



الشركة المتحدة للتمويل ش.م.ع.ع

United Finance Company SAOG

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

Overview

We continue to be optimistic on the outlook of our Country based on the economic reform programs undertaken by our Government and the effect of higher oil prices relative to 2020 that will narrow the deficits and slow the increase in net government debt over the next few years. Adding to that, the real GDP is expected to grow by 1.7% pa in 2021 and accelerate to 3.1% pa on average in 2022-2023, as oil and gas production ramps up. The rating agencies have also recently revised the outlook on our country to positive from stable. The rollout of the vaccination program by the government has lifted the economy and has allowed normalcy to return to some extent. Of course, we have seen new waves emerge in other countries and we need to be cautious and careful while being positive at the same time. The business environment is improving and we are realigning our business as demand for loans slowly picks up. Our retail business has picked up and despite supply disruptions, we have had one of our best quarters in new retail business since the pandemic started. To continue supporting the economic recovery efforts (Economic Stimulus Plan), the Government has extended the period for availing the concessions to borrowers up to December 2021 for deferment of loan instalments but we have also cautioned that there will be no further extensions.

In line with the above, we continue to ensure that the company's interests are taken care of and at the same time, our customers' interests are not compromised. The market continued to witness improving liquidity and due to our strong relationships with our lenders, we have managed to increase the bank lines available to us and improve our net interest income. While the long delays in settlement of contractual dues to sub-contractors is improving, some gaps still remain. We are closely monitoring the portfolio quality with regular follow-up.

The recent harsh weather conditions have caused much suffering to our citizens and residents in the Batinah region, and we have made a contribution to help them get their life back to normal.

Performance highlights

The Company has earned Installment Finance Income of RO 5.1 million for the period ended September 2021 as compared to RO 5.5 million for the same period in the previous year. The Company recorded a net profit of RO 601K for YTD Q3 2021 as against RO 637K for the corresponding period last year. The Net Debtors portfolio stood at RO 78.5 million as at 30th September 2021 as against RO 85.31 million as at 31st December 2020. We have seen improving demand in Retail loans and we expect to be back on track by Q4 2021. We continue to be prudent in line with our lending policy.

Provisioning position

The Company has been conservative and provided RO 972K as additional provision in 2021. This provision includes General Provision of RO 408K (in addition to RO 265K already provided in 2020) in line with Central Bank of Oman guidance. This General Provision is not due to any adverse event but towards deferred loan accounts, and the aim is to be prudent in anticipation of any future delinquencies once the deferment period allowed by the Central Bank gets over. The total provision and reserve interest maintained by the company as on September 2021 is RO 19.094 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

Funding is an important part of our business and we have two sources of funding, other than our capital – bank facilities and deposits from companies. Traditionally we have had an excellent relationship with all our bankers and we continue to do so. Two banks have recently reviewed and increased our lines to support our growth plans into 2022. We continue to seek corporate deposits from companies and pension funds and offer attractive rates for the same. The market has adequate liquidity now and the management is working actively to reduce the overall cost of borrowing for the company.

Future Outlook

We see the coming few months as a time of opportunity and revival. The Oil prices are expected to remain high through 2022, and this will allow our government to reduce its deficits and implement its long-term objectives of Vision 2040. The successful planning to overcome the challenges of the pandemic have ensured that the economy is getting back on track, new job opportunities are being created for our youth and the Government is continuing its efforts to promote foreign investment with a number of incentives to stimulate business in Oman. All this augurs well for our company as we strive to support the financial needs of individuals and companies at this turnaround time. We are embracing the changes in the way business will be done in the future to offer the best-in-class products and services to our customers.

Acknowledgement:

On behalf of the Board, I would like to take this opportunity to express our highest gratitude to His Majesty Sultan Haitham bin Tarik Al Said and respectfully acknowledge his vision and leadership, which has helped our beloved country to overcome the challenges of the past few months.

I would also like to express our gratitude to the Central Bank of Oman, Capital Market Authority, Ministry of Commerce and Industry, Ministry of Manpower, Royal Oman Police and other Regulatory Authorities and thank them for their support and guidance. I also take this opportunity to extend our sincere thanks to our bankers, shareholders, dealers and valued customers for their unstinted support.

I would also like to place on record my appreciation of the Management and our dedicated staff for their individual and collective efforts over the past few challenging months, and wish them all the very best for the rest of the year.

Mohamed Abdulla Mohamed Al Khonji
Chairman

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2021

	30 Sep 2021 RO	30 Sep 2020 RO
ASSETS		
Property and equipment	2,342,217	2,406,906
Deferred tax asset	16,923	13,898
Deposit with the Central Bank of Oman	250,000	250,000
Investment securities	554,150	554,150
Installment finance debtors	78,508,771	86,612,349
Other receivables and prepaid expenses	247,267	111,633
Cash and cash balance	526,862	2,808,211
Total assets	82,446,190	92,757,147
EQUITY AND LIABILITIES		
Equity		
Share capital	34,914,441	34,914,441
Share premium reserve	528,402	528,402
Legal reserve	4,960,572	4,822,835
Special reserve	2,368,989	2,368,989
Foreign currency reserve	294,514	294,514
Impairment Reserve	1,911,736	1,921,465
Retained earnings	1,035,061	422,502
Total Equity	46,013,715	45,273,148
Liabilities		
Borrowings	27,670,166	37,809,242
Corporate deposits	4,000,000	6,000,000
Creditors and other payables	4,654,405	3,616,019
Taxation	107,904	58,738
Total liabilities	36,432,475	47,483,999
Total equity and liabilities	82,446,190	92,757,147
Net assets per share	0.132	0.130

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	30 SEP 2021 RO	30 SEP 2020 RO
Installment finance income	5,164,293	5,555,399
Interest expense	(1,520,194)	(1,951,193)
Net installment finance income	3,644,099	3,604,206
Other income	309,297	374,103
Operating expenses	(2,156,591)	(2,242,226)
Depreciation	(71,728)	(75,192)
Profit before tax and provision for impairment	1,725,077	1,660,891
Impairment on installment finance debtors - net	(972,518)	(911,707)
Profit before tax	752,559	749,184
Income tax expense	(151,227)	(112,378)
Profit and total comprehensive income for the period	601,332	636,806
Basic and diluted earnings per share	0.002	0.002

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

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