



United Finance Company SAOG

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Board of Directors' Report for the period ended 30th September 2019 Report on material events covering the interim financials

BOARD OF DIRECTORS' REPORT

OVERVIEW

During Q3 2019 oil prices remained above the budgeted level despite fluctuations triggered by macroeconomic factors. The government continued its restraint on spending to curtail the deficit and align expenditure in line with projected sources of income. Ongoing projects progressed at a modest pace. New projects were taken up on priority. Economic activity progressed at a modest pace and provided limited opportunities for business. The demand for capital goods and vehicles remained subdued. The market was witness to stiff competition, volatile liquidity, high interest rates and strained cash flows.

PERFORMANCE HIGHLIGHTS

The Company recorded a net profit of RO 317k for the period ended September 2019 as against RO 305k for the corresponding period last year. The loan portfolio of the company stood at RO 98.86 Million as at 30 September 2019 as against RO 101.47 Million as at December 2018. The Management adopted a cautious approach in booking fresh business with emphasis on asset quality. During the period under review the market witnessed volatile liquidity and high interest cost. Lending rates remained competitive resulting in thinning of net interest margin.

Despite the strained cash flows faced by customers and the tough market conditions, the concerted efforts of the company on the recovery front aided in controlling delinquencies at the same level as at December 2018. The delayed settlement of contractual dues by counter parties severely affected the cash flow of customers forcing them to delay payment of their loan commitments. This situation is a cause of concern and poses a challenging task to restrain delinquencies.

PROVISIONING POSITION

The company provided RO 1.62 Million of principal provisions during the period ended September 2019. The total provision and reserve interest maintained by the company as of September 2019 is RO 17 million. In addition, the company maintains a special reserve of RO 2.37 million to guard against unforeseen delinquencies.

FUNDING

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

FUTURE OUTLOOK

It is envisaged that the government would continue its spending on infrastructure projects on need basis, to reduce the gap in deficit and conserve resources to meet exigencies. Economic activity is expected progress at a modest pace in line with the quantum of government spending on new projects. We foresee the market to provide minimum opportunities for business but competition is likely to be intense. Market liquidity is expected to be fairly tight and interest rates would continue to remain high. The prevailing delays in settlement of contractual dues by counter parties is expected to impact the cash flow of borrowers and affect their ability to meet their loan commitments in time. Considering these factors, the market conditions are expected to be tough and impact growth prospects and profitability 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 September 2019

	30 September 2019 RO	30 September 2018 RO
ASSETS		
Property and equipment	2,439,233	2,481,634
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	250,000
Installment finance debtors	98,861,919	103,055,404
Deferred tax asset	9,757	9,757
Other receivables and prepaid expenses	116,574	145,041
Cash and cash equivalents	841,646	1,210,541
Total assets	103,073,279	107,706,527
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	590,303	-
Retained earnings	828,800	727,259
Total shareholders' equity	44,281,013	43,513,632
Liabilities		
Borrowings	45,184,247	50,567,681
Corporate deposits	8,000,000	9,400,000
Creditors and other payables	5,162,443	3,775,019
Taxation	445,576	450,195
Total liabilities	58,792,266	64,192,895
Total equity and liabilities	103,073,279	107,706,527

Un-Audited Statement Of Comprehensive Income For The Period Ended 30 September 2019

	30 September 2019 RO	30 September 2018 RO
Installment finance income	6,324,584	6,905,715
Interest expense	(2,076,043)	(1,953,589)
Net installment finance income	4,248,541	4,952,126
Other income	433,201	522,086
Operating expenses	(2,600,388)	(2,392,716)
Depreciation	(84,467)	(93,226)
Impairment on installment finance debtors - net	(1,623,504)	(2,629,014)
Profit before tax	373,383	359,256
Income tax expense	(56,008)	(53,888)
Net Profit for the period	317,375	305,368

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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