

**RENAISSANCE SERVICES SAOG
AND ITS SUBSIDIARIES**

**Report and Consolidated financial statements
for the year ended 31 December 2022**

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES
Report and consolidated financial statements
For the year ended 31 December 2022

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RENAISSANCE SERVICES SAOG

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Renaissance Services SAOG (the "Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (*including International Independence Standards*) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RENAISSANCE SERVICES SAOG (CONTINUED)**

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>Revenue from services rendered is based on the consideration specified in a contract with the customer and is recognised when the control over the goods or services have been transferred to the buyer. Revenue is significant item of financial statement and key performance indicator for the Group, hence, we consider recognition and measurement of revenue to be a key audit matter.</p> <p>Furthermore, the level of revenue growth was impacted by the business disruption impact on the Group's operations specifically arising from the COVID-19 global pandemic.</p> <p>The accounting policy relating to revenue recognition is set out in the summary of significant accounting policies in note 3 to the consolidated financial statements.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> - We obtained an understanding of the revenue recognition and measurement process ('the process'), assessed the design and implementation and tested the operating effectiveness of key controls over the process for a sample of revenue transactions; - For a sample of transactions, we also verified the revenue recorded in the financial statements to the underlying contracts; ; - In order to ensure that cut off had been correctly accounted for in relation to revenue recognition, for a sample of transactions taking place before and after the year-end we verified that the revenue was recognised in the correct accounting period; - We performed substantive analytical procedures over the significant revenue streams by developing an expectation based on bed occupancy (after considering the impact of COVID-19) and rates and obtaining and corroborating explanations for the significant variances; - We reviewed a sample of customer agreements to assess the appropriateness of the Group's revenue recognition accounting policies including compliance with the requirements of IFRS 15 relating to: <ul style="list-style-type: none"> o identification of contract with customer (legally enforceable, commercial substance, identification of terms etc.) o identification of Performance obligations o Determination of transaction price (checking for variable consideration, if any) o Recognition of revenue (ensuring over-the-time principles are met); - We assessed the adequacy and appropriateness of the disclosures in the consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RENAISSANCE SERVICES SAOG (CONTINUED)**

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Allowance for impaired debts</p> <p>The Group is required to regularly assess the recoverability of its trade receivables. Due to the large number of aged debtors that have extended well beyond the customer credit terms coupled with the higher degree of uncertainty arising due to the economic impact of COVID-19 we consider the recoverability of trade debtors to be a key audit matter.</p> <p>The key areas of judgment are as follows:</p> <ul style="list-style-type: none"> • Expected credit losses ("ECL") must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. • The uncertain effects of the impact of the COVID-19 global pandemic on the economy will require the application of an unusually high level of judgment when setting future forecasts, which may materially change the estimates in future periods. <p>The accounting policy and disclosures relating to allowance for impaired debts are set out in notes 3 and 12 to the consolidated financial statements, respectively.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> - We tested the aging of invoices for a sample of customer transactions; - We traced receipts after the year-end to bank statements to ensure that the amounts were recoverable as at the year end date; - We evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and independently recomputed the Group's ECL by calculating the probability of default based on the Group's historical data, and applying the appropriate LGD the latest macro-economic variables and the probability weighted outcomes, especially in view of the COVID-19 pandemic; and - We assessed the adequacy and appropriateness of the disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RENAISSANCE SERVICES SAOG (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Other information included in the Group's 2022 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report other than the consolidated financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2022 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- CEO report

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Those charged with governance are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RENAISSANCE SERVICES SAOG (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RENAISSANCE SERVICES SAOG (CONTINUED)**

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

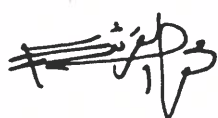
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the consolidated financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC



Mohamed AlQurashi
Muscat
2 March 2023



RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 RO'000	2021 RO'000
Revenue	6b	121,266	109,438
Operating costs		<u>(98,437)</u>	<u>(87,878)</u>
Gross profit		22,829	21,560
Administrative expenses		(7,246)	(6,032)
Investment income		<u>669</u>	<u>397</u>
Profit before finance cost & tax		16,252	15,925
Finance costs – net	6a	<u>(4,153)</u>	<u>(4,686)</u>
Profit before tax		12,099	11,239
Taxation	7	<u>119</u>	<u>(31)</u>
PROFIT FOR THE YEAR		12,218	11,208
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods			
Fair value loss on financial investments		(380)	(20)
Items not to be reclassified to profit or loss in subsequent periods			
Fair value gain on financial investments		<u>43</u>	<u>304</u>
Other comprehensive (expense) / income for the year		<u>(337)</u>	<u>284</u>
Total comprehensive income for the year		11,881	11,492
Profit for the year attributable to:			
Owners of the parent		11,378	9,137
Non-controlling interests	25	<u>840</u>	<u>2,071</u>
		12,218	11,208
Total comprehensive income for the year attributable to:			
Owners of the parent		11,041	9,421
Non-controlling interests	25	<u>840</u>	<u>2,071</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,881	11,492
Earnings per share attributable to owners of parent:			
Basic and diluted earnings per share (in Rial Omani)	23	0.053	0.043

The Parent Company's statement of profit or loss and other comprehensive income is presented as a separate schedule attached to the consolidated financial statements.

The attached notes 1 to 32 form an integral part of these consolidated financial statements

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 RO'000	2021 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	134,296	139,586
Right of use asset	21	4,064	4,161
Intangible assets	9	1,934	1,952
Financial investments at FVTOCI	20	5,618	4,616
Total non-current assets		145,912	150,315
Current assets			
Financial investments at FVTPL	20	1,281	3,655
Inventories	11	5,081	4,764
Trade and other receivables	12	48,847	41,350
Cash and bank balances	13	20,558	26,894
Total current assets		75,767	76,663
TOTAL ASSETS		221,679	226,978
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	23,641	23,641
Share premium	14	26,936	26,936
Legal reserve	14	9,012	8,831
Treasury shares	14	(6,853)	(6,853)
Subordinated loan reserve	14	-	1,500
Fair value reserve		172	509
Other reserves	14	82	82
Retained earnings		20,957	12,366
Equity attributable to owners of the parent		73,947	67,012
Non-controlling interests	25	21,704	21,024
Total equity		95,651	88,036
Non-current liabilities			
Borrowings	15	65,345	78,168
Non-current payables	16	95	109
Non-current lease liabilities	21	5,699	5,588
Staff terminal benefits	17	4,868	4,746
Total non-current liabilities		76,007	88,611
Current liabilities			
Current portion of long-term borrowings	15	-	4,765
Trade and other payables	18	45,308	43,344
Current lease liabilities	21	213	208
Short term borrowings and bank overdrafts	19	4,500	2,014
Total current liabilities		50,021	50,331
Total liabilities		126,028	138,942
TOTAL EQUITY AND LIABILITIES		221,679	226,978
Net assets per share (RO)	22	0.346	0.314

Chairman

Director

CEO

CFO

The Parent Company's statement of financial position is presented as a separate schedule attached to the consolidated financial statements. The attached notes 1 to 32 form an integral part of these consolidated financial statements.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to shareholders of Parent Company									Non-	Grand
	Share Capital RO'000	Share premium RO'000	Legal reserve RO'000	Treasury shares RO'000	Subordinated loan reserve RO'000	Fair value reserve RO'000	Retained earnings RO'000	Other reserves RO'000	Total RO'000	controlling interests RO'000	Total RO'000
At 1 January 2022	23,641	26,936	8,831	(6,853)	1,500	509	12,366	82	67,012	21,024	88,036
Profit for the year	-	-	-	-	-	-	11,378	-	11,378	840	12,218
Other comprehensive income for the year	-	-	-	-	-	(337)	-	-	(337)	-	(337)
Total comprehensive income for the year	-	-	-	-	-	(337)	11,378	-	11,041	840	11,881
Transfer from subordinated loan reserve (note 14)	-	-	-	-	(1500)	-	1500	-	-	-	-
Dividend income from treasury shares	-	-	-	-	-	-	457	-	457	-	457
Transfer to Legal reserve	-	-	211	-	-	-	(211)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(4,728)	-	(4,728)	-	(4,728)
Movement in non-controlling interests (note 25)	-	-	(30)	-	-	-	195	-	165	(160)	5
At 31 December 2022	23,641	26,936	9,012	(6,853)	-	172	20,957	82	73,947	21,704	95,651

The Parent Company's statement of changes in equity is presented as a separate schedule attached to the consolidated financial statements.

