



United Finance Company SAOG

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

BOARD OF DIRECTORS' REPORT

Overview

During Q3 2020 oil prices witnessed fluctuations and remained below the budgeted level. Despite certain relaxations in terms of lifting of lockdowns and movement restrictions which were implemented to curtail the spread of coronavirus, the market continued to remain subdued and impacted normal economic activity. Though there was a modest revival in the demand for private vehicles, the demand for commercial assets was restrained resulting in limited prospects for business. The government has extended the period for availing the concessions extended to borrowers up to March 2021 for deferment of loan instalments to help them overcome the hardships faced due to the impact of the pandemic. The market witnessed tight liquidity, triggering higher interest rates and contraction in income spreads. Businesses continued to experience long delays in settlement of contractual dues triggering an increase in loan delinquencies.

Performance highlights

The Company recorded a net profit of RO 637K for the nine-month period ended September 2020 as against RO 317K for the corresponding period in the previous year. The loan portfolio of the company as at the end of September 2020 was RO 86.61 million as against RO 98.86 million as at December 2019. The decrease in loan portfolio was due to the subdued market conditions and limited opportunities to expand business and loan foreclosures. Net interest margin contracted as a result of increase in borrowing cost.

Provisioning position

The company has provided RO 912k as principal provision during the nine-month period ended September 2020. The total provision and reserve interest maintained by the company as of September 2020 is RO 18.86 million. In addition, the company maintains a special reserve of RO 2.37 million to guard against unforeseen delinquencies.

Funding

The company has adequate funds to meet its current business requirements. Market liquidity was tight resulting in an increase in interest rates on bank loans which pushed up the cost of borrowing. Interest rates on corporate deposits also witnessed an increase. The Management is confident of mobilizing sufficient funds to meet the budgeted business requirements for the year.

Future Outlook

The Covid 19 pandemic continues to hamper economic activity. Despite the various measures adopted by countries across the world, there seems to be no clear indication of any significant respite from impact of the pandemic in the near term. In fact, as some of the countries are witnessing a second wave of the pandemic forcing them to reinstate lockdowns to curtail its spread, the outlook for oil price reviving in the near term remains slim. These developments would prompt the government to tighten the budgeted expenditure on developmental projects in line with projected revenue streams to restrain the budget deficit. We expect the market to remain subdued coupled with tight liquidity, limited prospects for business, strained cash flow of business entities and individuals that could trigger an increase in loan delinquencies. The market 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 30th SEPTEMBER 2020

	30 September 2020 RO	30 September 2019 RO
ASSETS		
Property and equipment	2,406,906	2,439,233
Investment securities	554,150	554,150
Deposit with the Central Bank of Oman	250,000	250,000
Installment finance debtors	86,612,349	98,861,919
Deferred tax asset	13,898	9,757
Other receivables and prepaid expenses	111,633	116,574
Cash and cash equivalents	2,808,211	841,646
Total assets	92,757,147	103,073,279
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	1,921,465	590,303
Retained earnings	422,502	828,800
Total shareholders' equity	45,273,148	44,281,013
Liabilities		
Borrowings	37,809,242	45,184,247
Corporate deposits	6,000,000	8,000,000
Creditors and other payables	3,616,019	5,162,443
Taxation	58,738	445,576
Total liabilities	47,483,999	58,792,266
Total equity and liabilities	92,757,147	103,073,279

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30th SEPTEMBER 2020

	30 September 2020 RO	30 September 2019 RO
Installment finance income	5,555,399	6,324,584
Interest expense	(1,951,193)	(2,076,043)
Net installment finance income	3,604,206	4,248,541
Other income	374,103	433,201
Other expenses	(2,242,226)	(2,600,388)
Depreciation	(75,192)	(84,467)
Impairment on installment finance debtors - net	(911,707)	(1,623,504)
Profit before tax	749,184	373,383
Income tax expense	(112,378)	(56,008)
Profit for the period	636,806	317,375

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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