



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

Board of Directors' Report for the period ended 31st March 2020 Report on material events covering the interim financials

BOARD OF DIRECTORS' REPORT

OVERVIEW

Q1 2020 started off on a promising note with the government unveiling the State Budget with sizable outlay for developmental projects to foster economic activity. The government adopted a balanced approach of restraining spending in line with the predictable revenue streams to curtail the budget deficit. Ongoing developmental and infrastructure projects were pursued for completion, albeit at a restrained pace. However, the plans are being reviewed consequent to the outbreak of Corvid 19 and the resultant slump in demand for oil, fueling a fall in oil prices by the end of the quarter. Market liquidity tightened triggering higher interest rates resulting in borrowing costs moving up. The market continued to witness delays in settlement of contractual dues triggering an increase in delinquencies.

Performance highlights

The Company recorded a net profit of RO 210K for Q1 2020 as against RO 261K for the corresponding period last year. The Net Debtors portfolio stood at RO 96.09 million as at 31st March 2020 as against RO 101.14 million as at December 2019. The loan portfolio reduced due to the restrained market conditions and cautious lending. This resulted in lower income for the company as the net debtors fell. Liquidity was volatile pushing up the cost of borrowing, which resulted in contraction of net income spread.

Provisioning position

The company maintained provisions of RO 17.91 million in line with IFRS and 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 curtail the level of impaired loans. However, the prevailing volatile market conditions pose a major challenge in the ensuing period. We expect that due to the closure of many businesses and despite the deferment measures advised by the Central Bank, we will need to make significant provisions in the coming months, which will have an impact on the profitability of the company.

Funding

The company has adequate funds to meet its current business requirements. Market liquidity was tight and interest rates on bank borrowing registered an increase thus pushing up the cost of borrowing. Interest rates on corporate deposits also witnessed an increase. Management is confident of raising the required funds for the company's operations.

Future Outlook

The onset of Corvid 19 pandemic across the world and the precautionary measures taken by governments to combat its spread through implementation of lockdowns and movement restrictions has significantly affected economic activity. The intensified spread of Corvid 19 worldwide has heightened concerns of the global economy slipping into recession triggering a plunge in demand for oil and a steep slump in oil prices. Against the backdrop of the current recessionary trend sweeping the global economy, the outlook for oil price reviving in the near term remains dim amid declining demand. These developments would severely impact oil exporting economies prompting them to adopt austerity measures and tighten their budgeted expenditure on developmental projects in line with expected revenue streams to restrain the budget deficit. The subdued market environment coupled with tight liquidity are expected to provide restrained prospects for business, severely affect the cash flow of business entities and individuals and trigger an increase in the incidence of loan delinquencies. The market outlook is challenging.

Acknowledgement

We thank His Majesty Sultan Haitham bin Tariq Al 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, dealers and customers for their continued trust, confidence and support. We also extend our thanks to the management and staff of the company for their continued dedication and hard work.

Mohamed Abdulla Mohamed Al Khonji
Chairman

UN-AUDITED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020

	31 March 2020 RO	31 March 2019 RO
ASSETS		
Property and equipment	2,402,646	2,462,724
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	250,000
Installment finance debtors	96,086,695	101,137,734
Deferred tax asset	13,898	9,757
Other receivables and prepaid expenses	204,409	116,286
Cash and cash equivalents	1,101,921	858,289
Total assets	100,613,719	105,388,940
EQUITY AND LIABILITIES		
Equity		
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	1,156,245	223,746
Retained earnings	760,891	1,139,076
Total shareholders' equity	44,846,317	44,224,732
Liabilities		
Borrowings	43,289,650	48,496,155
Corporate deposits	8,000,000	8,400,000
Creditors and other payables	4,283,488	3,832,409
Taxation	194,264	435,644
Total liabilities	55,767,402	61,164,208
Total equity and liabilities	100,613,719	105,388,940

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020

	31 March 2020 RO	31 March 2019 RO
Installment finance income	1,977,485	2,127,486
Interest expense	(670,981)	(682,536)
Net installment finance income	1,306,504	1,444,950
Other income	122,927	158,762
Other expenses	(843,340)	(859,973)
Depreciation	(24,401)	(27,094)
Impairment on installment finance debtors - net	(314,661)	(409,475)
Profit before tax	247,029	307,170
Income tax expense	(37,054)	(46,076)
Profit for the period	209,975	261,094

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