



الشركة المتحدة للتمويل ش.م.ع

United Finance Company SAOG

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

UN-AUDITED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

Overview

During Q2 2017 economic activity progressed at a slow pace against the backdrop of low oil prices. The government pursued the implementation of ongoing projects and also embarked on certain need based infrastructure projects to cater to the economic and civic needs of the country. The demand for equipment and commercial vehicles was restrained due to dearth of avenues for deployment. The sale for private vehicles which was subdued, picked up in June 2017, triggered by the attractive schemes offered by dealers for the festive season to prop up vehicle sales. Despite this, the overall retail market was down as compared to 2016. However, the market continued to remain highly competitive resulting in finer net margins.

Performance highlights

The Company recorded a net profit of RO 1.21 million for H1 2017 as against RO 2.40 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, which is attributed to the delayed payment cycle experienced by customers. We are hopeful that these provisions will get reversed, once the economic situation improves. During H1 2017 the loan portfolio of the company decreased marginally to RO 112.14 million from RO 114.55 million as at Dec. 2016, because of the depressed market conditions. During Q2 2017 cost of borrowing continued to remain high despite an improvement in market liquidity. This, coupled with highly competitive lending rates resulted in contraction of net income spreads.

The company pursued concerted efforts on the recovery front to restrain the level of delinquencies despite the adverse market conditions. The delays in settlement of dues by counter parties and limited access to alternate funding sources severely affected the cash flow of customers compelling them to delay the payment of their loan obligations resulting in an increase in impaired accounts. 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 maintained principal provisions of RO 5.57 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 company has adequate funds to meet its business requirements. Banks have expressed their willingness to extend additional credit facilities to meet the additional 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.

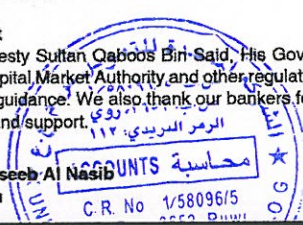
Future Outlook

While the implementation of ongoing projects is progressing, we expect that the government would be selective in taking up only need based projects to cater to socio economic needs of the country as a conservative measure to curtail the budget deficit. However, we also expect the government to earmark reasonable resources to embark on new projects to maintain a reasonable pace of economic activity that would provide reasonable opportunities for expanding credit and support a modest growth. As the demand for equipment, heavy vehicles and cars is expected to be restrained, competition would be intense. Entry of banks into Vehicle and SME financing has reduced the market share of FLCs and resulted in a decline in lending rates. Borrowing cost is also expected to remain high against the backdrop of volatile liquidity in the market. Business volumes and net interest margins are expected to be in line with the pace of government spending. With no immediate respite from the delayed payment cycle and the limited access to alternate sources of funding, restraining the incidence of delinquencies is expected to be a tough task. We foresee a challenging time ahead.

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.

Hassan Ihsan Naseeb Al Nasib
Deputy Chairman



	30 June 2017 RO	30 June 2016 RO
ASSETS		
Property and equipment	2,578,000	2,647,610
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	210,000
Installation finance debtors	112,136,416	122,751,113
Deferred tax asset	5,881	5,881
Other receivables and prepaid expenses	112,156	107,266
Cash and cash equivalents	2,977,021	1,567,462
Total assets	118,613,624	127,843,482
EQUITY AND LIABILITIES		
Equity		
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	2,455,022
Foreign currency reserve	294,514	294,514
Retained earnings	1,380,649	3,329,693
Total shareholders' equity	44,064,737	43,365,174
Liabilities		
Borrowings	58,161,064	62,364,417
Corporate deposits	9,191,299	14,917,745
Creditors and other payables	6,586,250	6,404,853
Taxation	610,274	791,293
Total liabilities	74,548,887	84,478,308
Total equity and liabilities	118,613,624	127,843,482

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

	30 June 2017 RO	30 June 2016 RO
Installation finance income	5,135,475	5,851,832
Interest expense	(1,291,514)	(1,197,505)
Net installation finance income	3,843,961	4,654,327
Other income	495,524	498,449
Other expenses	(1,781,559)	(1,786,709)
Depreciation	(60,721)	(57,704)
Impairment on installation finance debtors - net	(1,075,336)	(352,078)
Profit before tax	1,421,869	2,956,285
Income tax expense	(213,280)	(552,504)
Profit for the period	1,208,589	2,403,781

Note: 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

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