



# الشركة المتحدة للتمويل ش.م.ع.ع

## United Finance Company SAOG

### Board of Directors' Report for the period ended 30th June 2021 Report on material events covering the interim financials

#### Overview

We started the year on a positive note and halfway through the year, we feel a sense of optimism that the rollout of the vaccination program by the government will lift the economy, and provide for a much better second half of the year. Even though normal life continues to be disrupted, the second quarter of 2021 has been much better than the same quarter last year, as we are all much better prepared than we were in 2020. The business environment is improving and we are building a strong pipeline of corporate business as demand for assets slowly picks up. Many issues have affected retail business and some good months have been interspersed with slow months, mainly because of our struggles with the pandemic. The government has extended the period for availing the concessions to borrowers up to September 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, however we have managed to improve our income spreads. Businesses continued to experience long delays in settlement of contractual dues, but with our close follow up we have not allowed deterioration in the non-performing loans.

#### Performance highlights

The Company has earned Installment Finance Income of RO 3.55 million for the period, ended June 2021 compared to RO 3.74 million for the same period in the previous year. The Company recorded a net profit of RO 41K for Q2 2021 as against RO 8K for the corresponding period last year. The Net Debtors portfolio stood at RO 76.36 million as at 30<sup>th</sup> June 2021 as against RO 85.31 million as at 31<sup>st</sup> December 2020. The decrease in loan portfolio was due to early repayment of some short-term loans and we expect this to be back on track by H2 2021. We are also being careful on who we lend to and we believe that continued prudence is advisable.

#### Provisioning position

The company has been conservative and provided RO 1.022 Million as provision during H1 2021. This provision includes general provision of RO 446K towards deferred loan accounts, to provide in advance for any future delinquencies once the deferment period gets over. The total provision and reserve interest maintained by the company as on June 2021 is RO 18.98 million (in line with IFRS and regulatory guidelines). In addition, the Company also maintains a special reserve of RO 2.37 million to guard against unforeseen delinquencies. We continue to maintain one of the highest provisions against non-performing loans amongst FLCs.

#### Funding

The company has adequate funds to meet its current business requirements. Market liquidity was tight and interest rates on bank borrowing registered an increasing trend, but we have managed to pull back our cost of borrowing due to prudent planning. Banks have renewed and increased 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 of the current year.

#### Future Outlook

The Covid 19 pandemic continues to be with us and hamper economic activity but now we can see a light at the end of the tunnel. The revival of Oil prices should allow the government to reduce its deficits and that augurs well for the rest of the year. The Tawazoon developments would help reduce the deficits but due to tight controls on expenditure, we are seeing fewer government projects. The market outlook is challenging but we remain positive and have kept ambitious targets for the company this year.

#### 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 support and hard work.

**Mohamed Abdulla Mohamed Al Khonji**  
Chairman

#### UN-AUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	30 June 2021 RO	30 June 2020 RO
<b>ASSETS</b>		
Property and equipment	2,360,438	2,418,177
Deferred tax asset	16,923	13,898
Deposit with the Central Bank of Oman	250,000	250,000
Investment securities	554,150	554,150
Installation finance debtors	76,364,329	90,482,499
Other receivables and prepaid expenses	313,426	158,187
Cash and cash balance	2,764,443	908,665
<b>Total assets</b>	<b>82,623,709</b>	<b>94,785,576</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	4,904,496	4,822,835
Special reserve	2,368,989	2,368,989
Foreign currency reserve	294,514	294,514
Impairment Reserve	1,911,736	1,404,601
Retained earnings	530,382	311,038
<b>Total Equity</b>	<b>45,452,960</b>	<b>44,644,820</b>
<b>Liabilities</b>		
Borrowings	29,580,567	41,481,335
Corporate deposits	3,000,000	6,000,000
Creditors and other payables	4,603,790	2,500,715
Taxation	(13,608)	158,706
<b>Total liabilities</b>	<b>37,170,749</b>	<b>50,140,756</b>
<b>Total equity and liabilities</b>	<b>82,623,709</b>	<b>94,785,576</b>
<b>Net assets per share</b>	<b>0.130</b>	<b>0.128</b>

#### UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021

	30 June 2021 RO	30 June 2020 RO
Installation finance income	3,549,670	3,739,725
Interest expense	(1,058,137)	1,330,363
<b>Net installment finance income</b>	<b>2,491,533</b>	<b>2,409,362</b>
Other income	190,758	218,517
Operating expenses	(1,541,607)	(1,550,766)
Depreciation	(47,587)	(49,976)
Impairment on installment finance debtors - net	(1,022,804)	(1,017,163)
<b>Profit before tax</b>	<b>70,293</b>	<b>9,974</b>
Income tax expense	(29,716)	1,496
<b>Profit for the period</b>	<b>40,577</b>	<b>8,478</b>
<b>Basic and diluted earnings per share</b>	<b>0.000</b>	<b>0.000</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:

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