

Condensed interim consolidated financial statements and review report  
**RA Holding Corp.**  
For the period from 1 July 2019 to 31 December 2019

## General information

Commercial Registra : 279024 obtained on 28 June 2013

Board of Directors	:	Eugene Irwin Davis	Chairman
		Matthew Charles Turner (resigned on 26 November 2019)	Director
		Matthew Alexander Doheny	Director
		David John Burlison	Director
		Brent William De Jong (resigned on 26 November 2019)	Director
		Khalil Ebrahim Nooruddin	Director
		Ebtisam Al Arrayed	Director

Registered Office : Paget-Brown Trust Company Ltd. office  
Boundary Hall, Cricket Square, P.O. Box 111  
Grand Cayman KY1-1102  
Cayman Islands

Bankers : Bank of New York Mellon  
National Bank of Bahrain

Auditors : Grant Thornton - Abdulaal  
P.O. Box 11175  
12th Floor, Al Nakheel Tower  
Seef District  
Kingdom of Bahrain

## Review report

To the Shareholders of  
RA Holding Corp.

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### Introduction

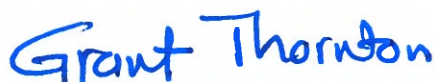
We have reviewed the accompanying condensed interim consolidated financial statements of RA Holding Corp. (the "Company") and its subsidiaries (together the "Group"), which comprise the condensed interim consolidated statement of financial position as at 31 December 2019, and the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity for the period from 1 July 2019 to 31 December 2019, and a summary of significant accounting policies and other explanatory information. The Board of Directors is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the condensed interim consolidated financial position of the Group as at 31 December 2019, and its condensed interim consolidated financial performance and its condensed interim consolidated cash flows for the six months period then ended in accordance with IAS 34 Interim Financial Reporting.



4 May 2020

Manama, Kingdom of Bahrain



**Condensed interim consolidated statement of financial position**  
**As at 31 December 2019**

	Notes	Unaudited 31 December 2019 US\$ '000	Audited 30 June 2019 US\$ '000
<b>Assets</b>			
Balances with banks	3	8,324	11,734
Receivables	4	30,535	30,507
Investments	5	40,011	39,801
Other assets		529	424
<b>Total assets</b>		<b>79,399</b>	<b>82,466</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Accrued incentive fees	6	3,537	3,824
Distribution payable to preference shareholders	7	1,466	1,466
Other liabilities	8	1,410	1,242
Total liabilities excluding net assets attributable to senior class A preference shares		6,413	6,532
Senior class A preference shares	7	73,022	75,970
<b>Total liabilities including net assets attributable to senior class A preference shares</b>		<b>79,435</b>	<b>82,502</b>
<b>Equity</b>			
Share capital		1	1
<b>Total equity attributable to shareholders of the parent</b>		<b>1</b>	<b>1</b>
Non-controlling interest		(37)	(37)
<b>Total equity</b>		<b>(36)</b>	<b>(36)</b>
<b>Total liabilities and equity</b>		<b>79,399</b>	<b>82,466</b>

I hereby certify that, to the best of my knowledge, these condensed interim consolidated financial statements present fairly the condensed interim consolidated financial condition of the Group as at 31 December 2019 and its condensed interim consolidated operations for the six months period then ended.



Eugene I. Davis  
Chairman of the Board of Directors

The accounting policies and the notes from pages 8 to 26 form an integral part of these condensed interim consolidated financial statements.



