



# Chairman's Report

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG for the six-month period ending 30 June 2014.

The company has made good progress throughout the first half of the year (H1). Results have improved again quarter on quarter in our continuing businesses: Revenue in the second quarter (Q2) is Rial 60.9 million; an increase of 7.9% over revenue of Rial 56.4 million in the first quarter (Q1). Profit after Tax (PAT) in continuing businesses has also improved at Rial 5.3 million in Q2, compared with Rial 3.8 million in Q1.

In this period (H1), we have made capital investments of Rial 79.3 million (USD 206.1 million). These are investments in assets for growth. Capital expenditure in growing the Topaz Offshore Support Vessel (OSV) fleet amount to Rial 74.6 million (USD 193.9 million) so far this year. Capital expenditure for the same period in the Contract Services Group (CSG) amount to Rial 4.7 million (USD 12.2 million). The level of investment in CSG shall increase substantially with the development of the company's Permanent Accommodation for Contractors (PAC) project in Duqm.



Caspian Voyager is a 4,000 DWT Platform Supply Vessel (PSV) operating in the Caspian Sea.

## Financial performance

	Rial Million		USD Million	
	H1 2014	H1 2013	H1 2014	H1 2013
<b>Continuing operations</b>				
Revenue	117.3	121.4	304.7	315.3
EBITDA	41.5	39.3	107.8	102.1
Operating profit	27.6	25.5	71.7	66.2
<b>Net Profit after tax from continuing operations</b>	<b>9.1</b>	11.1	<b>23.6</b>	28.8
<b>Discontinued operations</b>				
Profit/(Loss) from discontinued operations	1.8	(0.1)	4.7	(0.3)
<b>Net profit</b>	<b>10.9</b>	11.0	<b>28.3</b>	28.6

Note:  
1. H1 2013 EBITDA and Operating profit include one-off receivables provision of Rial 0.7 million and gain of Rial 1.1 million from sale of a vessel. H1 2013 EBITDA is also after gain on other investments of Rial 0.7 million.

Year-on-year performance comparisons remain slightly down as the company progresses through the transition of discontinuing businesses, in order to focus on our strategy of 'One Group, Two Companies': Topaz and Renaissance CSG.

Finance cost is higher by 32% compared to H1 2013 (H1 2014: Rial 13.9 million, H1 2013: Rial 10.5 million). The main reason for this is that the cost of the Topaz High Yield bond naturally has an impact ahead of the realization of improved performance, which shall follow as assets are deployed following investment.

Investment in growth shall be an ongoing process, given the scale of opportunity in our two core businesses and the markets they serve. The company comfortably meets its commitments to service and repay debt and to meet obligations to bond holders.

The Board is currently considering options for a < 10% private investment in Topaz. This is a part of its strategic plan to ultimately float the business in a premier capital market. The investing institution is a household name. We have also made clear our intention to offer opportunity for up to 49% investment in the Duqm PAC project, primarily for local community investors, state pension funds and sovereign wealth funds. These initiatives are aimed at attracting co-investors who bring added value, strong local content to our businesses, or enhance international public market experience and recognition for our businesses.

## Topaz

	Rial Million		USD Million	
	H1 2014	H1 2013	H1 2014	H1 2013
Revenue	71.3	72.0	185.2	187.0
Operating profit	23.4	20.3	60.8	52.7

Note:  
1. H1 2013 Revenue includes Rial 2.1 million and Operating profit includes gain of Rial 1.1 million from sale of a vessel.



DMS Challenger II is a 58m, 4000bhp Multi-Purpose Support Vessel operating in the Arabian Gulf.

Topaz has achieved a positive H1

In line with the company's growth strategy, while all current markets continue to grow, we have a specific focus to accelerate expansion of operations in West Africa and the Middle East. During the second half of 2014 the company is purchasing three new Platform Supply Vessels (PSVs). These are identical sister ships of the five vessels purchased in 2013, which have performed positively and in line with our expectations both operationally and technically, based on key quality measures. These three vessels shall be delivered from two yards in China in 2014; the first at the end of August, with the second in October and third in November.

The intention is to mobilise the vessels to West Africa, where the company has had success in 2014 and where there is still strong demand. There are also competing opportunities for these vessels in the Arabian Gulf market and Mediterranean Sea. By purchasing identical sister assets, Topaz is developing economies of scale operationally; and clients have the comfort of being provided the equivalent asset performance and quality of service.

These new vessels shall contribute to performance in 2014 and in the subsequent years.

## Contract Services Group (CSG)

	Rial Million		USD Million	
	H1 2014	H1 2013	H1 2014	H1 2013
Revenue	45.9	49.8	119.2	129.4
Operating profit	5.7	6.6	14.8	17.1

Note:

1. H1 2013 Operating profit is after one-off receivables provision of Rial 0.7 million.



RS CSG's Permanent Accommodation for Contractors (PAC) development project at Duqm will accommodate 16,000 personnel when complete.

As expected, CSG has achieved lower revenue and operating profit compared with 2013 due to the discontinued operations in Afghanistan and the loss of former PDO and SQU contracts in June of last year. These shall take a little time to replace, but this should not mask the underlying growth and new contract gains that are closing this temporary gap.

