



النهضة
Renaissance

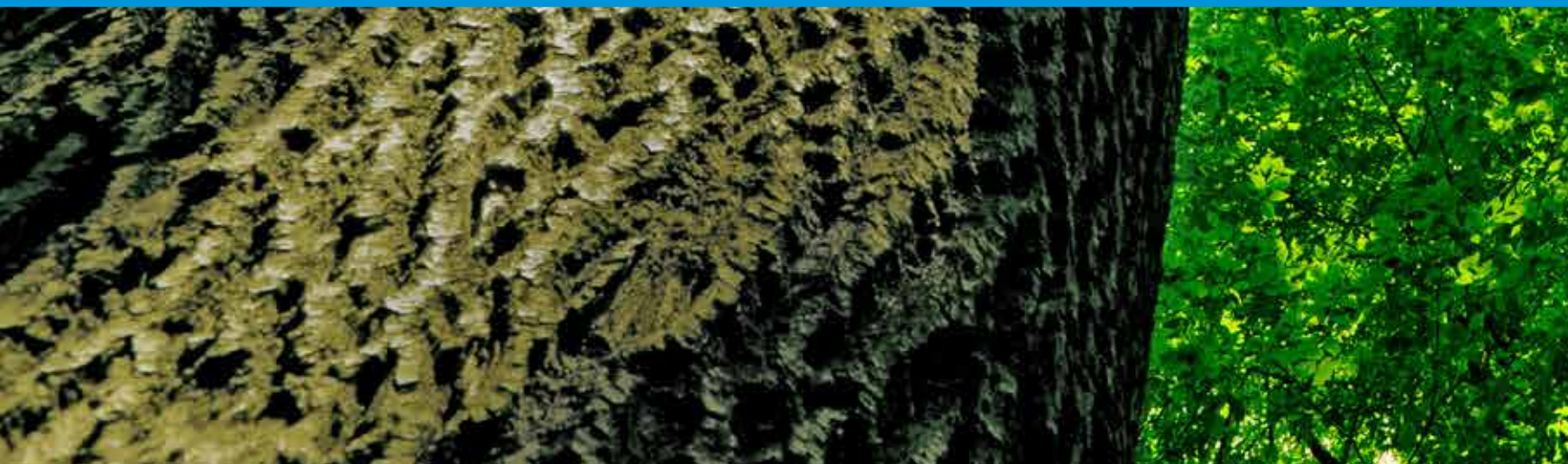
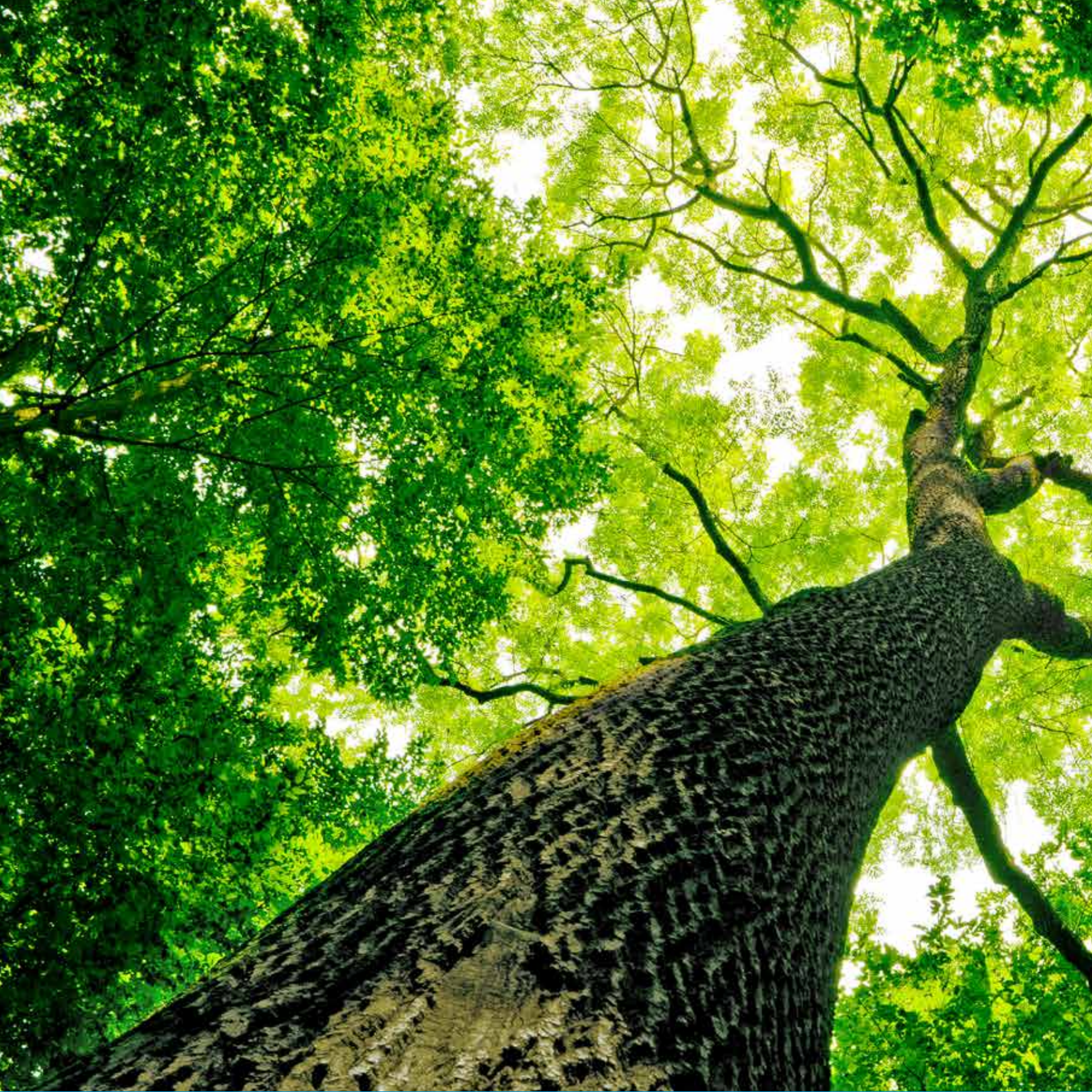
ANNUAL REPORT 2017



His Majesty
Sultan Qaboos bin Said







CONTENTS

Board of Directors	4
Financial Highlights	6
Chairman's Report	8
Chief Executive's Report	16
Auditors' Report on Corporate Governance	26
Report on Corporate Governance	27
Auditors' Report on Financial Statements	36
Financial Statements	42

Renaissance Services SAOG

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www.renaissanceoman.com

Board of Directors



Saleh bin Nasser Al Habsi
Director

Colin Rutherford
Director

Samir J Fancy
Chairman

Sunder George
Director

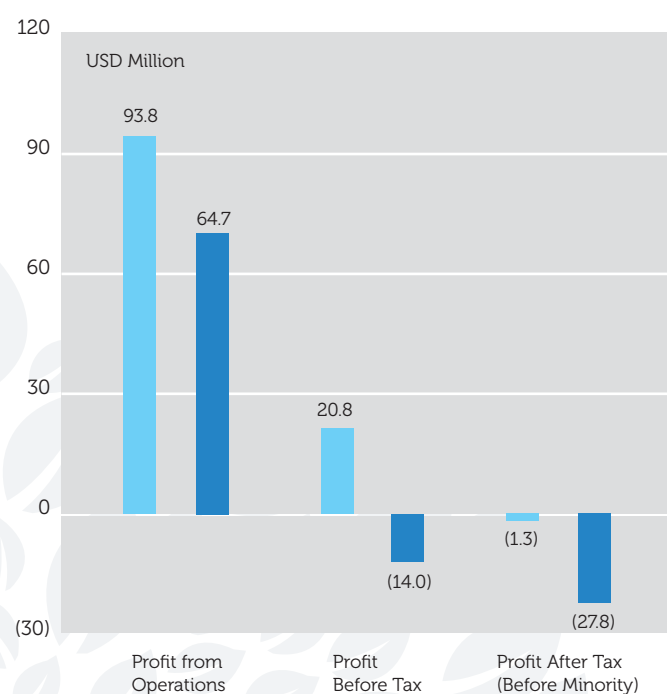
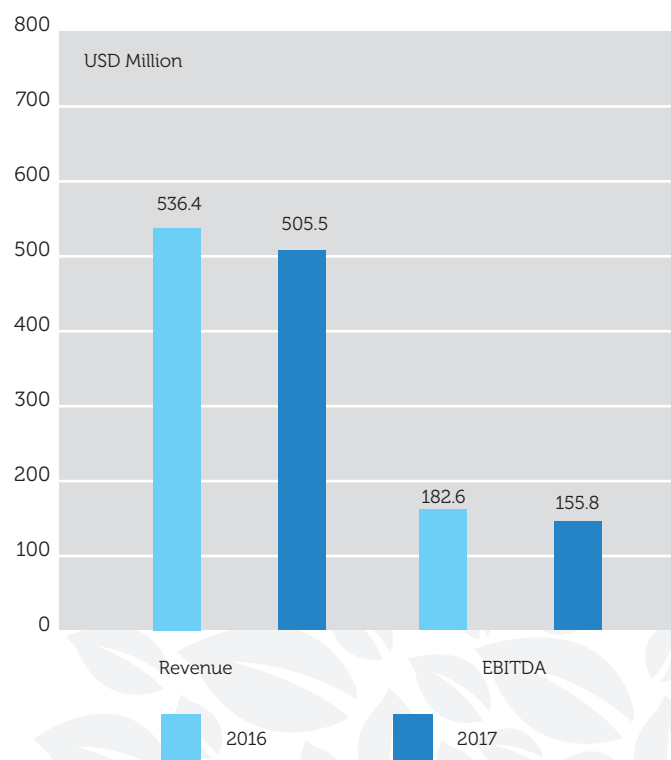


HH Sayyid Tarik bin Shabib bin Taimur
Director

Manish Doshi
Director

Ali bin Hassan Sulaiman
Deputy Chairman

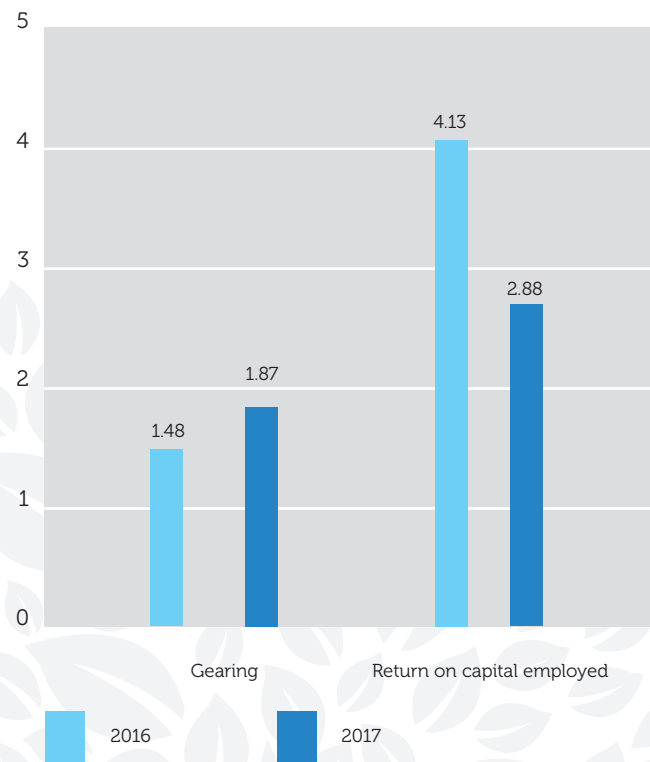
Financial Highlights



SUMMARY FINANCIAL INFORMATION

2016	2017		2016	2017
OMR Million			USD Million	
206.5	194.6	REVENUE	536.4	505.5
70.3	60.0	EBITDA	182.6	155.8
36.1	24.9	PROFIT FROM OPERATIONS	93.8	64.7
8.0	(5.4)	PROFIT BEFORE TAX [#]	20.8	(14.0)
(0.5)	(10.7)	PROFIT / (LOSS) AFTER TAX (BEFORE MINORITY) [#]	(1.3)	(27.8)
(37.5)	(36.0)	ONE-OFF CHARGES	(97.4)	(93.5)
(38.0)	(46.7)	LOSS AFTER TAX (BEFORE MINORITY)	(98.7)	(121.3)
602.4	612.0	NET FIXED ASSETS	1,564.8	1,589.7
175.7	136.0	TOTAL EQUITY (EXCLUDING PERPETUAL NOTES)	456.3	353.4
46.8	46.8	PERPETUAL NOTES	121.6	121.6
12.0	0.0	EQUITY SETTLED MANDATORY CONVERTIBLE BONDS (MCBs)	31.2	0.0
374.5	379.9	TERM LOANS	972.8	986.6

[#] Before one-offs



SIGNIFICANT RATIOS

	2016	2017
GEARING*	1.48	1.87
RETURN ON CAPITAL EMPLOYED (%)#	4.13	2.88

* MCBs are considered as part of equity
 # Continuing operations before one-offs

Chairman's Report





Overview

On behalf of the Board of Directors, I present the audited accounts for Renaissance Services SAOG, for the financial period ending 31 December 2017.

Whilst maintaining our dual operations of global offshore support vessels (OSV) in TOPAZ; and integrated facilities management in RENAISSANCE; the sharp decline in oil price of mid-2014 led to three consecutive years of unprecedented challenge and performance pressure on our Company. The negative effect has impacted across the entire oil industry; with the OSV sector amongst the worst affected.

Against this back-drop, we advised our stakeholders to expect further performance and potential further impairment pressure in 2017. At the same time, we outlined our strategies for steering safely through 2017 and ensuring the security of the Company's future:

Generating positive cash-flow and conserving cash to ensure the continuing financial stability of the business and the ability to meet all our financial obligations.

Sustaining the strength of our relationships with all stakeholders, notably investors and the financial community.

Ensuring the successful mobilisation and build-up of our two current major growth projects: The Tengizchevroil (TCO) project in TOPAZ; and the Renaissance Village Duqm project in our RENAISSANCE services and facilities management business.

All this has come to pass in navigating the company safely through the minefield of industry and market challenges of 2017.

This now provides us with a platform to start re-building the recent years' lost value in 2018 and delivering sustainable value and new growth in the years ahead.



Financial performance

	Rial Million		USD Million	
	2017	2016	2017	2016
Continuing Operations (before one-off charges)				
Revenue	194.6	206.5	505.5	536.4
EBITDA	60.0	70.3	155.8	182.6
Operating profit	24.9	36.1	64.7	93.8
Net loss after tax from continuing operations (before one-off charges)	(10.7)	(0.5)	(27.8)	(1.3)
One-off charges	(36.0)	(37.5)	(93.5)	(97.4)
Net loss after tax from continuing operations	(46.7)	(38.0)	(121.3)	(98.7)
Discontinued operations				
Loss from discontinued operations	(0.1)	(1.2)	(0.3)	(3.1)
Net loss after tax for the year	(46.8)	(39.2)	(121.6)	(101.8)
Net loss for the year after minority interest	(44.5)	(42.1)	(115.6)	(109.4)

The major negative impact on performance comes from one-off items of Rials 36 million (USD 93.5 million); of which the largest impacts are non-cash impairment of vessels in the Topaz fleet (Rials 24.2 million) and refinancing costs for the Topaz bond (Rials 7.3 million)

Impairment

As we have explained in previous years, the oil price crisis has wiped billions of dollars in value off the global OSV fleet; About a third of the global fleet is laid up and much of this tonnage will never return to the industry. Topaz is not in that situation, but for the third year running we had to make a material impairment. Following a one-off charge of Rials 27.3 million (USD 70.9 million) in 2015; a one-off charge of Rials 36.5 million (USD 94.8 million) in 2016; we have made a third one-off charge of Rials 24.2 million (USD 62.9 million) in 2017. While we recognise the loss of value, impairment is not a cash loss and EBITDA achievement of Rials 60 million (USD 156 million) has generated sufficient cash-flows for the Group to meet all financial and operational commitments.

Any further impairment depends on actual fleet valuation and current revenue generation capacity for each vessel at the end of each year. So, whilst we can never rule out the need for any further impairment, we believe that improving market conditions in 2018 will constructively effect future fleet valuation.



Re-financing of new Senior Notes

In July 2017, in spite of volatile market conditions, Topaz successfully completed the issue of new bonds of USD 375 million, maturing in 2022. The proceeds were used to redeem Topaz's previous bonds and to pay the fees of the transaction.

The positive reception from investors in international markets is testament to the robust Topaz business model and long-term growth strategy. The one-off costs for the re-issue of the Senior Notes is Rials 7.3 million (USD 19.0 million). This refinancing further strengthens Topaz's long-term, sustainable capital structure.

In connection with the issue of the new bond, Topaz had its credit rating re-affirmed by both Standard & Poors and Moody's – quite an achievement in the current market, where most companies in the sector are being notched significantly downwards.

The success of the re-issue justified the opinions of our independent advisor and the Investment Banks; who advised that was the optimum time to go to the market.

Renaissance liquidity

We have continued to enjoy the support of our Bankers in Oman. The Company has pre-paid borrowings even in these challenging times. Banks have appreciated the Company's proactive cash-flow management.



The global Offshore Support Vessel (OSV) Company

TOPAZ (Before One-offs)

	Rial Million		USD Million	
	2017	2016	2017	2016
Revenue	94.2	108.7	244.8	282.3
Operating profit	18.4	27.2	47.8	70.6
Net loss after tax	(10.2)	(2.8)	(26.5)	(7.3)
Net loss after minority interest	(14.3)	(11.4)	(37.2)	(29.7)

The underlying strengths of our OSV subsidiary Topaz has steered us through this period, with best-in-industry performance, in spite of the negative impact of asset impairment across the global OSV fleet; from which the Topaz fleet is naturally not immune.

Topaz's market outlook is more positive going into 2018, when comparing with 2017, although difficult industry conditions are expected to endure during 2018 for the core fleet. We do, however, anticipate a positive trend in the utilisation of vessels and a further improvement in our ability to build contract cover. We have re-activated seven vessels from warm layup during 2017, conserving and building on Topaz's industry-leading backlog of USD 1.5 billion.

During the year, Topaz secured a number of contract awards in all its markets with the bulk of the awards coming from the Caspian – where the Company holds a market leading position – notably in Turkmenistan with a USD 100 million contract awarded by Dragon Oil.

The USD 550 million Tengizchevroil project (TCO) in Kazakhstan is progressing well with Topaz's scope ahead of schedule. Two vessels have commenced operations earlier than plan. The overall construction of the module carrying vessels (MCVs) continues with remaining deliveries scheduled in the first half of 2018. The full benefit of the TCO contract should be seen from the second half of 2018 and should positively impact Company performance for the year. The TCO contract is just one example of Topaz's successful strategy to develop innovative solutions for clients that ensure market-beating, safer, faster, cheaper performance.



