



## 2015 Chairman's statement

### Overview

On behalf of the Board of Directors, I present the audited accounts for the Renaissance Group, Renaissance Services SAOG, for the financial period ending 31 December 2015

#### Financial performance

Our business is exposed to oil and gas and there has never been a time in our group's history where the end of year numbers do so little justice to our stability and progress.

It is naturally disappointing to report a net loss. However, EBITDA and operational performance both remain robust; the net loss arises purely from a non-operational and exceptional write-down that has no effect on cash-flows.

Understanding the economic context really matters because we remain a secure business with operational performance that is well ahead of our industry peers in the global marketplace.

Our fortress position in the Caspian continues to develop and we are successful in securing new business in Oman. We have the liquidity to meet our obligations and across the group we are growing our secured revenue. Topaz has increased its contract backlog from 750 million USD to 1.4 billion USD, including significant contract extensions with major oil clients. And the Renaissance services business is showing a 200 million USD backlog in cyclical contracts as well as 80 million USD annual turnover from long-term contracts in its Renaissance Villages. This is without Renaissance Village Duqm, which will open in H2 2016.

We have the fiscal strength to invest in growth even in this market. We are ideally – perhaps almost uniquely – placed to take advantage of the opportunities this crisis brings.

	Rial Million		USD Million	
	2015	2014	2015	2014
<b>Continuing Operations (before one-off charges)</b>				
Revenue	<b>236.1</b>	244.4	<b>613.2</b>	634.8
EBITDA	<b>82.0</b>	89.6	<b>213.0</b>	232.7

Operating Profit	<b>49.8</b>	60.3	<b>129.4</b>	156.6
<b>Net Profit after tax from continuing operations (before one-off charges)</b>	<b>11.8</b>	20.2	<b>30.6</b>	52.5
One-Off Charges	<b>(35.7)</b>	3.9	<b>(92.7)</b>	10.1
<b>Net Profit/(Loss) after tax from continuing operations</b>	<b>(23.9)</b>	24.1	<b>(62.1)</b>	62.6
<b>Discontinued operations</b>				
Profit/(Loss) from discontinued operations	<b>(6.1)</b>	1.3	<b>(15.8)</b>	3.4
<b>Net Profit/(Loss) for the year</b>	<b>(30.0)</b>	25.4	<b>(77.9)</b>	66.0

***Profit/(Loss) from discontinued operations is as follows:***

	Rial Million		USD Million	
	2015	2014	2015	2014
Media and Communications – Divested in Q1 2014	-	1.8	-	4.7
Marine Engineering Division	<b>(3.2)</b>	(0.6)	<b>(8.3)</b>	(1.6)
RS Angola	<b>(2.9)</b>	0.1	<b>(7.5)</b>	0.3
<b>Total</b>	<b>(6.1)</b>	1.3	<b>(15.8)</b>	3.4

The past two years have seen the oil and gas industry in turmoil, with asset distress and business foreclosures a real threat to other operators in our markets, particularly Off-shore Support Vessels (OSV).

But, against this background, our group delivered an EBITDA of 89.6 million Rials in 2014 and this year we delivered 82 million Rials. Our OSV business is holding, our Integrated Facilities Management (IFM) business improved and our group remains stable overall.

**Discontinued business**

There are two key factors behind the discontinued operations figure.

First, we have ceased our facilities management activities in Angola, as a direct result of the effect the oil price is having on the local market's ability to meet our terms. This impact is fully accounted for.

Second, in line with our strategy to consolidate the group and focus on OSV, IFM and the Renaissance Villages, we have divested our UAE Marine Engineering business. The ship repair operations of this business had returned to profitability, but the boat building business was still challenging. Last year, Renaissance entered into agreement to divest these businesses, which resulted in a loss of 5.5 million USD for the company. There will be no further impact.