Nor should it obscure the major work achieved in developing the Duqm Project, where construction has started. The Information Memorandum for potential co-investors shall be issued shortly. CSG has an excellent record for delivering major projects of this kind, on-time and in-cost.

In 2014, we continue to feel the effect of the employment cost

inflation experienced in the Oman market through various changes introduced since 2011. Then and now, CSG has been at the upper end of attractive and fair employment packages for its industry. As we have explained, these cost impacts shall gradually be absorbed in the re-tendering cycle. But we are glad to return to a period of stability driven by natural market forces, where employment cost increases are driven by corporate performance. It is important for our company and the economy of the country.

In the third quarter (Q3), CSG shall be announcing a number of important new appointments at senior levels in the company. These are additional resources for growth: resources required for the exponential growth that shall arise in our home market of Oman from the Duqm Project; and resources required to develop opportunities in the GCC, Africa and other international markets.

## Discontinued / Discontinuing operations

	Rial Million		USD Million	
	H1 2014	H1 2013	H1 2014	H1 2013
Oil & Gas Engineering – Divested in Q3 2013	-	0.3	-	0.8
Education & Training (National Training Institute LLC) – Divested in Q4 2013	-	0.5	-	1.3
Media and Communications – Divested in Q1 2014	1.8	0.2	4.7	0.5
Other discontinuing businesses	-	(1.1)	-	(2.9)
<b>Total</b>	<b>1.8</b>	<b>(0.1)</b>	<b>4.7</b>	<b>(0.3)</b>

Historically, we have suffered from a period of severe losses in the erstwhile Engineering businesses, prior to separating them out from the Topaz business. We are pleased that the Marine Engineering Group has returned to break-even. There are still some losses in its boat-building division, but these are greatly reduced; and off-set by growing profits in its ship repair division. This turnaround is due to the hard work of the team at the Marine Engineering Group; and sets the platform for our plans to develop the company for a new and positive future under a potential new JV arrangement.

## Outlook

We expect to see a continuing trend in underlying quarter-on-quarter growth; with occasional explainable seasonal or practical exceptions. For the longer term, the visible added-value of the investments we are undertaking today, place us on a path of sustainable growth and improved performance.

As an Omani public company we are proud to pay tribute and thanks to His Majesty Sultan Qaboos bin Said. The recent Renaissance Day anniversary reminds us we have now entered the 45<sup>th</sup> year of His Majesty's remarkable reign. The stability and growth of Oman's economy and the pace of its social and economic development, provide a bedrock foundation for our company to thrive and prosper as an international enterprise.

Samir J. Fancy  
Chairman

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	2014 Rial '000	2013 Rial '000
<b>Non-current assets</b>		
Property, plant and equipment	558,556	449,442
Intangible assets	31,958	33,522
Other non-current assets	3,536	7,521
	<b>594,050</b>	490,485
<b>Current assets</b>	<b>139,739</b>	170,837
<b>Current liabilities</b>	<b>106,474</b>	124,895
<b>Net current assets</b>	<b>33,265</b>	45,942
<b>Non-current liabilities</b>		
Term loans and senior notes, excluding current maturities	349,430	279,097
Mandatory convertible bonds	38,948	38,874
Non-current payables and advances	9,550	12,238
	<b>397,928</b>	330,209
<b>Net assets</b>	<b>229,387</b>	206,218
<b>Equity</b>		
Share capital	28,209	28,209
Treasury shares	(1,704)	(1,704)
Share premium	19,496	19,496
Legal reserve	9,603	10,530
Subordinated loan reserve	17,143	11,429
Retained earnings	108,245	107,522
Other reserves	43	(372)
	<b>181,035</b>	175,110
<b>Non-controlling interest</b>	<b>48,352</b>	31,108
<b>Total equity</b>	<b>229,387</b>	206,218

## UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

	2014 Rial '000	2013 Rial '000
<b>Continuing Operations</b>		
<b>Revenue</b>	<b>117,274</b>	121,369
Operating expenses	(77,530)	(84,780)
Administrative expenses	(12,123)	(11,123)
<b>Profit from operations</b>	<b>27,621</b>	25,466
Net finance costs	(13,871)	(10,493)
Amortisation	(15)	(14)
Gain on divestment of treasury MCBs	-	731
<b>Profit before income tax</b>	<b>13,735</b>	15,690
Income tax	(4,599)	(4,548)
Profit for the period from continuing operations	<b>9,136</b>	11,142
Profit/(loss) for the period from discontinued operations*	<b>1,785</b>	(83)
<b>Profit for the period</b>	<b>10,921</b>	11,059
<b>Net profit attributable to:-</b>		
Shareholders of the Parent Company	<b>7,368</b>	8,691
Non-controlling interest	<b>3,553</b>	2,368
	<b>10,921</b>	11,059

\* Profit from discontinued operations for the period ended 30 June 2014 include profit of Rial 1.8 million from the divestment of Media and Communications Group.

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

RENAISSANCE SERVICES SAOG  
P.O. Box 1676, PC 114, Muttrah, Sultanate of Oman.