

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES
INTERIM REPORT FOR THE PERIOD ENDED 31ST MARCH 2018

	3 months ended 31st March 2018	3 months ended 31st March 2017
	Amount Rial '000	Amount Rial '000
Total assets	765,590	767,416
Total liabilities	583,781	547,801
Net assets (excluding Perpetual notes and Minority)	47,378	80,579
Net assets per share (Rial)	0.143	0.296
Current ratio	0.881	1.038

	3 months ended 31st March 2018	3 months ended 31st March 2017
	Amount Rial '000	Amount Rial '000
Gross profit	13,211	11,815
Gross profit margin %	26%	25%
Net profit/(loss)	206	(2,483)
Earnings per share (Rial) (after Perpetual notes coupon)	(0.002)	(0.013)

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**Unaudited consolidated balance sheet as at
31st March 2018**

	Notes	3 months ended 31st March 2018 Amount Rial '000	3 months ended 31st March 2017 Amount Rial '000
Non current assets			
Property, plant and equipment		617,846	618,310
Intangible assets		30,710	35,166
Long term investments	5,6,7	322	322
Deferred tax asset		3,722	2,784
Other long term receivables		917	5,782
		<u>653,517</u>	<u>662,364</u>
Current assets			
Inventories	1	7,670	5,433
Trade receivables & Prepayments	2&9	73,125	61,240
Receivables from related parties		46	106
Investments	5,6,7&9	150	14
Bank and cash		26,129	38,259
		<u>107,120</u>	<u>105,052</u>
Assets of disposal group classified as held-for-sale (Vessel)	5	4,953	-
		<u>112,073</u>	<u>105,052</u>
Current assets		<u>112,073</u>	<u>105,052</u>
Total assets		<u>765,590</u>	<u>767,416</u>
Current liabilities			
Trade & other creditors		72,824	64,798
Advance from a customer *		30,109	-
Working capital borrowings	4	7,507	5,000
Term loans - current portion	4	16,817	19,421
Equity settled mandatory convertible bonds - current portion	4	-	11,994
		<u>127,257</u>	<u>101,213</u>
Liabilities of disposal group classified as held-for-sale	5	-	-
		<u>127,257</u>	<u>101,213</u>
Current liabilities		<u>127,257</u>	<u>101,213</u>
Long term liabilities			
Term loans and Senior notes	4	360,429	356,735
Non current payables and advance *		90,787	84,942
Staff terminal benefits		5,308	4,911
		<u>456,524</u>	<u>446,588</u>
Total Liabilities		<u>583,781</u>	<u>547,801</u>
Net assets	TOTAL -A	<u>181,809</u>	<u>219,615</u>
Capital and reserves			
Share capital	4	36,727	29,878
Treasury shares	6	(6,853)	(5,163)
Share premium		26,937	22,302
Legal reserve		12,446	10,163
Subordinated loan reserve		2,500	1,429
Retained earnings		(23,711)	25,462
Exchange loss on investment in foreign subsidiaries		(874)	(1,009)
Profit/(loss) for the period		206	(2,483)
		<u>47,378</u>	<u>80,579</u>
Perpetual notes	4	46,799	46,799
Minority interest		87,632	92,237
	TOTAL -B	<u>181,809</u>	<u>219,615</u>

* Topaz, a subsidiary of Renaissance Services SAOG, received pre-mobilisation funding from Tengizchevroil (TCO) towards the Offshore Marine Module Transport Contract. Pre-mobilisation funds have been used to fund capital expenditure for building vessels for the contract. TCO is recovering this advance from the amount payable to Topaz for transportation services. Out of total outstanding balance of advance Rial 107.7 million, Rial 30.1 million is estimated to be recovered over next 12 months and is classified as current liability in Q1 2018 (2017: Nil). Balance amount of advance Rial 77.6 million (2017: Rial 68.2 million) is included under Non current payables and advances. Q1 2018 Non current payables and advance also include derivative liability of Rial 8.2 million (2017: Rial 7.6 million) relating to issue of shares in Topaz to an investor in 2014.

