

CHAIRMAN’S STATEMENT H1 2023



Our Values

Safety | ESG | Respect | Vision | Integrity | Caring | Empowerment



On behalf of the Board of Directors, I present the unaudited accounts for the six-month period ended June 30, 2023.

Our message remains unchanged that 2023 would be a year of transition due to the temporary lull in major projects at Special Economic Zone at Duqm (SEZAD). However, this is compensated by growth and improved performance in other areas of the business. The combination of these two factors ensures we are able to deliver stable performance throughout the year, while developing significant growth initiatives to impact the future.

Financial Performance RS Consolidated

	RO Million		USD Million	
	H1 2023	H1 2022	H1 2023	H1 2022
Revenue	52.42	59.67	136.16	154.99
EBITDA	11.17	13.08	29.01	33.97
Operating profit	7.19	9.23	18.68	23.97
Net profit after tax	5.20	7.13	13.51	18.52
Net profit after non-controlling interest	5.33	5.89	13.84	15.30

Performance

Total contracts awarded year to date stand at RO 8mn. While we have retained or extended our existing contracts, this has been a fallow year in terms of cyclical contracts compared to 2022. The major tenders in our pipeline have been extended and as such are either in tender or evaluation stages. We are in a competitive position in some tenders, whose results are expected in H2.

Based on the contract renewals since last year we are expecting a stable second half performance, as we continue to strive to secure new long-term contracts within our core and diversified sectors.

The anticipated upturn in occupancy in the oil & gas sector has been slower than expected but is set to rise in the second half of 2023. Our temporary expansion of RS Villages for PDO is on schedule to meet the planned increase in demand from award of new contracts within the concession area by the client. These expansions will be commissioned during Q3 of this year.

The declining trend in occupancy at Renaissance Village Duqm (RSVD) began in the second half of 2022 as the construction phase of key projects were coming to an end. Residual permanent occupancy increases each time a major project finishes, but the hiatus we are seeing now is a result of delays due to the pandemic and the oil price crash of 2020.

A modest upswing is likely towards the end of the third quarter. A good room-mix and various cost optimisation initiatives undertaken by the RSVD team in H1 have helped to partially mitigate the impact of lower occupancy. Large-scale heavy industries that are preparing for the construction phase in Duqm are expected to benefit RSVD in the course of 2024. Our teams both at Duqm and in the capital area are engaged with the relevant representatives of these projects for site visits and customised offerings to suit their respective requirements.



Other aspects of our business operations continue to make positive contributions along with a companywide focus on delivering higher standards at lower costs. The RSVD team has also worked on alternative revenue-generating initiatives to make the most of the world-class ILO-compliant accommodation facility.

Board developments

We welcomed Yahya Said Abdullah Al Jabri, Chairman and Board member of Alizz Islamic Bank and Noor Sweid, Founder and Managing Partner of UAE-based Global Ventures as new members of our Board. Yahya was earlier Chairman of SEZAD and former Executive President and Chairman of Capital Market Authority. Yahya has also taken over as the new Chairman of the Audit and Internal Controls Committee (AICC). Noor has been named among 'Top 50 Women in Tech' by Forbes and is the first woman to operate, scale and take a company public in MENA on NASDAQ Dubai and the London Stock Exchange for US\$1.1 billion.

Sunder George has retired from the Board after 22 years of service as director, including the last six years in the role as Chairman of AICC. Sunder is not a board member who can simply be replaced, rather, it is our responsibility to build on the legacy of his contributions to our progress. He provided strength, experience and focus in the areas of governance, finance, risk and compliance. We shall miss his calm, thoughtful but incisive interventions that made him an outstanding director and ambassador of our company. The Board joins me in wishing Sunder continued health, happiness, and success.

Dr Lamya Al Haj has kindly stood back from main Board duties to take a Board advisory role and lead the Youth Shadow Advisory Board (YSAB) initiative as chairperson on behalf of the Board. This programme is well under way, opening the stage for young people well-versed in future competencies to challenge the status quo and impact our transformational journey under Renaissance 2.0. The YSAB members who have been individually paired with our Board members, bring in new-age skills and a native adoption of technology that can help us identify new ways to power the future growth of Renaissance.

ESG

Green initiatives embedded in Renaissance's operations are optimising operational efficiency and business process excellence while enhancing cost savings and resource utilisation. 4R (Reduce, Reuse, Recycle and Recover) measures are minimising waste and promoting circular economy models.

Reiterating our commitment to social responsibility, one of the projects that we lent support to during H1 was aimed at improving road safety by funding over 10,000 reflective collars for camels in the North Batinah region. To be implemented in the wilayats of Shinas, Liwa, Sohar, Saham, Khabourah and Suwaiq, this initiative will help prevent accidents, thereby protecting both motorists and valued livestock.