**Condensed interim consolidated statement of profit or loss**  
**For the period from 1 July 2019 to 31 December 2019**

		<u>Three months ended (unaudited)</u>		Unaudited	Unaudited
		<u>31 December</u>	<u>31 December</u>	Period from	Period from
		<u>2019</u>	<u>2018</u>	1 July 2019	1 July 2018
		2019	2018	2019	2018
Notes		US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Income</b>					
Management fee income	4.2	-	1,383	811	2,807
Capital gain on disposal of investments	5	-	1,532	-	1,532
Fair value gain/ (loss) on investments, net	12	619	(984)	210	(1,250)
Other income	11	-	2,100	139	9,712
<b>Total income</b>		<b>619</b>	<b>4,031</b>	<b>1,160</b>	<b>12,801</b>
<b>Expenses</b>					
Asset management and incentive fees	6	(15)	-	(20)	(285)
Performance based incentive fees					
Realised	6	34	(243)	51	(261)
Unrealised	6	27	683	61	722
Legal and professional expenses		(1,085)	(1,489)	(2,006)	(3,403)
General and administrative expenses		(769)	(677)	(1,377)	(1,375)
<b>Total expenses</b>		<b>(1,808)</b>	<b>(1,726)</b>	<b>(3,291)</b>	<b>(4,602)</b>
<b>Operating (loss) / profit</b>		<b>(1,189)</b>	<b>2,305</b>	<b>(2,131)</b>	<b>8,199</b>
Charge of provisions against receivables, net	4.4	(72)	(264)	(860)	(543)
gain/(loss) on foreign exchange, net		75	(14)	43	(30)
<b>(Loss)/ profit before changes in obligation to senior class A preference shareholders</b>		<b>(1,186)</b>	<b>2,027</b>	<b>(2,948)</b>	<b>7,626</b>
Decrease / (increase) in obligation to senior class A preference shareholders	7	1,186	(2,027)	2,948	(7,666)
<b>Loss for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(40)</b>
<b>Attributable to:</b>					
Shareholders of the Parent		-	-	-	-
Non-controlling interest		-	-	-	(40)
		<b>-</b>	<b>-</b>	<b>-</b>	<b>(40)</b>

I hereby certify that, to the best of my knowledge, these condensed interim consolidated financial statements present fairly the condensed interim consolidated financial condition of the Group as at 31 December 2019 and its condensed interim consolidated operations for the six months period then ended.



Eugene I. Davis  
Chairman of the Board of Directors

The accounting policies and the notes from pages 8 to 26 form an integral part of these condensed interim consolidated financial statements.



# Condensed interim consolidated statement of comprehensive income

## For the period from 1 July 2019 to 31 December 2019

	Note	<i>Three months ended (unaudited)</i>		Unaudited Period from 1 July 2019	Unaudited Period from 1 July 2018
		31 December 2019	31 December 2018	to 31 December 2019	to 31 December 2018
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Net loss for the period</b>		-	-	-	(40)
<b>Other comprehensive loss</b>					
<b>Item to be reclassified to profit or loss</b>					
<b>in subsequent periods:</b>					
Exchange differences on					
translation of foreign operations		-	-	-	(17)
Decrease in obligation					
to senior class A					
preference shares	7	-	-	-	17
<b>Total comprehensive loss for</b>					
<b>the period</b>		-	-	-	(40)
<b>Attributable to:</b>					
Shareholders of the Parent		-	-	-	-
Non-controlling interest		-	-	-	(40)
		-	-	-	(40)

# Condensed interim consolidated statement of changes in equity

## For the period from 1 July 2019 to 31 December 2019

	Share capital US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
Balance as at 1 July 2019	1	(2)	(1)
Loss for the period	-	(40)	(40)
<b>Balance as at 1 July 2018 and as at 31 December 2018</b>	<b>1</b>	<b>(42)</b>	<b>(41)</b>
<b>- unaudited</b>	<b>1</b>	<b>(42)</b>	<b>(41)</b>
<b>Balance as at 1 July 2019 and 31 December 2019</b>	<b>1</b>	<b>(37)</b>	<b>(36)</b>
<b>-unaudited</b>	<b>1</b>	<b>(37)</b>	<b>(36)</b>

The accounting policies and the notes from pages 8 to 26 form an integral part of these condensed interim consolidated financial statements.

# Condensed interim consolidated statement of cash flows

## For the period from 1 July 2019 to 31 December 2019

		Unaudited Period from 1 July 2019 to 31 December 2019 US\$ '000	Unaudited Period from 1 July 2018 to 31 December 2018 US\$ '000
	Notes		
<b>Operating activities</b>			
(Loss)/profit before changes in obligation to senior class A preference shareholders		(2,948)	7,626
Adjustments:			
Liability written back	11	-	(9,712)
Charge of provisions against receivables, net	4.3	860	543
Fair value loss on investments, net	12	(210)	1,250
Capital gain on disposal of investments		-	1,532
Performance based incentive fees (unrealised)	6	(61)	(722)
Operating (loss)/profit before changes in operating assets and liabilities		(2,359)	517
Changes in operating assets and liabilities:			
Receivables		(888)	(2,836)
Investments		-	(1,515)
Other assets		(105)	(2)
Other liabilities		168	(116)
Accrued incentive fees		(226)	(20)
Restricted cash	3	(4)	2,166
<b>Net cash used in operating activities</b>		<b>(3,414)</b>	<b>(1,806)</b>
<b>Financing activities</b>			
Distributions to senior class A preference shareholders	7	-	2
<b>Net cash from financing activities</b>		<b>-</b>	<b>2</b>
<b>Net movement in cash and cash equivalents</b>		<b>(3,414)</b>	<b>(1,804)</b>
Cash and cash equivalents at the beginning of the period		9,994	15,493
<b>Cash and cash equivalents at the end of the period</b>	3	<b>6,580</b>	<b>13,689</b>