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Unaudited consolidated income statement
For the three months ended
31st March 2018

	3 months ended 31st March 2018	3 months ended 31st March 2017
	Amount Rial '000	Amount Rial '000
Turnover	51,601	46,576
Gross profit	13,211	11,815
Administration & general expenses	(4,692)	(4,437)
Operating profit	8,519	7,378
Finance charges	(7,075)	(6,604)
Other income	15	11
Profit before tax and minority interests	1,459	785
Taxation	(585)	(1,751)
Profit/(loss) for the period	874	(966)
Minority interest	(668)	(1,517)
Net loss attributable to Ordinary Shareholders	206	(2,483)
Dividend per share	-	-
Net profit margin (%)	0.4%	-5.3%

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Unaudited consolidated statement of cash flows
For the three months ended
31st March 2018

	3 months ended 31st March 2018	3 months ended 31st March 2017
	Amount Rial '000	Amount Rial '000
Cash from operations	10,400	21,095
Tax paid	(1,376)	(1,612)
Net interest paid	(11,337)	(6,604)
Net cash from operating activities	(2,313)	12,879
Net cash used in investing activities	(24,009)	(40,626)
Net cash from/(used) in financing activities	1,564	32,690
Net decrease in cash & cash equivalents	(24,758)	4,943
Cash and cash equivalents brought forward	50,880	33,316
Cash and cash equivalents carried forward	26,122	38,259

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Unaudited consolidated statement of changes in equity
For the three months ended
31st March 2018

	Share Capital	Share Premium	Legal Reserve	Proposed Distribution	Retained earnings	Total Rial '000
1st January 2018	36,727	26,936	12,446	-	(21,802)	54,307
Net loss for the period	-	-	-	-	206	206
Perpetual notes coupon paid	-	-	-	-	(1,909)	(1,909)
31st March 2018	36,727	26,936	12,446	-	(23,505)	52,604
1st January 2017	29,878	22,302	10,163	-	27,371	89,714
Net loss for the period	-	-	-	-	(2,483)	(2,483)
Perpetual notes coupon paid	-	-	-	-	(1,909)	(1,909)
31st March 2017	29,878	22,302	10,163	-	22,979	85,322

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Notes

1. Inventories

Inventories can be analysed as follows:

	3 months ended 31st March 2018	3 months ended 31st March 2017
	Amount Rial '000	Amount Rial '000
Catering stock	3,333	2,820
Spares	4,337	2,613
	7,670	5,433

2. Trade receivables

Trade receivables can be analysed as follows

	3 months ended 31st March 2018	3 months ended 31st March 2017
	Amount Rial '000	Amount Rial '000
Trade receivables & Prepayments	76,148	64,071
Less: Provisions	(3,023)	(2,831)
	73,125	61,240

3. Segment Reporting

The Group operates under two business segments. The results of segments are analysed by this classification and not by geographical classification. Inter segment pricing is determined on an arm's length basis. Information relating to these primary segments are as follows:-

Identity of Segments:	Amount in Rial '000				
	Segment Revenue	Segment Expenses excluding Depreciation	Depreciation	Segment Results	Consolidated Results
Marine Group (Topaz)	25,375	(12,957)	(6,275)	6,143	-
Contract Services Group (Renaissance)	26,241	(21,655)	(2,195)	2,391	-
Total segment result	51,616	(34,612)	(8,470)	8,534	8,534
Finance charges	-	-	-	-	(7,075)
Taxation	-	-	-	-	(585)
Minority Interest	-	-	-	-	(668)
Consolidated results	51,616	(34,612)	(8,470)	8,534	206

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4. Bank loans, senior notes and overdrafts

These can be analysed as follows:	3 months ended 31st March 2018 Amount Rial '000	3 months ended 31st March 2017 Amount Rial '000
Term loans and senior notes	377,246	376,156
Working capital borrowings - Short term loans	7,500	-
Working capital borrowings - Overdrafts	7	-
	<u>384,753</u>	<u>376,156</u>
Current maturities of bank loans	(16,817)	(19,421)
Working capital borrowings	(7,507)	-
Long term portion of term loans and senior notes	<u>360,429</u>	<u>356,735</u>

The bank loans and overdrafts are secured by charge over certain assets of the company and its subsidiaries and corporate guarantees. The Rial loans, Foreign currency loans, Rial overdrafts and Foreign currency overdrafts bear commercial rates.

The maturity of long term loans and senior notes:

	3 months ended 31st March 2018 Amount Rial '000	3 months ended 31st March 2017 Amount Rial '000
Due within one year	16,817	19,421
Due after one year	360,429	356,735
	<u>377,246</u>	<u>376,156</u>

In July 2017, Topaz has completed the offering of USD 375.0 million aggregate principal amount of Senior Notes due 2022 (the "Notes") at a fixed coupon of 9.125% per annum. The gross proceeds from the issue of the Notes were used to fund the repurchase and redemption of Topaz's existing US\$350 million Senior Notes and associated costs. In conjunction with the Senior Notes offering, RO 3.5 million in debt issuance costs were incurred and have been accounted as per IFRS and amortised into finance cost over the life of the Senior Notes using the effective interest rate basis.