Our Services Business: Integrated Facilities Management (IFM); Soft FM; Hard FM; and Turnkey Accommodation Solutions under the Renaissance Village brand.

Renaissance (Before One-offs)

	Rial Million		USD Million	
	2017	2016	2017	2016
Revenue	100.4	97.8	260.7	254.0
Operating profit	6.5	9.1	16.9	23.6
*Net profit after tax	2.8	6.0	7.4	15.6
Net profit after minority interest	4.6	6.1	12.0	15.8

*Net profit after tax for 2017 is after Rials 3.5 million loss in Renaissance Village Duqm (2016 loss: Rials 0.1 million)

Our services business has maintained top line in 2017. However, bottom line is impacted by the Rials 3.5 million (USD 9.1 million) loss in the first 11-months operation of our flagship project Renaissance Village Duqm. There is also a one-off impairment of goodwill of Rials 0.9 million (USD 2.4 million) in our UAE investment.



Performance in our Renaissance Villages in the PDO oilfields has been positive and stable, with average occupancy for the year of 87%. Occupancy in Renaissance Village Duqm is key to success and growth this year. In 2017 (Feb-Dec) occupancy averaged 11%. At the start of 2018 we have reached 20%. P&L break-even is 47%. The start-up of the Duqm Refinery EPC contracts and sub-contracts are crucial to our forecasts, which currently estimate average occupancy for 2018 at 53%; and > 90% in 2019 and 2020.

Whilst the Company's strategy is to diversify the range of its services, sectors and geography and balance our exposure to the oil & gas industry, which remains the dominant activity in our portfolio. So, Renaissance has also not been immune to the oil price crisis and the significant increase in cost of doing business in our dominant home market of Oman.

We have achieved modest success in our diversification programmes, with entry into services in the utility sector and strengthening our Hard FM capabilities. While Renaissance Village Duqm shall be the primary engine for growth in this year, we also anticipate improved performance in UAE and some new contract and diversification breakthroughs.

Outlook

The Company has weathered three very difficult years and we have come through 2017 achieving our stated priority to ensure the Company remains financially secure. Market conditions remain tough as we enter 2018, but we envisage ever-improving performance quarter on quarter, ensuring we return to our profitable ways. We see 2018 as the year in which the Group stabilises. Growth shall be fuelled by success in the TCO contract for TOPAZ and anticipated occupancy build-up in Renaissance Village Duqm for RENAISSANCE.

In these past 3 years as the offshore industry convulsed through unpredictable and unprecedented stress, TOPAZ

turned down a variety of M&A approaches in the face of a falling market with no visibility of the turning point. The Company stayed with its policy to avoid importing any further risk and instead focused on cost, efficiency, backlog build-up, cash, and strengthening its management team. Today as the market turns, the Company is eyeing the landscape from a position of relative strength to its peers to seek the best value accretion opportunities for its shareholders.

Our ambitions for the RENAISSANCE services business are also centered on a significant breakthrough from the flat performance with no net growth through the oil price crisis period.

Most market commentators predict a more stable period in oil price. What is important for our businesses is that both have adapted to a lower long-term oil price environment. Both should be more resilient to future negative fluctuations in oil price. Both offer solutions to major IOC, NOC and other non-oil clients that enable achievement of higher standards at lower costs.

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






قرية النهضة الدقم
Renaissance Village Duqm





CEO Report 2017

We said 2017 would be another tough year. It was. Although we achieved our top priority of sustaining positive cash flows to meet all our obligations. We also mobilized our two flagship projects: The first 2 of 17 vessels commenced operations for the TCO project in Topaz; and Renaissance Village Duqm opened for business in February, prior to its formal inauguration for Oman's National Day in November.

In 2018 we can expect continually improving performance each quarter as contracts won in 2017 take effect; and as the two flagship projects generate positive contributions in the second half of the year.

The key now is to build on the growth created by these projects with additional sustainable business growth and new contract gains.



RS GROUP Consolidated

In Rials million	2017 Audited	2016 Audited
Revenue	194.6	206.5
EBITDA	60.0	70.3
PAT (before one-off charges)	(10.7)	(0.5)
PAT	(46.8)	(39.2)
PATMI	(44.5)	(42.1)

The group's consolidated loss performance has been affected by one-off charges of Rials 36 million; which includes impairment charges on vessels in the Topaz offshore support vessel (OSV) fleet of Rials 24.2 million; and re-financing costs for the Topaz Senior Notes of Rials 7.3 million.

TOPAZ

Topaz performance excluding one-off charges

In Rials million	2017 Audited	2016 Audited
Revenue	94.2	108.7
Operating Profit	18.4	27.2
PAT	(10.2)	(2.8)
PATMI	(14.3)	(11.4)

The group is structured with Topaz operating as an independently managed entity with its own governance structure. As such, Renaissance Board Members and Executive Management carry out fiduciary responsibilities by with and through our respective roles on the subsidiary Topaz Board and Committees. Topaz Executive Management also attend all Renaissance Board meetings and Audit Committee meetings, to ensure a transparent flow of information, guidance and direction.

From the Renaissance perspective, we continue to offer full support to the Topaz Executive Management Team and appreciate their achievements in 2017, which include: securing the company's financial structure with a successful re-issue of senior notes; mobilizing the initial vessels for the USD 550 million TCO contract, on time and in cost; winning other major contracts including USD 100 million project for Dragon Oil in Turkmenistan; getting the fleet back to work in West Africa; and sustaining the company's industry leading contract backlog of USD 1.5 billion.

For further details on these and all other Topaz matters, my colleague the Topaz CEO, produces a detailed report within the Topaz Annual Report, which may be read via the link on the Renaissance web-site: <http://www.renaissanceoman.com/en/topaz/>

RENAISSANCE

Renaissance performance excluding one-off charges

In Rials million	2017 Audited	2016 Audited
Revenue	100.4	97.8
Operating Profit	6.5	9.1
PAT*	2.8	6.0
PATMI	4.6	6.1

* Net profit after tax for 2017 is after Rial 3.5 million loss in Renaissance Village Duqm (2016 loss: Rial 0.1 million)

2017 REVIEW

2017 Profit has been affected negatively by anticipated losses in the occupancy build-up period at Renaissance Village Duqm, where losses for the year were Rials 3.5 million (USD 9.1 million). We have also taken a Rials 0.9 million (USD 2.34 million) impairment of goodwill in our UAE investment.

We have had mixed results in the key outcomes for 2017:

The successful mobilisation of Renaissance Village Duqm in February 2017; with the project delivered in cost and recognised as a game-changing Domestic Direct Investment (DDI) by Renaissance and its partners. The project is a boost for Duqm and Oman and demonstrates a world-class capability to deliver high standards of workforce accommodation, at lower cost than a non-sustainable investment in a temporary portacabin camp for the duration of a project.

The company lost some small contracts to fierce competitive margins; but retained or extended all major contracts due for re-tender in the year. In a year of few competitive tenders or new opportunities, the cyclical contract services business remained profitable with very tight margins, but no growth impact.

The Renaissance Villages in the PDO oilfields have absorbed increased cost of doing business without



passing on the cost to customers in the squeezed oil price environment. Average occupancy of 87% has ensured the Renaissance Villages remain profitable.

The Norway offshore catering business has remained profitable in spite of a significant cold-stacking of rigs in the Norwegian sector of the North Sea, due to the lower oil price. We continue to lead the market with > 50% share.

Our UAE businesses of RFMS and Emirates Taste Catering Services have still not turned to profit, although the prognosis is better for 2018. We have made organisation changes to address this.

We have also only had modest results in our diversification strategy; where our entry into the utility services sector remains a solitary success.

During the year we have invested in additional talent and some organisation change to expand our capabilities and service offerings.

2018 LOOKING AHEAD

Building occupancy in the Renaissance Village Duqm is key to achieving the growth we envisage for 2018. We enjoy serving our current customers associated with ongoing major projects, Port of Duqm, Oman Drydock, Duqm Airport, SEZAD and others. The next major new project is Duqm Refinery and we have positive dialogue with the EPC contractors and

their sub-contractors, which lead us to forecast occupancy rising from 11% in 2017, and the current level of 20% to an average of 53% over 2018 and > 90% in 2019 and 2020.

More details on Renaissance Village Duqm may be seen at the following link: http://www.renaissanceoman.com/en/renaissance_villages/

Whilst Duqm shall be the major engine for growth in 2018-19; we also seek success in other strategic initiatives in UAE and the broader GCC; in our diversification programme; and in our contract retention and new contract gain record. We are also re-branding our Hard FM Homecare Services and Cafeteria brand offerings in selected contracts.

SUSTAINABILITY

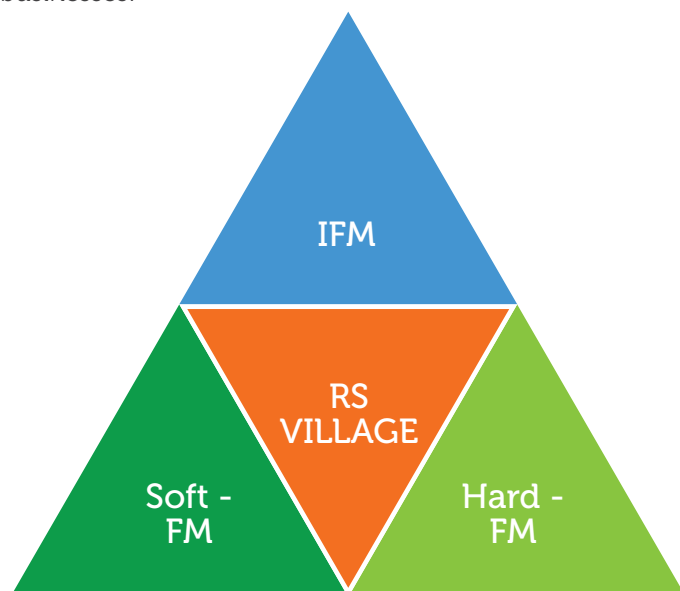
RENAISSANCE commitment to sustainability underwrites our values and provides the platform of stability and purpose upon which we may drive continuous improvement in service, standards, performance, growth and value.

For further details on our progress and plans in our ENVIRONMENT, SOCIAL RESPONSIBILITY, GOVERNANCE (ESG) agenda and our commitment to QHSE and IN-COUNTRY VALUE (ICV), please refer to our separate Sustainability Report. [Link: <http://www.renaissanceoman.com/en/sustainability/>].

STRATEGY IMPLEMENTATION

To achieve or exceed our plans, our strategy remains unchanged:

Diversify: Services, Sectors and Geography in four services businesses:



To continuously strengthen our capability, reputation and delivery of service solutions in:

SOFT FM: Contract Services

HARD FM: O&M

IFM: Turnkey solutions for clients' non-core activities (but uniquely, avoiding margins on margins, due to our ability to provide most of the Soft and Hard FM outsource solutions in-house)

ACCOMMODATION SOLUTIONS: Renaissance Villages (formerly PAC) – workforce, military, student and other turnkey accommodation solutions

To grow these businesses by diversifying the spread of Services, Sectors and Geographies in which we operate.

To deliver superior customer experiences through our operating mantra: safe, efficient, green, local.

To succeed, we know we must strengthen our range of service offerings in Hard FM; we must change and improve our approach to breaking into new geographies; and we must accelerate our ability to innovate and diversify.

STRATEGIES FOR GROWTH

The central premise of our strategy and our plans is growth. This does not detract from delivery of Operational Excellence in our major mobilisations and contract operations; nor does it detract from our focus on QHSE; customer service; the care and development of our people; and assurance of our



financial security and stability. Indeed, success in all these areas is vital to success in the drive for growth.

Growth through contract tendering

This is what improves our ROE as a pure services business requires minimum capital investment.

Growth through supplementary services

In each of our contracts and in our Renaissance Villages, we make every effort to provide other supplementary services either to the client or the individual customers, within the facility. This enhances the offering to our customer-base as well as bringing increased revenue to our business.

Growth through value innovation

One example of value innovation is our ACCOMMODATION SOLUTIONS in the form of the Renaissance Village brand. These deliver higher standards at lower costs through economies of scale. An independent survey conducted by Shell some years ago proved that these permanent facilities deliver additional tangible and intangible value, including: less consumption of water and electricity through quality of permanent infrastructure; better safety performance and lower downtime of absence through sickness.

Growth through investment

The Rials 75 million (USD 195 million) investment, with our partners – Royal Court Affairs, Ministry of Defence Pension Fund, and Al Khonji Group – is an example of our preparedness to invest for growth in core markets.

Growth through merger & acquisition (M&A)

Beyond the recent EMIRATES TASTE acquisition: we continue to react to opportunities when they arise; but we do not have any specific M&A target in view at this time.

Growth through diversification

This is of course an integral part of the overall strategy (to diversify our services, our sectors and our geography).

ORGANISATION CAPABILITY TO EXECUTE THE STRATEGY

We are investing in our Strategic HR capabilities to ensure we build an organisation capable of achieving the strategy, ensure seamless succession, and attract and retain the best industry talent.

We are actively pursuing transformational change in the organisation, where people listen and adapt; progress and thrive on challenge; are open to new ways of thinking; challenge established viewpoints; resolve setbacks and identify missing factors; and act with greater urgency.

We are building an environment where people – and the company – thrive, develop and grow.



DIVIDEND RECORD

The Renaissance Dividend Policy is based on the proposition that cash is returned to shareholders in the form of higher dividend pay-outs when there are no credible value creating opportunities to invest in the business.

In 2017 our Board is proposing no dividend, as has been the case in each of the three loss-making years affected by the oil price crisis.

	2013		2014		2015		2016		2017	
	%	Rial'000	%	Rial'000	%	Rial'000	%	Rial'000	%	Rial'000
Cash dividend	10	2,821	10	2,821	-	-	-	-	-	-
Stock dividend	-	-	-	-	-	-	-	-	-	-
Total dividend	10	2,821	10	2,821	-	-	-	-	-	-

RISKS

Political

Our core 'home' markets are politically stable. However, we must recognise that there is significant political instability in the world at present; including the wider Middle East. We do not believe current tensions between some GCC states shall directly impact our business.

Economic

No one can predict the oil price; but most experts forecast stability either side of current price levels.

There are common themes still at play for governments in the geographies where we serve: Tight fiscal discipline, significant cutbacks in public expenditure, increases in taxation, increases in fees for government services and administration, removal of government subsidies, and merger and down-sizing of government departments and government-owned companies.

For us this means the same as last year: Clients are spending less and demanding more. A fact we must strive to convert into opportunity rather than hindrance.

That said, our main specific risks would arise in any delay, beyond our control, of either the TCO Project or the build-up of Duqm occupancy for the Duqm Refinery project. At this time, no delays are envisaged on either front.

Social

The social fabric in our core home markets are strong. One key factor is to ensure success in initiatives to develop an effective and productive workforce. Within our own company our ICV and CSR programmes play an important role in this vital objective in all the communities in which we operate.

Technological

We have completed the upgrade and roll-out of our new ERP system in 2017. We are actively seeking more AI and IT solutions for our efficiency and service offerings for clients.

Environmental

We continue to make progress every year in reducing our carbon footprint and significantly reducing food waste.

Legal

We maintain a robust governance structure and control of all contractual, legal and moral obligations and apply strong assurance processes to ensure compliance.

OUTLOOK

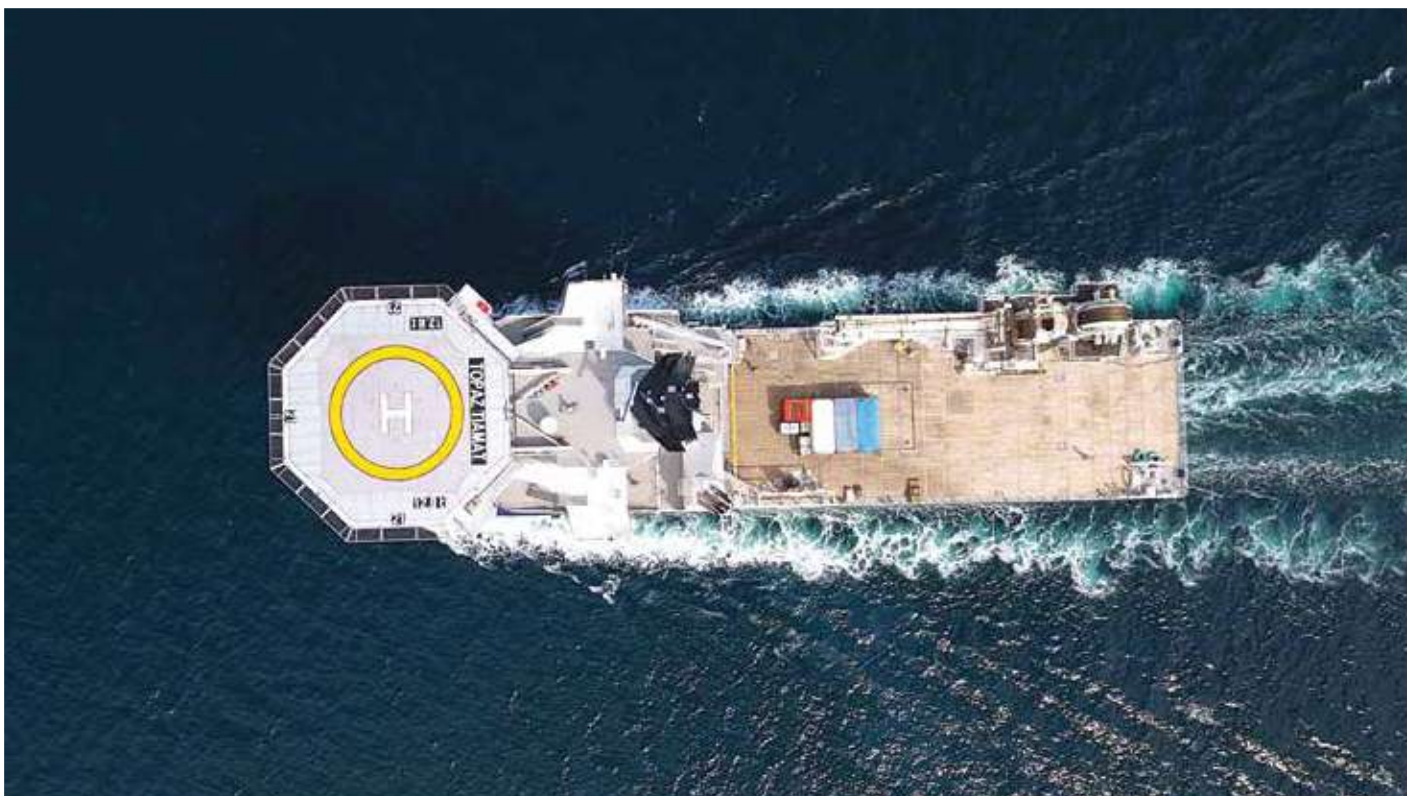
While market conditions remain a challenge, they are nonetheless improving in the right direction. Certainly, we feel a softening of the dramatic negative impact of lower oil prices on our last three years performance. We have invested for growth in our two new flagship projects that will see 2018 as a year in which the company returns to profit; and will be operating at maximum return from those projects in 2019 and 2020. We believe we shall use this positive window as a platform for significant change and sustainable growth.



