

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES
INTERIM REPORT FOR THE PERIOD ENDED 30TH SEPTEMBER 2017

	9 months ended 30th September 2017	9 months ended 30th September 2016
	Amount Rial '000	Amount Rial '000
Total assets	772,757	771,100
Total liabilities	558,184	510,322
Net assets (excluding Perpetual notes and Minority)	76,141	122,424
Net assets per share (Rial)	0.229	0.450
Current ratio	0.952	1.051

	9 months ended 30th September 2017	9 months ended 30th September 2016
	Amount Rial '000	Amount Rial '000
Gross profit	31,393	44,807
Gross profit margin %	22%	29%
Net profit/(loss)	(17,471)	(5,151)
Earnings per share (Rial) (after Perpetual notes coupon)	(0.075)	(0.033)

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**Unaudited consolidated balance sheet as at
30th September 2017**

	Notes	9 months ended 30th September 2017 Amount Rial '000	9 months ended 30th September 2016 Amount Rial '000
Non current assets			
Property, plant and equipment		627,982	619,224
Intangible assets		34,872	35,127
Long term investments	5,6,7	322	322
Deferred tax asset		2,784	563
Other long term receivables		960	1,899
		<u>666,920</u>	<u>657,135</u>
Current assets			
Inventories	1	6,777	4,987
Trade receivables & Prepayments	2&9	70,690	71,095
Receivables from related parties		103	897
Investments	5,6,7&9	14	14
Bank and cash		28,253	36,532
		<u>105,837</u>	<u>113,525</u>
Assets of disposal group classified as held-for-sale	5	-	440
		<u>105,837</u>	<u>113,965</u>
		<u>772,757</u>	<u>771,100</u>
Current liabilities			
Trade & other creditors		80,737	67,482
Working capital borrowings	4	15,648	1,439
Term loans - current portion	4	14,788	27,298
Equity settled mandatory convertible bonds - current portion	4	-	11,996
		<u>111,173</u>	<u>108,215</u>
Liabilities of disposal group classified as held-for-sale	5	-	179
		<u>111,173</u>	<u>108,394</u>
Long term liabilities			
Term loans and Senior notes	4	355,630	348,529
Non current payables and advances		86,534	48,735
Staff terminal benefits		4,847	4,664
		<u>447,011</u>	<u>401,928</u>
		<u>558,184</u>	<u>510,322</u>
Net assets	TOTAL -A	<u>214,573</u>	<u>260,778</u>
Capital and reserves			
Share capital	4	36,727	29,878
Treasury shares	6	(6,853)	(5,163)
Share premium		29,220	22,573
Legal reserve		10,163	9,884
Subordinated loan reserve		1,429	20,000
Retained earnings		23,934	51,512
Exchange loss on investment in foreign subsidiaries		(1,008)	(1,109)
Profit/(loss) for the period		(17,471)	(5,151)
		<u>76,141</u>	<u>122,424</u>
Perpetual notes	4	46,799	46,799
Minority interest		91,633	91,555
	TOTAL-B	<u>214,573</u>	<u>260,778</u>

Note:

1) A subsidiary of Renaissance Services SAOG, Topaz received pre-mobilisation funding of Rial 81.8 million 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. This advance will be recovered, subsequent to commencement of operations, from the amount to be billed to TCO for provision of transportation services. Rial 10.5 million (2016: Nil) of the advance, which is estimated to be recovered over next 12 months, is classified as current liability and included under Trade & other creditors. Balance amount of advance Rial 71.3 million (2016: Rial 29.8 million) is included under Non current payables and advances. Non current payables and advances also include derivative liability of Rial 7.6 million (2016: 12.3 million) relating to issue of shares in Topaz to an investor in 2014.

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Unaudited consolidated income statement
For the nine months ended
30th September 2017

	9 months ended 30th September 2017 Amount Rial '000	9 months ended 30th September 2016 Amount Rial '000
Continuing Operations:		
Turnover	140,678	156,926
Gross profit	<u>31,393</u>	<u>44,807</u>
Administration & general expenses	(13,493)	(16,324)
Operating profit	<u>17,900</u>	<u>28,483</u>
Finance charges	(20,757)	(21,123)
Refinancing costs of Senior Notes (Note 4)	(7,333)	-
Other income	411	210
Profit before taxation and minority interests	<u>(9,779)</u>	<u>7,570</u>
Taxation	(5,377)	(6,613)
Profit for the period from continuing operations	<u>(15,156)</u>	<u>957</u>
Loss from discontinued operations	-	(114)
Profit/(loss) for the period	<u>(15,156)</u>	<u>843</u>
Minority interest	(2,315)	(5,994)
Net loss attributable to Ordinary Shareholders	<u>(17,471)</u>	<u>(5,151)</u>
Dividend per share	-	-
Net profit margin (%)	-12.4%	-3.3%