Equity settled mandatory convertible bonds and Perpetual Notes

The company issued 423,141,678 Mandatory Convertible Bonds (MCBs) to its shareholders at RO 0.102 each (including RO 2 baizas for expenses) on 25 July 2012. The MCBs carried a coupon rate of 3.75% per annum. The Group companies subscribed 30,673,468 MCBs, out of the total issue. MCBs disclosed in the balance sheet are net of treasury MCBs held by its Group company.

In accordance with the approved repurchase program, the Company had completed repurchase of the first and a part of the second tranches of MCBs in 2015. The remaining MCBs in the second tranche were converted to shares in 2016. The Company had also repurchased a part of the third / final tranche of MCBs in 2016. The remaining 80,824,189 MCBs in the third tranche have been converted to 68,495,075 equity shares at a conversion price of RO 0.118 per MCB in July 2017. The conversion price was equal to the average of the closing market price of the shares, as quoted on Muscat Securities Market (MSM), in the 30 days prior to the respective date of conversion (i.e. RO 0.201 per share) divided by the conversion factor (1.7).

Repurchase of the first and second tranches of MCBs was financed by issuing Step-up Subordinated Perpetual Notes ("Perpetual notes"). Renaissance International Limited (the "Issuer"), a limited liability company registered in Cayman Islands and a wholly-owned subsidiary of the company, had issued RO 48.3 million (USD 125.5 million) perpetual notes. Issuance costs amounting to RO 1.5 million (USD 3.9 million) were incurred. Perpetual notes are listed on the Irish Stock Exchange. These Perpetual notes are a perpetual security in respect of which there is no fixed redemption date. Perpetual notes are callable by the issuer 5 years after the issue date, being 29 July 2020 (the "First Call Date"). Perpetual notes bear a coupon rate of 7.9% per annum, from the issue date to the First Call Date, payable semi-annually in arrears, however these can be deferred. Post first call date, the coupon rate shall increase to 12.9% per annum on the outstanding perpetual notes. Coupon distributions are reported in the consolidated statement of changes in equity.

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5. Investments in associates and subsidiaries

Associates

There are no investment in associate companies.

Subsidiaries

Investments in subsidiaries are accounted for using the consolidated method as per International Financial Reporting Standards ("IFRS").

The subsidiaries of Renaissance Services SAOG (the company) are as follows:

Company	31st March 2018 Holding %	31st March 2017 Holding %
1) Topaz Energy & Marine Limited (TEAM JAFZA)	100%	100%
2) Tawoos Industrial Services Company SAOC (TISCO)	100%	100%
3) Renaissance Duqm Holding SAOC (RDH)	51.9%	51.9%
4) National Hospitality Institute SAOC (NHI)	52.02%	52.02%
5) Renaissance Energy Limited (REL)	100%	100%
6) Renaissance International Limited (RIL)	100%	100%
7) Renaissance Integrated Facilities Management SAOC (RIFM)	100%	100%
Subsidiaries of TEAM JAFZA		
1) Topaz Energy & Marine Limited (Topaz)	86.5%	86.5%
2) Topaz Energy and Marine PLC	100%	100%
Subsidiaries of TISCO		
1) Rusail Catering & Cleaning Services LLC (RCCS)	100%	100%
2) Supraco Ltd. (Supraco)	100%	100%
3) Renaissance Contract Services International LLC (RCSI)	100%	100%
4) Al Wasita Catering Services LLC (Al Wasita)	100%	100%
5) Renaissance Facilities Management Company SAOC (RFMC)	100%	100%
Subsidiary of RDH		
1) Renaissance Duqm Accommodation Company SAOC (RDAC)	100%	100%

RDH is a holding company to hold investments in Renaissance Duqm Accommodation Company SAOC, which is engaged in building, owning and operating permanent accommodation facilities in Duqm.

Topaz and its subsidiaries are engaged in the provision of offshore support vessels and other marine vessels on charter primarily to oil and gas industry.

Supraco Limited through its subsidiaries in Norway, provides contract catering services.

RCSI through its subsidiaries in UAE, provides catering and allied services.

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6. Investments

Investments include all long term and short term investments of the company, excluding only those associates and subsidiaries listed in Note 5. Marketable Securities are carried at their open market value.

Unquoted and other investments are carried at cost adjusted for any permanent diminutions in value.

