



# United Finance Co. SAOG

## Board of Directors' Report for the period ended 30th June 2020 Report on material events covering the interim financials

### BOARD OF DIRECTORS' REPORT

#### OVERVIEW

During Q2 2020 oil prices declined and remained volatile. The onset of Covid-19 pandemic forced the government to implement strict precautionary measures which included lockdowns and movement restrictions to curtail the spread of coronavirus. These developments hampered normal economic activity as business establishments had to shut down operations. Sale of private and commercial vehicles and equipment was minimal resulting in a steep decline in the new business booked. The government and regulators had announced various concessions which included deferment of loan instalments to help individuals and business entities to tide over the difficulties confronting them due to the impact of the pandemic. The market witnessed tightening of liquidity, increased cost of borrowing resulting in shrinking of net interest margins. The payment cycle was severely affected by the prolonged delays in settlement of dues by counter parties triggering further the incidence of delinquencies.

#### PERFORMANCE HIGHLIGHTS

The Company recorded a net profit of RO 8K for H1 2020 as against RO 303K for the corresponding period in the previous year. The decline in net profit was due to reserved interest income and additional provisions made on account of the increase / reclassification of impaired loans, and increase in borrowing costs. The loan portfolio of the company as at the end of H1 2020 was RO 90.48 million as against RO 98.46 million as at December 2019. The decrease was due to the subdued market conditions and limited opportunities to expand business and loan foreclosures. Net interest income was under strain as a result of increase in borrowing cost coupled with limited scope to hike lending rates.

#### PROVISIONING POSITION

The company has provided RO 1.02 million as principal provision during H1 2020. The total provision and reserve interest maintained by the company as of June 2020 is RO 18.85 million. In addition, the company maintains a special reserve of RO 2.37 million to guard against unforeseen delinquencies.

#### FUNDING

The company's fund position is comfortable with adequate resources to meet its business requirements. Banks have renewed / replenished credit facilities to meet the business requirements of the company. The Management is confident of mobilizing the required funds at reasonable interest rates to meet the budgeted business levels for the current year.

#### FUTURE OUTLOOK

The Covid 19 pandemic poses a cause of serious concern as it continues to hamper economic activity. It is still uncertain as to when the economy will return to normalcy post recovery from the impact of the pandemic. As oil price remains well below the budgeted level with no indication of revival in the near term, it is a strain on the exchequer. The government would be constrained to adopt austerity measures and restrain its budgeted expenditure on developmental projects in line with the decline in expected revenue streams to limit the budget deficit. Against this backdrop, the market is expected to remain subdued in the near term and affect business prospects, liquidity, interest cost and loan delinquencies. The outlook is challenging.

#### ACKNOWLEDGMENT

We thank His Majesty Sultan Haitham bin Tariq Al Said, His Government, the Central Bank of Oman, Capital Market Authority and other regulatory authorities for their support and guidance during the quarter. We also thank our bankers, dealers and customers for their continued trust, confidence and support.

**Mohamed Abdulla Mohamed Al Khonji**

Chairman

### UN-AUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	30 June 2020 RO	30 June 2019 RO
<b>ASSETS</b>		
Property and equipment	2,418,177	2,445,718
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	250,000
Installment finance debtors	90,482,499	99,843,652
Deferred tax asset	13,898	9,757
Other receivables and prepaid expenses	158,187	145,738
Cash and cash equivalents	908,665	1,001,565
<b>Total assets</b>	<b>94,785,576</b>	<b>104,250,580</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	34,914,441	34,914,441
Share premium reserve	528,402	528,402
Legal reserve	4,822,835	4,755,564
Special reserve	2,368,989	2,368,989
Foreign currency reserve	294,514	294,514
Impairment Reserve	1,404,601	352,585
Retained earnings	311,038	1,052,460
<b>Total shareholders' equity</b>	<b>44,644,820</b>	<b>44,266,955</b>
<b>Liabilities</b>		
Borrowings	41,481,335	46,698,653
Corporate deposits	6,000,000	8,400,000
Creditors and other payables	2,500,715	4,441,878
Taxation	158,706	443,094
Total liabilities	50,140,756	59,983,625
<b>Total equity and liabilities</b>	<b>94,785,576</b>	<b>104,250,580</b>

### UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

	30 June 2020 RO	30 June 2019 RO
Installment finance income	3,739,725	4,212,854
Interest expense	1,330,363	(1,372,628)
<b>Net installment finance income</b>	<b>2,409,362</b>	<b>2,840,226</b>
Other income	218,517	322,819
Other expenses	(1,550,766)	(1,702,645)
Depreciation	(49,976)	(52,269)
Impairment on installment finance debtors - net	(1,017,163)	(1,051,288)
<b>Profit before tax</b>	<b>9,974</b>	<b>356,843</b>
Income tax expense	1,496	(53,526)
<b>Profit for the period</b>	<b>8,478</b>	<b>303,317</b>

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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