Stephen R. Thomas OBE
CEO







Renaissance customers include the following





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TO THE SHAREHOLDERS OF RENAISSANCE SERVICES SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority (CMA) Circular No. E/4/2015 dated 22 July 2015 with respect to the accompanying corporate governance report of **Renaissance Services SAOG** as at and for the year ended 31 December 2017 and its application of corporate governance practices in accordance with CMA code of corporate governance issued under Circular No. 4/2015 dated 22 July 2015 and amendments to CMA Code of Corporate Governance issued under circular No. E/10/2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standards on Related Services to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA and are summarized as follows:

1. We obtained the corporate governance report issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and
2. We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors with the Code, for the year ended 31 December 2017. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of **Renaissance Services SAOG** to be included in its annual report for the year ended 31 December 2017 and does not extend to any financial statements of **Renaissance Services SAOG**, taken as a whole.

Deloitte - Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
22 February 2018



Report on Corporate Governance

Corporate governance is an internal system encompassing policies, processes and people, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Sound corporate governance is not only about structure and clarity in management and areas of responsibility, but it also encourages good transparency so that shareholders can understand and monitor the development of the company.

The Board and the Management of Renaissance Services SAOG (the "Company") are committed to adopt the best practices of corporate governance that promote ethical standards and individual integrity. The Company will continue to focus on its resources, strengths and strategies for creating, safeguarding and enhancing shareholders' value while at the same time protecting the interests of its stakeholders.

This report illustrates how the Principles of Corporate Governance and the provisions of the Code of Corporate Governance, set out in the Capital Market Authority's (CMA) Code of Corporate Governance for companies listed on the Muscat Securities Market (MSM), and the Provisions for Disclosure stipulated in the Executive Regulations of the Capital Market Law, are adhered to by the Company.

The Company believes that the Code prescribes a minimum framework for governance of a business. The Company's philosophy is to develop this minimum framework and institutionalise its principles as an ingredient of its corporate culture. This will lay the foundation for further development of a model of governance with superior governance practices, which are vital for growing a successful business. The Company recognises that transparency, disclosure, financial controls and accountability are the pillars of any good system of corporate governance.

In accordance with the provision for disclosure stipulated in the Executive Regulation of the Capital Market Law, Deloitte & Touche (M.E.) has issued a separate Factual Findings Report on the Company's Corporate Governance Report for the year ended 31st December 2017.

1. Code of Corporate Governance

The Capital Market Authority circulated a new Code of Corporate Governance (the 'Code') for public joint stock companies, which came into force and effect as of July 2016. The new code replaced the 2003 Code of Corporate Governance for Public Listed Companies ('the Old Code').

The Company is fully compliant with the provisions of the Code of Corporate Governance.

2. Company's Philosophy

The Company upholds a governance philosophy that aims at enhancing long term shareholder value while at the same time adheres to the law and observes the ethical standards of the business environment within which it operates.

According to the Company's governance paradigm the management assumes accountability to the Board, and the Board assumes accountability to the Shareholders. The Board's role is to be an active participant and a decision-maker in fostering the overall success of the Company by enhancing shareholder value, selecting and evaluating the top management team, approving and overseeing the corporate strategy and management's business plan, and acting as a resource for management in matters of planning and policy.

The Board monitors corporate performance against the strategic and business plans, and evaluates on a regular basis whether those plans pay off in terms of operating results.

In order that it can effectively discharge its governance responsibilities, the Board ensures that all Board members are non-executive.

Furthermore, the Board accesses independent legal and expert advice of professionals who also assist the management. The Board also encourages active participation and decision making on the part of shareholders in General Meeting proceedings.

The Board maintains a positive and ethical work environment that is conducive to attracting, retaining and motivating a diverse group of top quality employees at all levels. The Board, through the Nomination and Remuneration Committee, reviews and decides the parameters for assessment and compensation of key personnel.

The Board is also responsible for the overall strategic management of risks that the Company is exposed to and appoints Executive Management to lead the implementation of the risk management strategy. The Company's Risk Management Plan and Risk Management Policy were presented and approved by the Board for 2017.

The Board abides by ethical behaviour principles at all times. It ensures that the Company complies with all

laws and regulations and has developed a Code of Ethics that promotes these values among its employees. The Company also has a comprehensive number of policies to ensure compliance with the requirements of the new Code of Corporate Governance, as well as updated its policies in existence prior to the introduction of the new code. These policies include, but are not limited to, Audit and Internal Controls Committee Policy, Rules for Related Party Transactions, Disclosure Guidelines, Corporate

Social Responsibility Policy, Conflict of Interest Policy, Board Secretarial Duties, Auditor Consultancy Policy and a number of other policies.

3. Board of Directors

During 2017, the Board consisted of seven directors. Six directors on the Board are Shareholders / representatives of Shareholders and one Director is a non-shareholder Director.

3.1 The Composition and Category of Directors and Board Meeting Attendance

Sr. No	Name of Director	Position	Category	No of Board meetings held during the year	No of Board meetings attended	Whether attended last AGM
1	Samir J Fancy	Chairman	Non-Independent Non-Executive Shareholder	6	6	Yes
2	Ali bin Hassan Sulaiman	Deputy Chairman	Non-Independent Non-Executive Shareholder	6	6	Yes
3	Sayyid Tarik bin Shabib bin Taimur	Director	Non-Independent Non-Executive Shareholder	6	5	Yes
4	Sunder George	Director	Independent Non-Executive Non-Shareholder	6	6	Yes
5	Yeshwant C Desai* (On Renaissance Board until March 2017)	Director	Independent Non-Executive Non-Shareholder	6	2	Yes
6	Manish Doshi* (Elected in March 2017 in place of Mr Yeshwant Desai)	Director	Non-Independent Non-Executive, Representative of a Shareholder	6	4	No
7	Colin Rutherford	Director	Independent Non-Executive Shareholder	6	5	No
8	Saleh bin Nasser Al Habsi	Director	Non-Independent Non-Executive, Representative of a Shareholder	6	6	Yes

*Mr Yeshwant Desai retired from the Renaissance Board in March 2017, having served on the Board for many years. Mr Desai was replaced by Mr Manish Doshi, representative of Truck Oman at the AGM in March 2017.

3.2 Statement of the Names & Profiles of Directors and Top Management

The Renaissance Board brings together a core competency of directors with vision, strategic insight, and industry knowledge, who provide direction to the executive management.

Samir J Fancy – Chairman

Mr. Samir J Fancy is the Chairman of the Board of Directors since 1996. He has held senior positions and undertaken leading roles such as:

- Founder and Vice Chairman of Tawoos Group since 1983, and Chairman of Tawoos Group since 2005
- Chairman of Topaz Energy & Marine SAOG since foundation and up to its acquisition by the Company in May 2005
- Chairman of Amani Financial Services SAOC since 1997
- Chairman of Topaz Energy & Marine Ltd
- Director of Renaissance Duqm Holding SAOC
- Director of Renaissance Duqm Accommodation Company SAOC
- Director of Samena Capital

He has acted as a Director of National Bank of Oman, Muscat Finance Company and Vision Insurance in the past.

Ali bin Hassan Sulaiman – Deputy Chairman

Mr. Ali bin Hassan Sulaiman is a member of the Board of Directors of the Company since 1996 and is Deputy Chairman since March 2010. He is a founder of Ali and Abdul Karim Group and director in the following companies:

- Topaz Energy & Marine SAOG for several years up to its acquisition by the Company in May 2005
- Majan Glass Co SAOG
- Topaz Energy & Marine Ltd
- Renaissance Duqm Holding SAOC
- Renaissance Duqm Accommodation Company SAOC

HH Sayyid Tarik bin Shabib bin Taimur – Director

HH Sayyid Tarik bin Shabib bin Taimur is a member of the Board of Directors of the Company since 1996. Other positions held by him include the following:

- Founder and Director of Tawoos Group
- Chairman of Renaissance Duqm Holding SAOC
- Chairman of Renaissance Duqm Accommodation Company SAOC
- Chairman of National Hospitality Institute SAOG (now SAOC) since 1995
- Director of Amani Financial Services SAOC

Sunder George – Director

Mr. Sunder George is a member of the Board of Directors of the Company since 2001. He has extensive experience in Banking & Finance and has held several senior executive positions in Oman & abroad until he retired from Bank Muscat on 31 December 2012 as its Deputy Chief Executive. He was Chief Adviser to the bank for a year until the end of 2013. Sunder George also sits on the Board of Bank Muscat.

Colin Rutherford – Director

Mr. Colin Rutherford has been a member of the Board since 2005 and was formerly Chairman of BUE Marine Holdings Limited prior to its acquisition by Renaissance Group SAOG. He has diverse experience of public and private companies having served on many International Boards. He is a Chartered Accountant and former Corporate Financier, and currently enjoys the following positions within his portfolio:

- Chairman of Brookgate Limited
- Non-Executive Director and Audit Committee Chairman of Evofem Biosciences INC

- Non-Executive Director and Audit Committee Chairman of Mitchells & Butlers PLC
- Colin holds further positions in Education, Financials, Healthcare, Retail and Specialist Building Products amongst others

Saleh bin Nasser Al Habsi – Director

Mr. Saleh Al Habsi has been a member of the Board of Directors since 2013.

He holds an MBA and M.Sc in Finance from the University of Maryland (USA) and BSBA and BA from Boston University (USA). He also attended senior executive program at London Business School and High Performance Boards Program at IMD, Switzerland. Mr. Al Habsi is also member of the Board of GrowthGate Capital, a regional private equity company and also a former member of the Board of Al Suwadi Power Company SAOG. Saleh was the General Manager of Pension Fund of the Ministry of Defence until December 2017.

Previously, he served as Chairman of Muscat Fund, Deputy Chairman of Gulf Custody Company Oman SAOC. He was a board member of Bank Dhofar SAOG, Board member of National Bank of Oman and Al Omaniya Financial Services SAOG.

Manish Doshi – Director

Mr. Manish Doshi joined the Board of Directors of Renaissance Services SAOG in March 2017.

He is a Fellow of the Institute of Chartered Accountants of India with over two decades of experience in Strategy planning, Financial Management and Contracts management.

He joined Truckoman Group in 2001, and is currently serving as CFO.

He is also a member of various Management level committees of the Parent and Subsidiary companies of Truckoman group.

Stephen R Thomas OBE – Chief Executive Officer

Mr. Stephen R Thomas joined Tawoos Group as General Manager of Tawoos Industrial Services Co LLC in 1988. He took over as Chief Executive Officer of Renaissance Services SAOG in 1998. In the 2010 United Kingdom New Year's Honours List, Mr. Thomas was appointed OBE for services to business abroad and services to the community in Oman. He is a Director of Topaz Energy & Marine Ltd

and has also held other senior positions, including:

- Director of Renaissance Hospitality Services SAOG since foundation and until its merger with Renaissance Services SAOG in April 2002
- A Founder and former Chairman of Oman Society for Petroleum Services ("OPAL").
- Director of National Hospitality Institute SAOG

3.3 Membership of Other Boards/ Board Committees (SAOG Companies in Oman)

Sr. No	Name of Director	Directorship In other SAOG companies	Membership in Board Committees of other Companies
1	Samir J Fancy	-	-
2	Ali bin Hassan Sulaiman	1	-
3	HH Sayyid Tarik bin Shabib bin Taimur	-	-
4	Sunder George	1	-
5	Manish Doshi	-	-
6	Colin Rutherford	-	-
7	Saleh bin Nasser Al Habsi	1	-

3.4 Number & Dates of Meetings of the Board of Directors

The Board held six meetings during 2017 on the following dates:-

18 January 2017, 23 February 2017, 30 March 2017, 10 May 2017, 10 August 2017 and 13 November 2017.

4. Audit and Internal Controls Committee & Other Subcommittees (AICC)

The Audit and Internal Controls Committee is a sub-committee of the Board comprising of three Directors, two of whom are independent and one non-independent. All AICC members are non-executive directors.

4.1 Brief Description & Terms of Reference

The functions of the Audit and Internal Controls Committee are as follows:

- Recommends to the Board the appointment and removal of the Statutory Auditors and determine their independence, fee and terms of engagement for approval by the Shareholders.

- Review the audit plan and results of the audit in conjunction with the Statutory Auditors and provide its comments and consider whether Statutory Auditors have full access to all relevant documents
- Following up on the work of the Statutory Auditors and approving any non-audit services which they are assigned during the audit process.
- Overseeing the preparation of the financial statements including:
 - Reviewing the annual and quarterly financial statements prior to publication
 - Reviewing the reservations and qualifications of the external auditors in the draft financial statements
 - Discussing the accounting principles in general focusing on any changes in accounting policies and principles that had taken place and their impact on the financial position of the Company
 - Ensuring compliance with disclosure requirements prescribed by the CMA
- Consideration and follow up of the comments of the Statutory Auditor on the annual and quarterly financial statements and providing opinion and recommendation to the Board.
- Consideration and review of the Internal Audit function in general and submitting an annual report outlining its opinions and recommendations with particular reference to reviewing the scope of internal audit plan for the year, reports of internal auditors pertaining to critical areas, efficacy of internal auditing and whether the internal auditors have full access to relevant documents.
- Oversee the adequacy and sufficiency of internal control systems either through consideration of the internal and external Audit Reports or by appointing an independent consultant and any following up remedial action.
- Review any non-compliance with disclosure requirements prescribed by CMA.
- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure accuracy, sufficiency and credibility of the financial statements.
- Consideration of the adopted accounting policies and principles and providing opinion and recommendation to the Board.
- Serve as a channel of communication between Statutory & Internal Auditors and the Board.
- Developing a risk management plan and following up on its implementation. The plan should include the key risks which the company is exposed to, their probability, mechanisms for detecting, measuring and monitoring these risks and any mitigation mechanisms.

- Developing and reviewing risk management policies taking into account the business, any changes in market conditions and the company's investment and expansion tendencies and approach.
- Guiding the Board and Executive Management on risk management matters.
- Reporting periodically, or as directed by the Board, on the risk status and management.
- Review proposed related party transactions and providing appropriate recommendations to the Board.
- Validating and verifying the overall efficiency of executive management in implementing operational directives and guidelines set up by the Board.

- Creating policies for safeguarding the company's human, material and intellectual resources and assets.
- Seek the assistance of any other entity on a consultancy basis to assist it to perform its duties.

4.2 Composition of Audit and Internal Controls Committee and Meetings Attendance

During 2017, the Committee held four meetings on 22 February 2017, 09 May 2017, 09 August 2017 and 12 November 2017 respectively. The following table shows the composition of the Audit and Internal Controls Committee (AICC) and meeting attendance:-

Sr. No	Name	Position	Meetings held during the year	Meetings attended during the year
1	Yeshwant C Desai (Retired as AICC Chairman in March 2017)	Chairman (until March 2017)	4	1
2	Sunder George	Member – (until March 2017) Chairman – (post March 2017)	4	4
3	Ali bin Hassan Sulaiman	Member	4	4
4	Colin Rutherford (Replacement of Yeshwant Desai from March 2017)	Member	4	3

During its meetings in 2017, the Audit and Internal Controls Committee discussed and approved the annual internal audit plan, and recommended the appointment of the Statutory Auditors for the year 2018. It also reviewed and recommended the audited and quarterly accounts and looked into certain specific areas of the Company's operations and reported on these to the Board.

4.3 The Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee updates the parameters for assessment of compensation of key personnel, undertakes their performance assessment and reports to the Board on the Company's compensation and personnel policies. The duties of the NRC also include assisting the Board with finding suitable directors to sit on the Board, succession planning for Board members and senior executive management, drawing up job descriptions for board members and formulating a policy for remuneration of senior executives.

The committee, which consists of the following directors held two meetings on 03 May 2017 and 10 October 2017:

Sr. No	Name	Position	Meetings held during the year	Meetings attended during the year
1	Ali bin Hassan Sulaiman	Chairman	2	2
2	Samir J Fancy	Member	2	2
3	HH Sayyid Tarik bin Shabib bin Taimur	Member	2	2

5. Process of Nomination of the Directors

In nominating and screening candidates to fill a casual vacancy, the Board, assisted by the Nomination and Remuneration Committee, seeks candidates with the skills and capacity to provide strategic insight and direction, encourage innovation, conceptualize key trends and evaluate strategic decisions. The Board focuses on professionalism, integrity, accountability, performance standards, leadership skills, professional business judgment, financial literacy and industry knowledge as core competencies of the candidates. While nominating competent candidates, the Board ensures that the shareholders retain the power of

electing any candidate, irrespective of his candidature being recommended by the Board or otherwise, and that any shareholder has the full right of nominating himself.

6. Remuneration Matters

As per the approval accorded by the AGM held on 30 March 2017, the Chairman is paid Rials 1,000/- for attending Board meetings, and other directors are paid Rials 500/- as sitting fees per meeting. Sitting fees of Rials 750/- are paid to Committee Chairman and sitting fees of Rials 650/- are paid to Committee Members. The remuneration, sitting fees and travelling expenses relating to the attending of the meetings paid to the Chairman and Directors for 2017 are as follows:-

Sr. No.	Name of Director	Position	Sitting Fees Paid for Board & Sub-committee Meetings for 2017 (Rials)	Travel Expenses (Rials)
1	Samir J Fancy	Chairman	7,300	1,119
2	Ali bin Hassan Sulaiman	Deputy Chairman	7,100	347
3	HH Sayyid Tarik bin Shabib bin Taimur	Director	3,800	347
4	Sunder George	Director	5,900	347
5	Yeshwant C Desai	Director	1,750	2,903
6	Colin Rutherford	Director	4,450	10,652
7	Saleh bin Nasser Al Habsi	Director	3,000	347
8	Manish Doshi	Director	2000	0
Total			35,300	16,062

For the financial year 2017, it is proposed to pay remuneration of Rials 14,700 for the Directors.

Total remuneration paid to the top five senior executives of the Company (including its subsidiaries) during the year was Rials 1,245,550. This includes salary and benefits paid in cash, monetary value of all benefits calculated as per Company rules and a variable amount based on performance as recommended by the Nomination and Remuneration Committee of the Board.

The majority of the top 5 officers of the Company have been with the Company for a lengthy period of time. The employment contracts are usually entered into for an initial period of 2 years which are automatically renewed unless terminated in accordance with the terms mentioned therein. The notice period for termination

of employment contracts for all the key personnel is a minimum of 2 months and the gratuity is computed and paid in accordance with the applicable Labour Laws.