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to shareholders of Parent Company										
	Share capital RO'000	Share Premium RO'000	Legal reserve RO'000	Treasury shares RO'000	Subordinated loan reserve RO'000	Fair value reserve RO'000	Retained earnings RO'000	Other reserves RO'000	Total RO'000	Non-controlling interests RO'000	Grand Total RO'000
At 1 January 2021	23,641	26,936	8,574	(6,853)	2,250	225	7,007	82	61,862	18,953	80,815
Profit for the year	-	-	-	-	-	-	9,137	-	9,137	2,071	11,208
Other comprehensive income for the year	-	-	-	-	-	284	-	-	284	-	284
Total comprehensive income for the year	-	-	-	-	-	284	9,137	-	9,421	2,071	11,492
Transfer from subordinated loan reserve (note 14)	-	-	-	-	(750)	-	750	-	-	-	-
Dividend income from treasury shares	-	-	-	-	-	-	457	-	457	-	457
Transfer to Legal reserve	-	-	257	-	-	-	(257)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(4,728)	-	(4,728)	-	(4,728)
Movement in non-controlling interests (note 25)	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2021	23,641	26,936	8,831	(6,853)	1,500	509	12,366	82	67,012	21,024	88,036

The Parent Company's statement of changes in equity is presented as a separate schedule attached to the consolidated financial statements.

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

Renaissance Services SAOG and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	2022	2021
	RO'000	RO'000
Operating activities		
Cash receipts from customers	114,031	104,785
Cash paid to suppliers and employees	(95,657)	(82,354)
	<hr/>	<hr/>
Cash generated from operations	18,374	22,431
Income tax refund / (paid)	210	(840)
	<hr/>	<hr/>
Net cashflows generated from operating activities	18,584	21,591
	<hr/>	<hr/>
Investing activities		
Acquisition of property, plant and equipment	(3,183)	(11,238)
Proceeds on disposal of a subsidiary – net	39	-
Movement in financial investments	1,377	(3,804)
Investment income	327	290
Purchase of intangible assets (Note 9)	(8)	(10)
Dividend income from treasury shares (Note 14)	457	457
Movement in deposits placed with banks and financial institutions	5,000	1,008
	<hr/>	<hr/>
Net cashflows from (used in) investing activities	4,009	(13,297)
	<hr/>	<hr/>
Financing activities		
Dividend paid	(4,728)	(4,728)
Borrowings (repaid)/ received	(15,356)	8,212
Net finance costs	(3,836)	(4,119)
Funds received from non-controlling interests (Note 25)	5	-
	<hr/>	<hr/>
Net cashflows used in financing activities	(23,915)	(635)
	<hr/>	<hr/>
Net change in cash and cash equivalents	(1,322)	7,659
Cash and cash equivalents at the beginning of the year	15,858	8,199
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	14,536	15,858
	<hr/>	<hr/>
Cash and cash equivalents comprise of the following:		
Cash and bank balances (note 13)	14,536	15,872
Bank overdrafts	-	(14)
	<hr/>	<hr/>
	14,536	15,858
	<hr/>	<hr/>

The Parent Company's statement of cash flows is presented as a separate schedule attached to the consolidated financial statements.

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

1 Legal status and principal activities

Renaissance Services SAOG (“the Parent Company”) is registered as a public joint stock company registered and incorporated in the Sultanate of Oman. The business activities of Renaissance Services SAOG and its subsidiary companies (together referred to as “the Group”) include investing in companies and properties, providing turnkey and other contract services including accommodation solutions, facilities management, facilities establishment, contract catering, operations and maintenance services, training services, waste management and general trading and related activities. The registered address of the Company is PO Box 1676, Muttrah, Postal code 114, Sultanate of Oman.

2 New and amended standards and interpretations to IFRS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.1 Standards issued and effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

2.1 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (not applicable to the Group)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The above-mentioned amendments and new standards are not expected to have a significant impact on the group’s financial statements.

3 Summary of significant accounting policies

Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Commercial Companies Law of 18/2019 and the disclosure requirements of the Capital Market Authority (CMA) of Sultanate of Oman.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Statement of compliance and basis of preparation (continued)

The separate statement of financial position, statement of comprehensive income, changes in equity and cash flows of the Parent Company are provided in the attached schedule to the consolidated financial statements, in order to comply with the disclosure requirements of CMA. For a further understanding of the Parent Company's separate financial position and the results of its operations and the auditor's report on those financial statements, the schedule should be read in conjunction with the full set of separate financial statements of the Parent Company on which an unqualified opinion dated 2 March 2023 was rendered by the auditors.

These consolidated financial statements have been prepared in Rials Omani (RO) rounded to the nearest thousand, unless otherwise stated.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Rial Omani (RO), which is the Group's presentation currency.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of the following assets and liabilities:

- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any difference between the (i) the aggregate of the fair value of the consideration received and fair value of any retained interest and (ii) the previous carrying value of the assets (including goodwill) and the liabilities of the subsidiaries and any non-controlling interest is recognised in the statement of profit or loss. If the Group retains any interest on entity that was a subsidiary in the past, then such interest is measured at fair value at the date that the control is lost. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries are adjusted to conform to the Group's accounting policies.

Accounting for business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities, contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 3 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is ceased, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for, as if the Group had directly disposed the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in property, plant and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred.

Depreciation

Depreciation is charged to the profit or loss on a straight line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

	Years
Buildings and improvements	5 - 40
Plant, machinery and equipment	3 - 15
Motor vehicles	3 - 10
Furniture and fixtures	3 - 10

Freehold land is not depreciated. The cost of certain assets used on specific contracts is depreciated to estimated residual value over the period of the respective contract, including extensions if any. Depreciation method, useful lives and residual values are reviewed at each reporting date.

Capital work-in-progress

Capital work-in-progress is stated at cost and comprises all costs including borrowing costs directly attributable to bringing the assets under construction ready for their intended use. Capital work-in-progress is transferred to property, plant and equipment at cost on completion. No depreciation is charged on capital work-in-progress.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

Intangible assets

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented within intangible assets. Goodwill is initially measured at the fair value of consideration transferred plus the recognised amount of any non-controlling interest in the acquiree plus, if the business combination is achieved in stages, the fair value of pre-existing equity interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any negative goodwill is immediately recognised in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the Group are assigned to those units or Groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segment format determined in accordance with IFRS 8 - Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Other intangible assets acquired by the Group are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of other intangible assets are assessed to be finite and amortised over 5 years using the straight line method.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Financial instruments

Classification and measurement of financial assets and financial liabilities

The classification of financial assets is generally based on the business model in which the financial asset is managed and contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Initial recognition and measurement of financial instruments

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

1. Trade and other receivables
2. Cash and cash equivalents
3. Amount due from related parties
4. Investments at FVTOCI
5. Investments at FVTPL
6. Other receivables
7. Borrowings
8. Trade and other payables
9. Amount due to related parties

Initial recognition

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. This is whether the Group objective is solely to collect contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these are applicable then the financial assets are classified as other business model.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Initial recognition and measurement of financial instruments (continued)

Initial recognition (continued)

Financial assets (continued)

Business model assessment (continued)

Factors considered by the Group in determining the business model for a group of assets includes the past experience on how the cash flows for the asset were collected, how the assets performance was evaluated by the key management personnel, how risks are assessed and managed and how managers are compensated.