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Unaudited consolidated statement of cash flows
For the nine months ended
30th September 2017

	9 months ended 30th September 2017	9 months ended 30th September 2016
	Amount Rial '000	Amount Rial '000
Cash from operations	46,297	61,183
Tax paid	(4,345)	(5,904)
Net interest paid	(20,757)	(21,123)
Net cash from operating activities	21,195	34,156
Net cash used in investing activities	(70,486)	(70,581)
Net cash from/(used) in financing activities	40,486	30,270
Net decrease in cash & cash equivalents	(8,805)	(6,155)
Cash and cash equivalents brought forward	33,316	41,248
Cash and cash equivalents carried forward	24,511	35,093

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Unaudited consolidated statement of changes in equity
For the nine months ended
30th September 2017

	Share Capital	Share Premium	Legal Reserve	Proposed Distribution	Retained earnings	Total Rial '000
1st January 2017	29,878	22,302	10,163	-	27,371	89,714
Net loss for the period	-	-	-	-	(17,471)	(17,471)
Conversion of MCBs (Note 4)	6,850	6,918	-	-	380	14,148
Perpetual notes coupon paid	-	-	-	-	(3,817)	(3,817)
30th September 2017	36,728	29,220	10,163	-	6,463	82,574
1st January 2016	29,065	21,045	9,817	-	55,402	115,329
Net loss for the period	-	-	-	-	(5,151)	(5,151)
Conversion of MCBs	813	1,528	-	-	-	2,341
Transaction with MI	-	-	-	-	(6)	(6)
Transfer to legal reserve	-	-	67	-	(67)	-
Perpetual notes coupon paid	-	-	-	-	(3,817)	(3,817)
30th September 2016	29,878	22,573	9,884	-	46,361	108,696

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Notes

1. Inventories

Inventories can be analysed as follows:

	9 months ended 30th September 2017	9 months ended 30th September 2016
	Amount Rial '000	Amount Rial '000
Catering stock	3,362	2,997
Spares	3,415	1,990
	6,777	4,987

2. Trade receivables

Trade receivables can be analysed as follows

	9 months ended 30th September 2017	9 months ended 30th September 2016
	Amount Rial '000	Amount Rial '000
Trade receivables & Prepayments	73,511	80,822
Less: Provisions	(2,821)	(9,727)
	70,690	71,095

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:-

	Amount in Rial '000				
Identity of Segments:	Segment Revenue	Segment Expenses excluding Depreciation	Depreciation	Segment Results	Consolidated Results
Marine Group (Topaz)	67,797	(34,144)	(19,902)	13,751	-
Contract Services Group (Renaissance)	73,292	(63,074)	(5,654)	4,564	-
Total segment result	141,089	(97,222)	(25,556)	18,311	18,311
Finance charges	-	-	-	-	(28,090)
Taxation	-	-	-	-	(5,377)
Minority Interest	-	-	-	-	(2,315)
Consolidated results	141,089	(97,222)	(25,556)	18,311	(17,471)

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4. Bank loans, senior notes and overdrafts

These can be analysed as follows:	9 months ended 30th September 2017 Amount Rial '000	9 months ended 30th September 2016 Amount Rial '000
Term loans and senior notes	370,418	375,827
Working capital borrowings - Short term loans	11,906	-
Working capital borrowings - Overdrafts	3,742	1,439
	<u>386,066</u>	<u>377,266</u>
Current maturities of bank loans	(14,788)	(27,298)
Working capital borrowings	(15,648)	(1,439)
Long term portion of term loans and senior notes	<u>355,630</u>	<u>348,529</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:

	9 months ended 30th September 2017 Amount Rial '000	9 months ended 30th September 2016 Amount Rial '000
Due within one year	14,788	27,298
Due after one year	355,630	348,529
	<u>370,418</u>	<u>375,827</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. Of the total costs of RO 9.6 million (USD 25 million) associated with the refinancing of the existing Senior Notes, RO 5.9 million (USD 15.3 million) has been charged in Q3 2017 and the remainder of the cost of RO 3.7 million (USD 9.7 million) shall be amortized over the tenure of the Notes. In addition, the balance of unamortized issuance cost of RO 1.4 million (USD 3.8 million) on the redeemed USD 350.0 million 8.625% senior note has been written off in Q3 2017.