The Company has a Senior Management Incentive Plan (SMIP). Under the Plan, the Company has created an overseas based trust structure under the name of Renaissance Services SMIP Limited, and uses trustees from an independent professional firm to oversee and administer the employees' long-term benefit scheme independently from the Company. The scheme is a rolling programme that allows a part of the Company's senior management bonus payments every year to be paid into the independent trust and the underlying structure. The proceeds are invested by the trustees in the shares of the Company through the MSM. The shares are directly released to the employees by the trustees proportionately over a period of 3 years. The structure and the operation mechanism ensure independency and transparency so that the employees are fully aware of the management and liquidity of their long-term employment benefits.

7. Board and Sub-Committee Performance Evaluation by EY – Summary of Findings

The Board of Directors of Renaissance Services SAOG recognises that the effectiveness of the Board is vital to the success of the Company.

In accordance with the approval accorded by shareholders in the AGM dated 30 March 2017, the Company has undertaken its first full external evaluation for the year ended 31 December 2017 in order to assess how well the Board and its subcommittees are performing. This evaluation was carried out by independent consultants EY who have worked closely with the Board and Executive Management on the evaluation process.

This process involved circulation of questionnaires to all Board and Sub-committee members for completion, interviews with the Board and Executive Management, and a detailed analysis of the data received from Board members. A number of key areas were covered as part of the evaluation; Group strategy, succession planning, Board size, the relationship between the Board and its subcommittees and other related areas.

The draft report was considered and discussed with the Chairman and subsequently discussed collectively by the Board as a whole.

In summary, the report highlighted the effectiveness and efficiency of the Renaissance Services Board and its subcommittees and areas for improvements. The overall performance and approach of Board and its subcommittees was found to be good and progressive.

8. Details of Non-compliance by the Company

There were no penalties or strictures imposed on the Company by the MSM/CMA or any statutory authority for the last three years. There are no areas in which the Company is not compliant with the Code of Corporate Governance.

9. Means of Communication

- 9.1 The Company sends its financial results and all material information to MSM website via the MSM Electronic Transmission System. The Company also publishes its annual audited & quarterly unaudited financial results and material information in both the English and Arabic newspapers. The annual audited accounts and Chairman's Report are despatched to all shareholders by mail, as required by law.
- 9.2 The financial results and information on the Company are posted at: www.renaissanceoman.com as well as on the Muscat Securities Market website: www.msm.gov.om.
- 9.3 Meetings are held with analysts and members of the financial press in line with internal guidelines of disclosure.
- 9.4 The CEO's Report, provided in the Annual Report,

includes the Management Discussion and Analysis of the year's performance.

10. Stock Market Data

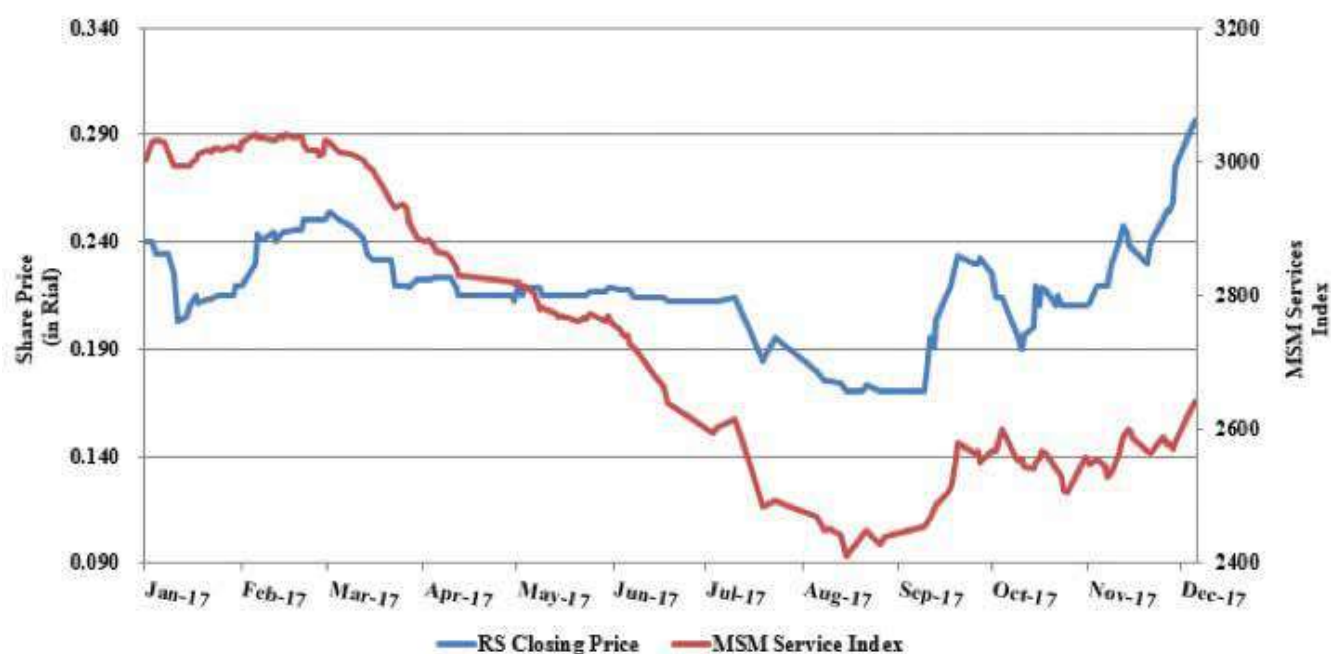
10.1 High/ Low share prices during each month of 2017:

Month	High/Low share price movement	
	High (Rial)	Low (Rial)
January 2017	0.240	0.199
February 2017	0.250	0.220
March 2017	0.255	0.216
April 2017	0.225	0.210
May 2017	0.220	0.208
June 2017	0.222	0.200
July 2017	0.215	0.180
August 2017	0.185	0.160
September 2017	0.236	0.170
October 2017	0.225	0.190
November 2017	0.280	0.210
December 2017	0.300	0.262

(Source: www.msm.gov.om - Muscat Securities Market)

10.2 Renaissance Share Price movement in comparison to the MSM Index and MSM Services Index





10.3 Distribution of Shareholding as on 31 December 2017

Source of Statistics: Muscat Clearing & Depository (SAOC)

Sr. No.	Category	Number of Shareholders	No. of shares	% Shareholding
1	Less than 100,000 shares	3,847	13,866,789	3.78%
2	100,000 – 200,000 shares	31	4,404,887	1.20%
3	200,001 – 500,000 shares	30	9,437,966	2.56%
4	500,001 – 2,908,865 shares	39	56,156,710	15.29%
5	1% - 1.99% of share capital	7	37,781,026	10.29%
6	2% - 9.99% of share capital	9	149,632,609	40.74%
7	10% of share capital & above	2	95,992,763	26.14%
	Total	3,965	367,272,750	100%

10.4 The Company had issued 423,141,678 mandatory convertible bonds (MCBs) at Rial 0.102 each on 25th July 2012 and listed the MCBs on the Muscat Security Market (MSM) on 6th August 2012. In accordance with the issue prospectus, the MCBs carry a coupon rate of 3.75% per annum to be converted at face value (Rial 0.100) through conversion into shares of the Company at the conversion price in three equal annual tranches starting in the third year until the fifth year of the issue date.

However, in order to safeguard the interests of all stakeholders including MCB holders, the Company offered a repurchase option to MCB holders wishing to tender their MCBs to the Company prior to the first conversion date. The Company repurchased the first tranche of MCBs in July 2015, the second tranche in September 2015 and third tranche in July 2016 from MCB holders who offered to tender their MCBs. The remaining 80,824,189 MCBs were converted to 68,495,075 shares of the Company at a conversion price of Rial 0.118. The issue price of 68,495,075 equity shares at the time of conversion was Rial 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 date of conversion. Total number of shares including treasury shares (post conversion of MCBs) is 367,272,750 and the number of treasury shares is 35,466,175.

11. Professional Profile of the Statutory Auditors

Deloitte provides audit, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high- quality service to address clients' most complex business challenges.

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11.1 Audit Fees paid to the Auditors

During the year 2017, aggregate professional fees in the amount of Rials 304,619 were paid by the Company to Deloitte in respect of services provided (of which Rials 221,344 relates to audit and Rials 83,275 relates to other services).

12. Confirmation by the Board of Directors

Renaissance is committed to conducting business legally and professionally under the highest standards of business ethics and moral code. This same high standard is expected and required of all Renaissance subsidiary companies and people working at every level throughout the group.

The Board of Directors confirms its accountability for the preparation of the financial statements in accordance with the applicable standards and rules.

The Board of Directors confirms that it has reviewed the efficiency and adequacy of the internal control systems of the Company. The Board is pleased to inform shareholders that adequate and efficient internal controls are in place, and that they are in full compliance with the internal rules and regulations.

The Board of Directors also confirms that there are no material matters that affect the continuation of the Company, and its ability to continue its operations during the next financial year.



Chairman



Director



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Independent auditor's report to the shareholders of Renaissance Services SAOG and its Subsidiaries

1

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** (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other 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 set out in pages 7 to 82 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 2017, 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in 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.



**Independent auditor's report
to the shareholders of
Renaissance Services SAOG and its Subsidiaries (continued)**

2

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><i>Carrying value of marine vessels</i></p> <p>The Group's marine vessels are significant revenue generating assets, with a carrying value of RO 376 million at 31 December 2017 (2016: RO 405 million) which represents 48% (2016: 54%) of the Group's total assets at that date. Their recoverable amount is based on an assessment of the higher of fair value less cost to sell and value in use. Estimates of fair value less costs to sell take into consideration vessel valuations from an independent ship broker, whilst value in use is calculated as the net present value of estimated future cash flows, in each case on a vessel by vessel basis. In the current year, there is a risk that the recoverable amounts could be adversely impacted by the prolonged lower prevailing oil and gas prices, due to the resultant impact on the Group's customer base in the oil and gas industry.</p> <p>Management has assessed the recoverable amount based on the estimated value in use of each vessel, and, when compared to the carrying value of vessels, have concluded that an impairment of RO 25.077 million is required for the year ended 31 December 2017. The key assumptions utilised in these calculations include, on a vessel by vessel basis:</p> <ul style="list-style-type: none"> - Cash flows (daily chartering rate and OPEX rate); - Utilisation rate (revenue generating days); - Discount rate/weighted average cost of capital; and - Inflation / growth rate. <p>As referenced in note 5 to the consolidated financial statements, impairment of the Group's vessels is considered a critical accounting judgment and a key source of estimation uncertainty by Group management.</p> <p>Further detail of the Group's vessels is provided in note 8 to the consolidated financial statements.</p>	<p>We challenged the assumptions made by management on a vessel by vessel basis by reference to publicly available information, our knowledge of the Group and industry, the Group's historical operational data and the Group's most recent business plan. This included :</p> <ul style="list-style-type: none"> - Understanding the process by which management has derived its value in use estimates; - Comparing forecast utilisation and day rates to those achieved in prior periods; - Comparing forecast day rates to signed contracts for contracted periods, and challenging the basis adopted for day rates elsewhere in the calculations; - Using our internal valuation specialists to perform an independent recalculation of the discount rate; - Performing sensitivity analysis, using more conservative assumptions for future day rates, utilization rates and OPEX rates, to take into consideration the current market conditions described above; - Evaluating the design and implementation of managements controls to address the risk of impairment of the Group's vessels; and - Testing the clerical accuracy of the calculations.

Deloitte.

Independent auditor's report to the shareholders of Renaissance Services SAOG and its Subsidiaries (continued)

3

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><i>Carrying value of goodwill</i></p> <p>The Group's assessment of potential impairment of goodwill is a judgmental process which requires estimation of the forecast future cash flows associated with the cash generating unit relating to the goodwill, the determination of appropriate discount rates and of the growth rate of revenue and costs to be applied in determining the value in use.</p> <p>Refer to note 3 (Accounting policies), note 5 (Critical accounting estimates and judgements) and note 9.</p>	<p>We have tested the design and implementation of the Group's controls relating to Management's impairment review of goodwill.</p> <p>We have reviewed the valuation model used and tested its accuracy to ensure that the appropriate input data and outputs are properly mapped to the processes applied</p> <p>We challenged each of the key assumptions employed in the annual goodwill impairment test. This included a review by our internal valuation specialists of the weighted average cost of capital ('WACC') employed as the discount rate employed, including its methodology and constituent inputs, comparison to independent market forecasts of revenue and cost growth in the relevant sectors and an assessment of the Group's historic forecasting accuracy.</p> <p>We have reviewed Management's sensitivity analysis in relation to the key inputs to the goodwill impairment test model, as well as performing our own sensitivity analysis of the factors and assumptions used.</p>



**Independent auditor's report
to the shareholders of
Renaissance Services SAOG and its Subsidiaries (continued)**

4

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><i>Revenue recognition – marine services</i></p> <p>Each of the Group's vessels earns revenues on the basis of a specific contract with the relevant counterparty. Each contract will typically specify a day rate, which can vary significantly by vessel and by counterparty, as well as reduced rates for when the vessel is not operating at full capacity or is laid up and not in use. Certain contracts also include amounts payable to the Group in respect of mobilising the vessel at the inception of the contract and / or demobilising the vessel at the end of the contract term. As disclosed in the accounting policies in note 3 to the consolidated financial statements, income generated from the mobilization or demobilization of the vessel to or from the location of charter under the vessel charter agreement is recognized over the period of the related charter contract. The costs of related equipment modifications or upgrades to vessels that are permanent in nature are capitalised and depreciated in accordance with the Group's fixed asset capitalisation and depreciation policy.</p> <p>Accordingly, in order for revenue to be recorded appropriately, for each vessel the company needs to:</p> <ul style="list-style-type: none"> – Accurately record the number of days both on hire and on standby; – Apply the correct contractual rates to the number of days in each of these categories; and – Ensure mobilisation and demobilisation revenue has been appropriately recorded in accordance with the terms of the contract and the accounting policies above. <p>Due to the significant variability in contract terms by vessel and by counterparty, we have identified the complete and accurate recording of marine services revenue as a key audit risk.</p> <p>Further details of revenue arising during the year is provided in note 31 to the consolidated financial statements.</p>	<p>We have obtained a detailed schedule analysing the revenue earned by month and by vessel, which specifies both the number of days on hire/on standby and the relevant contractual rate, and agreed this to the general ledger. We have:</p> <ul style="list-style-type: none"> – Agreed the days on hire / standby based on a report from the Group's operations department, on a sample basis, to invoices (which state the number of days to which it relates) and to subsequent payment or to debtor confirmation replies. Where balances remain unpaid we have understood the rationale for non-payment through discussions with operational management, review of board minutes and correspondence with customers; – Performed an analysis on the number of days on hire / standby, obtaining supporting explanation for any gaps and reconciling this to our knowledge of each vessel's operational performance during the year; – Agreed the day rate to the underlying contract; – Recalculated the revenue figure and agreed this to both invoice and either subsequent cash received or the year end debtors schedule; and – For mobilisation and demobilisation revenue, determined whether revenue has been recorded in accordance with the terms of the contract and the Group's accounting policy in this area. <p>We have also evaluated the design and implementation, and operating effectiveness of management controls to address the risk of inappropriate revenue recognition.</p>

Deloitte.

Independent auditor's report to the shareholders of Renaissance Services SAOG and its Subsidiaries (continued)

5

Other information

The Board of Directors ("the Board") is responsible for the other information. The other information comprises the Chairman's Report, Chief Executive's Report and Report on Corporate Governance. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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 Board of Directors for the consolidated financial statements

The Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements issued by the Capital Market Authority, and for such internal control as the Board 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, the Board is 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 the Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 ISA's, we exercise professional judgement and maintain professional scepticism 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.



**Independent auditor's report
to the shareholders of
Renaissance Services SAOG and its Subsidiaries (continued)**

6

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

- 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 the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and based on the audit evidenced 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 disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board 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 the Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board, 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 and regulations preclude 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

Further, we report that the consolidated financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements issued by the Capital Market Authority.