## Topaz

*Our global Offshore Support Vessel (OSV) company*

	Rial Million		USD Million	
	2015	2014	2015	2014
Revenue	138.5	149.4	359.7	388.1
Operating Profit	40.4	51.7	104.9	134.3

*The following one-off charges relate to Topaz for 2015*

	Rial Million		USD Million	
	2015	2014	2015	2014
Provision for impairment of vessels	<b>(27.3)</b>	(1.5)	<b>(70.9)</b>	(3.9)
Increase in derivative liability	<b>(4.7)</b>	-	<b>(12.2)</b>	-
Unamortised arrangement fees write-off	<b>(3.2)</b>	-	<b>(8.3)</b>	-
Net gain/(loss) on sale of vessels	<b>(0.5)</b>	2.9	<b>(1.3)</b>	7.5
Write back of tax provision	-	2.5	-	6.5
<b>Total</b>	<b>(35.7)</b>	3.9	<b>(92.7)</b>	10.1

**Notes on one-offs:****Provision for impairment of vessels:**

The decrease in oil prices to the lowest in a decade and its impact on the valuation of assets and businesses in the oil & gas industry has been substantial. Topaz's long term contract visibility is able to support the value in use for the major portion of its fleet, however where the vessels are on short term contracts and were underutilised, we have taken prudent decisions on impairment in line with IFRS requirements to recognise the fall in market value of those assets.

**Increase in derivative liability:**

In 2014, Topaz had offered 9.8% of its equity to Standard Chartered Private Equity (SCPE) at a price of 75 million USD (28.8 million OMR). SCPE has a put option if Topaz IPO doesn't take place after three years from the date of its investment. The current adverse sentiments in the oil & gas industry has also impacted valuation of the businesses within the industry and that led to a further provisioning for derivative liability for the SCPE put option as required under IFRS.

**Unamortised arrangement fees write-off:**

During the year 2015, Topaz has successfully refinanced bank debt of 313 million USD with lower interest rates and extended tenure. The unamortised costs relating to the loan that was refinanced has been written off.

**Net gain/(loss) on sale of vessels:**

One of the non-performing vessels was disposed of at a net loss of 1.2 million USD (0.45 million OMR).

2015 opened with the OSV market responding to an oil price in steep decline. Our fortress position in the Caspian has remained stable and the fleet there did not face the abject inactivity experienced by much of the OSV market.

The company has just signed a new long-term agreement with BP to extend current contracts for 14 vessels until 2023. This is a significant achievement for the business because it delivers long-term security and stability.

All OSV operators in spot markets in West Africa took tough hits to their business volumes and this has, of course, dampened our overall performance.

The Middle East has again delivered a satisfactory result, with high levels of utilisation. We have grown our backlog of contracts and deployed a new Anchor Handling Vessel in our key market of Saudi Arabia.

**Rates and utilisation**

Topaz has developed strong relationships with our clients over our long contract tenures and the quality of these relationships have been important to our stability this past year. When our clients asked us to help them manage their costs, we responded with the rigorous emphasis on efficiency, safety and quality that the market knows to expect from Topaz. We have achieved considerable cost reductions to help our clients.

However, as we respond to this pressure on rates, our businesses must not compromise on safety. Our management team have briefed our Board comprehensively on the steps they are taking to get this balance right and we are confident that we are achieving the optimum operational equilibrium to take us – Topaz and our clients – through 2016 and beyond.

Core utilisation in our main markets has been high: the Caspian markets have been 96%, MENA 87% and sub-sea, 83%. However, West Africa has seen utilisation fall to below 50% and we have moved assets out of this region and laid up two ships into cold store. We believe these are the right measures to take in reaction to the lack of demand, although we retain a small but relevant presence in that market to service the high-end, international clients.

### Investment in our fleet

The Topaz fleet leads the market in terms of its young age profile and efficiency and this must be the investment focus for growth. Across the world, the OSV market is seeing hundreds of vessels laid up and taken out of action, so we will not allow the right opportunities to pass us by.

This year, we invested 115 million USD in acquiring two sub-sea vessels from *Vard Brattvaag* in Norway, which are scheduled for delivery in 2017. These DP2 class vessels will have a 120-ton active heave compensated offshore crane with the capability to reach working depths of 3,000 meters. We also bolstered our Emergency Response fleet with a fourth vessel, the *Topaz Responder*.

