

Annual Results for 2020



النهضة
Renaissance

OUR VALUES: SAFETY | SERVICE | INTEGRITY | EFFICIENCY | CARING



CHAIRMAN'S REPORT 2020

On behalf of the Board of Directors, I present the audited accounts for Renaissance Services SAOG, for the financial year ended 31 December 2020.

2020

Renaissance delivered profit, maintained healthy cash flow and a strong balance sheet, and achieved year-on-year growth in continuing operations. The enormous market challenges of 2020 delayed the scale of our original growth plans but did not stop our positive progress.

The COVID-19 crisis dominated the agenda and impacted performance. We have all experienced 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 re-generating economic activity: saving jobs, businesses, and livelihoods.

The oil price crash at the start of 2020 damaged the hydrocarbon-reliant economies where we operate. This turmoil is compounded by the drop-off in global energy demand caused by COVID-19. We have collaborated with clients, wherever possible, to assist them in finding efficiencies and cost-savings, while maintaining profitable returns for our shareholders.

Throughout these difficult market conditions, we have kept Renaissance people and customers protected from harm. As a result, our clients in key sectors of the economy have remained operational, and our own business has remained active and profitable.

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

RS CONSOLIDATED

	Rial Million		USD Million	
	2020	2019	2020	2019
Continuing operations				
Revenue	105.5	106.7	274.0	277.1
EBITDA	21.7	22.4	56.4	58.2
Operating profit	14.1	13.0	36.6	33.8
Net profit after tax from continuing operations	9.6	7.4	24.9	19.2
Profit from discontinued operations (Note 1)	-	12.5	-	32.5
Net profit after tax and discontinued operations	9.6	19.9	24.9	51.7
Net profit after non-controlling interest (Note 1)	7.7	12.7	20.0	33.0

COVID-19 and the oil price crisis both had a direct negative impact on performance in 2020. Higher costs, lower occupancy and reduced activity all affected revenue and profit.

Through our financial strength, our consistent aim is to deliver profit, growth, healthy cash flows, inward Domestic Direct Investment in Public Private Partnership (PPP) and other projects, regular dividends, and a strong balance sheet.

DIVIDEND

The Board is recommending a dividend of 20 balsa per share (20% of the paid-up capital) for shareholder approval at the Annual General Meeting (AGM).

CONTINUED INVESTMENT IN OMAN

In 2020 Renaissance continued to invest in Oman, with a project to expand Renaissance Village Duqm – our award-winning flagship workforce accommodation facility. The project has added occupancy capacity of an additional 5,000 beds, creating a total capacity of 22,500 beds. Other new facilities include additional diner and laundry capacity and continuous improvement of sustainable green initiatives.

The expansion is supported by requests from SEZAD, OQ8, EPC Contractors and other customers to meet rising capacity needs in Duqm. Renaissance has a 50-year usufruct agreement with SEZAD. This includes exclusivity for the provision of permanent workforce accommodation through to 2027, in recognition of the scale of inward Domestic Direct Investment, which now exceeds Rial 100 million after this new phase of expansion. Today the company's total investment in Oman projects exceeds US\$ 0.5 billion.

The expansion project is fully funded by 40% equity injection from the shareholders of Renaissance Duqm company and the balance raised as debt from a consortium of leading local banks. The debt-raising initiative – which also includes facilities for further expansion was over-subscribed 2.5x. This is testament to the trust and confidence lenders place in the strong fundamentals and long-term business model of the company. It underscores belief in the Renaissance Village Duqm project and belief in Oman and the future of Duqm.

Renaissance Village Duqm provided shelter and food security for the wider Duqm community in September 2019 during Cyclone Hikka; and again, proved its worth in 2020 through suppressing and controlling the COVID-19

pandemic outbreak through a range of initiatives, including establishing an approved PCR testing facility as an extension to the clinic. Through this project we are working in the national and community interest as partners to the government of Oman in all our actions.

For these reasons key clients and customers continue to choose Renaissance Village Duqm with its high compliant standards and unmatched affordable cost.

INTERNATIONAL WORKER WELFARE STANDARDS

The COVID-19 Pandemic shone a light on unsafe practices in worker welfare and accommodation standards. Significant outbreaks of the virus occurred in labour camps and residential areas throughout the country, wherever workers are packed into over-crowded rooms with poor standards.

The Renaissance Village brand shows that international standards for workforce accommodation can be delivered at competitive cost; with proven intangible benefits including better safety performance, lower downtime for sickness, lower attrition rates, improved mental health and greater productivity.

After 2020, we can add a further proven benefit, compared with non-compliant accommodation: Increased protection from outbreaks of COVID-19, through high-density sanitation, social distancing capacity, automatic thermal temperature detection, defensive PPE, rapid on-site PCR testing capability and other initiatives.

Leading companies and institutions recognise safety, quality sleep, nutritious food, good connections with home, fire safety, on-site medical services and recreation as key principles and basic needs for worker welfare.

The Government of Oman, Ministry of Labour and other authorities have set standards of compliance for workforce accommodation compatible with International Standards such as International Labour Organization (ILO). Some employers deploy labour camps and other non-compliant facilities – workers crammed into villas or apartments in residential areas – creating serious health and safety hazards to the entire community. In fact, the awful conditions are compatible with international definitions of modern slavery.

In places such as Duqm, OPAZ, SEZAD, OQ8, and Local Authorities are all working to ensure the standards are enforced. This enforcement will provide a model for eradicating non-compliant practices in Oman.