The accounting policies and the notes from pages 8 to 26 form an integral part of these condensed interim consolidated financial statements.



## **Notes to the condensed interim consolidated financial statements**

**For the period from 1 July 2019 to 31 December 2019**

### **1 Introduction**

#### **a) Corporate information**

RA Holding Corp. (the “Company” or the “Successor Company” or “RA Holding” and together with its subsidiaries “RA Group” or the “Group”) is an exempt limited liability company incorporated in the Cayman Islands on 28 June 2013 with its registered office situated at the offices of Paget-Brown Trust Company Ltd., Boundary Hall, Cricket Square, P.O. Box 1111, Grand Cayman KY1-1102, Cayman Islands.

#### **b) Activities**

The Company has been formed to indirectly hold a portfolio of private equity investments that were originally partially owned and managed by Arcapita Bank B.S.C. (c) (“Arcapita” or the “Predecessor Company” or the “Bank”), a wholesale bank incorporated in the Kingdom of Bahrain. The objective of the Company is to hold and manage the transferred investments and sell these down in the normal course of business in a manner which is expected to maximize the return to all stakeholders.

The structure of RA Group is set forth in note 1(d) to the condensed interim consolidated financial statements.

#### **c) Approval of the condensed interim consolidated financial statements**

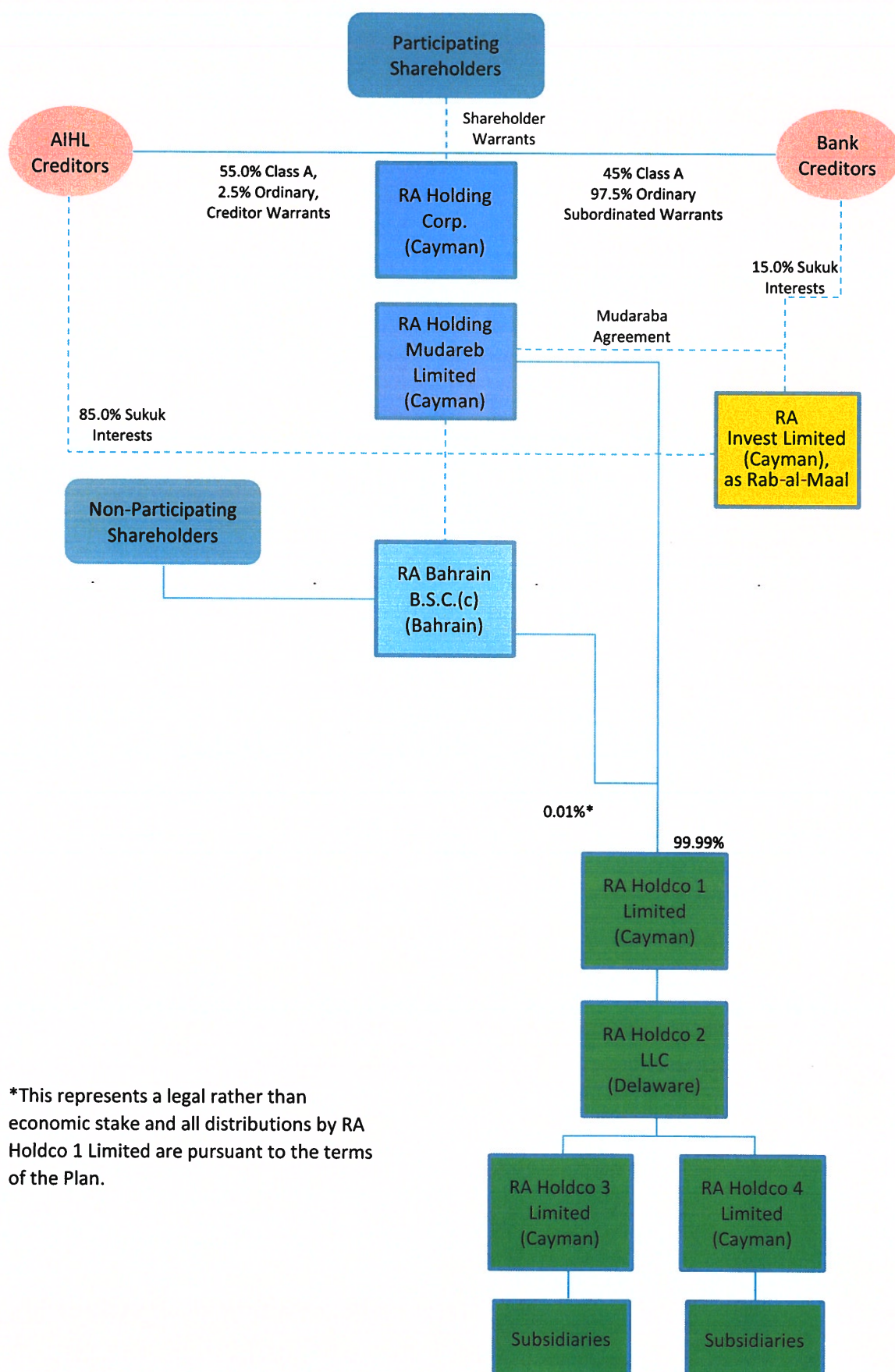
These condensed interim consolidated financial statements have been approved and authorised for issuance by the Board of Directors on 4 May 2020.