Deloitte & Touche
Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
22 February 2018

Anis Sadek
Signed by
Anis Sadek
Partner



RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

for the year ended 31 December 2017

	Notes	2017 RO'000	2016 RO'000
Continuing operations			
Revenue	31	194,624	206,468
Operating costs	6	(151,030)	(150,289)
Gross profit		43,594	56,179
Administrative expenses	6	(18,728)	(20,109)
Profit before finance cost and impairment losses		24,866	36,070
Finance costs – net	6	(28,467)	(28,075)
Refinancing costs of Senior Notes	17	(7,333)	-
Impairment of vessels	8	(25,077)	(38,308)
Impairment of goodwill	9	(3,931)	-
Fair value change in derivative liability	30	(563)	(1,023)
Loss before tax		(40,505)	(31,336)
Taxation	7	(6,250)	(6,661)
Loss for the year from continuing operations		(46,755)	(37,997)
Discontinued operations			
Loss for the year from discontinued operations	15	(81)	(1,217)
Loss for the year		(46,836)	(39,214)
Other comprehensive income / (loss)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign currency translation differences		134	75
<i>Items that may not be subsequently reclassified to profit or loss</i>			
Re-measurement of post-employment benefit obligations (net of tax)		(189)	(258)
		(55)	(183)
Total comprehensive loss for the year		(46,891)	(39,397)
Total comprehensive loss from			
Continuing operations		(46,810)	(38,180)
Discontinued operations		(81)	(1,217)
		(46,891)	(39,397)
(Loss) / profit for the year attributable to			
Owners of the parent		(44,485)	(42,073)
Non-controlling interests		(2,351)	2,859
		(46,836)	(39,214)
Total comprehensive loss for the year attributable to			
Owners of the parent		(44,540)	(42,256)
Non-controlling interests		(2,351)	2,859
		(46,891)	(39,397)
Total comprehensive loss for the year		(46,891)	(39,397)
Earnings / (loss) per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in Rial Omani)			
Basic and diluted loss per share			
From continuing operations	26	(0.1622)	(0.165)
From discontinued operations		(0.0003)	(0.004)
From loss for the year		(0.1625)	(0.169)

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


The accompanying notes form an integral part of these consolidated financial statements.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Notes	2017 RO'000	2016 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	612,020	602,440
Intangible assets	9	30,868	35,185
Other long-term receivables	13	946	2,310
Available-for-sale investments	11	322	322
Deferred tax asset	7	3,722	2,773
Total non-current assets		647,878	643,030
Current assets			
Financial assets at fair value through profit or loss	33	151	14
Inventories	12	7,150	4,869
Trade and other receivables	13	71,486	75,108
Cash and bank balances	14	50,880	33,380
		129,667	113,371
Assets of disposal group classified as held-for-sale	15	4,953	-
Total current assets		134,620	113,371
Total assets		782,498	756,401
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	36,727	29,878
Share premium	16	26,936	22,302
Treasury shares	16	(6,853)	(5,163)
Legal reserve	16	12,446	10,163
Subordinated loan reserve	16	2,500	1,429
Accumulated (losses) / earnings		(21,802)	27,371
Exchange reserve		(875)	(1,009)
Equity attributable to owners of the parent		49,079	84,971
Perpetual notes	19	46,799	46,799
Non-controlling interests		86,964	90,721
Total equity		182,842	222,491
Non-current liabilities			
Borrowings	17	366,564	355,548
Non-current payables	20	14,201	21,342
Advance from a customer	21	79,735	43,097
Staff terminal benefits	22	5,198	4,779
Total non-current liabilities		465,698	424,766
Current liabilities			
Trade and other payables	23	88,025	73,107
Advance from a customer	21	19,139	-
Short term borrowings and bank overdrafts	24	13,506	5,064
Current portion of long term borrowings	17	13,288	18,979
Equity settled mandatory convertible bonds - current portion	18	-	11,994
Total current liabilities		133,958	109,144
Total liabilities		599,656	533,910
Total equity and liabilities		782,498	756,401
Net assets per share (RO)	25	0.148	0.312



Chairman



Director

The Parent Company statement of financial position is presented as a separate schedule attached to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Attributable to shareholders' of the Parent Company									
	Share capital RO'000	Share premium RO'000	Treasury shares RO'000	Legal reserve RO'000	Subordinated loan reserve RO'000	Accumulated (losses) / earnings RO'000	Exchange reserve RO'000	Total RO'000	Perpetual notes RO'000	Non-controlling interests RO'000
At 1 January 2017	29,878	22,302	(5,163)	10,163	1,429	27,371	(1,009)	84,971	46,799	90,721
Loss for the year	-	-	-	-	-	(44,485)	-	(44,485)	-	(2,351)
Other comprehensive loss for the year	-	-	-	-	-	(189)	134	(55)	-	-
Total comprehensive loss for the year	-	-	-	-	-	(44,674)	134	(44,540)	-	(2,351)
Transfer to legal reserve – net	-	(2,283)	-	2,283	-	-	-	-	-	-
Transfer from subordinated loan reserve	-	-	-	-	1,071	(1,071)	-	-	-	-
Movement related to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,406)
Conversion of mandatory convertible bonds	6,849	6,917	(1,690)	-	-	389	-	12,465	-	-
Perpetual notes coupon paid	-	-	-	-	-	(3,817)	-	(3,817)	-	-
At 31 December 2017	36,727	26,936	(6,853)	12,446	2,500	(21,802)	(875)	49,079	46,799	86,964
										182,842

Notes

The Parent Company statement of changes in equity is presented as a separate schedule attached to the consolidated financial statements. The accompanying notes form an integral part of these consolidated financial statements.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017 (continued)

	Attributable to shareholders' of the Parent Company								Non-		
	Share capital RO'000	Share premium RO'000	Treasury shares RO'000	Legal reserve RO'000	Subordinated loan reserve RO'000	Retained earnings RO'000	Exchange reserve RO'000	Total RO'000	Perpetual notes RO'000	controlling interests RO'000	Total RO'000
Notes	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2016	29,065	21,045	(3,445)	9,817	20,000	55,402	(1,084)	130,800	46,799	79,546	257,145
Loss for the year	-	-	-	-	-	(42,073)	-	(42,073)	-	2,859	(39,214)
Other comprehensive loss for the year	-	-	-	-	-	(258)	75	(183)	-	-	(183)
Total comprehensive loss for the year	-	-	-	-	-	(42,331)	75	(42,256)	-	2,859	(39,397)
Transfer to legal reserve - net	16	-	(271)	-	338	-	(67)	-	-	-	-
Transfer from subordinated loan reserve	16	-	-	-	-	(18,571)	18,571	-	-	-	-
Transactions with non-controlling interests	30	-	-	-	8	-	(387)	-	(379)	-	5,669
Movement related to non-controlling interests	30	-	-	-	-	-	-	-	-	2,268	2,268
Conversion of mandatory convertible bonds	18	813	1,528	(1,718)	-	-	-	623	-	-	623
Perpetual notes coupon paid	-	-	-	-	-	(3,817)	-	(3,817)	-	-	(3,817)
At 31 December 2016	29,878	22,302	(5,163)	10,163	1,429	27,371	(1,009)	84,971	46,799	90,721	222,491

The Parent Company statement of changes in equity is presented as a separate schedule attached to the consolidated financial statements.
The accompanying notes form an integral part of these consolidated financial statements.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	2017	2016
	RO'000	RO'000
Operating activities		
Cash receipts from customers	251,281	239,380
Cash paid to suppliers and employees	(115,010)	(133,395)
Cash generated from operations	136,271	105,985
Income tax paid	(6,068)	(7,531)
Net cash generated from operating activities	130,203	98,454
Investing activities		
Acquisition of property, plant and equipment	(84,941)	(84,767)
Acquisition of subsidiaries	-	(2,092)
Investment made in short term financial assets	(138)	-
Purchase of intangibles	(221)	(677)
Movement in deposits placed with banks and financial institutions	2,000	(5,000)
Net cash used in investing activities	(83,300)	(92,536)
Financing activities		
Perpetual Notes coupon paid	(3,817)	(3,817)
Repurchase of MCBs	-	(8,973)
Borrowings received	174,200	52,700
Borrowings repaid	(163,394)	(34,192)
Net finance costs	(26,891)	(26,473)
Refinancing costs of Senior Notes	(5,885)	-
Net movement in related party balances	(146)	(300)
Funds (paid to) / received from non-controlling interests	(1,406)	2,171
Net cash used in financing activities	(27,339)	(18,884)
Net change in cash and cash equivalents	19,564	(12,966)
Cash and cash equivalents at the beginning of the year	28,316	41,282
Cash and cash equivalents at the end of the year	47,880	28,316
Cash and cash equivalents comprise the following:		
Cash and bank	47,880	28,380
Bank overdrafts	-	(64)
	47,880	28,316

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

The accompanying notes form an integral part of these consolidated financial statements.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Legal status and principal activities

Renaissance Services SAOG ("the Parent Company") is incorporated in the Sultanate of Oman as a public joint stock company. The business activities of Renaissance Services SAOG and its subsidiary companies (together referred to as "the Group") include investing in companies and properties, providing offshore supply vessels and other marine vessels on charter primarily to the oil and gas industry, providing turnkey and other contract services including accommodation solutions, facilities management, facilities establishment, contract catering, operations and maintenance services, training services and general trading and related activities.

2 Adoption of new and revised international financial reporting standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. 	1 January 2018
Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
<p>IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)</p> <p>IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.</p> <p>A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. 	1 January 2018

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
<p>IFRS 15 Revenue from Contracts with Customers</p> <p>In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.</p> <p>The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. <p>Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.</p>	1 January 2018
<p>Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.</p>	1 January 2018
<p>IFRS 16 Leases</p> <p>IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p>	1 January 2019
<p>Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.</p>	Effective date deferred indefinitely

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2018 and may have an impact pertaining to impairment calculation of its financial assets. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its receivables as required or permitted by IFRS 9. In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items. Based on the high-level impairment analysis, the Group expects no significant impact on its statement of financial position and profit or loss at the reporting date. Management anticipates that there will be no significant impact on the classification and measurement of financial instruments held as at the reporting date.

IFRS 15 will be adopted in the Group's financial statements for the annual period beginning 1 January 2018. The application of IFRS 15 will have an impact on the Group's consolidated financial statements in respect of revenue from contracts with customers. Based on preliminary analysis of the Group's revenues from contracts with customers as at 31 December, management intends to use the modified transition approach of transition to IFRS 15. Other than providing more extensive disclosures on the Group's revenue transactions, directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and / or financial performance of the Group for the majority of its existing revenue streams. The Group is in the process of assessing the impact of the new standards on new contracts entered into.

IFRS 16 will be adopted in the Group's financial statements for the annual period beginning 1 January 2019. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments. For arrangements which meet the definition of a lease under IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the assessment is completed.

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 1974 and the disclosure requirements of the Capital Market Authority (CMA) of Sultanate of Oman. The standalone 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 22 February 2018 was rendered by the auditors.

These financial statements have been prepared in Rial 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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies

Statement of compliance and basis of preparation (continued)

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;
- Available-for-sale investments; and
- Derivative financial instruments.

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.

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.

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

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. Investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss and other comprehensive income of the associates are recognised in the Group's profit or loss and other comprehensive income respectively, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising on investments in associates are recognised in the profit or loss.

Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Accounting for business combinations (continued)

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 IAS 39 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.

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 stated at cost less accumulated depreciation and impairment losses, if any. Cost of marine vessels includes purchase price paid to third parties, including registration and legal documentation costs, all directly attributable costs incurred to bring the vessel into working condition at the area of planned use, mobilisation costs to the operating location, sea trial costs, significant rebuild expenditure incurred during the life of the asset and financing costs incurred during the construction period of vessels. In certain operating locations where the time taken for mobilisation is significant and the customer pays a mobilisation fee, certain mobilisation costs are charged to the profit or loss. Costs for other items of property, plant and equipment include expenditure that is directly attributable to the acquisition of the asset. 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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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
Marine vessels and boats	15 - 30
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.

Vessels that are no longer being chartered and are held-for-sale are transferred to inventories at their carrying value.

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.

Dry docking costs

The expenditure incurred on vessel dry docking, a component of property, plant and equipment, is amortised over the period from the date of dry docking, to the date on which the management estimates that the next dry docking is due which is generally between two to three years.

Vessel refurbishment costs on owned assets

Costs incurred to refurbish owned assets are capitalised within property, plant and equipment and then depreciated over the shorter of the estimated economic life of the related refurbishment or the remaining life of the vessel.

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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Intangible assets (continued)

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 generally amortised over 5 to 10 years.

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.

Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'other long-term receivables' and 'cash and cash equivalents' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose them within twelve months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in the profit or loss in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are recognised in the profit or loss under 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss as part of finance income. Dividends on available-for-sale equity instruments are recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets are impaired. For debt securities, the Group uses the criteria explained above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

Impairment of non-financial assets

Non-financial assets (other than goodwill)

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.

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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined applying the first-in, first-out and the weighted average methods 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.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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 borrowings 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.

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

Perpetual notes

The perpetual notes are instruments issued by the Group with no fixed redemption date. The notes currently carry affixed periodic rate of 7.9% per annum, payable semi-annually in arrears. Coupon liability is recognised on the perpetual notes and the related charge recognised in equity, only upon occurrence of certain trigger events specified in the terms of perpetual notes. Management has accounted for these instruments as equity in the consolidated financial statements as the notes do not carry an obligation to make payments. The transaction costs incurred on issuance of these notes are deducted from 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.

Non-current assets (or disposal groups) classified as held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and their fair value less costs to sell.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held-for-sale, and, represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Results of discontinued operations are presented separately in the profit or loss.

Interest bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

Leases

Group as a lessee

Finance leases, which transfer to the Group, substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Capitalised leased assets are depreciated over the estimated useful life of the asset or the lease term, whichever is less.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and are not recognised in the Group's statement of financial position. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessor

Finance leases, which transfer from the group substantially all of the risks and rewards incidental to ownership of the leased item, are recognised as a disposal of asset at the inception of the lease and are presented as receivables under a finance lease at an amount equal to the net investment in the finance lease. Lease receivables are apportioned between finance income and reductions of the receivables under a finance lease so as to achieve a constant periodic rate of return on the lessor's net investment in the finance lease. Finance income earned is recognised in the profit or loss. Lease receivables due within one year are disclosed as current assets.

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.

The Group also operates a defined benefit pension plan which defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

Dividend distribution

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

Revenue recognition

Marine charter

Revenue comprises operating lease rent from charter of marine vessels, mobilisation income, and revenue from provision of on-board accommodation, catering services and sale of fuel and other consumables.

Lease rent income is recognised on a straight line basis over the period of the lease. Revenue from provision of on-board accommodation and catering services is recognised over the period of hire of such accommodation while revenue from sale of fuel and other consumables is recognised when delivered. Income generated from the mobilisation or demobilisation of the vessel to or from the location of charter under the vessel charter agreement is recognised over the period of the related charter party contract.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Project management

Project management income is recognised when the services are rendered, by reference to the stage of completion of specific transactions assessed on the basis of the actual services performed as a percentage of the total services to be performed.

Goods sold and services rendered

Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer i.e. when goods are delivered, accepted by the customer and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in the profit or loss 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.

Maintenance contracts

Income from maintenance contracts is recognised in the profit or loss on a straight line basis evenly over the term of the contract.

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 revenue and are recognised when the 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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

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 Group 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 Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office tax expenses.

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

Income tax

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 SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates ruling 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 ruling 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 profit or loss 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.

Foreign operations

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 transaction. Foreign currency differences if any are recognised in other comprehensive income and are reflected in the exchange reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange reserve is transferred to profit or loss as part of the profit or loss on disposal. 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 within the equity in the translation reserve.

Derivatives

Derivatives are stated at fair value.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows of a recognised asset or liability or a highly probable transaction.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Derivatives (continued)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the profit or loss.

Determination of fair values

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.

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 by reference to the market value of a similar investment (Level 2).

Fair value cannot be reliably measured for certain unquoted investments. Such investments are measured at cost. (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).

4 Financial risk management

Financial risks factors

Financial instruments carried on the statement of financial position comprise investments, other long-term receivables, trade receivables, amount due from related parties, cash in hand and at bank, term loans, bank borrowings, trade and other payables and amount due to related parties.

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 SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4 Financial risk management (continued)

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 management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies 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 Audit Committee 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 Audit Committee 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 Audit Committee.

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 receivables from customers and investments.

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

	2017 RO'000	2016 RO'000
Other long term receivables	204	1,633
Investments (available-for-sale)	322	322
Financial assets at fair value through profit or loss	151	14
Trade receivables	61,614	64,820
Amount due from related parties	833	687
Bank balances	50,880	33,380
	114,004	100,856

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are generally performed on all customers requiring credit over specified amounts. The Group does not require collateral in respect of financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, and derivative instruments with positive values, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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 that bank facilities are available. Short term loans and overdraft are, on average, utilised for a period of ninety days to bridge the gap between collections of receivables and settlement of payables during the period.

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 2017, the Group has sufficient undrawn facilities to meet its financial obligations as they fall due.

The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements at reporting date is as below:

31 December 2017	Carrying amount RO'000	Contractual cash flows RO'000	Upto 1 year RO'000	1 year to 5 years RO'000	More than 5 years RO'000
Borrowings	379,852	501,702	38,808	388,175	74,720
Short-term borrowings and bank overdrafts	13,506	13,564	13,564	-	-
Trade and other payables (including derivatives)	86,341	86,341	75,234	11,107	-
	479,699	601,607	127,606	399,282	74,720
 31 December 2016					
Borrowings	374,527	461,711	42,532	298,842	120,338
Equity settled mandatory convertible bonds	11,994	262	262	-	-
Short-term borrowings and bank overdrafts	5,064	5,064	5,064	-	-
Trade and other payables (including derivatives)	79,694	79,694	60,871	18,823	-
	471,279	546,731	108,729	317,665	120,338

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 on risk.

The Group also enters into derivative transactions, primarily interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4 Financial risk management (continued)

Financial risks factors (continued)

Market risk (continued)

Foreign exchange risk

Trade accounts payable include amounts due in foreign currencies, mainly US Dollar, Euro, Pounds Sterling, UAE Dirham, Singapore Dollar, Norwegian Kroner, Kazakhstan Tenge, Nigerian Naira and Azerbaijan New Manat.

As Rial Omani (RO) is pegged to the US Dollar, the risk of transactions made in US Dollar is considered minimal. With respect to other currencies mentioned above, should the Rial Omani (RO) weaken / strengthen by 5%, with all other variables held constant, the resulting impact on the Group's consolidated financial statements is considered to be insignificant.

Interest rate risk

The Group's borrowings are on fixed as well as floating interest rate basis. The Group is exposed to interest rate risk due to fluctuation in the market interest rate of floating interest rate borrowings.

At the reporting date, a change of 100 basis points in interest rates on the Group's floating rate variable instruments would have increased (decreased) equity and the profit or loss by RO 1.139 million (2016 – RO 1.154 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Other market price risk

Equity price risk arises from available-for-sale equity 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.

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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4 Financial risk management (continued)

Capital management (continued)

The Group's capital employed consists mainly of capital, perpetual notes and retained earnings. Management believes that the current level of capital is sufficient to sustain the profitability of 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.

	2017 RO'000	2016 RO'000
Borrowings and MCBs	393,358	391,505
Less: cash and short-term deposits	(50,880)	(33,380)
Net debt	342,478	358,125
Equity	182,842	222,491
Capital and net debt	525,102	580,696
Gearing ratio (%)	65.2%	61.7%
Debt equity ratio	1.87	1.61

There were no changes in the Group's approach to capital management during the year. As disclosed in note 17, note 18 and note 19 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:

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Critical accounting estimates and judgements (continued)

Judgements (continued)

Leases

Where the group acts as a lessor, management exercises judgment in assessing whether a lease is a finance lease or an operating lease. The judgement as to which category applies to a specific lease depends on management's assessment of whether in substance the risks and rewards of ownership of the assets have been transferred to the lessee. In the instances where management estimates that the risks and rewards have been transferred, the lease is considered as a finance lease, otherwise it is accounted for as an operating lease.

Management have based this judgement on a number of factors that indicate that, in substance, the risks and rewards of owning these vessels remain with the Group, which include:

- the lease periods are generally for a short term (10 years) when compared with the overall estimated economic life of the vessels (30 years or more);
- the leases do not automatically transfer the ownership of the vessels at the end of the lease term;
- the Group is responsible for regular dry-docking and insurance in addition to maintenance of the vessels;
- the customer is unlikely to want to bear the cost and responsibility of owning and maintaining these specialised vessels and is, therefore, unlikely to exercise options to purchase; and
- the expectation that the customer would wish to renew its contracts for the leases of the vessels from the Group due to the Group's proven track record and established support and services infrastructure in the region of operation.

Accounting for investments

The Group reviews its investment in entities to assess whether the Group has control, joint control or significant influence over the investee. This includes consideration of the level of shareholding held by the Group in the investee as well as other factors such as representation on the Board of Directors of the investee, terms of any agreement with the other shareholders etc. Based on the above assessment the Group decides whether the investee needs to be consolidated, proportionately consolidated or equity accounted in accordance with the accounting policy of the Group.