Contractual cash flows comprise of solely payment of principal and interest

Where the Group has a business model to collect contractual cash flows, the Group assesses whether the financial instrument cash flows represent solely payments of principal and interest (SPPI). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In making this assessment, the Group considers whether the contractual cash flows are consistent with the basic lending agreement which means the interest paid only includes the consideration for time value of money and credit risk. Financial instruments whose cash flows characteristics include elements other than time value of money and credit risk do not pass the test and are classified and measured at fair value through profit or loss.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through other comprehensive income

Equity instruments which are not held for trading or issued as contingent consideration in business combination, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis. The Group initially measures a financial asset at its fair value plus transaction costs.

Financial assets at fair value through profit or loss accounts

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss account. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Initial recognition and measurement of financial instruments (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss:

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a Group financial liabilities which are managed, and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement

Financial assets

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the profit or loss account.

Financial assets at fair value through other comprehensive income

a) Debt instruments

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss account.

b) Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the profit or loss account.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss account.

Financial liabilities

Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities are subsequently measured at amortised cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement (continued)

Financial liabilities (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss account. Any gain or loss on derecognition is also recognised in the profit or loss account.

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 is satisfied. The Group has not designated any financial liability at fair value through profit or loss

Reclassification

The Group will only reclassify debt financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group's operations and demonstrable to external parties.

If the Group determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

The Group determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- a) The rights to receive cash flows from the asset have expired; or

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derecognition (continued)

Financial assets (continued)

- b) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

Any cumulative gain / loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the profit or loss account on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

The Group uses expected credit loss (ECL) model which applies to financial assets measured at amortized cost, contract assets receivables, lease receivables and debt investments at FVTOCI, but not on investments in equity instruments. The financial assets at amortized cost consist of trade receivables, investment in debt instruments and cash and cash equivalents and due from related parties.

Under IFRS 9, loss allowance are measured on either of the following bases:

- *12-month ECL*: these are ECLs that result from possible default events within 12 months after the reporting date; and
- *Lifetime ECL*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

General approach

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset. The Group applies general approach to all financial assets except trade receivable without significant financing component.

Determining significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward- looking information.

The Group assumes that the credit risk on a financial asset has increased significantly based on the certain delinquency period (days past due) or if exposure has move from investment grade to non-investment grade on credit rating scale of independent credit rating agency in case of low credit risk instrument.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or based on the certain delinquency period (days past due).

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Determining significant increase in credit risk (continued)

Simplified approach

The Group applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Group will be required to measure lifetime expected credit losses at all times.

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Measurement of ECLs:

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of loss allowance

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Non-financial assets (other than goodwill and inventories)

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets

The recoverable amount of an asset or its cash generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined applying the weighted average method depending on the category of inventory and includes all costs incurred in acquiring and bringing them to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

Deposits under lien

Cash, which is under lien and held by commercial banks, is classified as deposits under lien.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any gain or loss or income related to these shares is directly transferred to retained earnings and shown in the statement of changes in equity. Any differences between the carrying amount and the consideration, if reissued, is recognised in the share premium.

Gains and losses on measurement of transactions with shareholders are recognised in equity.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are measured at amortised cost.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liabilities.

Onerous contracts

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Employee benefits

Contributions to a defined contribution retirement plan for Omani employees, in accordance with the Oman social insurance scheme, are recognised as an expense in the profit or loss as incurred.

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003, as amended (for employees working in Oman). Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability. The entitlement to these benefits is based upon the employees' salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

For non-Omani companies the end of service benefits are provided as per the respective regulations in their country.

Dividend distribution

Dividends are recognised as a liability in the year in which they are approved by the company's shareholders.

Revenue recognition

Goods sold and services rendered

Revenue from the sale of goods is recognised in the profit or loss when the control has been passed to the customer i.e. when goods are delivered and accepted by the customer and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in the profit or loss over the period the service is provided to the customer as the customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs. Revenue is recognized in proportion to the stage of completion of the transaction in the accounting period in which the services are rendered and the right to receive the consideration is established.

No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contract Services

Revenues from provision of contract services, provision of accommodation services, providing facilities management, facilities establishment, contract catering, operations and maintenance services are recognized over the period service is provided to the customer as the customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs.

Dividend income

Dividend income is recognised in the profit or loss on the date that the right to receive dividend is established.

Others

Sale of operating assets are shown as part of other income and are recognised when the control is passed to the buyer and right to receive is established.

Interest expense and income

Interest expense on borrowings is calculated using the effective interest rate method. Financing costs are recognised as an expense in the profit or loss in the period in which they are incurred.

Borrowing costs comprise interest payable on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as an expense in the year in which they are incurred. Borrowing costs are calculated using effective interest rate method.

Interest income is recognised in the profit or loss as it accrues, taking into account the effective yield on the asset.

Directors' remuneration

The remuneration of the Parent Company's Board of Directors is accrued within the limits specified by the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

Segment reporting

An operating segment is the component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transaction with any of the Group's other components, whose operating results are reviewed regularly by the CEO (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Taxation

Income tax is provided for in accordance with the fiscal regulations of the country in which the Group operates.

Income tax on the profit or loss for the year comprises current and deferred taxation. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in the equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The assessment regarding adequacy of tax liability for open tax year relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is calculated by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the consolidated statement of profit or loss and other comprehensive income except for differences arising in retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, to the extent these hedges are effective, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rial Omani at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rial Omani at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and are presented in the translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of its interest in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statement of profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

Determination of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Determination of fair values (continued)

Investments

For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the reporting date. (Level 1).

For unquoted investments, a reasonable estimate of the fair value is determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2).

Fair value cannot be reliably measured for certain unquoted investments. Such investments are measured using discounted cashflow or other techniques not based on observable market data i.e. unobservable inputs (Level 3).

Other interest bearing items

The fair value of interest-bearing items is estimated based on discounted cash flows using market interest rates for items with similar terms and risk characteristics. (Level 2).

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

3 Summary of significant accounting policies (continued)

Leases (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

4 Financial risk management

Financial risks factors

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

4 Financial risk management

Financial risks factors (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Senior Group management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management practices in others.

The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and Internal Controls Committee (AICC) oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group AICC is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the AICC.

The Group's principal financial liabilities comprise bank loans, accounts payables and accruals and balances due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts and other receivables, advance to suppliers, financial investments, bank balances and cash, and due from related parties which arise directly from its operations.

It is, and has been throughout the current year and previous year, that no trading in derivatives has been undertaken by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivable from customers, retention and other receivables, due from related parties, long-term receivables and balances with bank.

Trade accounts and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. Geographically the credit risk is significantly concentrated in Oman.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the senior Group management; these limits are reviewed periodically.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

4 Financial risk management (continued)

Credit risk (continued)

Trade accounts and other receivables (continued)

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade accounts and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Balances with banks

The Group limits its exposure to credit risk by only placing balances with reputable financial institutions. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Group's policy is to facilitate bank guarantees only on behalf of wholly owned subsidiaries and the Group entities over which the Group has financial and management control or joint control.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2022 RO'000	2021 RO'000
Investments at fair value through other comprehensive income (note 20)	5,618	4,616
Investments at fair value through profit or loss (note 20)	1,281	3,655
Trade receivables (note 12)	44,470	37,396
Amount due from related parties	356	354
Bank balances (note 13)	20,558	26,894
	72,283	72,915

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group limits its liquidity risk by ensuring bank facilities are available. The Group's credit terms require the amounts to be paid within 90 days from the date of invoice. Accounts payable are also normally settled within 90 days of the date of purchase.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of 31 December 2022, the Group has sufficient undrawn facilities to its meet its obligations as they fall due.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

4 Financial risk management (continued)

Liquidity risk (continued)

31 December 2022	Carrying amount RO'000	Contractual cash flows RO'000	Upto 1 year RO'000	2 year to 5 years RO'000	More than 5 years RO'000
<i>Non-derivative financial liabilities</i>					
Borrowings	65,345	81,891	3,929	58,370	19,591
Short-term borrowings and bank overdrafts	4,500	4,526	4,526	-	-
Lease liabilities	5,912	20,420	212	932	19,276
Trade and other payables	42,200	42,246	42,130	103	13
	117,957	149,083	50,797	59,405	38,880
31 December 2021					
<i>Non-derivative financial liabilities</i>					
Borrowings	82,933	104,538	9,572	66,935	28,031
Short-term borrowings and bank overdrafts	2,014	2,014	2,014	-	-
Lease liabilities	5,796	20,760	208	912	19,640
Trade and other payables	40,341	40,341	40,341	-	-
	131,084	167,653	52,135	67,847	47,671

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group avails opportunities of restructuring of existing financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors of the Group.