# Notes to the condensed interim consolidated financial statements

## For the period from 1 July 2019 to 31 December 2019

### 1 Introduction (continued)

#### d) Group structure



\*This represents a legal rather than economic stake and all distributions by RA Holdco 1 Limited are pursuant to the terms of the Plan.



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

## 2 Significant accounting policies

### 2.1 Basis of preparation

The condensed interim consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required in annual consolidated financial statements in accordance with International Financial Reporting Standards, and should be read in conjunction with the consolidated financial statements of the Company for the year ended 30 June 2019. In addition, results for the six months period ended 31 December 2019 are not necessarily indicative of the results that may be expected for the financial year ending 30 June 2020.

The Group consists of the Company and its subsidiaries and affiliates as detailed in note 2.2.

These condensed interim consolidated financial statements represent the only financial statements issued for the Group.

The assets of the Predecessor Company were transferred to the Group primarily at their fair values as determined by third party independent valuers as on 17 September 2013, the date of emergence, whereas liabilities were recognised at their estimated settlement amounts.

The condensed interim consolidated financial statements are presented in United States Dollar (US\$), which is the Group's functional currency, and all values are rounded to the nearest thousand (US\$ '000) except when otherwise indicated.

### 2.2 Basis of consolidation

These condensed interim consolidated financial statements comprise the condensed interim consolidated financial statements of the Company and its subsidiaries for the period ended 31 December 2019. The consolidated subsidiaries of Arcapita were transferred to RA Group on the emergence date in accordance with the Plan of Reorganization and have been consolidated from 17 September 2013 to the date of consolidated statement of financial position.

The financial statements of subsidiaries are prepared using consistent accounting policies. The Group has utilised the "investment entity" exemption for investment in subsidiaries held for sale in the normal course of business. These investments are carried at fair value through profit or loss.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b) Exposure, or rights, to variable returns from its involvement with the investee; and
- c) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a) The contractual arrangement with the other vote holders of the investee;
- b) Rights arising from other contractual arrangements; and
- c) The Group's voting rights and potential voting rights.

The Group will re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

## 2 Significant accounting policies (continued)

### 2.2 Basis of consolidation (continued)

All intra-group assets and liabilities between members of the Group are eliminated in full upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The following are the principal operating subsidiaries of the Company which have been consolidated in these condensed interim consolidated financial statements:

<i>Subsidiary</i>	<i>Ownership</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>
<b>RA Holding Mudareb Limited ("RA Mudareb")</b>			
RA Mudareb is the holding company of RA Holdco 1 Limited and the indirect parent of Arcapita Bank B.S.C. (c).	100%	2013	Cayman Islands
<b>RA Holdco 1 Limited ("RA Holdco 1")</b>			
RA Holdco 1 is the holding company of RA Holdco 2 Limited, RA Holdco 3 Limited, ALTHL and other Working Capital Finance (WCF) interests transferred from Arcapita.	99.99%	2013	Cayman Islands
<b>RA Holdco 2 LLC (Delaware) ("RA Holdco 2")</b>			
RA Holdco 2 is the holding company of RA Holdco 3 Limited, RALTHL and other Working Capital Finance (WCF) interests transferred from Arcapita.	100%	2013	Delaware (United States of America)
<b>RA LT Holdings Limited ("RALTHL") (formerly known as Arcapita LT Holdings Limited)</b>			
RALTHL's main activity is to hold the Group's share in investee companies.	100%	2010	Cayman Islands
<b>RA Holdco 3 Limited ("RA Holdco 3")</b>			
RA Holdco 3 is the holding company of RAIML, RAIFL and other management companies.	100%	2013	Cayman Islands
<b>RA Legacy Limited ("RA Legacy") (formerly known as Arcapita Limited)</b>			
Its main activities are to monitor the performance of the acquired companies on behalf of the Group and investors.	100%	2003	United Kingdom



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

## 2 Significant accounting policies (continued)

### 2.2 Basis of consolidation (continued)

<i>Subsidiary</i>	<i>Ownership</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>
<b>RAIM Limited ("RAIML") (formerly known as Arcapita Investment Management Limited)</b>			
RAIML's main activity is to maintain and manage the books of accounts of the investee companies.	100%	1997	Cayman Islands
<b>RA Investment Funding Limited ("RAIFL") (formerly known as Arcapita Investment Funding Limited)</b>			
RAIFL is the holding company of ASFL; its main activities are to sponsor other investment banking activities.	100%	1998	Cayman Islands
<b>RA Structured Finance Limited ("RASFL") (formerly known as Arcapita Structured Finance Limited)</b>			
RASFL's main activity is to structure Islamic acceptable financing facilities to portfolio companies and to undertake post-acquisition asset management.	100%	1998	Cayman Islands
<b>RA Bahrain B.S.C. (c) ("Arcapita") * (formerly known as Arcapita Bank B.S.C. (c))</b>			
Arcapita is the Predecessor Company as explained in note 1.	85.27%	1996	Kingdom of Bahrain

\*Arcapita Bank B.S.C. (c) was renamed to RA Bahrain B.S.C. (c) on 10 September 2014 following its emergence from Chapter 11.

### 2.3 Significant accounting judgements and estimates

The same accounting policies, judgements, estimates, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2019.

Several new Standards and amendments to existing Standards, and Interpretations have been published by the IASB which have become effective this year but have not been disclosed as they are either not relevant to the Group's activities or require accounting which is consistent with the Groups's current accounting policies. and have no material effect on the Group's financial position and its results of operations.

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

#### 3 Balances with banks

	Notes	31 December 2019 US\$ '000	30 June 2019 US\$ '000
Balances with banks		8,324	11,734
Less: restricted cash held for distributions	3.1	(1,731)	(1,727)
Less: restricted cash held for indemnity obligations	3.2	(13)	(13)
Cash and cash equivalents		<b>6,580</b>	<b>9,994</b>

**3.1** This balance includes US\$1.5 million (30 June 2019: US\$1.5 million) of funds that are held on account of distribution to beneficiaries for which the distributions have been declared but the delivery of the distributions is pending. These balances are not available for use in the day to day operations of the Group and have therefore been excluded from cash and cash equivalents in the consolidated statement of cash flows.

**3.2** This balance includes US\$ 13 thousands (30 June 2019: US\$ 13 thousands) that is maintained to secure the Group's indemnity obligations (e.g., taxes, professional fees, and wind down expense), if any, pursuant to the terms of divestiture of certain assets during the period ended 30 June 2014. These balances are not available for use in the day to day operations of the Group and have therefore been excluded from cash and cash equivalents in the consolidated statement of cash flows.