Provisions

In line with the Group's accounting policy, management's judgements is that the nature of the Group's financing of its long term operating assets having useful life of 25 to 40 years, primarily through term loans with average tenure of 7 to 8 years, creates a constructive obligation to arrange re-financing of debt on an on-going basis, as and when circumstances permit. Management, therefore, view the related refinancing and arrangement fees to be part of on-going costs of finance and have created a provision for such costs and for other constructive liabilities in an amount of RO 7.8 million (2016 – RO 7.4 million) included in accrued expenses, provisions and other payables.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Critical accounting estimates and judgements (continued)

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. 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. These calculations use current year actual free cash flows determined from EBITDA, which is extrapolated using the estimated growth rate of 3%. The growth rate does not exceed the long-term average growth rate of the business in which the CGU operates. The net carrying amount of goodwill at 31 December 2017 was RO 28.49 million (2016 - RO 32.38 million). Details of the impairment assessment are set out in Note 9.

Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36 Impairment of assets. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels as at 31 December 2017 was RO 376 million (2016: RO 404.9 million).

The recoverable amount of all vessels has been determined based on value in use calculations where the fair value less cost to sell was lower than the carrying amount. These calculations use pre-tax cash flow projections based on the financial budgets approved by the management covering a period of 5 years based on the expected utilization rates of the individual vessels using a discount rate of 12% (2016: 11.80%). Cash flows beyond five years are estimated using a nil growth rate.

Impairment loss on investments in subsidiaries and associates

The Group reviews its investments in subsidiaries periodically and evaluates the objective evidence of impairment. Objective evidence includes the performance of the subsidiaries, the future business model, local economic conditions and other relevant factors. Based on the objective evidences, the Group determines the need for impairment loss on investments in subsidiaries and associates.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were RO 64.59 million (2016 – RO 67.88 million) and the provision for doubtful debts was RO 2.97 million (2016: RO 3.06 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the profit or loss.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Critical accounting estimates and judgements (continued)

Estimates and assumptions (continued)

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis.

At the reporting date, gross inventories were RO 7.15 million (2016 - RO 4.87 million) and no provisions for old and obsolete inventories was recorded, based on management assessment (2016 - RO Nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the profit or loss.

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.

Provision for current tax and deferred tax (continued)

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

Fair value of financial instruments

For the purpose of determining the fair value of financial instruments on initial recognition, management estimates the applicable discount rates based on its evaluation of applicable market rates of instruments of similar nature and terms.

Fair value of derivative liability

The fair value of the Group's derivative liability is determined using a number of assumptions. The assumptions used in determining the fair value of the derivative liability includes discount rate and the estimated equity volatility based on an observed 5-year historical volatilities of the stock prices of a group of guideline public companies. Any changes in these assumptions will impact the fair value of the derivative liability.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

6 Expenses by nature

Loss before tax for the year from continuing operations is after charging:

	2017 RO'000	2016 RO'000
Staff costs	70,297	71,593
Operating lease rentals	223	71
Provision for doubtful debts (note 13)	246	1,324
Depreciation / amortization (notes 8 and 9)	35,106	34,190
Finance costs – net (i)	28,467	28,075
Impairment of vessels (note 8)	25,077	38,308
Impairment of goodwill (note 9)	3,931	-

Finance cost is net of against finance income of RO 0.3 million (2016 – RO 0.2 million).

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.

	2017 RO'000	2016 RO'000
Tax charge for the year comprises of:		
Current tax in respect of current year	7,199	8,871
Deferred tax in respect of current year	(949)	(2,210)
	6,250	6,661
The tax liabilities comprises of:		
Current liability	12,792	13,740
Non-current liability	3,094	1,015
	15,886	14,755
Deferred tax asset		
At 1 January	2,773	563
Credited to profit or loss	949	2,210
At 31 December	3,722	2,773

Deferred tax assets are recognised for temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Parent Company and its Oman incorporated subsidiaries are subject to income tax at the rate of 15% of taxable income (2016 - 12% of taxable income in excess of RO 30,000) in accordance with the Income Tax Law of the Sultanate of Oman.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7 Income tax (continued)

Reconciliation of tax charge is as follows:

	2017 RO'000	2016 RO'000
Loss before income tax from continuing operations	(40,505)	(31,336)
Loss before income tax of Group entities operating in non-taxable jurisdictions	(19,017)	(16,238)
Loss before income tax of Group entities operating in taxable Jurisdictions	(21,488)	(15,098)
Tax at domestic tax rate	(3,223)	(1,812)
Tax effect of expenses that are not deductible in determining taxable profit	804	1,207
Impact of corporate rate restriction in UK	250	-
Unrelieved foreign tax	1,906	2,178
Provision for foreign tax	1,083	1,265
Effect of change in deferred tax recognition	131	125
Adjustment to prior year's deferred tax	100	(1,645)
Effect of different tax rates of subsidiaries operating in jurisdictions other than Sultanate of Oman	5,199	5,343
Tax expense for the year	6,250	6,661

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 assessments for the tax years 2014 and 2015 have not been finalised with the Secretariat General for Taxation at the Ministry of Finance of the Government of Sultanate of Oman ('the Department'). 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 Tax Committee and the Court against certain adjustments made by the Department in the previous assessments. The main issues under appeal are taxation of overseas income, taxation of overseas dividend, and 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 and continuing to appeal to the higher authorities.

The Parent Company has established provisions at 31 December 2017 against the tax liabilities, which may arise, relating to disallowances of interest and some specific expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Property, plant and equipment

	Freehold land and buildings RO'000	Marine vessels 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 2016	88,194	642,754	17,229	1,596	1,862	47,118	798,753
Additions	84	12,387	930	197	382	90,240	104,220
From acquisition of a subsidiary	-	-	222	20	10	-	252
Transfers	-	6,045	-	-	-	(6,045)	-
Disposals	-	-	(552)	(8)	(47)	-	(607)
At 1 January 2017	88,278	661,186	17,829	1,805	2,207	131,313	902,618
Additions	8,178	8,531	1,625	256	385	55,298	74,273
Transfers	67,660	19,177	2,423	-	3,274	(92,534)	-
Reclassified as held for sale (note 15)	-	(8,023)	-	-	-	-	(8,023)
Disposals	(13)	(16,186)	(809)	(189)	(606)	-	(17,802)
At 31 December 2017	164,103	664,685	21,068	1,872	5,260	94,077	951,066

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

8 Property, plant and equipment (continued)

	Freehold land and buildings RO'000	Marine Vessels 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
Accumulated depreciation							
At 1 January 2016	24,932	189,048	11,451	1,019	1,147	-	227,597
Charge for the year	3,388	28,212	1,820	210	309	-	33,939
Amortisation of mobilisation costs	-	739	-	-	-	-	739
Impairment	-	38,308	-	-	-	-	38,308
Disposals	-	-	(352)	(8)	(45)	-	(405)
At 1 January 2017	28,320	256,307	12,919	1,221	1,411	-	300,178
Charge for the year	5,645	26,345	1,680	223	569	-	34,462
Amortisation of mobilisation costs	-	179	-	-	-	-	179
Impairment	-	25,077	-	-	-	-	25,077
Eliminated on reclassified as held for sale	-	(3,070)	-	-	-	-	(3,070)
Disposals	(13)	(16,186)	(803)	(179)	(598)	-	(17,780)
At 31 December 2017	33,952	288,652	13,795	1,265	1,382	-	339,046
Net carrying value							
At 31 December 2017	130,151	376,033	7,272	607	3,879	94,077	612,020
At 31 December 2016	59,958	404,879	4,910	584	796	131,313	602,440

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

8 Property, plant and equipment (continued)

Certain of the Group's property, plant and equipment excluding certain immaterial assets are pledged against bank loans and bank borrowings. Marine vessels with a net carrying value of RO 336.9 million (2016 - RO 256.4 million) are pledged against bank loans obtained. Further details of property, plant and equipment secured against borrowings are disclosed in note 17.

Capital work-in-progress includes costs incurred for construction of marine vessels and buildings.

Advances or deposits paid for construction or acquisition of assets are classified as advances to contractors, and the amount is transferred to capital work-in-progress after the commencement of construction.

During the year, the Group capitalised borrowing costs amounting to RO 0.384 million (2016 - RO 0.848 million). Borrowing costs were capitalized for certain assets at the rate of 4.5% (2016 - 4.5% to 5.75%) per annum.

During the year an impairment charge of RO 25.1 million (2016 - RO 38.31 million) was recognised for 27 marine vessels (2016 - 29 marine vessels).

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

	2017 RO'000	2016 RO'000
Operating expenses	33,811	33,224
Administrative expenses	651	715
	34,462	33,939

9 Intangible assets

Intangible assets as at 31 December consisted of the following:

Goodwill	28,487	32,381
Computer software	1,498	1,823
Other intangible assets	883	981
At 31 December	30,868	35,185

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Intangible assets (continued)

Movement in intangible assets during the year is as follows:

	Goodwill RO'000	Other intangible assets RO'000	Softwares RO'000	Total RO'000
2017				
At 1 January	32,381	981	1,823	35,185
Exchange difference	37	-	-	37
Impairment charged during the year (note 10)	(3,931)	-	-	(3,931)
Purchased during the year	-	-	221	221
Amortisation during the year	-	(98)	(546)	(644)
At 31 December	28,487	883	1,498	30,868
2016				
At 1 January	31,431	-	1,397	32,828
Exchange difference	16	-	-	16
On acquisition of a subsidiary (note below)	934	981	-	1,915
Purchased during the year	-	-	677	677
Amortisation during the year	-	-	(251)	(251)
At 31 December	32,381	981	1,823	35,185

Goodwill represents the excess of the cost of acquiring shares in certain subsidiary companies over the aggregate fair value of the net assets acquired.

The carrying amount of goodwill at 31 December allocated to each of the cash-generating units is as follows:

	2017 RO'000	2016 RO'000
Topaz Energy and Marine Limited (note 10)	25,824	28,821
Tawoos Industrial Services Company LLC	1,900	1,900
Emirates Tastes and Catering LLC (note 10)	-	934
Norsk Offshore Catering AS	763	726
	28,487	32,381

The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation, using current year actual free cash flows determined from EBITDA. The key assumptions of the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs incurred during the period. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to each cash-generating unit. The growth rates are based on management estimates having regard to industry growth rates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The key assumptions underlining the value-in-use are described below:

Discount rate

The discount rate used for value-in-use calculations in 2017 ranges from 7% to 12% (2016 – 8.3% to 11.80%) for various cash generating units.

Terminal value calculations

The discounted cash flow calculations for all the cash generating units are based on the current year actual free cash flows determined from EBITDA. These cash flows then form the basis of perpetuity cash flows used in calculating the terminal value.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Intangible assets (continued)

Growth rate

Growth rate used for value-in-use calculation in 2017 is 3 % (2016 - 3%).

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash generating units, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Other intangible asset

This represents customer relationships recognized as a result of business acquisition by a TISCO subsidiary during the last year (note 10). These are amortized over the life of 10 years. The fair value of the customer relationship has been determined by discounting the excess cash flows expected to be generated by the customer relationships over the period (Level 3 fair value hierarchy).

10 Principal subsidiaries

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

Company	Country of incorporation	Percentage shareholding		Principal activities
		2017	2016	
Subsidiary companies				
Topaz Energy and Marine Limited (TEAM JAFZA)	United Arab Emirates	100%	100%	Holding company
Tawoos Industrial Services Company SAOC (TISCO)	Sultanate of Oman	100%	100%	Contract catering, facilities management and establishment, operations and maintenance services
Renaissance International Limited (RIL)	Cayman Islands	100%	100%	Holding company
Renaissance Energy Limited (REL)	United Arab Emirates	100%	100%	Holding company
Renaissance Duqm Holding SAOC (RDH)	Sultanate of Oman	51.9%	51.9%	Holding company
Renaissance Integrated Facilities Management SAOC	Sultanate of Oman	100%	100%	Contract catering, facilities management and establishment, operations and maintenance services
Subsidiaries of TEAM JAFZA				
Topaz Energy and Marine Limited (formerly Nico Middle East Limited) [Topaz]	Bermuda	86.5%	86.5%	Charter of marine vessels
Topaz Energy and Marine Plc	United Kingdom	100%	100%	Dormant company

Topaz Energy and Marine Limited (formerly Nico Middle East Limited) has a subsidiary BUE Marine Ltd, incorporated in UK, which operates through a number of vessel-owning subsidiaries and is engaged principally in charter of marine vessels and vessel management.

The goodwill recognised on the acquisition of Doha Marine Services has been completely impaired during the year ended 31 December 2017 due to downturn in the business within the region.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Principal subsidiaries (continued)

Subsidiaries of TISCO

Company	Country of incorporation	Percentage shareholding		Principal activities
		2017	2016	
Rusail Catering and Cleaning Services LLC	Sultanate of Oman	100%	100%	Catering and cleaning services
Renaissance Contract Services International LLC (RCSI)	Sultanate of Oman	100%	100%	Holding company
Al Wasita Catering Services LLC (Al Wasita)	Sultanate of Oman	100%	100%	Dormant company
Renaissance Facilities Management Company SAOC	Sultanate of Oman	100%	100%	Contract catering, facilities management and establishment, operations and maintenance services
Supraco Limited (Supraco)	Cyprus	100%	100%	Catering services

Supraco Limited through its subsidiary in Norway provides contract catering services.

RCSI through its subsidiaries in UAE provides catering and allied services in the respective countries. The goodwill recognised on the acquisition of Emirates Taste Catering Services Food LLC, a subsidiary of RCSI, has been completely impaired during the year ended 31 December 2017.

Subsidiary of Renaissance Duqm Holding SAOC

Company	Country of incorporation	Percentage shareholding		Principal activities
		2017	2016	
Renaissance Duqm Accommodation Company SAOC (RDAC)	Sultanate of Oman	100%	100%	Build, own and operate permanent accommodation for contractors

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Principal subsidiaries (continued)

Summarised financial information of subsidiaries in TEAM JAFZA with material non-controlling interest:

Summarised statement of financial position

	Topaz Energy and Marine Limited		Caspian Region Subsidiaries	
	2017	2016	2017	2016
	RO'000	RO'000	RO'000	RO'000
Current				
Assets	78,805	65,829	56,174	44,993
Liabilities	(80,822)	(53,888)	(65,185)	(65,173)
Total current net assets / (liabilities)	(2,017)	11,941	(9,011)	(20,180)
Non-current				
Assets	484,029	475,280	183,531	190,371
Liabilities	(346,630)	(309,201)	(44,950)	(50,475)
Total non-current net assets	137,399	166,079	138,581	139,895
Net assets	135,382	178,020	129,570	119,715

Summarised statement of profit or loss and other comprehensive income

	Topaz Energy and Marine Limited		Caspian Region Subsidiaries	
	2017	2016	2017	2016
	RO'000	RO'000	RO'000	RO'000
Revenue	93,729	108,495	34,792	38,108
(Loss) / profit before income tax	(39,838)	(25,967)	12,627	18,238
Income tax expense	(4,868)	(5,205)	-	(42)
(Loss) / profit for the year from continuing operations	(44,706)	(31,172)	12,627	18,196
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the year	(44,706)	(31,172)	12,627	18,196
Total comprehensive (loss) / income allocated to non-controlling interests	(6,312)	9,168	(6,312)	9,168
Dividends paid to non-controlling interests	1,386	3,462	1,386	3,462

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Principal subsidiaries (continued)

Summarised financial information of subsidiaries in TEAM JAFZA with material non-controlling interest: (continued)

Summarised statement of cash flows:

	Topaz Energy and Marine Limited		Caspian Region Subsidiaries	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Cash flows from operating activities				
Cash generated from operations	110,600	62,812	20,360	29,427
Income taxes paid	(5,661)	(6,836)	-	(89)
Interest paid	(26,805)	(21,301)	(10,844)	(8,191)
End of service benefits paid	(423)	(262)	-	-
Net cash generated from operating activities	77,711	34,413	9,516	21,147
Net cash used in investing activities	(68,192)	(16,416)	(1,291)	(1)
Net cash used in financing activities	5,284	(24,000)	(8,225)	(22,183)
Net increase / (decrease) in cash and cash equivalents	14,803	(6,003)	-	(1,037)
Cash and cash equivalents at 1 January	15,178	21,181	-	1,037
Cash and cash equivalents at 31 December	29,981	15,178	-	-

The information above is before inter-company eliminations.

Summarised financial information of subsidiaries in Renaissance Duqm Holding Company SAOC with material non-controlling interest:

	2017 RO'000	2016 RO'000
Summarised statement of financial position		
Current		
Assets	4,673	1,557
Liabilities	(7,832)	(952)
Total current net liabilities	(3,159)	(605)
Non-current		
Assets	71,853	69,077
Liabilities	(42,501)	(39,955)
Total non-current net assets	29,352	29,122
Net assets	26,193	29,727
Summarised statement of profit or loss and other comprehensive income		
Revenue	3,418	-
Total expenses	(6,951)	(116)
Loss for the year	(3,533)	(116)

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Principal subsidiaries (continued)

	2017 RO'000	2016 RO'000
Summarised statement of cash flows		
Net cash used in operating activities	(396)	(51)
Net cash used in investing activities	(12,253)	(36,164)
Net cash generated from financing activities	12,628	36,065
Increase in cash and cash equivalents	(21)	(150)
Cash and cash equivalents at 1 January	1,182	1,332
Cash and cash equivalents at 31 December	1,161	1,182

11 Investments

Available-for-sale investments	322	322
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Available-for-sale investments

Available-for-sale investments represent the cost of investments in the following entities:

	Ownership interest (%)	
	2017	2016
Fund for Development of Youth Projects SAOC	2.33	2.33
Industrial Management Technology & Contracting LLC	1.25	1.25

There are no movements in the carrying value of the Group's investments in available-for-sale.

None of these financial assets are impaired.

Available-for-sale investments are carried at cost and the carrying value approximates its fair value.

12 Inventories

	2017 RO'000	2016 RO'000
Stock and consumables	7,150	4,869

During the year the Group did not require to make a provision for slow-moving and obsolete stock (2016: Nil).

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Trade and other receivables

	2017 RO'000	2016 RO'000
Current		
Trade receivables (net of impairment allowance)	61,614	64,820
Other receivables and prepayments	8,227	8,889
Advances to suppliers and contractors	1,554	1,389
Due from related parties (note 27)	91	10
	71,486	75,108
Non-current		
Due from related parties (note 27)	742	677
Other long-term receivables	204	1,633
Other long-term receivables	946	2,310

As at 31 December 2017, trade receivables of RO 2.972 million (2016 - RO 3.061 million) were impaired and provided for.

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.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

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

	2017 RO'000	2016 RO'000
At 1 January	3,061	8,715
Charge for the year	246	1,324
Amounts written-off	-	(6,297)
Released during the year	(335)	(681)
At 31 December	2,972	3,061

Despite all efforts, certain receivables became irrecoverable and have been written off against provisions in 2017. These provisions were created over the years.