Foreign exchange risk

Foreign exchange risk is the risk of loss arising from adverse movements in foreign exchange rates. Foreign exchange risks may arise through the unexpected changes in exchange rates that may alter the value of non-OMR denominated cash payments from group's non-OMR assets and liabilities on and off the consolidated statement of financial position.

Substantially all of the group's operating, investing and financing activities are denominated in Omani Rial (OMR), except the trade accounts payable include amounts due in Rial Omani and foreign currencies which are pegged to US Dollars accordingly the impact of foreign currency risk on the Group's consolidated financial statements is considered to be insignificant.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

4 Financial risk management (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations carrying floating interest rates.

The Group's policy is to manage its interest rate exposure through using a mix of fixed and variable interest rate debts.

As at 31 December 2022, 100% of the Group's borrowings are at a fixed rate of interest (2021: 100%).

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2022	2021
	RO'000	RO'000
Fixed rate instruments		
Financial assets – deposits	10,022	11,022
Financial liabilities	69,845	84,947

Fair value sensitivity analysis for fixed rate instruments

The sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the fixed rate financial assets and financial liabilities held at 31 December 2022.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant:

	Increase (+)/ decrease (-) in Basis Points	Effect on profit for the year	Effect on profit for the year
		2022	2021
		RO'000	RO'000
Long term loans	(+)15	(98)	(124)
Short term borrowings	(+)15	(7)	(3)
Deposits	(-)15	(15)	(16)

Other market price risk

Equity price risk arises from FVOCI securities. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

4 Financial risk management (continued)

Capital management (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital employed consists mainly of capital and retained earnings. Management believes that the current level of capital is sufficient to sustain the Group's continuing operations and to safeguard its ability to continue as a going concern. The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2022 RO'000	2021 RO'000
Borrowings	69,845	84,947
Less: Cash and short-term deposits	(20,558)	(26,894)
Net debt	49,287	58,053
Equity	95,651	88,036
Capital and net debt	144,938	146,089
Gearing ratio (%)	34.01%	39.74%
Debt equity ratio	0.51	0.66

There were no changes in the Group's approach to capital management during the year. As disclosed in note 15 to the consolidated financial statements, the Group is subject to certain financial covenants from its borrowing arrangements.

5 Critical accounting estimates and judgements

Judgements

In the process of applying the Group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis. The recoverable amount of an asset or CGU (Cash generating unit) is the greater of its value in use and its fair value less cost to sell. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

5 Critical accounting estimates and judgements (continued)

Judgements (continued)

Leases (continued)

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

Estimates and assumptions

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Measurement of the expected credit loss allowance

Loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Useful lives of tangible and intangible assets

Depreciation / amortisation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates. The useful lives, residual values and methods of depreciation of property, plant and equipment and amortisation of intangible assets are reviewed, and adjusted if appropriate, at each financial year end. In the review process, the Group takes guidance from recent acquisitions, as well as market and industry trends.

Provision for current tax and deferred tax

The Group reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

Management has evaluated the available evidence about future taxable income and other possible sources of realisation of income tax assets, and the amount recognised has been limited to the amount that, based on management's best estimate, is more likely than not to be realised.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

5 Critical accounting estimates and judgements (continued)

Estimates and assumptions (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit ratings).

6 Expenses & Revenue by nature

a. Profit before tax from operations for the year is after charging:

	2022 RO'000	2021 RO'000
Staff costs	42,304	37,762
Cost of food and consumables	36,832	32,540
Provision for expected credit losses (note 12)	721	703
Depreciation / amortization (notes 8,9 and 21)	7,829	7,860
Finance costs – net (i)	4,153	4,686

i) Finance cost is net of against finance income of RO 0.65 million (2021: RO 0.78 million).

b. Revenue

	2022 RO	2021 RO
<i>Period of time</i>		
Revenue from accommodation and catering services	116,334	103,433
<i>Point in time</i>		
Revenue from other services	4,932	6,005
	121,266	109,438

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

7 Income tax

The income expense relates to tax payable on the profits earned by the Group calculated in accordance with the taxation laws and regulations of various countries in which the Group operates.

	2022 RO'000	2021 RO'000
Tax charge for the year comprises of:		
Current tax in respect of current year	96	31
The tax liabilities comprise of:		
Current liability	3,203	3,112
	<u>3,203</u>	<u>3,112</u>

The Parent Company and its subsidiaries are subject to income tax at the rate of 15% of taxable income (2021: 15%) in accordance with the Income Tax Law of the Sultanate of Oman.

Reconciliation of tax charge is as follows:

	2022 RO'000	2021 RO'000
Profit before income tax	12,099	11,239
Less: profit before income tax of Group entities operating in non-taxable jurisdictions	(3,209)	(4,394)
Profit before income tax of Group entities operating in taxable jurisdictions	8,890	6,845
Tax at domestic tax rate (15%)	1,334	1,027
Tax effect of expenses that are not deductible in determining taxable profit	98	69
Tax effect of allowable losses	(1,336)	(1,065)
Tax expense for the year	<u>96</u>	<u>31</u>

In some jurisdictions, the tax returns for certain years have not yet been reviewed by the tax authorities. However, the Group's management is satisfied that adequate provisions have been made for potential tax contingencies.

The Parent Company's assessment for the tax years 2019 to 2021 has not been finalised with the Tax authority. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

The Parent Company has filed appeals to the Court against certain adjustments made by the Tax Authority in the previous assessments. The main issues under appeal are taxation of disallowances relating to interest and some specific expenses. As required under the tax laws, the Parent Company has paid the tax dues relating to those issues while continuing to appeal to the higher authorities.

The Parent Company has established provisions at 31 December 2022 against the tax liabilities, which may arise due to adjustment made by Tax Authority.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

8 Property, plant and equipment

	Freehold land and buildings RO'000	Machinery and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work- in-progress RO'000	Total RO'000
Cost						
At 1 January 2022	181,685	19,053	2,200	6,073	2,502	211,513
Reclassification/ transfers	426	1,145	119	207	(1,897)	-
Additions	19	1,429	249	266	470	2,433
Disposals/write off	-	(26)	(306)	(47)	-	(379)
At 31 December 2022	182,130	21,601	2,262	6,499	1,075	213,567
Accumulated depreciation						
At 1 January 2022	52,669	14,562	1,453	3,243	-	71,927
Reclassification/transfers	-	(72)	45	27	-	-
Charge for the year	5,536	1,390	213	567	-	7,706
Disposals/write off	-	(23)	(293)	(46)	-	(362)
At 31 December 2022	58,205	15,857	1,418	3,791	-	79,271
Net carrying value at						
At 31 December 2022	123,925	5,744	844	2,708	1,075	134,296

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Notes to the consolidated financial statements

For the year ended 31 December 2022

8 Property, plant and equipment (continued)

	Freehold land and buildings RO'000	Machinery and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work- in-progress RO'000	Total RO'000
Cost						
At 1 January 2021	161,826	18,784	2,192	5,434	12,117	200,353
Reclassification/ transfers	19,859	345	-	617	(20,821)	-
Additions	-	720	181	115	11,206	12,222
Disposals/write off	-	(796)	(173)	(93)	-	(1,062)
At 31 December 2021	181,685	19,053	2,200	6,073	2,502	211,513
Accumulated depreciation						
At 1 January 2021	47,218	13,926	1,423	2,765	-	65,332
Reclassification/transfers	-	-	-	-	-	-
Charge for the year	5,451	1,431	203	568	-	7,653
Disposals/write off	-	(795)	(173)	(90)	-	(1,058)
At 31 December 2021	52,669	14,562	1,453	3,243	-	71,927
Net carrying value at At 31 December 2021	<u>129,016</u>	<u>4,491</u>	<u>747</u>	<u>2,830</u>	<u>2,502</u>	<u>139,586</u>

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

8 Property, plant and equipment (continued)

- (i) Certain of the Group's property, plant and equipment are pledged against bank loans and bank borrowings. Further details of property, plant and equipment secured against borrowings are disclosed in Note 15 to the consolidated financial statements.
- (ii) Capital work-in-progress includes estimated amount of construction work certified as at year end and other directly attributable project related cost.
- (iii) Advances or deposits paid for construction or acquisition of assets are classified as advances to suppliers and contractors, and the amount will be transferred to capital work-in-progress upon proportionate completion of construction.
- (iv) During the year, the group capitalised borrowing costs amounting to RO 0.014 million (2021:RO 0.484 million).