International investors and financiers require ILO worker welfare standards to be in place before financing major projects or investing in foreign stocks. It is a minimum requirement to attract the Foreign Direct Investment Oman needs to grow and diversify the economy and deliver the 2040 Vision.

ENVIRONMENT, SOCIAL RESPONSIBILITY, GOVERNANCE (ESG)

We remain committed to continuous improvement in delivering our ESG agenda, which we report in full in our annual Sustainability Report.

We are committed to HSE: No harm to people, no harm to the environment, keeping people healthy and ensuring positive worker welfare. We take a responsible and sustainable approach to everything we do. We strive to play a positive role for society, local communities, and young Omanis. While growing the business we seek to manage, reduce, and curtail any environmental impact.

We apply global best practice standards for governance, compliance and ethics and lead by example with our reputation for integrity with our customers, regulatory authorities and other stakeholders.

PEOPLE

We thank everyone working throughout the Renaissance family in Oman and UAE for their response to the COVID-19 pandemic and all the challenges of 2020. Renaissance people worked on the front-line of this crisis – keeping

clients operational and our own business profitable. In turn, the company ensured no one lost their jobs and no one was subject to any reduction in remuneration. We want all our people to achieve their full potential and play a key role in the success of the business.

OUTLOOK

We are focused on delivering key strategic outcomes of efficient growth of the business and value creation for shareholders; delivered by motivated people generating credibility and trust with all stakeholders.

Our growth strategies and chosen projects must be targeted and measured at a time of global, regional, and national economic downturn caused by the pandemic – and, in our chosen markets, exacerbated by the oil price crisis.

Oman has embarked on a programme of key reforms. The Mid-Term Fiscal Plan recognises that Oman has one of the weakest fiscal positions in the GCC, leaving it vulnerable to economic downturns and shocks. The plan proposes pragmatic and necessary steps to stabilise and modernise the economy, reduce debt as a portion of GDP, and balance the budget over the medium term. The plan sets out a path to success that includes rationalising and restructuring government and state-owned enterprises; supporting and trusting private sector to play a key part in the solutions; removing expensive subsidies while providing a secure social safety net for those with most need; whilst maintaining internal and external security and defence of the nation.

These measures shall provide the fiscal stability and economic progress for future growth and prosperity, laid out with ambition and optimism in the form of the Vision 2040.

Renaissance stands ready to support these initiatives. We can play our part through our commitment to invest in Oman. Renaissance Village Duqm is an established growth driver for the company in 2021. We are competing in current tenders for similar major projects aligned with our core expertise. But the company's potential is not limited to investment in accommodation solutions. We are considering other opportunities that may arise in the government's evolving programme for increased privatisation, outsourcing of non-core services, and projects suitable for PPP.

There is opportunity in this crisis and there is reason to be hopeful for the future thanks to the bold steps already underway.

HOPE

For this reason, I would like to finish with some words of hope and optimism:

Let our hopes, not our fears, shape our approach to recovery. Let our confidence, not our doubts, strengthen our resolve. A combined effort of leadership, science, medicine, new vaccines and people following the guidelines, will control this virus. A combined effort of government, institutions, private sector, communities, families and individuals – all collaborating, all in this together – will re-build our economy and determine the speed we bounce back. There is light despite the darkness. Our nation is resilient. We shall prevail.

TRIBUTE

We pay tribute to His Majesty Sultan Haitham. He took the helm at a time of extraordinary global and regional disruption. He has taken courageous action to sustain and reform the economy in the teeth of these unprecedented challenges; implemented structural changes; and ensured confidence, optimism and foresight with Oman Vision 2040. We thank His Majesty and assure him of our enduring support.

Samir J. Fancy
Chairman

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

	2020	2019
	RO '000	RO '000
Non-current assets		
Property, plant and equipment	135,021	127,103
Other non-current assets	8,756	4,577
	143,777	131,680
Current assets	65,408	76,777
Current liabilities	46,880	48,149
Non-current liabilities		
Term loans	71,026	75,199
Non current payables and advances	10,464	10,227
	81,490	85,426
Net assets	80,815	74,882
Equity		
Share capital	23,641	23,641
Share premium	26,936	26,936
Treasury shares	(6,853)	(6,853)
Retained earnings and other reserves	18,138	14,781
	61,862	58,505
Non controlling interest	18,953	16,377
Total equity	80,815	74,882

Notes:

- Renaissance had divested its subsidiary Topaz Energy and Marine Limited (Topaz) in Q3 2019. Net profit after tax from discontinued operations of Rial 12.5 million represents the net result of divestment including profit till the date of divestment. Net profit attributable to shareholders of the parent company (PATMI) of Rial 12.7 million for 2019 includes Rial 6 million of the divestment gain.
- These audited financial results are subject to approval by the Shareholders at the Annual General Meeting proposed to be held on 30th March 2021.
- The audited financial statements are available on Muscat Securities Market website and the Company's website.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020	2019
	RO '000	RO '000
Continuing Operations		
Revenue	105,531	106,705
Operating costs	(91,392)	(93,661)
Profit from operations	14,139	13,044
Net finance costs	(4,548)	(5,544)
Profit before tax	9,591	7,500
Tax	(16)	(94)
Profit for the year from continuing operations	9,575	7,406
Discontinued Operations		
Profit for the year from discontinued operation	-	12,501
Profit for the year	9,575	19,907
Net profit attributable to:		
Shareholders' of the Parent Company	7,673	12,709
Non controlling interest	1,902	7,198
	9,575	19,907