In June, we began the deployment of the ABS Nautical Systems fleet management software on 58 of our OSVs. The system plans maintenance work more efficiently, so minimising downtime and reducing the costs associated with dry-docking. The system also offers extra health and safety features – the wellbeing of staff remains the number one priority across all our businesses

## Renaissance

*Our Renaissance Villages (Accommodation Solutions) and Facilities Management Brand*

	Rial Million		USD Million	
	2015	2014	2015	2014
Revenue	97.6	94.9	253.5	246.5
Operating profit	9.4	8.6	24.4	22.3

Our Oman business performance has improved on last year and continues to offer real growth: our expanding facilities management capability is winning contracts and our construction of the Renaissance Village Duqm will considerably expand the business volumes in our accommodation services.

As expected, we are seeing pressure on the business where we are most exposed to oil prices and this has been felt in the performance of the Renaissance Villages, where our occupancy last year was around 83% and this year this has reduced to 78%.

International performance has slowed this year. Norway performance has held up despite the reduction in the number of rigs operating in the North Sea, but our UAE operations made a loss. However, we remain optimistic that the UAE is the right market for expanding our IFM offer and we will continue with a presence there.

### **Duqm**

2015 began with the completion of our equity-raising for the Duqm project and over the course of this year, the Duqm project construction has progressed on time and to budget, with the facility itself moving from design into reality. In October, the first shareholder meetings for the new Duqm companies were held and the Renaissance Board of Directors visited the Duqm site to see the accommodation being constructed first-hand.

The opportunities for Renaissance here are exciting and we have been in close discussion with potential clients to begin securing occupancy for the facility when it opens in July. We are already considering options for a second phase of construction, to provide for extra executive accommodation and to add to the facilities already planned. We have also recently signed an agreement to take on extra land, to expand the volume of the Renaissance Village accommodation and to provide for a leisure club, which we will build and operate.

### **Facilities management**

The Integrated Facilities Management market is huge – worth over 1 trillion USD worldwide and growing as businesses come to recognise IFM as the best way to get the most value out of outsourcing their services. Renaissance is leveraging its considerable experience in building and operating fully serviced accommodation facilities (the Renaissance Villages) as well as its legacy of contract services, to provide a considered Integrated Facilities Management solution for any business here in Oman.

Beyond our existing cyclical contracts, which have been successful performers this year, our IFM business scored a major success in securing an important 48 million USD facilities management contract in the Oman oil and gas fields.

### **Joint venture**

In May, Renaissance announced a Memorandum of Understanding for the formation of a Joint Venture with an international technical partner, Ferrovial. The new JV will provide expert waste management services, including waste collection, operation of transfer stations, engineered landfills and treatment plants. The aim of this JV is to

participate in the current tendering rounds for the regional waste management contracts currently being issued by Oman's waste management authority, be'ah.

#### **Convertible Bond buyback scheme**

In June, our Shareholders and our Board were asked to approve the issuance of Perpetual Notes by Renaissance to fund a scheme to buyback our Mandatory Convertible Bonds (MCB). This was beneficial for our Shareholders and MCB holders and the purpose of the scheme was to create an additional option for MCB holders to opt for cash in place of shares in the company when the Bonds themselves mature.

Renaissance went on to successfully complete the repurchase of two tranches of MCBs and we are considering repurchasing the remaining MCBs before they convert in 2017.

#### **Outlook**

Today, we are a stable company in very turbulent markets and 2016 will continue to be challenging. We are meeting the challenges with balance sheet strength, a robust backlog of work, continuing investment in relevant assets and stable, long-term contracts with clients. We have taken the right steps this year to manage our operational costs, we have the liquidity to meet our obligations and we are preserving the health and spending power of our finances.

Overall, we are pleased to have delivered an above-market result in such trying times and I believe this is proof of the resilience of our strategy.

#### **Tribute**

On behalf of the board of directors, I would like to express our sincere gratitude to His Majesty Sultan Qaboos Bin Said for his leadership and support to create a business environment that enables our company to thrive and prosper in our home market, and compete with the very best in markets abroad.

Samir. J. Fancy

Chairman