The depreciation charge has been allocated in the profit or loss as follows:

	2022 RO'000	2021 RO'000
Operating cost	7,717	7,504
Administrative expenses	86	149
	<u>7,803</u>	<u>7,653</u>

9 Intangible assets

Intangible assets as at 31 December consisted of the following:

	2022 RO'000	2021 RO'000
Goodwill	1,900	1,900
Computer software	34	52
	<u>1,934</u>	<u>1,952</u>
At 31 December	1,934	1,952

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For the year ended 31 December 2022

9 Intangible assets (continued)

Movement in intangible assets during the year is as follows:

	Goodwill RO'000	Computer software RO'000	Total RO'000
2022			
At 1 January	1,900	52	1,952
Purchased during the year	-	8	8
Amortisation during the year	-	(26)	(26)
At 31 December	1,900	34	1,934
2021			
At 1 January	1,900	68	1,968
Purchased during the year	-	10	10
Amortisation during the year	-	(26)	(26)
At 31 December	1,900	52	1,952

Goodwill represents the excess of the cost of acquiring shares in a subsidiary company (TISCO), over the aggregate fair value of the net assets acquired.

- (i) The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of cash-generating unit (CGU) was based on value-in-use, determined by discounting future cashflows to be generated from the continuing use of the CGU. The recoverable amount was determined to be higher than its carrying value and accordingly, the Group is not required to recognise any impairment during the year.

TISCO

Discount rate	7.9%
Terminal value growth rate	5%

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

10 Principal subsidiaries

The details of Group and Parent Company investments in principal subsidiary companies are as follows:

Company	Country of incorporation	Percentage shareholding		Principal activities
		2022	2021	
Subsidiary companies				
Tawoos Industrial Services Company SAOC (TISCO)	Sultanate of Oman	100%	100%	Contract catering, facilities management and establishment, operations and maintenance services Holding company
Renaissance Duqm Holding SAOC (RDH)	Sultanate of Oman	54.8%	54.8%	
Mekdam Tech Renaissance JV Trading & Services LLC	State of Qatar	50%	-	Contract Catering
Subsidiaries of TISCO				
Rusail Catering and Cleaning Services LLC	Sultanate of Oman	100%	100%	Catering and cleaning services
Renaissance Sager Environmental Solutions LLC	Sultanate of Oman	51%	51%	Waste management
Renaissance Facilities Management Company SAOC	Sultanate of Oman	100%	100%	Contract catering, facilities management and establishment, operations and maintenance services
Renaissance Contract Services International LLC (RCSI)	Sultanate of Oman	100%	100%	Holding company

RCSI through its subsidiary in UAE provides catering and allied services.

Subsidiary of Renaissance Duqm Holding SAOC

Company	Country of incorporation	Percentage shareholding		Principal activities
		2022	2021	
Renaissance Duqm Accommodation Company SAOC (RDAC)	Sultanate of Oman	100%	100%	Build, own and operate permanent accommodation for contractors

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

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11 Inventories

	2022 RO'000	2021 RO'000
Stock and consumables	<u>5,081</u>	<u>4,764</u>

12 Trade and other receivables

	2022 RO'000	2021 RO'000
Trade receivables	48,048	40,469
Less: Allowance for expected credit losses	<u>(3,578)</u>	<u>(3,073)</u>
	44,470	37,396
Other receivables and prepayments	4,021	3,600
Due from related parties	356	354
	<u>48,847</u>	<u>41,350</u>

The fair value of trade debtors and other receivables approximate their carrying amounts.

The other classes within trade and other receivables do not contain impaired assets as the effect of ECL is minimal.

Movement in the allowance for impairment of receivables is as follows:

	2022 RO'000	2021 RO'000
At 1 January	3,073	2,375
Charge for the year	721	703
Amounts written-off	<u>(216)</u>	<u>(5)</u>
At 31 December	<u>3,578</u>	<u>3,073</u>

Despite all efforts, certain receivables became irrecoverable and have been written off against provisions. These provisions were created over the years.

As at 31 December, the ageing of trade receivables is as follows:

	Past due but not impaired						
	Total RO'000	Neither past due nor impaired RO'000	Less than 30 days RO'000	30 - 60 days RO'000	60 - 90 days RO'000	90 - 120 days RO'000	More than 120 days RO'000
2022	44,470	33,632	3,217	1,950	1,911	857	2,903
2021	37,396	27,152	3,066	2,411	2,061	656	2,050

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

12 Trade and other receivables (continued)

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

The carrying amounts of the Group's majority of trade receivables (net of provision for expected credit losses) are denominated in the Rial Omani.

Set out below is the information about the credit risk exposure as at 31 December 2022 and 31 December 2021 (on adoption of IFRS 9) on the Group's trade receivables using a provision matrix:

Past due but not impaired							
	Not Past due	Less than 30 days	30 - 60 days	60 - 90 days	90-120 days	More than 120 days	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
2022							
Expected credit loss rate	0.03% to 13%	0.8% to 5.2%	1.7% to 9.9%	3% to 18.6%	6.5% to 45%	40.6% to 83.7%	
Estimated total gross carrying amount	33,672	3,274	2,029	2,071	1,197	5,805	48,048
Lifetime ECL	40	57	79	160	340	2902	3,578
2021							
Expected credit loss rate	0.2 to 0.21%	4% to 16%	4% to 26%	7% to 43%	44% to 78%	32% to 69%	
Estimated total gross carrying amount	27,966	3,260	2,573	2,394	1,018	3,258	40,469
Lifetime ECL	814	194	162	333	362	1,208	3,073

13 Cash and bank balances

	2022 RO'000	2021 RO'000
Cash and bank balances including fixed deposits	20,558	26,894
Deposits with original maturity of more than three months	(6,022)	(11,022)
Cash and cash equivalents (excluding bank overdrafts)	14,536	15,872
Less: Bank overdrafts	-	(14)
Cash and cash equivalents	14,536	15,858

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Notes to the consolidated financial statements

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13 Cash and bank balances (continued)

Deposits with original maturity of more than 3 months are excluded from cash and cash equivalents. These deposits are denominated in Omani Rial and carry at the commercial interest rate.

The Group has credit facilities from commercial banks comprising overdrafts, letters of credit, guarantees, bill discounting and other advances. Certain of these facilities are secured by a charge over the Group's floating assets and buildings, a negative lien over some of the Group's contract assets, routing of receivables and insurance interests in certain contract assets and corporate guarantees. Bank overdrafts carry at commercial interest rate.

The Expected Credit Loss (ECL) on cash and cash equivalents as at 31 December 2022 and 31 December 2021 is not material to the financial statements hence no adjustment made in financials.

14 Capital and reserves

Share capital

The authorised share capital of the Parent Company comprises 1,500,000,000 of RO 0.100 each (2020: 1,500,000,000 of RO 0.100 each). At 31 December 2022, the issued and fully paid up share capital comprised 236,410,000 ordinary shares of RO 0.100 each (2021: 236,410,000 of RO 0.100 each).