Investments can be analysed as follows:

	Market Value 3 months ended 31st March 2018 Amount Rial '000	Market Value 3 months ended 31st March 2017 Amount Rial '000	Book Value 3 months ended 31st March 2018 Amount Rial '000	Book Value 3 months ended 31st March 2017 Amount Rial '000
Short Term investments				
Marketable securities - Available for sale				
Banking	-	-	-	-
Investments	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Industrial	12	14	12	14
Government Bonds	-	-	-	-
	<u>12</u>	<u>14</u>	<u>12</u>	<u>14</u>
Marketable securities-Foreign				
Banking	-	-	-	-
Investments	-	-	-	-
Industrial	-	-	-	-
Bonds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unquoted and other investments				
Unquoted Omani shares	-	-	-	-
Investment fund units	138	-	138	-
Term deposits	-	-	-	-
Unquoted foreign shares	-	-	-	-
	<u>138</u>	<u>-</u>	<u>138</u>	<u>-</u>

Long Term investments

Long term investments of Rial 322 K (2017: Rial 322 K) include unquoted investments.

A subsidiary company holds 35,466,175 shares (2017 - 26,800,921 shares) in Renaissance Services SAOG. Cost of these treasury shares of Rial 6,853K (2017: Rial 5,163K) has been shown as a deduction from equity. The increase in number and cost of treasury shares pertains to conversion of 10,225,000 MCBs held by this subsidiary company to 8,665,254 shares of RSS in Q3 2017.

6a. Investments income

Realised

Realised investment income represents gains and losses on disposal of investments and other realised investment related gains and losses.

Unrealised

Marketable securities are recorded at their open market value. Movements in the carrying values of marketable securities are taken to unrealised investment income.

	3 months ended 31st March 2018 Amount Rial '000	3 months ended 31st March 2017 Amount Rial '000
Investment income can be analysed as follows		
Realised	-	-
Unrealised	-	-
	<u>-</u>	<u>-</u>

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7. Details of significant Investments

Details of all the reporting company's investments including Associates/Subsidiaries for which either the reporting company's holdings represent 10% or more of the issued share capital or the reporting company's holdings exceed 10% of the market value of the reporting company's investment portfolio are provided as follows as on:-

31st March 2018

	Holding %	Number of Securities	Market Value Amount Rial '000	Book Value Amount Rial '000	Cost Amount Rial '000
MSM Quoted Securities	0%	-	-	-	-
Foreign Listed Securities	0%	-	-	-	-
<hr/>					
As of 31st March 2018		-	-	-	-

	Holding %		Book Value Amount Rial '000	Cost Amount Rial '000
MSM Unquoted Securities	0%		-	-
<hr/>				
Total as of 31st March 2018			-	-
<hr/>				
Foreign Unlisted Securities	0%		-	-
<hr/>				
Total as of 31st March 2018			-	-

8. Related parties & holders of 10% of company shares.

The nature of significant transactions involving related parties holding 10% or more of the company's shares and the amounts involved during the period were as follows:

Income items

	3 months ended 31st March 2018 Amount Rial '000	3 months ended 31st March 2017 Amount Rial '000
Tawoos LLC - Services	3	4
Truck Oman Oil & Gas Services SAOC	-	52
<hr/>		
	3	56

Expense Items

The nature of significant transactions involving related parties holding 10% or more of the company's shares and the amounts involved during the period were as follows:

	3 months ended 31st March 2018 Amount Rial '000	3 months ended 31st March 2017 Amount Rial '000
Tawoos LLC	-	-
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	-	-

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8a. Loans, Advances, Receivables due, Provisions & write offs

Loans, advances or receivables due from related parties holding 10% or more of the company's shares minus all provisions and write-offs which have been made on these accounts at any time, are further analysed as follows:

	3 months ended 31st March 2018 Amount Rial '000	3 months ended 31st March 2017 Amount Rial '000
Tawoos LLC	1	5
Truck Oman Oil & Gas Services SAOC	-	92
Receivable from related parties	1	97

9. Provisions

Changes to the level of provisions during the period can be analysed as follows.

Provisions for :	Receivables & Prepayments	Value of Investments	Inventories	Total Amount Rial '000
Beginning balance of Provision	2,972	-	-	2,972
Provided during the period	51	-	-	51
Transferred/Released during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provision balance as of 31st March 2018	3,023	-	-	3,023

Book value of Assets:	Receivable & Prepayments	Value of Investments	Inventories	Total Amount Rial '000
Value of assets before provision	76,148	472	7,670	84,290
Provision balance as of 31st March 2018	(3,023)	-	-	(3,023)
Book value of assets as of 31st March 2018	73,125	472	7,670	81,267

10. Shareholders

All the shareholders of the company who own 10% or more of the company's shares and the number of shares they hold are as follows:

	3 months ended 31st March 2018 No of shares	3 months ended 31st March 2017 No of shares
Common Share holders:		
Cyclical Services LLC	53,454,738	-
Tawoos LLC	42,538,025	42,538,025
Truck Oman Oil & Gas Services SAOC	-	32,102,850
Preferred Shareholders:		
Nil	-	-
	95,992,763	74,640,875