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

	Past due but not impaired						
	Total	Neither past due nor impaired	Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
2017	61,614	43,267	7,026	2,706	2,364	2,192	4,059
2016	64,820	48,708	4,758	3,276	3,036	2,032	3,010

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Trade and other receivables (continued)

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. 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 trade receivables are denominated in the following currencies:

	2017 RO'000	2016 RO'000
Rial Omani	31,130	26,829
US Dollar	27,988	36,409
Others	2,496	1,582
	61,614	64,820

14 Cash and cash equivalents

Cash and bank balances including fixed deposits	50,880	33,380
Deposits with maturity of more than three months	(3,000)	(5,000)
Cash and cash equivalents (excluding bank overdrafts)	47,880	28,380
Less: bank overdrafts	-	(64)
Cash and cash equivalents	47,880	28,316

Deposit with maturity of more than 3 months but less than 12 months are excluded from cash and cash equivalents. These deposits are denominated in Omani Rial with interest rates ranging from 3% to 4.5% (2016: 3.8% to 4.5%) per annum.

The Group has credit facilities from commercial banks comprising overdrafts, guarantees, bill discounting and other advances. These facilities are secured by a charge over the Group's floating assets and building, a negative lien over some of the Group's contract assets, assignment of project receivables and insurance interests in certain contract assets and corporate guarantees. Bank overdrafts carry interest rates ranging from 3% to 6.5% per annum (2016 - 4% to 6% per annum).

15 Non-current assets held-for-sale and discontinued operations

Non-current assets held-for-sale

	2017 RO'000	2016 RO'000
Non-current asset held-for-sale	4,953	-

The Group intends to dispose of a marine vessel it no longer utilises in the next 12 months. A search is underway for a buyer. No impairment loss was recognised on reclassification of marine vessel as held-for-sale as at 31 December 2017 as the management expect that the fair value (estimated based on the recent market valuation obtained) less cost to sell is higher than the carrying amount.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

15 Non-current assets held-for-sale and discontinued operations (continued)

Discontinued operations

Topaz Marine and Engineering Division

During the year 2015, the Group disposed of one of its subsidiary Topaz Engineering Limited (TE). As per the terms of the sale agreement, the Group has agreed to indemnify the buyer against all potential liabilities, claims and losses to the extent of 20% of the amount of consideration paid by the buyer. As a result, an amount of RO 1.1 million has been recorded during the year ended 31 December 2016 in respect of the likely reimbursement to the buyer for irrecoverable trade accounts receivable, which is management's best estimate of the potential liability based on the available information at the reporting date.

The Group has incurred RO 0.81 million during the year ended 31 December 2017 related to legal fees towards the settlement of an ongoing legal case.

National Hospitality Institute (NHI)

In 2013, the assets and liabilities related to NHI were classified as held-for-sale following the approval of the Group's Board of Directors on 10 December 2013. The assets and liabilities of NHI were written off by the Parent Company during the year 2016.

The operations of disposal group are presented as discontinued operations in these consolidated financial statements. Analysis of the result of discontinued operations is as follows:

	2017 RO'000	2016 RO'000
Revenue	-	561
Expenses	(81)	(1,778)
Loss before tax of discontinued operations	(81)	(1,217)
Tax	-	-
Loss after tax of discontinued operations	(81)	(1,217)

16 Capital and reserves

Share capital

The authorised share capital of the Parent Company comprises 1,500,000,000 ordinary shares of RO 0.100 each (2016: 1,500,000,000 of RO 0.100 each). At 31 December 2017, the issued and fully paid up share capital comprised 367,272,750 ordinary shares of RO 0.100 each (2016: 298,777,675 of RO 0.100 each). The increase in number of shares pertains to conversion of the MCBs to shares during the year (note 18).

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

	Number of shares '000		%	
	2017	2016	2017	2016
Cyclical Services LLC	53,455	-	14.55	-
Tawoos LLC	42,538	42,538	11.58	14.24

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

16 Capital and reserves (continued)

Legal reserve

The Omani Commercial Companies Law of 1974 requires that 10% of an entity's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the entity's issued share capital. The legal reserve is not available for distribution. Legal reserve also includes a transfer relating to non-Oman registered subsidiary companies as per the respective regulations in their country of incorporation. During the year, the Parent Company has transferred RO 2.283 million (2016 - RO 0.338 million) to legal reserve from the share premium.

Treasury shares

These are shares held by a subsidiary of the Parent Company at the cost of RO 6.853 million (2016 - RO 5.163 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 2017, the subsidiary held 35,466,175 shares (2016 - 26,800,921 shares) in the Parent Company. The increase in number of treasury shares pertains to conversion of the MCBs held by one of its subsidiary to shares (note 18). The market value of these shares at 31 December 2017 was approximately RO 10.53 million (2016 - RO 6.4 million).

Share premium

The Group utilises the share premium for issuing bonus shares and transfers to legal reserve. During the year, the Parent Company transferred RO 2.283 million (2016 - RO 0.271 million) to legal reserve. The increase in share premium pertains to conversion of the MCBs to shares (note 18).

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. The reserve will be completely released at the time of full repayment of the subordinated loan (refer note 17). During the year, the Parent Company has transferred RO 1.1 million (2016 - RO 1.4 million) from retained earnings to subordinated loan reserve being 1/7th of the outstanding loan balance at the reporting date. The subordinated loan was restructured in 2016 accordingly the subordinated loan reserve balance of RO 20 million was released to retained earnings.

Exchange reserve

The exchange reserve comprises of foreign currency differences arising from translation of the financial statements of foreign operations.

17 Borrowings

	Total RO'000	1 year or less RO'000	2 - 5 years RO'000	More than 5 years RO'000
31 December 2017				
Parent company - term loans	69,980	-	36,862	33,119
Parent company - subordinated loan	7,500	625	5,375	1,500
Borrowings of subsidiary companies:				
TEAM JAFZA	254,859	11,538	243,321	-
TISCO	5,400	-	4,320	1,080
RDAC	42,113	1,125	12,488	28,500
	<u>379,852</u>	<u>13,288</u>	<u>301,991</u>	<u>64,573</u>

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Borrowings (continued)

	Total RO'000	1 year or less RO'000	2 – 5 years RO'000	More than 5 years RO'000
31 December 2016				
Parent company - term loans	82,501	5,440	34,188	42,873
Parent company - subordinated loan	10,000	1,250	5,750	3,000
Borrowings of subsidiary companies:				
TEAM JAFZA	248,075	11,538	188,462	48,075
TISCO	6,000	-	3,840	2,160
RDAC	27,951	750	10,214	16,987
	<u>374,527</u>	<u>18,978</u>	<u>242,454</u>	<u>113,095</u>

Term loans in Parent Company

	2017 RO'000	2016 RO'000
Parent company - term loans	71,377	84,266
Less: Deferred finance costs	(1,397)	(1,765)
	<u>69,980</u>	<u>82,501</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 23 August 2013. Subsequently the Parent Company cancelled the balance portion of RO 40 million in 2015. The facility carries interest of 5.85% per annum (2016 – 5.68% per annum) and is repayable in 52 quarterly instalments as per the facility agreement. The Parent Company has prepaid its instalments due in the year 2018, accordingly, no current portion is presented for the term loan. The facility is secured by commercial and legal mortgage over certain properties of the Parent Company, pledge of certain shares of one of the subsidiaries, account pledge with lead bank, assignment of receivables from the Parent Company's business, assignment of insurance and dividend income.

During the year 2016, the Parent Company raised term loans from the local commercial banks of RO 15 million for the purpose of funding its subsidiaries businesses and repurchase of MCBs. These loans carry interest at 7.5% per annum and are repayable from 2018 and 2019. However, the Parent Company has prepaid its instalments due in the year 2018, accordingly, no current portion is presented for the term loan. These loans are secured against commercial mortgage over shares of one of the subsidiaries.

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

	1 January 2017 RO'000	Cash flows RO'000	Non-cash changes RO'000	31 December 2017 RO'000
Term loans	82,501	(12,889)	368	69,980

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Borrowings (continued)

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 loan has been raised by the Parent Company for funding its subsidiary company, TEAM JAFZA for meeting the financing requirements of the expansion plans in TEAM JAFZA's marine (Offshore Support Vessels) businesses.

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 is 7 years with repayment of four annual instalments of RO 10 million with effect from November 2014. 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. The subordinated loan carries a fixed interest rate of 8.5% per annum. The remaining loan of RO 10 million was restructured during the year 2016. As per revised terms, the loan will be repaid over 7 years and first instalment is due on 30 September 2017. The Parent Company has prepaid RO 0.6 million a part of its instalment due in the year 2018 and accordingly no current portion is presented for the subordinated loan.

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

	1 January 2017 RO'000	Cash flows RO'000	Non-cash changes RO'000	31 December 2017 RO'000
Subordinated loan	10,000	(2,500)	-	7,500

Borrowings of subsidiary companies

Loans relating to TEAM JAFZA

	2017 RO'000	2016 RO'000
Term loan, at LIBOR plus 2.75% p.a. (i)	113,933	115,420
USD 375M, 9.125% Senior Notes (ii)	140,926	-
USD 350M, 8.625% Senior Notes (iii)	-	132,655
	254,859	248,075
Current portion	(11,538)	(11,538)
Non-current portion	243,321	236,537

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Borrowings (continued)

Borrowings of subsidiary companies (continued)

Loans relating to TEAM JAFZA (continued)

- (i) In 2015, TEAM JAFZA entered into an agreement with a syndicate of banks for a financing facility of RO 211.75 million (USD 550 million) carrying interest at the rate of three-month LIBOR plus 2.75% and is repayable in quarterly instalments till April 2022. The initial drawdown of RO 134.6 million (USD 350 million) was made in 2015 and a further drawdown of RO 9.6 million (USD 25 million) was made during the year ended 31 December 2017.
- (ii) On 26 July 2017 TEAM JAFZA issued RO 144.2 million (USD 375 million) aggregate principal amount of 9.125% senior notes (the "Senior Notes") that will mature on 26 July 2022. The Senior Notes pay interest semi-annually in arrears on 26 January and 26 July of each year, commencing 26 January 2018. Interest has been accrued from the issue date. On and after 26 July 2019, TEAM JAFZA may redeem some or all of the Senior Notes at the redemption prices (expressed as percentages of principal amount) equal to 104.5% for the twelve month period beginning 26 July 2019, 102.3% for the twelve month period beginning 26 July 2020 and 100% beginning 26 July 2021, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. No redemption has been made as of year ended 31 December 2017. The Senior Notes have been issued by Topaz Marine S.A., a wholly-owned subsidiary of Nico Middle East Ltd., incorporated in Luxembourg. The Senior Notes have been admitted for trading on the Official List of The International Stock Exchange Authority (formerly The Channel Islands Securities Exchange Authority Limited).

The gross proceeds from the issue of the Notes were used to fund the repurchase and redemption of Topaz's existing RO 134.6 million (USD 350 million) 8.625% Senior Notes due in 2018 and the 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.

As at 31 December 2017, the fair value of the Senior Notes is approximately RO 149 million (2016: Nil)

- (iii) On 4 November 2013 TEAM JAFZA issued RO 134.6 million (USD 350 million) aggregate principal amount of 8.625% senior notes (the "Senior Notes") that will mature on 1 November 2018. As explained above, these notes were fully repaid, including interest and redemption premium, in July 2017. Of the total costs associated with the redemption of the existing Senior Notes, RO 7.3 million (USD 19 million) was charged to statement of profit and loss in 2017 comprising of RO 5.9 million (USD 15.3 million) incurred towards bond redemption premium and RO 1.42 million (USD 3.7 million) towards write-off of unamortized issuance costs.
- (iv) The term loans of TEAM JAFZA are denominated in USD and are secured by a first preferred mortgage over selective assets of TEAM JAFZA, the assignment of marine vessel insurance policies, corporate guarantees and the assignment of the marine vessel charter lease income.

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

	1 January 2017	Cash flows	Non-cash changes	31 December 2017
	RO'000	RO'000	RO'000	RO'000
Term loan, at LIBOR plus 2.75% p.a.	115,420	(1,923)	436	113,933
USD 375M, 9.125% Senior Notes	-	140,731	195	140,926
USD 350M, 8.625% Senior Notes	132,655	(134,615)	1,960	-
	<u>248,075</u>	<u>4,193</u>	<u>2,591</u>	<u>254,859</u>

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Borrowings (continued)

Borrowings of subsidiary companies (continued)

Loans relating to TEAM JAFZA (continued)

The borrowing arrangements include undertakings to comply with various covenants including net debt to EBITDA ratio and EBITDA to debt service ratio as well as an undertaking to maintain a minimum tangible net worth.

At the reporting date, TEAM JAFZA is in compliance with all financial covenants.

Loans relating to Tawoos Industrial Services Company SAOC (TISCO)

During the year 2016, TISCO obtained a long-term loan from a commercial bank for funding to the Parent Company. The total facility amounts to RO 10 million. The facility carries interest at 7.5% (2016: 7.5%) per annum and is repayable in 24 quarterly instalments which will start after 15 months of the first draw down date as per facility agreement. The first drawdown from the facility of RO 6 million was made on 6 December 2016. TISCO has cancelled the balance portion of RO 4 million during the year prepaid instalment of RO 0.6 million due in 2018 and accordingly no current portion is presented in the statement of financial position. The facility is secured by the corporate guarantee provided by the Parent Company, pledge of treasury shares and shares of one of the subsidiaries of the Parent Company.

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 45,308,000. Out of total facility, RDAC has availed RO 44,048,000 (2016: RO 28,700,000) as at the reporting date. The costs incurred to arrange this facility amounted to RO 844,810 which is being amortised over the loan period at the effective interest rate. These borrowings are denominated in Rial Omani. The loan is repayable in 141 monthly instalments starting from 31 July 2017. The interest rate is 4.5% per annum which is fixed up to 30 June 2018, and thereafter it shall be reviewed and can be revised annually by the majority of the lenders. Interest is payable from the date of utilisation of the loan. The loan is secured by mortgage over assets of RDAC and assignment of insurance. During the year, RDAC has prepaid instalments RO 0.5 million due in 2018.

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

	1 January 2017 RO'000	Cash flows RO'000	Non-cash changes RO'000	31 December 2017 RO'000
Term loan	27,951	14,098	64	42,113

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

	2017 RO'000	2016 RO'000
Non-current liabilities	366,564	355,548
Current liabilities	13,288	18,979
	379,852	374,527

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

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2017 RO'000	2016 RO'000
Rial Omani	124,993	126,452
US Dollar	254,859	248,075
	379,852	374,527

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

18 Equity settled mandatory convertible bonds

The Parent Company issued 423,141,678 Mandatory Convertible Bonds (MCB) to its shareholders at RO 0.102 each (including 2 Baisas for expenses) on 25 July 2012. The Group companies subscribed 30,673,468 bonds out of the total issue. The bonds carry a coupon rate of 3.75% per annum. These MCBs were repurchased or converted into equity shares of the Parent Company at the conversion price.

In accordance with the approved repurchase program, the Parent Company had completed repurchase of the first and a part of the second tranches of MCBs in 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 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 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. 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).

As at 31 December 2016, the quoted market value of the outstanding MCBs was RO 11.6 million.

Mandatory Convertible Bonds are disclosed in the statement of financial position as:

	2017 RO'000	2016 RO'000
Non-current liabilities	-	-
Current liabilities	-	11,994
	-	11,994

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

	1 January 2017 RO'000	Cash flows RO'000	Non-cash changes RO'000	31 December 2017 RO'000
Mandatory Convertible Bonds	11,994	-	(11,994)	-

19 Perpetual notes

The Group issued step-up subordinated perpetual notes (perpetual notes) on 29 July 2015. Renaissance International Limited (the Issuer), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Parent Company, has 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. The 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. The perpetual notes are callable by the issuer 5 years after the issue date, being 29 July 2020 (the First Call Date). The 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 coupon is payable only upon occurrence of certain events, which are at the Group's discretion. The perpetual notes are classified as equity instruments. Post the first call date the coupon rate on perpetual notes shall increase to 12.9% per annum on the outstanding perpetual notes. The coupon liability under perpetual notes is recorded as a liability and the related charge recognised in equity in the period in which the trigger event for such coupon liability occurs.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

20 Non-current payables

	2017 RO'000	2016 RO'000
Derivative financial instrument (note 32)	8,151	7,588
Income tax payable	3,094	1,015
Other payables and advances	2,956	12,739
	14,201	21,342

Other payables include RO 1.5 million (2016 – RO 10.6 million) classified as long-term as the Group has unconditional right at the reporting date to refinance these payables as they fall due.

21 Advance from a customer

	2017 RO'000	2016 RO'000
Non-current	79,735	43,097
Current	19,139	-
	98,874	43,097

The Group received pre-mobilisation funding of RO 98.9 million from a customer 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 adjusted from the amount to be billed to the customer for provision of transportation services. An advance of RO 19.1 million (2016: Nil) is expected to be adjusted within one year and accordingly classified under current portion. The remaining balance is classified under non-current liabilities.

22 Staff terminal benefits

The table below outlines the Group's post-employment liabilities:

	2017 RO'000	2016 RO'000
Defined benefit pension plan - Funded (a)	259	48
Unfunded benefits (b)	4,939	4,731
	5,198	4,779

- (a) Defined benefit pension plan - Funded relating to the Group's subsidiary in Norway. The subsidiary's pension scheme covers a total of 225 employees. The pension scheme gives the right to defined future benefits, which are mainly dependent on number of years worked, salary level at time of retirement and the amount of payment from the national insurance fund. The obligations are covered through an insurance company. The calculated pension obligations are based on calculations of an actuary.

The Group has changed its collective pension scheme from 31 December 2016 where employees in two out of three defined benefit scheme were moved to the contribution-based pension scheme. The change of collective resulted in a one-time cost of RO 98,856 in the financial statement for 2016. For financial year 2017, the pension cost related to the contribution-based pension scheme are RO 0.262 million which are included in payroll expenses. With a defined contribution plan the subsidiary pays contribution to an insurance company. After the contribution has been made the subsidiary has no further commitment to pay.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

22 Staff terminal benefits (continued)

In addition, the subsidiary has 4 persons that have retired and whose pension contributions are covered by the subsidiary.