Details of shareholders, who own 10% or more of the Parent Company's share capital, are as follows:

	Number of shares '000		%	
	2022	2021	2022	2021
Cyclical Services LLC	34,408	34,408	14.55	14.55
Tawoos LLC	27,381	27,381	11.58	11.58

Legal reserve

The Omani Commercial Companies Law of 18/2019 requires that 10% of an entity's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of the entity's issued share capital. The legal reserve is not available for distribution.

Treasury shares

These are shares held by a subsidiary of the Parent Company at the cost of RO 6.853 million (2021: RO 6.853 million). Dividend received on these treasury shares has been directly transferred to retained earnings and shown as movement in the statement of changes in equity. At 31 December 2022, the subsidiary held 22,829,241 shares (2021: 22,829,241 shares) in the Parent Company. The market value of these shares at 31 December 2022 was approximately RO 10.64 million (2021: RO 9.86 million).

Share premium

The Group utilises the share premium for issuing bonus shares and transfers to legal reserve.

Subordinated loan reserve

As per the subordinated loan agreement, the Parent Company is required to create a subordinated reserve by transferring an amount equal to 1/7th of the outstanding aggregate amount of loan notes out of annual profits after tax of the Parent Company. During the year, the Parent company has repaid subordinated loan in full and accordingly the subordinated reserve has been released to retained earnings.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

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For the year ended 31 December 2022

14 Capital and reserves (continued)

Other reserves

Capex reserve

A subsidiary of the Parent Company is required to maintain a capital expenditure reserve as per the terms of the loan agreement. Accordingly, an amount of RO 0.15 million had been transferred to the reserve in 2019 of which RO 0.82 million pertains to the shareholders of Parent company. This reserve is not available for distribution.

15 Borrowings

	Total RO'000	1 year or less RO'000	2 - 5 years RO'000	More than 5 years RO'000
31 December 2022				
Parent company - term loans	22,433	-	22,433	-
Parent company - subordinated loan	-	-	-	-
Borrowings of subsidiary companies: RDAC	42,912	-	25,248	17,664
	<u>65,345</u>	<u>-</u>	<u>47,681</u>	<u>17,664</u>
 31 December 2021				
Parent company - term loans	30,189	-	30,189	-
Parent company - subordinated loan	1,500	750	750	-
Borrowings of subsidiary companies: RDAC	51,244	4,015	17,099	30,130
	<u>82,933</u>	<u>4,765</u>	<u>48,038</u>	<u>30,130</u>

Term loans in Parent Company

	2022 RO'000	2021 RO'000
Parent company - term loans	22,909	30,850
Less: Deferred finance costs	(476)	(661)
	<u>22,433</u>	<u>30,189</u>

The Parent Company obtained a syndicated long-term loan ("the facility") from commercial banks dated 4 July 2013. The total facility limit is RO 130 million. Out of this RO 90 million was drawn down on 21 August 2013. Subsequently the Parent Company cancelled the balance portion of RO 40 million in 2015. The facility carries commercial interest rate and is repayable in 52 quarterly installments as per the facility agreement. Interest rate is reset annually by the majority of lenders as per terms of the agreement. The facility is secured by commercial and legal mortgage over certain properties of the Parent Company, account pledge with lead bank, routing of collections from the Parent Company's business, routing of dividend income of the Parent Company and assignment of mortgage property insurance.

During 2019, the Parent Company prepaid its instalments due in the year 2020, 2021 and a portion of its installments due in 2022. Also, in the year 2021, the Parent company prepaid its instalment due in 2022. During the year 2022, the Parent company prepaid its instalments due in 2023 and accordingly no current portion is presented for the term loans as at 31 December 2022 and 31 December 2021.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

15 Borrowings (continued)

Term loans in Parent Company (continued)

A reconciliation between opening and closing balances in the statement of financial position for liabilities that result in financing cash flows is as follows:

	2022 RO'000	2021 RO'000
At 1 January	30,189	35,675
Cash flows	(7,940)	(5,670)
Non-cash changes	184	184
	<hr/>	<hr/>
At 31 December	22,433	30,189
	<hr/>	<hr/>

Subordinated loan in Parent Company

In 2010, the Parent Company raised a subordinated loan of RO 40 million through an issue of subordinated loan notes denominated in Rial Omani, which is secured by a second charge over the assets of the Parent Company and its subsidiaries. The first drawdown of RO 20 million of the loan was made on 6 December 2010 and the second drawdown of RO 20 million was made on 28 February 2011. The tenure of the loan was 7 years with repayment of four annual installments of RO 10 million with effect from November 2014. The subordinated loan carries a fixed interest rate of 8.5% per annum. Pursuant to the subordinated loan agreement, the Parent Company is required to restrict dividends, raise additional capital and create a subordinated loan reserve by transferring an amount equal to 1/7th of the outstanding aggregate amount of loan notes out of annual profit after tax of the Parent Company. In December 2016, the remaining loan of RO 10 million was restructured. As per the revised terms, the loan repayment is over 7 years starting from 30 September 2017. The subordinated loan has been prepaid in full in 2022.

A reconciliation between opening and closing balances in the statement of financial position for liabilities that result in financing cash flows is as follows:

	2022 RO'000	2021 RO'000
At 1 January	1,500	2,250
Cash flows	(1,500)	(750)
	<hr/>	<hr/>
At 31 December	-	1500
	<hr/>	<hr/>

Loans relating to Renaissance Duqm Accommodation Company SAOC (RDAC)

RDAC has signed a facility agreement dated 20 April 2015 with commercial banks and financial institutions in Oman amounting to RO 45.31 million which has been fully drawn as at the reporting date. The costs incurred to arrange this facility amounted to RO 0.845 million and which is being amortised over the loan period at the effective interest rate. Under the terms of the facility agreement, the principal is repayable in 141 monthly instalments starting from 31 July 2017.

Further, this facility agreement was amended and restated on 8 March 2021 to include another term loan for expansion, comprising of two tranches viz. RO 19.04 million and RO 6.6 million, from some of the lenders under the original agreement. RDAC has fully drew down RO 19.04 million under the first tranche of the expansion term loan until 31 December 2022. During December 2021, the Group cancelled the second tranche of RO 6.6 million. The costs incurred to arrange this facility amounted to RO 0.172 million which is being amortised over the loan period at the effective interest rate. Under the terms of the facility agreement, the principal is repayable in 103 monthly instalments starting from 31 October 2021. Both the term loans are secured by mortgage over assets of the Group, routing of collections and assignment of mortgage property insurance.

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For the year ended 31 December 2022

15 Borrowings (continued)

Loans relating to Renaissance Duqm Accommodation Company SAOC (RDAC) (continued)

The term loans carry commercial interest rates, which are reset annually by the majority of lenders as per terms of the agreement and are denominated in Rial Omani.

RDAC has prepaid the instalments due in 2023 and accordingly no current portion is presented for the term loan as at 31 December 2022.

RDAC is required to comply with certain loan covenants including Debt to equity and Debt Service Coverage ratios which are in compliance as at 31 December 2022.

A reconciliation between opening and closing balances in the statement of financial position for liabilities that result in financing cash flows is as follows:

	2022 RO'000	2021 RO'000
At 1 January	51,244	37,523
Cash flows	(8,416)	13,632
Non-cash changes	84	89
	<hr/>	<hr/>
At 31 December	42,912	51,244
	<hr/>	<hr/>

Term loans are disclosed in the statement of financial position as follows:

	2022 RO'000	2021 RO'000
Non-current	65,345	78,168
Current liabilities	-	4,765
	<hr/>	<hr/>
	65,345	82,933
	<hr/>	<hr/>

The carrying amounts of term loans approximate to their fair values.

All of the group borrowings as at 31 December 2022 and 31 December 2021 are denominated in Rial Omani (RO).

