ASSETS		
Property and equipment	2,462,724	2,505,060
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	250,000
Installation finance debtors	101,137,734	110,077,018
Deferred tax asset	9,757	9,757
Other receivables and prepaid expenses	116,286	124,525
Cash and cash equivalents	858,289	2,137,030
Total assets	105,388,940	115,657,540
EQUITY AND LIABILITIES		
Equity		
Share capital	34,914,441	34,914,441
Share premium reserve	528,402	528,402
Legal reserve	4,755,564	4,680,027
Special reserve	2,368,989	2,368,989
Foreign currency reserve	294,514	294,514
Impairment Reserve	223,746	-
Retained earnings	1,139,076	697,096
Total shareholders' equity	44,224,732	43,483,469
Liabilities		
Borrowings	48,496,155	59,750,408
Corporate deposits	8,400,000	8,000,000
Creditors and other payables	3,832,409	3,978,791
Taxation	435,644	444,872
Total liabilities	61,164,208	72,174,071
Total equity and liabilities	105,388,940	115,657,540

Un-Audited Statement Of Comprehensive Income For The Period Ended 31 March 2019

	31 March 2019 RO	31 March 2018 RO
Installation finance income	2,127,486	2,356,066
Interest expense	(682,536)	(631,972)
Net installation finance income	1,444,950	1,724,094
Other income	158,762	172,504
Operating expenses	(859,973)	(762,418)
Depreciation	(27,094)	(30,618)
Impairment on installation finance debtors - net	(409,475)	(779,792)
Profit before tax	307,170	323,770
Income tax expense	(46,076)	(48,565)
Profit for the period	261,094	275,205

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:

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NATION