



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG, for the nine-month period ended 30 September 2020.

Renaissance continues to deliver profit, maintain healthy cash flow and a strong balance sheet, and achieve year-on-year growth in continuing operations. The enormous market challenges of 2020 have delayed the scale of our original growth plans, but they have not stopped our positive progress.

The COVID-19 crisis continues to dominate the agenda and impact performance. We have all been experiencing unprecedented changes to the way we live and work. The economic impact of the pandemic is a consequence of the trade-off between protecting public health: saving lives; and regenerating economic activity: saving jobs, businesses, and livelihoods.

The oil price crash at the start of 2020 has also damaged the hydrocarbon-reliant economies where we operate. This turmoil is compounded by the drop-off in global energy demand caused by COVID-19.

Clients, authorities and other stakeholders have shown appreciation for the measures we have taken to deal with COVID-19. We have absorbed the costs of these efforts to keep people safe. These initiatives have allowed both our customers' operations and our own business to remain operational at robust levels. Despite the elevated costs we have remained profitable albeit at reduced levels for the time being.

We have openly shared our initiatives, best practices and protocols in the public interest. Our 'In Service of the Nation' programme has provided hundreds of thousands of free meals to quarantine, support and outbreak centres throughout the country. Our valued employees have all remained productively employed, deployed and fully paid, in recognition of their service. Working together, the sooner the virus is in retreat, the sooner the economy may bounce back.

While dealing with the present crisis, we have maintained our focus on future opportunity. COVID-19 and the unprecedented challenges of 2020 are only an interruption on the way to our strategic goals. Indeed, the crisis has brought into sharp relief the relevance of our capabilities and service offerings.

## FINANCIAL PERFORMANCE

The COVID-19 financial impact remained severe throughout Q3, although a slow upturn in occupancy at RSVD and re-opening of some retail outlets in Renaissance Villages and client facilities, provided some performance improvement. A relentless focus on efficiency and supply chain has generated savings for clients and our own business. Despite current pressures, profit after tax (PAT) from continuing operations has risen to Rial 7.1 million, an increase of 60% over the same period last year.

## RS CONSOLIDATED

|  | Rial Million |         | USD Million |         |
|--|--------------|---------|-------------|---------|
|  | Q3 2020      | Q3 2019 | Q3 2020     | Q3 2019 |
| <b>Continuing operations</b>                               |              |         |             |         |
| Revenue  | 80.0         | 78.4    | 207.8       | 203.6   |
| EBITDA   | 16.2         | 15.6    | 42.1        | 40.5    |
| Operating profit   | 10.5         | 8.6     | 27.3        | 22.3    |
| <b>Net profit after tax from continuing operations</b>     | <b>7.1</b>   | 4.4     | <b>18.4</b> | 11.4    |
| Net Profit after tax from discontinued operations (Note 1) | -            | 11.5    | -           | 29.9    |
| Net profit after tax                                       | 7.1          | 15.9    | 18.4        | 41.3    |
| Net profit after non-controlling interest                  | 5.5          | 9.8     | 14.3        | 25.5    |

### Note:

Renaissance had divested Topaz in Q3 2019. Net profit after tax from discontinued operations of RO 11.5 million represents the net result of divestment including profit till the date of divestment. Net profit after non-controlling interest for 2019 includes RO 6 million of the divestment gain.

## LOOKING AHEAD

We accept this negative impact of COVID-19 shall continue into Q4. At the same time, we shall continue to grow profitably. We expect additional gradual improvements in November and December. Positive developments include the re-opening of international and domestic airports, and restoration of steel production in China, which help re-energise project activity. On the negative side, ongoing travel restrictions and regulations slow up customer occupancy build-up on all projects.

Oman crude c. \$40 per barrel means oil & gas and government contracts continue to reduce in volume, cancel projects and seek cost savings from service providers. At the same time, clients are increasingly focused on outsourcing solutions from companies like Renaissance, who deliver cost efficiencies while ensuring high standards.

## RENAISSANCE VILLAGE DUQM

At the start of the pandemic occupancy had reached >16,000. This fell to 10,500 in Q2 and has slowly re-built to c. 12,000 in Q3.

Our expansion plan will increase capacity by 5,080 beds in this year, to an overall total of 22,781. We have approved a further expansion of 3,840 beds in 2021 - but we will only start construction of the project as restrictions ease.

Long-term demand exceeds this capacity, but as long as COVID-19 factors prevail, short-term demand remains muted, which may mean that projects progress with lower numbers of workforce over longer delay timescales. With our own plans and approvals in place, we have the agility to react to meet sustainable demand, when required.

## OTHER GROWTH OPPORTUNITIES

Meanwhile, we continue to work on strategic issues that have positive impact on the future.