16 Non-current payables

	2022 RO'000	2021 RO'000
Other payables	95	109
	<hr/>	<hr/>
	95	109
	<hr/>	<hr/>

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Notes to the consolidated financial statements

For the year ended 31 December 2022

17 Staff terminal benefits

The amount of unfunded benefits recognised in the statement of financial position are determined as follows:

	2022 RO'000	2021 RO'000
At 1 January	4,746	4,607
Accrued during the year	595	460
Payments during the year	(473)	(321)
At 31 December	4,868	4,746

Provision for employees' end-of-service benefits is made in accordance with the labour laws of the respective countries in which the Group operates and is based on current remuneration and cumulative years of service as at the reporting date.

18 Trade and other payables

	2022 RO'000	2021 RO'000
Trade payables	13,449	11,286
Accrued expenses, provisions, and other payables	26,882	28,815
Income tax payable (Note 7)	3,203	3,112
Amount due to related parties	1,774	131
	45,308	43,344

Included in accruals are indemnities of RO 3.9m given by the company related to a past transaction.

19 Short-term borrowings and bank overdrafts

Short-term bank borrowings and overdrafts carry at the commercial interest rate. Certain of the Group's bank borrowings are secured by mortgage over certain assets of the Group, corporate guarantees and routing of collections.

20 Financial Investments at FVTOCI and FVTPL

	2022 RO'000	2021 RO'000
Financial investments at FVTOCI	5,618	4,616
Financial investments at FVTPL	1,281	3,655
	6,899	8,271

Investments at FVTPL includes investments in open end mutual funds held for trading and Investments at FVTOCI includes investment in equity, perpetual bonds and fixed income bonds (note 29).

Movement during the year:

	2022 RO'000	2021 RO'000
At 1 January	8,271	4,078
(Disposal)/additions	(1,160)	3,804
Realised gain	83	-
Unrealised (loss)/gain	(295)	389
At 31 December	6,899	8,271

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

21 Right of use asset and lease liability

The Group entered into lease agreements with Duqm Special Economic Zone Authority with respect to Land which comes under purview of IFRS 16.

Right of use asset

Set out below are the carrying amount of right of use asset recognised and the movement during the year:

	2022 RO'000	2021 RO'000
As at 1 January	4,161	4,259
Additions	-	100
Capitalised depreciation	-	(17)
Depreciation expense	(97)	(181)
As at 31 December	4,064	4,161

Lease liabilities

Set out below are the carrying amount of lease liability and movement during the period: -

	2022 RO'000	2021 RO'000
As at 1 January	5,796	5,645
Additions	-	100
Accretion of interest	337	347
Discount received	(71)	-
Payment	(150)	(296)
As at 31 December	5,912	5,796

	2022 RO'000	2021 RO'000
Current lease liability	213	208
Non-current lease liability	5,699	5,588
	5,912	5,796

The following are the amounts recognised in statement of comprehensive income:-

	2022 RO'000	2021 RO'000
Depreciation expense of right-of-use assets	97	181
Interest expense on lease liability	328	347
	425	528

During the year, one of the subsidiary has capitalized interest amounting to RO NIL (2021: RO 42,700).

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

22 Net assets per share

Net assets per share is calculated by dividing the net assets at the year-end attributable to the shareholders of the Parent Company by the number of shares outstanding as follows:

	2022 RO'000	2021 RO'000
Net assets	95,651	88,036
Non-controlling interest	(21,704)	(21,024)
	<u>73,947</u>	<u>67,012</u>
Equity attributable to the owners of the parent company		
Number of shares		
Number of shares at 31 December ('000)	236,410	236,410
Treasury shares ('000) (note 14)	(22,829)	(22,829)
	<u>213,581</u>	<u>213,581</u>
Number of shares at 31 December ('000)		
Net assets per share (RO)	<u>0.346</u>	<u>0.314</u>

23 Earnings per share

Basic and diluted

Basic earnings per share is calculated by dividing the net profits for the year attributable to the shareholders of the Parent Company by the weighted average number of shares in issue during the year excluding ordinary shares purchased by the Group and held as treasury shares as follows:

There were no outstanding potential ordinary shares at the reporting date.

	2022	2021
Net profit for the year attributable to the shareholders of the Parent Company (RO '000)	11,378	9,137
Total profit for the year attributable to the shareholders of the Parent	<u>11,378</u>	<u>9,137</u>
Weighted average number of shares		
Weighted average number of ordinary shares ('000)	236,410	236,410
Less: weighted average number of treasury shares ('000)	(22,829)	(22,829)
	<u>213,581</u>	<u>213,581</u>
Weighted average number of shares ('000)		
Earnings per share expressed in Rial Omani		
Basic and diluted earnings per share for the year	<u>0.053</u>	<u>0.043</u>

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

24 Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which the Group or these related parties have the ability to control or exercise significant influence in financial and operating decisions.

The Group entered into transactions with related parties in the ordinary course of business. These transactions are comparable with those that could be obtained from unrelated third parties.

The Group has balances with these related parties at the year-end which are unsecured and settlement occurs in cash.

The value of significant related party transactions during the year was as follows:

	2022 RO'000	2021 RO'000
Other related parties:		
Income		
Services rendered and sales	213	341
Expenses		
Services received and purchases	83	277
Directors' remuneration and sitting fees		
Remuneration and sitting fees	336	336

Remuneration and fees above relate only to the Parent Company.

Out of above related party transactions, following are the details of transactions entered into with the related parties holding 10% or more interest in the Parent Company:

	2022 RO'000	2021 RO'000
Service rendered and sales	11	11

Compensation of key management personnel

The remuneration of key management personnel during the year are as follows:

	2022 RO'000	2021 RO'000
Short-term benefits	748	824
Employees' end-of-service benefits	43	38
	791	862

Amounts due from related parties have been disclosed in Note 12 to the consolidated financial statements.

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25 Movement in non-controlling interests

The movement in the balance related to non-controlling interest is as follows:

	2022 RO'000	2021 RO'000
Opening balance	21,024	18,953
Equity contribution in subsidiaries	5	-
Transactions with non-controlling interest	(165)	-
Share of profit for the year	840	2,071
	<u>21,704</u>	<u>21,024</u>

26 Commitments and contingent liabilities

	2022 RO'000	2021 RO'000
Commitments		
Capital expenditure commitments	<u>797</u>	<u>1,410</u>
Contingent liabilities		
Letters of guarantee	<u>5,597</u>	<u>10,477</u>

Contingent liabilities represent guarantees e.g bid bonds, performance bonds, refund guarantee retention bonds etc., which are issued by banks on behalf of Group companies to customers and suppliers under the non-funded working capital lines with the banks. These lines are secured by the corporate guarantee of various Group entities. The amounts are payable only in the event when certain terms of contracts with customers or suppliers are not met.

27 Segment reporting

Management has determined the operating segments based on the reports reviewed by the key decision makers that are used to make strategic decisions. The Group is engaged in one business segment as mentioned below:

Contract services includes contract services, accommodation solutions, and integrated facilities management (IFM) services.

Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the CEO (chief operating decision-maker). The amounts provided to them with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Geographical segments

Revenue based on the geographical location of the business activities is as follows:

	2022 RO'000	2021 RO'000
Oman	111,280	104,641
Middle East (excluding Oman)	<u>9,986</u>	<u>4,797</u>
	<u>121,266</u>	<u>109,438</u>

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

28 Financial instruments

Financial instruments by category

			Fair value though Other Compreh ensive income RO'000	Total RO'000
31 December 2022	Amortised cost RO'000	Fair value through profit or loss RO'000		
Assets				
Investments at FVTPL (note 20)	-	1,281	-	1,281
Investments at FVTOCI (note 20)	-	-	5,618	5,618
Trade receivables (note 12)	44,470	-	-	44,470
Due from related party (note 12)	356	-	-	356
Cash and bank balances (note 13)	20,558	-	-	20,558
	<u>65,384</u>	<u>1,281</u>	<u>5,618</u>	<u>72,283</u>
31 December 2021				
Assets				
Investments at FVTPL (note 20)	-	3,655	-	3,655
Investments at FVTOCI (note 20)	-	-	4,616	4,616
Trade and other receivables (excluding other receivables and prepayments and advances) (note 12)	37,396	-	-	37,396
Due from related party (note 12)	354	-	-	354
Cash and bank balances (note 13)	26,894	-	-	26,894
	<u>64,644</u>	<u>3,655</u>	<u>4,616</u>	<u>72,915</u>
31 December 2022	Liabilities at fair value through profit and loss RO'000	Financial liabilities at amortised cost RO'000	Total RO'000	
Liabilities				
Borrowings	-	65,345	65,345	
Lease liability	-	5,912	5,912	
Trade and other payables	-	42,105	42,105	
Short-term borrowings and bank overdrafts	-	4,500	4,500	
	<u>-</u>	<u>117,862</u>	<u>117,862</u>	