#### 4 Receivables

		31 December 2019		
	Notes	Gross receivable US\$ '000	Provisions US\$ '000	Net receivable US\$ '000
Due from investee companies:				
Murabaha with investee companies	4.1	128,305	(120,781)	7,524
Management fee receivables	4.2	37,829	(16,059)	21,770
Receivables from investee companies		3,359	(2,118)	1,241
Receivable from financial institutions		33,257	(33,257)	-
		<b>202,750</b>	<b>(172,215)</b>	<b>30,535</b>

		30 June 2019		
	Notes	Gross receivable US\$ '000	Provisions US\$ '000	Net receivable US\$ '000
Due from investee companies:				
Murabaha with investee companies	4.1	128,305	(120,781)	7,524
Management fee receivables	4.2	37,018	(15,276)	21,742
Receivables from investee companies		3,282	(2,041)	1,241
Receivable from financial institutions		33,257	(33,257)	-
		<b>201,862</b>	<b>(171,355)</b>	<b>30,507</b>



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

#### 4 Receivables (continued)

4.1 These receivables carry effective profit rate of 15% (30 June 2019: 15%).

4.2 Management fees are charged to syndication and investment holding companies on behalf of investors in accordance with the administration agreements. These are ordinarily settled upon exit of the underlying investments.

#### 4.3 Movement in provision

	31 December 2019 US\$ '000	30 June 2019 US\$ '000
Beginning balance	171,355	164,726
Charge for the period/year	860	11,658
Net charge for the period/year	860	11,658
Write off of receivables	-	(5,029)
Ending balance	<b>172,215</b>	<b>171,355</b>

#### 5 Investments

	31 December 2019 US\$ '000	30 June 2019 US\$ '000
Real estate	37,045	37,047
Private equity	2,966	2,754
	<b>40,011</b>	<b>39,801</b>

Information about the valuation techniques and significant assumptions used to determine the fair value of investments is set out in note 12 to these condensed interim consolidated financial statements.

During the period ended 31 December 2019, the capital gain was Nil (30 June 2019: US\$1,532 thousands).

#### 6 Asset management and incentive fees

Asset management fees recorded during the period are as follows:

	<u>Three months ended</u>		Period from	Period from
	<u>31 December</u>	<u>31 December</u>	<u>1 July 2019</u>	<u>1 July 2018</u>
	<u>2019</u>	<u>2018</u>	<u>to 31 December</u>	<u>to 31 December</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>	<u>2019</u>	<u>2018</u>
			<u>US\$ '000</u>	<u>US\$ '000</u>
Base management fee	<b>15</b>	<b>-</b>	<b>20</b>	<b>285</b>

# Notes to the condensed interim consolidated financial statements

## For the period from 1 July 2019 to 31 December 2019

### 6 Asset management and incentive fees (continued)

Performance based incentive and deferred incentive fees (realised and unrealised) recorded during the period are as follows:

<b>Three months ended 31 December 2019</b>			
	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	US\$ '000	US\$ '000	US\$ '000
<b>Performance linked fees</b>			
Incentive fees	(1)	-	(1)
Deferred incentive fees	-	-	-
Directors' incentive fees	(33)	27	(6)
	<b>(34)</b>	<b>27</b>	<b>(7)</b>
<b>Three months ended 31 December 2018</b>			
	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	US\$ '000	US\$ '000	US\$ '000
<b>Performance linked fees</b>			
Incentive fees	124	(683)	(559)
Deferred incentive fees	1	-	1
Directors' incentive fees	118	-	118
	<b>243</b>	<b>(683)</b>	<b>(440)</b>
<b>Period from 1 July 2019 to 31 December 2019</b>			
<b>(unaudited)</b>			
	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	US\$ '000	US\$ '000	US\$ '000
<b>Performance linked fees</b>			
Incentive fees	-	-	-
Deferred incentive fees	-	-	-
Directors' incentive fees	(51)	(61)	(112)
	<b>(51)</b>	<b>(61)</b>	<b>(112)</b>
<b>Period from 1 July 2018 to 31 December 2018</b>			
<b>(unaudited)</b>			
	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	US\$ '000	US\$ '000	US\$ '000
<b>Performance linked fees</b>			
Incentive fees	125	(722)	(597)
Deferred incentive fees	39	-	39
Directors' incentive fees	97	-	97
	<b>261</b>	<b>(722)</b>	<b>(461)</b>

The accrued incentive fees are as follows:

	<b>31 December</b>	<b>30 June</b>
	<b>2019</b>	<b>2019</b>
	US\$ '000	US\$ '000
Accrued incentive fees	1,052	1,209
Accrued directors incentive fees	2,485	2,615
	<b>3,537</b>	<b>3,824</b>