We are in competitive tender, or dialogue with potential clients, for several growth opportunities some of which are of material scale. The serious outbreaks of COVID-19 in non-compliant workforce accommodation has highlighted the urgent need for increased regulation and enforcement of standards. We continue to investigate these and other outsourcing projects by government and others, including PPP model projects.

We have had a number of contract wins during this period, with revenue value of Rial 12.5 million. Although the majority of these include existing contract operations, re-win through competitive re-tender or extension.

## OUTLOOK

COVID-19 has impacted every business, community and economy. It shall continue to do so for the foreseeable future. At some point, the crisis will pass but none of us can say when with any certainty.

What is certain, is the resilience of our business - proven again, during this crisis. What is also certain, is the relevance of this company's capabilities and service offerings to the future, with or without the pandemic.

Despite all that 2020 has thrown at us, we remain on track to deliver our goals of profit, growth, healthy cash flows, regular dividends and a strong balance sheet.

## TRIBUTE

This statement coincides with National Day and the celebration of the 50th Anniversary of Oman's Renaissance. We thank His Majesty Sultan Haitham for his leadership in these unprecedented, turbulent times. His steady, reform-driven and purposeful approach means we can join with all Oman's citizens in enjoying this major milestone, with resolve to meet today's challenges, and with belief in the future. These times will pass. Happy 50th National Day.



Samir J. Fancy  
Chairman

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH SEPTEMBER 2020

|   | 2020           | 2019           |
|---|----------------|----------------|
|   | Rial '000      | Rial '000      |
| <b>Non-current assets</b>               |                |                |
| Property, plant and equipment           | 132,637        | 134,707        |
| Intangible assets                       | 1,974          | 2,215          |
| Investments                             | 2,444          | -              |
|   | <u>137,055</u> | <u>136,922</u> |
| <b>Current assets</b>                   | <b>69,417</b>  | 115,795        |
| <b>Current liabilities</b>              | <b>46,446</b>  | 46,783         |
| <b>Non-current liabilities</b>          |                |                |
| Term loans excluding current maturities | 71,902         | 76,022         |
| Non current payables and advance        | 9,910          | 12,338         |
|   | <u>81,812</u>  | <u>88,360</u>  |
| <b>Net assets</b>                       | <b>78,214</b>  | 117,574        |
| <b>Equity</b>                           |                |                |
| Share capital                           | 23,641         | 36,727         |
| Treasury shares                         | (6,853)        | (6,853)        |
| Share premium                           | 26,936         | 26,936         |
| Legal reserve                           | 8,347          | 12,446         |
| Subordinated loan reserve               | 3,000          | 3,000          |
| Other reserves                          | 217            | -              |
| Retained earnings                       | 4,270          | (14,414)       |
|   | <u>59,558</u>  | <u>57,842</u>  |
| Perpetual notes                         | -              | 46,799         |
| Non-controlling interest                | 18,656         | 12,933         |
| <b>Total equity</b>                     | <b>78,214</b>  | 117,574        |

### Notes:

- Share capital of Renaissance was reduced from RO 36,727,750 to RO 23,641,000 in Q4 2019.
- Renaissance had divested its subsidiary, Topaz Energy and Marine Limited (Topaz) in Q3 2019. A part of the divestment proceeds was utilised to repurchase/redeem Perpetual notes in Q4 2019.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2020

|  | 2020          | 2019          |
|--|---------------|---------------|
|  | Rial '000     | Rial '000     |
| <b>Revenue</b>   | <b>80,023</b> | 78,420        |
| Operating expenses                                     | (69,495)      | (69,799)      |
| <b>Profit from operations</b>                          | <b>10,528</b> | 8,621         |
| Net finance costs                                      | (3,450)       | (4,134)       |
| <b>Profit before tax</b>                               | <b>7,078</b>  | 4,487         |
| Tax  | (13)          | (104)         |
| <b>Profit after tax from continuing operations</b>     | <b>7,065</b>  | 4,383         |
| Profit after tax from discontinued operations (Note 1) | -             | 11,560        |
| <b>Profit for the period</b>                           | <b>7,065</b>  | 15,943        |
| <b>Net profit attributable to:</b>                     |               |               |
| Shareholders of the Parent Company                     | 5,460         | 9,793         |
| Non-controlling interest                               | 1,605         | 6,150         |
|  | <u>7,065</u>  | <u>15,943</u> |

### Notes:

- Renaissance had divested Topaz in Q3 2019. Net profit after tax from discontinued operations of RO 11.5 million represents the net result of divestment including profit till the date of divestment. Net profit after non-controlling interest for 2019 includes RO 6 million of the divestment gain.
- The complete accounts will be sent by mail to shareholders within 7 days of receipt of request.
- The complete set of financial results can be accessed at [www.renaissanceservices.com](http://www.renaissanceservices.com)