



Board of Directors' Report for the period ended 31st March 2017
Report on material events covering the interim financials

Overview

Economic activity was subdued during Q1 2017 against the backdrop of low oil prices. The Government is adopting a cautious approach through implementation of austerity measures and restraint on spending to curtail the budget deficit as a result of the drop in oil revenue. Developmental and infrastructure projects initiated in the previous years are progressing and are in various stages of implementation. New projects are being taken up on a very selective basis to cater to the immediate social and economic needs of the country. Market liquidity remained tight resulting in higher borrowing cost and an increase in the incidence of delinquencies.

Performance highlights

The Company recorded a net profit of RO 757K for Q1 2017 as against RO 1.15 million for the corresponding period last year. The loan portfolio stood at RO 112.85 million as at 31st March 2017 and against RO 114.55 million as at December 2016. The decrease in loan portfolio was due to the subdued market conditions and the cautious approach pursued by Management while extending fresh loans to control delinquencies. Due to the restrained market conditions, competition was intense, resulting in lending rates remaining highly competitive despite the increase in cost of borrowing thus resulting in a decline in net interest margin. Further, the prevailing tight liquidity in the market has severely affected the cash flow of borrowers resulting in their delaying payments to counter parties and this has contributed to an increase in fresh delinquencies.

Provisioning position

The company maintained principal provisions of RO 4.8 million in line with 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 despite the adverse market conditions posing a challenging task in the near term.

Funding

The company has adequate funds to meet its current business requirements. Some of the banks have increased their credit limits and others have expressed their willingness to extend further credit lines to meet the additional business requirements of the company. The market witnessed an increase in the cost of borrowing as a result of tight liquidity and interest rates on bank borrowing remaining high. Interest rates on corporate deposits also witnessed an increase triggered by higher demand for deposits. However, the 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 various measures to raise funds from the international markets to bridge the gap in the state budget. We expect the government to embark on new need based projects in addition to pursuing ongoing projects, to maintain a modest pace of economic activity. These initiatives should aid in improving market liquidity and ease the cash flow of counter parties, instill confidence and encourage private sector participation in developmental activities pursued by the government. These developments, as they unfold, should trigger the demand for equipment, heavy vehicles and cars and provide reasonable opportunities for growth.

Acknowledgment

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 Khoni
Chairman



UN-AUDITED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017

	31 March 2017 RO	31 March 2016 RO
ASSETS		
Property and equipment	2,590,487	2,671,648
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	210,000
Installment finance debtors	112,855,649	120,172,378
Deferred tax asset	5,881	5,881
Other receivables and prepaid expenses	113,217	102,146
Cash and cash equivalents	1,455,134	1,359,698
Total assets	117,824,518	125,075,901
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	2,308,969	2,403,449
Foreign currency reserve	294,514	294,514
Retained earnings	929,218	2,129,457
Total shareholders' equity	43,613,306	42,113,365
Liabilities		
Borrowings	52,832,328	55,326,454
Corporate deposits	13,352,525	16,821,860
Creditors and other payables	7,495,749	10,272,955
Taxation	530,610	541,267
Total liabilities	74,211,212	82,962,536
Total equity and liabilities	117,824,518	125,075,901

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2017

	31 March 2017 RO	31 March 2016 RO
Installment finance income	2,556,996	2,885,199
Interest expense	(674,749)	(537,652)
Net installment finance income	1,882,247	2,347,547
Other income	249,837	275,505
Other expenses	(912,810)	(946,200)
Depreciation	(30,050)	(28,609)
Impairment on installment finance debtors - net	(298,450)	(193,793)
Profit before tax	890,774	1,454,450
Income tax expense	(133,616)	(302,478)
Profit for the period	757,158	1,151,972