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

28 Financial instruments (continued)

31 December 2021	Liabilities at fair value through profit and loss RO'000	Financial liabilities at amortised cost RO'000	Total RO'000
<i>Liabilities</i>			
Borrowings	-	82,933	82,933
Lease liability	-	5,796	5,796
Trade and other payables	-	40,232	40,232
Short-term borrowings and bank overdrafts	-	2,014	2,014
	-	130,975	130,975

- (i) With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group only deals with banks with a minimum rating of P-2 as per Moody's investor's service. Management does not expect any losses to arise from non-performance by these counterparties.
- (ii) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

29 Fair value of financial instruments

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input)

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
31 December 2022				
Investments at FVTOCI	5,194	-	424	5,618
Investments at FVTPL	1,281	-	-	1,281
	6,475	-	424	6,899
31 December 2021				
Investments at FVTOCI	4,616	-	-	4,616
Investments at FVTPL	3,655	-	-	3,655
	8,271	-	-	8,271

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES

Notes to the consolidated financial statements

For the year ended 31 December 2022

29 Fair value of financial instruments (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial instruments are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2022.

The fair values of other financial instruments are not materially different from their carrying values.

30 Impact of COVID-19 outbreak

The Covid-19 outbreak was first reported near the end of 2019 in Wuhan, China. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The Covid-19 pandemic shows considerable signs of easing as many countries have lifted travel bans, ended lockdowns and eased quarantine measures. Many governments have announced curtailment of certain measures to provide financial and non-financial assistance to the affected entities. At the same time, Covid-19 may continue to affect companies and economies. Many entities are still dealing with lost revenue and disrupted supply chains and, as a result, millions of workers have lost their jobs.

These developments have presented entities with challenges in preparing their IFRS financial statements. This publication provides reminders in commentary boxes of the existing disclosure requirements that should be considered when reporting on the financial effects of Covid-19 and subsequent developments in IFRS financial statements. However, as the impact largely depends on the nature of an entity's business and the extent to which it has been affected, the potential impact has not been illustrated in these consolidated financial statements.

The Covid-19 pandemic affects the assumptions and estimation uncertainty associated with the measurement of assets and liabilities. Therefore, entities should carefully consider whether additional disclosures are necessary in order to help users of financial statements understand the judgements applied in the financial statements

31 Comparative information

For the year ended 31 December 2022, the Group has made certain reclassifications to conform to the current year presentation. The reclassifications were made to improve the quality of presentation and do not affect previously reported profit and equity.

32 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 22 February 2023.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (PARENT COMPANY)

For the year ended 31 December 2022

	2022 RO '000	2021 RO '000
Revenue	31,356	28,707
Operating costs	(21,120)	(20,141)
Gross profit	10,236	8,566
Other income	840	3,192
Administrative expenses	(2,621)	(2,285)
Profit before finance cost and tax	8,455	9,473
Finance cost – net	(879)	(1,408)
Profit before tax	7,576	8,065
Taxation	215	-
Profit for the year	7,791	8,065
Other comprehensive income		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Fair value loss on financial investments	(380)	(20)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		
Fair value gain on financial investments	43	304
Other comprehensive (expense) / income for the year	(337)	284
Total comprehensive income for the year	7,454	8,349
Basic and diluted earnings per share (RO)	0.033	0.034

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (PARENT COMPANY)

As at 31 December 2022

	2022 RO '000	2021 RO '000
ASSETS		
Non-current assets		
Property, plant and equipment	43,486	46,678
Investment in subsidiaries	39,322	38,775
Financial investments at FVTOCI	5,618	4,616
Total non-current assets	88,426	90,069
Current assets		
Financial investments at FVTPL	1,275	3,649
Inventories	848	774
Trade and other receivables	9,794	8,179
Amount due from subsidiaries and other related parties	5,801	5,947
Cash and bank balances	12,236	19,402
Total current assets	30,044	37,951
TOTAL ASSETS	118,470	128,020
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	23,641	23,641
Share premium	26,936	26,936
Legal reserve	7,880	7,880
Subordinated loan reserve	-	1,500
Fair value reserve	172	509
Retained earnings	17,482	12,919
Total equity	76,111	73,385
LIABILITIES		
Non-current liabilities		
Term loan	22,433	30,189
Long term subordinated loan	-	750
Staff terminal benefits	1,630	1,581
Total non-current liabilities	24,063	32,520
Current liabilities		
Current portion of long- term subordinated loan	-	750
Trade and other payables	17,436	19,380
Amount due to subsidiaries	860	971
Short term loan & Bank overdraft	-	1,014
Total current liabilities	18,296	22,115
Total liabilities	42,359	54,635
TOTAL EQUITY AND LIABILITIES	118,470	128,020
Net assets per share (RO)	0.322	0.310

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)

For the year ended 31 December 2022

	Share capital RO '000	Share premium RO '000	Legal reserve RO '000	Subordinated loan reserve RO '000	Fair value reserve RO '000	Retained earnings RO '000	Total RO '000
1 January 2022	23,641	26,936	7,880	1,500	509	12,919	73,385
Profit for the year	-	-	-	-	-	7,791	7,791
Other comprehensive income for the year	-	-	-	-	(337)	-	(337)
Total comprehensive income for the year	-	-	-	-	(337)	7,791	7,454
Transfer from subordinated loan reserve	-	-	-	(1,500)	-	1,500	-
Dividend paid	-	-	-	-	-	(4,728)	(4,728)
31 December 2022	23,461	26,936	7,880	-	172	17,482	76,111
1 January 2021	23,641	26,936	7,880	2,250	225	8,832	69,764
Profit for the year	-	-	-	-	-	8,065	8,065
Other comprehensive income for the year	-	-	-	-	284	-	284
Total comprehensive income for the year	-	-	-	-	284	8,065	8,349
Transfer from subordinated loan reserve	-	-	-	(750)	-	750	-
Dividend paid	-	-	-	-	-	(4,728)	(4,728)
31 December 2021	23,641	26,936	7,880	1,500	509	12,919	73,385

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARIES
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS (PARENT COMPANY)

For the year ended 31 December 2022

	2022	2021
	RO '000	RO '000
Operating activities		
Cash receipts from customers	29,418	27,367
Cash paid to suppliers and employees	(21,448)	(17,619)
Cash generated from operations	7,970	9,748
Net financing costs	(993)	(1,224)
Income tax refund	215	-
Cash flows from operating activities	7,192	8,524
Investing activities		
Acquisition of property, plant and equipment	(373)	(235)
Proceeds from sale of property, plant and equipment	55	12
Movement in fixed deposits	5,000	1,000
Net movement in investments	831	(4,578)
Proceeds from sale of subsidiary	39	-
Investment income	90	104
Dividend received	237	187
Cash flows from / (used in) investing activities	5,879	(3,510)
Financing activities		
Net payments of borrowings	(10,440)	(5,420)
Net movement in related parties	35	9,682
Dividend paid	(4,728)	(4,728)
Cash flows used in financing activities	(15,133)	(466)
Net (decrease) / increase in cash and cash equivalents	(2,062)	4,548
Cash and cash equivalents at the beginning of the year	10,388	5,840
Cash and cash equivalents at the end of the year	8,326	10,388
Cash and cash equivalents comprise the following:		
Cash and bank balances	8,326	10,402
Bank overdraft	-	(14)
	8,326	10,388