



United Finance Co. SAOG

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

BOARD OF DIRECTORS' REPORT

OVERVIEW

2018 has witnessed a gradual improvement in oil prices. Economic activity progressed at a moderate pace. However, government and private spending remained restrained. While there was a modest increase in the sale of private vehicles driven by the festive schemes offered by dealers, the demand for equipment and commercial vehicles remained subdued. Nevertheless, there was an overall decline in the retail market as compared to 2017 and banks were very active in this segment. The market witnessed tight liquidity and intense competition resulting in contraction of net interest margins.

PERFORMANCE HIGHLIGHTS

The Company recorded a net profit of RO 293K for H1 2018 as against RO 1.21 million for the corresponding period in the previous year. The significant reduction in net profits was mainly due to additional provisions made on account of increase in impaired loans due to the strained cash flow of customers occasioned by the prevailing delayed payment cycle. The loan portfolio of the company as at the end of H1 2018 was RO 107.59 million as against RO 113.59 million as at December 2017. The decrease was due to the limited opportunities for deployment of funds in a conservative manner, and foreclosure of loans. Net income spreads reduced as a result of high cost of borrowing and competitive lending rates.

The delays in settlement of dues by counter parties severely affected the cash flow of customers compelling them to delay the payment of their loan obligations resulting in an increase in delinquencies. The company is pursuing concerted efforts on the recovery front to control the level of delinquencies despite the harsh market reality. This situation is expected to prevail in the near term till the payment cycle improves, posing a challenging task on the recovery front.

PROVISIONING POSITION

The company has provided RO 1.82 million as principal provision during the half year ended June 2018. The total provision and reserve interest maintained by the company as of June 2018 is RO 13.22 million. In addition, the company maintains a special reserve of RO 2.37 million to guard against any unforeseen delinquencies.

FUNDING

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

FUTURE OUTLOOK

The gradual increase in oil price in the recent past is expected to encourage the government to progress with developmental activities in line with the State Budget. However, as a conservative measure, the government is likely to also take into consideration the macroeconomic factors that may have an effect on movement of oil prices. The delayed payment cycle for settlement of contractual dues experienced by customers is also expected to continue in the near term till the backlog of dues on existing contracts gets cleared over a period of time. This, coupled with competition from banks and the volatile market liquidity, would have a direct effect on business volumes, net interest margins and the movement of delinquencies 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 June 2018

	30 June 2018 RO	30 June 2017 RO
ASSETS		
Property and equipment	2,484,246	2,578,000
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	250,000
Installment finance debtors	107,593,942	112,136,416
Deferred tax asset	9,757	5,881
Other receivables and prepaid expenses	147,119	112,156
Cash and cash equivalents	1,356,006	2,977,021
Total assets	112,395,220	118,613,624
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	715,333	1,380,649
Total shareholders' equity	43,501,706	44,064,737
Liabilities		
Borrowings	54,243,185	58,161,064
Corporate deposits	9,000,000	9,191,299
Creditors and other payables	5,202,238	6,586,250
Taxation	448,091	610,274
Total liabilities	68,893,514	74,548,887
Total equity and liabilities	112,395,220	118,613,624

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

	30 June 2018 RO	30 June 2017 RO
Installment finance income	4,680,320	5,135,475
Interest expense	(1,286,068)	(1,291,514)
Net installment finance income	3,394,252	3,843,961
Other income	391,678	495,524
Other expenses	(1,558,645)	(1,781,559)
Depreciation	(61,570)	(60,721)
Impairment on installment finance debtors - net	(1,820,489)	(1,075,336)
Profit before tax	345,226	1,421,869
Income tax expense	(51,784)	(213,280)
Profit for the period	293,442	1,208,589

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,

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