In Q3 2017, Renaissance Services SAOG (the company) has prepaid bank loans amounting to RO 10.8 million. Prepayment includes loan instalments of RO 2.8 million due in Q4 2017 and RO 8 million due in 2018.

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 2016.

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 Q3 2015. The remaining 13,734,045 MCBs in the second tranche were converted to 8,126,654 shares at a conversion price of RO 0.169 per MCB in Q3 2016. The company had also repurchased 60,230,215 MCBs in August 2016 out of the third/final tranche of 141,054,404 MCBs that were due for conversion in July 2017, at a repurchase price of RO 0.149 amounting to RO 9.0 million. 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. These 68,495,075 equity shares were issued at RO 0.201 per share, which is average of the closing market price of Renaissance shares as quoted on the MSM, in the 30 days prior to the the date of the conversion.

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	30th September 2017 Holding %	30th September 2016 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%	90.2%
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.

In 2013, the assets and liabilities related to NHI were classified as held-for-sale following the approval of the Renaissance Board of Directors on 10 December 2013. During the year 2016, NHI converted from SAOG to an SAOC and Renaissance had purchased 64,806 additional shares in NHI. Renaissance had fully written off its investment in NHI in Q4 2016.

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. During 2016, RCSI through its subsidiary in UAE had acquired 80% shareholding in Emirates Taste Catering Services Food LLC (ET) which is registered in UAE. ET is engaged in the provision of catering services in UAE.

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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 9 months ended 30th September 2017	Market Value 9 months ended 30th September 2016	Book Value 9 months ended 30th September 2017	Book Value 9 months ended 30th September 2016
	Amount Rial '000	Amount Rial '000	Amount Rial '000	Amount Rial '000
Short Term investments				
Marketable securities - Available for sale				
Banking	-	-	-	-
Investments	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Industrial	14	14	14	14
Government Bonds	-	-	-	-
	14	14	14	14
Marketable securities-Foreign				
Banking	-	-	-	-
Investments	-	-	-	-
Industrial	-	-	-	-
Bonds	-	-	-	-
	-	-	-	-
Unquoted and other investments				
Unquoted Omani shares	-	-	-	-
Investment fund units	-	-	-	-
Term deposits	-	-	-	-
Unquoted foreign shares	-	-	-	-
	-	-	-	-

Long Term investments

Long term investments of Rial 322 K (2016: Rial 322 K) include unquoted investments.

A subsidiary company holds 35,466,175 shares (2016 - 26,800,921 shares) in Renaissance Services SAOG. Cost of these treasury shares of Rial 6,853K (2016: 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.

	9 months ended 30th September 2017	9 months ended 30th September 2016
	Amount Rial '000	Amount Rial '000
Investment income can be analysed as follows		
Realised	-	-
Unrealised	-	-
	-	-

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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:-

30th September 2017

	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 30th September 2017		-	-	-	-
<hr/>					

	Holding %		Book Value Amount Rial '000	Cost Amount Rial '000
MSM Unquoted Securities	0%		-	-
<hr/>				
Total as of 30th September 2017			-	-
<hr/>				
Foreign Unlisted Securities	0%		-	-
<hr/>				
Total as of 30th September 2017			-	-
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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

	9 months ended 30th September 2017 Amount Rial '000	9 months ended 30th September 2016 Amount Rial '000
Tawoos LLC - Services	10	11

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:

	9 months ended 30th September 2017 Amount Rial '000	9 months ended 30th September 2016 Amount Rial '000
Tawoos LLC	-	-

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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:

	9 months ended 30th September 2017 Amount Rial '000	9 months ended 30th September 2016 Amount Rial '000
Tawoos LLC	18	16

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	3,061	-	-	3,061
Provided during the period	137	-	-	137
Transferred/Released during the period	(377)	-	-	(377)
(Written off) during the period	-	-	-	-
Provision balance as of 30th September 2017	2,821	-	-	2,821
Book value of Assets:	Receivable & Prepayments	Value of Investments	Inventories	Total Amount Rial '000
Value of assets before provision	73,511	336	6,777	80,624
Provision balance as of 30th September 2017	(2,821)	-	-	(2,821)
Book value of assets as of 30th September 2017	70,690	336	6,777	77,803

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:

	9 months ended 30th September 2017 No of shares	9 months ended 30th September 2016 No of shares
Common Share holders:		
Cyclical Services LLC	53,454,738	-
Tawoos LLC	42,538,025	42,538,025
Preferred Shareholders:		
Nil	-	-
	95,992,763	42,538,025