The amount recognised in the statement of financial position is determined as follows:

	2017	2016
	RO'000	RO'000
Present value of defined benefit obligation	2,615	2,060
Fair value of plan assets	(2,356)	(2,012)
Liability in the statement of financial position	259	48

The movement in defined benefit obligation over the year is as follows:

	2017	2016
	RO'000	RO'000
At 1 January	2,060	4,464
Service cost during the year	245	599
Interest costs on prior year's benefit obligation	58	116
Pension paid during the year	(98)	(193)
Exchange differences	107	254
Employer's social security tax on contributions	(51)	(82)
Curtailment / settlement during the year	-	(3,243)
Acquisition	131	-
Re-measurement during the year arising from actuarial loss	163	144
At 31 December	2,615	2,060

The movement in fair value of plan assets over the year is as follows:

	2017	2016
At 1 January	2,012	4,692
Return on plan assets	46	114
Company contributions	411	663
Pension paid during the year	(84)	(92)
Exchange differences	103	176
Curtailment / settlement during the year	-	(3,268)
Employer social security tax on contribution	(51)	(82)
Re-measurement during the year arising from actuarial loss	(81)	(191)
	2,356	2,012

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

22 Staff terminal benefits (continued)

The following table summarises the components of net benefit recognised in the statement of comprehensive income:

	2017 RO'000	2016 RO'000
Net present value of the year's pensions earnings	210	521
Interest on net obligation	4	(1)
Administration cost	12	15
Settlement / curtailment cost	-	25
Employer's social security tax	31	67
	257	627

The following actuarial assumptions were used:

	2017	2016
Discount rate	2.3%	2.6%
Wage growth	2.5%	2.5%
Increase of social security base amount	2.25%	2.25%
Rate of pension growth	0.4%	0.00%
Applied mortality table (Norwegian Insurance Standard)	K2013BE	K2013BE

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

	2017 RO'000	2016 RO'000
At 1 January	4,731	4,435
Accrued during the year	1,581	1,522
Acquisition of a subsidiary	-	30
Payments during the year	(1,373)	(1,256)
At 31 December	4,939	4,731

The unfunded obligation represents end of service benefits for expatriate employees calculated in accordance with the local labour laws.

23 Trade and other payables

	2017 RO'000	2016 RO'000
Trade payables	22,836	23,358
Accrued expenses, provisions and other payables	52,397	36,008
Income tax payable (note 7)	12,792	13,740
Amounts due to related parties (note 27)	-	1
	88,025	73,107

24 Short-term borrowings and bank overdrafts

Short-term bank borrowings and overdrafts carry interest rates ranging from 3% to 6.5% per annum (2016 - 3% to 6% per annum). Certain of the Group's bank borrowings are secured by a registered first mortgage over certain assets of the Group, guarantees and assignment of receivables.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

25 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:

	2017 RO'000	2016 RO'000
Net assets	182,842	222,491
Perpetual notes	(46,799)	(46,799)
Non-controlling interest	(86,964)	(90,720)
Net assets attributable to the shareholders of the Parent Company	49,079	84,972
Number of shares		
Number of shares at 31 December ('000)	367,273	298,778
Treasury shares (note 16) ('000)	(35,466)	(26,801)
Number of shares at 31 December ('000)	331,807	271,977
Net assets per share (RO)	0.148	0.312

26 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:

	2017	2016
Net loss for the year attributable to the shareholders of the Parent Company (RO '000) from continuing operations	(44,404)	(40,856)
Perpetual notes coupon	(3,817)	(3,817)
	(48,221)	(44,673)
Net loss for the year attributable to the shareholders of the Parent Company (RO '000) from discontinued operations	(81)	(1,217)
Total loss for the year attributable to the shareholders	(48,302)	(45,890)
Weighted average number of shares		
Weighted average number of ordinary shares ('000)	327,865	294,037
Less: weighted average number of treasury shares ('000)	(30,481)	(23,272)
Weighted average number of shares ('000)	297,384	270,765
Loss per share expressed in Rial Omani		
Basic and diluted loss per share from continuing operations	(0.1622)	(0.165)
Basic and diluted loss per share from discontinued operations	(0.0003)	(0.004)
Basic and diluted loss per share for the year	(0.1625)	(0.169)

There were no potential ordinary shares as at the reporting date. At 31 December 2016, potential ordinary shares were antidilutive since their conversion to ordinary shares would decrease loss per share from continuing operations. Therefore, the calculation of diluted earnings per share did not assume issue of potential ordinary shares as it would have an antidilutive effect on loss per share.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

27 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 has balances with these related parties which arise in the normal course of business. Outstanding balances at year end are unsecured and settlement occurs in cash.

The Group entered into transactions in the ordinary course of business with related parties, other affiliates and parties in which certain members and senior management have a significant influence (other related parties).

Significant related party transactions during the year are listed below:

	2017 RO'000	2016 RO'000
Income		
Services rendered and sales to other related parties	206	23
Expenses		
Services received and purchases from other related parties	295	311
Directors' remuneration and attendance fees		
Attendance fees	50	50

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:

	2017 RO'000	2016 RO'000
Service rendered and sales	10	14

Compensation to key management personnel

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

	2017 RO'000	2016 RO'000
Short-term benefits	1,174	1,111
Employees' end of service benefits	72	96
	1,246	1,207

TEAM JAFZA has paid RO 293,962 (2016 - RO 307,222) as remuneration to its Chairman and Directors, who are also the Chairman and Directors of the Parent Company.

Amounts due from and due to related parties have been disclosed in notes 13 and 23 respectively. For the year ended 31 December 2017, the Group has not recorded any impairment of amounts due from related parties (2016 - Nil).

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

28 Commitments and contingent liabilities

	2017 RO'000	2016 RO'000
Commitments		
Capital expenditure commitments	70,432	135,927
Contingent liabilities		
Letters of guarantee	17,512	15,775

Contingent liabilities represent guarantees like 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.

29 Leases

Operating lease receivables

The Group leases its marine vessels under operating leases. The leases typically run for a period between 3 months to 10 years and are renewable after the expiry date. The lease rental is usually renewed to reflect market rentals.

Future minimum lease rentals receivable under non-cancellable operating leases at 31 December are as follows:

	2017 RO'000	2016 RO'000
Within one year	119,224	80,973
Between one and five years	436,011	418,450
More than five years	17,690	102,438
	572,925	601,861

Operating lease payables

The Group has future minimum lease payments under operating leases with payments as follows:

	2017 RO'000	2016 RO'000
Within one year	115	83
Between one and five years	509	490
More than five years	13,857	13,992
	14,481	14,565

During the year, an amount of RO 0.223 million (2016 - RO 0.071 million) was recognised as an expense in the profit or loss in respect of land obtained on operating lease.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

30 Transactions with non-controlling interests (NCI) and movement in NCI

In 2014, a subsidiary of TEAM JAFZA (subsidiary) entered into a Subscription Agreement, consisting the issue and sale of 27,902,522 common shares, from authorised but unissued capital stock, of the subsidiary (amounting to 9.8% of the subsidiary's share capital) at a price of RO 1.03 (USD 2.68) per share for total proceeds of RO 28.85 million (USD 75 million) in cash. As part of the issue and sale of the subsidiary's shares, TEAM JAFZA entered into a Shareholders Agreement with the investor whereby TEAM JAFZA and the subsidiary indicated that it shall use all reasonable endeavours to provide the investor a Liquidity Event, as defined in the Shareholders Agreement, within three (3) years. If a Liquidity Event has not been achieved within three years, the investor shall have the right thereafter to request the Parent Company to purchase the investor's entire share, at a price that yields the investor a return of 12% on the invested amount. The Parent Company has the right to agree to or refuse this request. If the Parent Company does not agree, the investor has the right to sell the shares it owns to a third party on arm's length terms. In the event that such a sale does not achieve the required return, TEAM JAFZA, will provide the investor the right to drag such portion of the TEAM JAFZA's shares in the subsidiary as would enable the investor to achieve the target return. The aggregate impact of these terms has been accounted for as a derivative liability.

The proceeds of the private placement has been used by the subsidiary to fund expansion plans, which includes the acquisition of additional vessels, mergers and acquisition and joint venture transactions, repayment of existing third party debt, repayment of shareholder loans and general corporate purposes at the subsidiary.

As a result of the above transaction, the Group recognised a net adjustment to retained earnings reserve of RO 1.35 million for the year ended 31 December 2014. Non-controlling interests have been increased by RO 19.85 million to reflect the reduction in the Group's interest in the subsidiary.

On 19 December 2016, TEAM JAFZA has transferred 10,534,626 common shares from the authorised and issued capital stock of the subsidiary (amounting to 3.7% of the subsidiary's share capital) to non-controlling interest, thereby increasing the total holding of the non-controlling interest from 9.8% to 13.5%. The guaranteed yield on the shares has been reduced from 12% to 8% and the deadline within which the liquidity event may occur has been extended from 3 to 6 years. This resulted in an increase in non-controlling interest by RO 6.095 million, which was recognized directly in equity in accordance with IFRS 10 Consolidated Financial Statements.

As at 31 December 2017, the fair value of the derivative liability is RO 8.15 million (2016: RO 7.59 million) and was estimated by applying stochastic equity value simulation using Geometric Brownian Motion to model the distribution of paths that the equity value of the subsidiary might take. The fair value estimates are based on a discount rate of 14.75%, estimated equity volatility based on an observed 5-year historical volatilities of the stock prices of a group of guideline public companies and expected dividend yield of the subsidiary. This is a level 3 fair value measurement. The increase in derivative liability for the year of RO 0.563 million was the result of fair valuation adjustment during the year.

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

	2017 RO'000	2016 RO'000
Opening balance	16,350	16,386
Share of loss during the year	(7,011)	(6,135)
Increase in shareholding during 2016 (9.8% to 13.5%)	-	6,099
Closing balance	9,339	16,350

Movement in NCI

Equity contribution from minority investors in RDH	-	6,015
Dividends paid to minority investors in the Group	(1,406)	(3,793)
Acquisition of a subsidiary	-	46
	(1,406)	2,268

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**31 Segment reporting**

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

Marine (Offshore Support Vessel) services: includes vessel chartering to oil and gas off shore companies.

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

Other operations include discontinuing operations such as the engineering services and training services. This also includes investments and related activities and unallocated corporate tax expenses.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's CEO (chief operating decision-maker). Segment profit is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Sales between segments are carried out at arm's length. The revenue from external parties reported to the Group's CEO is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The amounts provided to the Group's CEO 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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

31 Segment reporting (continued)

Information about reportable segments

	Marine (OSV) services		Contract services		Inter-segment eliminations and other unallocated items		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Total revenues (refer note below)	94,249	108,669	100,375	97,799	-	-	194,624	206,468
Net finance costs	(26,166)	(26,665)	(2,301)	(1,410)	-	-	(28,467)	(28,075)
Depreciation and amortisation	(26,962)	(28,596)	(8,145)	(5,595)	-	-	(35,107)	(34,191)
Reportable segment (loss) / profit after income tax (continuing operations)	(48,605)	(44,039)	1,850	6,042	-	-	(46,755)	(37,997)
Reportable segment (loss) / profit after income tax (discontinued operations)	-	-	-	-	(81)	(1,217)	(81)	(1,217)
Reportable segment assets	593,851	573,424	210,139	196,196	(21,492)	(13,219)	782,498	756,401
Assets of disposal group classified as held-for-sale	-	-	-	-	4,953	-	4,953	-
Capital expenditure	68,193	59,155	6,280	45,317	-	-	74,473	104,472
Reportable segment liabilities	485,335	427,710	127,414	111,576	(13,093)	(5,376)	599,656	533,910

Geographical segments

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

	2017 RO'000	2016 RO'000
Oman	85,387	82,440
Middle East and North Africa (excluding Oman)	20,855	24,486
Caspian	72,051	79,243
Norway	12,343	14,653
Others	3,988	5,646
	194,624	206,468

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

31 Segment reporting (continued)

Geographical segments (continued)

The total of non-current assets other than financial instruments and deferred tax assets is as follows:

	2017 RO'000	2016 RO'000
Oman	141,374	144,136
Others	501,514	493,490
	642,888	637,626

Others include mainly MENA and Caspian regions.

32 Financial instruments

Financial instruments by category

31 December 2017	Loans and receivables RO'000	Available- for-sale RO'000	Assets at fair value through profit or loss RO'000	Total RO'000
Assets				
Investments	-	322	-	322
Other long-term receivables	946	-	-	946
Financial assets at fair value through profit or loss	-	-	151	151
Trade and other receivables (excluding other receivables and prepayments and advances)	61,705	-	-	61,705
Cash and bank balances	50,880	-	-	50,880
	113,531	322	151	114,004
31 December 2016	Loans and receivables RO'000	Available- for-sale RO'000	Assets at fair value through profit or loss RO'000	Total RO'000
Assets				
Investments	-	322	-	322
Other long-term receivables	2,310	-	-	2,310
Financial assets at fair value through profit or loss	-	-	14	14
Trade and other receivables (excluding other receivables and prepayments and advances)	64,830	-	-	64,830
Cash and bank balances	33,380	-	-	33,380
	100,520	322	14	100,856

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

32 Financial instruments (continued)

Financial instruments by category (continued)

31 December 2017	Liabilities at fair value through profit and loss RO'000	Other financial liabilities at amortised cost RO'000	Total RO'000
Liabilities			
Borrowings	-	379,852	379,852
Equity settled mandatory convertible bonds	-	-	-
Non-current payables and advances	-	11,107	11,107
Trade and other payables	8,151	75,233	83,384
Short-term borrowings and bank overdrafts	-	13,506	13,506
	<u>8,151</u>	<u>479,698</u>	<u>487,849</u>
31 December 2016			
Borrowings	-	374,527	374,527
Equity settled mandatory convertible bonds	-	11,994	11,994
Non-current payables and advances	-	11,235	11,235
Trade and other payables	7,588	59,367	66,955
Short-term borrowings and bank overdrafts	-	5,064	5,064
	<u>7,588</u>	<u>462,187</u>	<u>469,775</u>

Credit quality of financial assets

As per the credit policy of the Group, customers are generally extended a credit period of up to three months in the normal course of business. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external ratings (if available) or to historical information about counterparty default rates:

	2017 RO'000	2016 RO'000
Trade debtors		
Counterparties without external credit rating		
Not past due	43,267	48,708
Past due 0 to 3 months	12,096	11,070
Past due over 3 months	6,251	5,042
	<u>61,614</u>	<u>64,820</u>

Cash at bank

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.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

33 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 inputs).

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
31 December 2017				
Investments	<u>151</u>	<u>-</u>	<u>322</u>	<u>473</u>
Derivative financial instruments	<u>-</u>	<u>-</u>	<u>8,151</u>	<u>8,151</u>
31 December 2016				
Investments	<u>14</u>	<u>-</u>	<u>322</u>	<u>336</u>
Derivative financial instruments	<u>-</u>	<u>-</u>	<u>7,588</u>	<u>7,588</u>

There were no transfers between levels 2 and 3 during the year.

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

34 Comparative figures

Certain comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications did not result in changes to previously reported total comprehensive income or equity.

35 Approval of consolidated financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 21 February 2018.

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES
 SCHEDULES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
**STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME (PARENT COMPANY)**
 for the year ended 31 December 2017

	2017	2016
	RO'000	RO'000
Revenue	31,076	28,553
Operating costs	(20,619)	(19,206)
Gross profit	10,457	9,347
Other income	2,279	2,872
Administrative expenses	(3,424)	(3,306)
Profit before finance cost and tax	9,312	8,913
Finance costs – net	(7,981)	(9,984)
Profit / (loss) before tax	1,331	(1,071)
Taxation	(985)	(755)
Profit / (loss) and total comprehensive income / (loss) for the year	346	(1,826)
Basic earnings / (loss) per share (RO)	0.001	(0.006)
Diluted earnings / (loss) per share (RO)	0.001	(0.006)

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (PARENT COMPANY)

at 31 December 2017

	2017 RO'000	2016 RO'000
ASSETS		
Non-current assets		
Property, plant and equipment	65,927	70,013
Investments	156,789	156,789
Subordinated loan to subsidiaries	30,600	38,045
Total non-current assets	253,316	264,847
Current assets		
Financial assets at fair value	138	-
Inventories	752	734
Trade and other receivables	9,884	9,425
Amount due from subsidiaries and other related parties	24,471	18,949
Current portion of subordinated loan to subsidiaries	4,640	2,790
Cash and bank balances	12,184	13,501
Total current assets	52,069	45,399
Total assets	305,385	310,246
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	36,727	29,878
Share premium	26,937	22,302
Legal reserve	12,242	9,960
Subordinated loan reserve	2,500	1,429
Retained earnings	33,031	33,756
Total equity	111,437	97,325
LIABILITIES		
Non-current liabilities		
Borrowings	69,980	77,061
Subordinated loan	6,875	8,750
Non-current payables	3,094	1,015
Subordinated loan from subsidiaries	53,718	54,318
Amount due to subsidiaries	-	26,135
Staff terminal benefits	1,263	1,150
Total non-current liabilities	134,930	168,429
Current liabilities		
Current portion of long-term borrowings	-	5,440
Current portion of equity settled mandatory convertible bonds	-	13,305
Current portion of long-term subordinated loan	625	1,250
Trade and other payables	19,971	19,307
Amount due to subsidiaries	27,916	190
Short-term borrowings	10,506	5,000
Total current liabilities	59,018	44,492
Total liabilities	193,948	212,921
Total equity and liabilities	305,385	310,246
Net assets per share (RO)	0.303	0.326

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES
SCHEDULES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)

for the year ended 31 December 2017

	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Subordinated loan reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2016	29,065	21,045	9,689	20,000	17,011	96,810
Comprehensive income:						
Loss for the year	-	-	-	-	(1,826)	(1,826)
Shares issued on conversion of MCBs	813	1,528	-	-	-	2,341
Transfer from subordinated loan reserve	-	-	-	(18,571)	18,571	-
Transfer to legal reserve	-	(271)	271	-	-	-
At 1 January 2017	29,878	22,302	9,960	1,429	33,756	97,325
Comprehensive income:						
Profit for the year	-	-	-	-	346	346
Shares issued on conversion of MCBs	6,849	6,917	-	-	-	13,766
Transfer to subordinated loan reserve	-	-	-	1,071	(1,071)	-
Transfer to legal reserve	-	(2,282)	2,282	-	-	-
At 31 December 2017	36,727	26,937	12,242	2,500	33,031	111,437

RENAISSANCE SERVICES SAOG AND ITS SUBSIDIARY COMPANIES
 SCHEDULES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS (PARENT COMPANY)
 for the year ended 31 December 2017

	2017 RO'000	2016 RO'000
Operating activities		
Cash receipts from customers	30,728	26,529
Cash paid to suppliers and employees	(17,063)	(16,190)
Cash generated from operations	13,665	10,339
Net financing costs	(7,612)	(9,800)
Income tax paid	(149)	(152)
Net cash generated from operating activities	5,904	387
Investing activities		
Acquisition of property, plant and equipment	(350)	(2,302)
Proceeds from sale of property, plant and equipment	23	2
Net movement in fixed deposits	4,000	(5,000)
Net movement in investment	(138)	(34)
Dividend received	2,000	2,614
Net cash generated from / (used in) investing activities	5,535	(4,720)
Financing activities		
Repurchase of MCBs	-	(8,973)
Net payments of borrowings	(9,884)	(2,627)
Net movement in related parties	1,128	21,300
Net cash (used in) / generated from financing activities	(8,756)	9,700
Net change in cash and cash equivalents	2,683	5,367
Cash and cash equivalents at the beginning of the year	8,501	3,134
Cash and cash equivalents at the end of the year	11,184	8,501