Notwithstanding our long-standing reputation for good governance, we continue to further enhance our internal control environment by investing in updating our processes, strengthening our pool of talented governance and risk professionals, and upgrading our assurance structure. In January 2023, we welcomed a new Chief Internal Auditor with expertise in Oman's corporate governance framework along with decades of experience in banking and oil & gas. To conduct specialised audits, we are bringing in external expertise by obtaining internal audit services on a co-sourced basis from top audit firms in Oman.



An exercise has been launched to conduct a thorough risk assessment for the complete risk universe of the company whereby the significant risks will be audited on a more frequent basis. We are currently in the process of sourcing the Risk Manager role to streamline the management of key risks.

The company has created a position of Compliance Manager, whereby a senior resource has been entrusted to upgrade the company's compliance processes, such as: Regulatory responses management, Board and AGM management, and related-party transactions management. We continue to engage Deloitte for an annual independent appraisal of our Board for their review and recommendations.

Sustainability

Closely aligned to Oman's commitment to achieve Net Zero emissions by 2050, Renaissance has signed an agreement with UK-based Carbon Trust to turn intent into tangible results. We are delighted to report that a Science-based Targeted Initiative (SBTi) framework is currently being developed as part of a strategic multi-year charter to implement Scope 1 and Scope 2 reductions across our operations.

Furthermore, we continue to seek ways to make a difference to every life we touch. Renaissance had an impactful performance at Oman Sustainability Week 2023 with an excellent response from both corporates and individuals. The ongoing effort to set up Oman's first 'water farm' with our US-based partners Source Global to generate sustainably sourced drinking water for RSVD is expected to be completed in the second half of this year. Meanwhile, the installation of high-tech energy-efficient devices and sensors is progressing well and will go a long way in reducing energy and water consumption at various operations sites across Oman.



Outlook

As we prepare for our strategy and plans for 2024 and more, we believe further growth will depend on the degree of our success in new markets. The performance of our UAE operations has improved over H1 of last year as a result of new contract awards coupled with lower material costs and staff rationalisation. In line with our strategic objective to diversify geographically within the region, we are in the process of registering a new company in the Kingdom of Saudi Arabia (KSA), along with establishing a physical office staffed with local manpower.

This will not only allow us to participate in more opportunities within KSA, but also demonstrate our long-term commitment to this important market. Simultaneously in Qatar, our business development team is looking at securing contracts to establish a sustainable presence in the country.

In our home market, we have some important live tenders in play that if successful, will drive our services diversifications plans and affect us positively in the coming years.

Tribute

We express our sincere appreciation and best wishes to His Majesty Sultan Haitham Bin Tarik and pledge our loyalty and support for Oman's growth and prosperity under his visionary leadership.



Samir J. Fancy
Chairman

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2023		
	2023 Rial '000	2022 Rial '000
Non-current assets		
Property, plant and equipment	136,153	140,841
Intangible assets	1,922	1,939
Investments	6,525	5,241
	<u>144,600</u>	<u>148,021</u>
Current assets	67,438	71,875
Current liabilities	46,858	50,952
Non-current liabilities		
Term loans excluding current maturities	58,657	67,883
Non current payables and advances	10,411	10,509
	<u>69,068</u>	<u>78,392</u>
Net assets	<u>96,112</u>	<u>90,552</u>
Equity		
Share capital	23,641	23,641
Treasury shares	(6,853)	(6,853)
Share premium	26,936	26,936
Legal reserve	9,012	8,831
Subordinated loan reserve	-	1,500
Other reserves	527	247
Retained earnings	22,014	13,986
	<u>75,277</u>	<u>68,288</u>
Non controlling interest	20,835	22,264
Total equity	<u>96,112</u>	<u>90,552</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 TH JUNE 2023		
	2023 Rial '000	2022 Rial '000
Revenue	52,416	59,671
Operating expenses	<u>(45,227)</u>	<u>(50,441)</u>
Profit from operations	7,189	9,230
Net finance costs	<u>(1,954)</u>	<u>(2,260)</u>
Profit before tax	<u>5,235</u>	6,970
Tax	<u>(33)</u>	161
Profit for the period	<u>5,202</u>	7,131
Net profit attributable to :		
Shareholders of the Parent Company	5,328	5,891
Non-controlling interest	<u>(126)</u>	<u>1,240</u>
	<u>5,202</u>	7,131

Note:
1) The complete accounts will be sent by mail to shareholders within 7 days of receipt of request.
2) The complete set of financial results can be accessed at www.renaissanceservices.com