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

#### 6 Asset management and incentive fees (continued)

Pursuant to the MSA signed between the Group and AIM, AIM is entitled to a base management fee, enhanced management fee, incentive fee and a deferred incentive fee. The Board of Directors are entitled to incentive fees beyond a certain distribution threshold. In addition, based on the RA Holdco 1 incentive compensation plan for non-employee directors signed and executed on 16 July 2015, the Board of Directors of the Company are entitled to receive incentive based on certain percentages of distributions to holders of the Sukuk Obligations and the New Arcapita Shares less amounts paid to allocated or credited to non-employee members of the Board under the RA plan. The MSA signed between the Group and AIM expired on September 16, 2018. On 31 August 2019, a services agreement was signed and executed between the Group and AIM. Pursuant to the services agreement, AIM is entitled to a monthly fee for performance of certain services related to the Group's remaining portfolio companies. The Board of Directors is actively discussing its strategic options with relevant parties as to how the remaining portfolio companies are managed going forward.

#### 7 Senior class A preference shares

	31 December 2019 US\$ '000	30 June 2019 US\$ '000
<b>Net assets attributable to:</b>		
- 3,241,503 (30 June 2019: 3,241,503) senior class A-1 preference shares of US\$ 0.01 each	40,158	43,045
- 2,652,710 (30 June 2019: 2,652,710) senior class A-2 preference shares of US\$ 0.01 each	32,864	35,227
	<b>73,022</b>	<b>78,272</b>

As of the date of condensed interim consolidated statement of financial position, the Group has carried out a reassessment of the cash out flow available to settle the senior preference shares and has shown the senior preference shares on that basis. The movement of change in carrying value of obligation to preference shareholders during the period is as follows:

	31 December 2019 US\$ '000	30 June 2019 US\$ '000
<b>Carrying value of obligation to preference shareholders</b>		
Beginning balance	75,970	78,272
Change in obligation due to:		
Reassessment of cash outflow available due to profit for the period	(2,948)	(2,278)
Foreign currency translation loss of foreign operations	-	(24)
Ending balance	<b>73,022</b>	<b>75,970</b>

During the period ended 31 December 2019, the Board of Directors approved distribution to senior class A preference shareholders in the amount of Nil (30 June 2019: Nil)

#### 8 Other liabilities

		31 December 2019 US\$ '000	30 June 2019 US\$ '000
	Notes		
Convenience claims	8.1	131	131
Holdback reserves on exited investments	8.2	13	13
Due to deal companies		142	285
Other liabilities		1,124	813
		<b>1,410</b>	<b>1,242</b>

# Notes to the condensed interim consolidated financial statements

## For the period from 1 July 2019 to 31 December 2019

### 8 Other liabilities (continued)

- 8.1** Pursuant to the Plan of Reorganization, certain prepetition creditors were given an option of receiving "convenience class" treatment on account of their claims pursuant to which their claim would be settled in cash at 50% of their actual liability with a cap of US\$ 12,500. These claims have been transferred to the Group pursuant to the Plan of Reorganization and are reflected at their expected settlement amounts.

The total amount of convenience claims as at 31 December 2019, represents claims which have been submitted up to the date of issuance of these consolidated financial statements and have been or are expected to be allowed. Aggregate cash payments to convenience claim holders is capped at US\$ 9.7 million. As of the date of condensed interim consolidated statement of financial position, the total convenience claims recognised by the Group amounted to US\$ 3.9 million (30 June 2019: US\$ 3.9 million) of which US\$ 3.7 million (30 June 2019: US\$ 3.7 million) has been settled.

- 8.2** This balance represents cash proceeds received in relation to the sale of certain assets and which are maintained to secure the Group's indemnity obligations (e.g., taxes, professional fees, and wind down expense), if any, pursuant to the terms of divestiture of certain assets during the period ended 30 June 2014. As discussed in note 3.2 of the consolidated financial statements, these cash balances are reserved specifically against this liability and hence have been excluded from cash and cash equivalents.

### 9 Share capital

	<b>31 December 2019 US\$ '000</b>	<b>30 June 2019 US\$ '000</b>
<b>Authorised:</b>		
- 20,000,000 class A ordinary shares of US\$ 0.0001 each	2	2
- 20,000,000 class B ordinary shares of US\$ 0.0001 each	2	2
- 100,000,000 class C ordinary shares of US\$ 0.0001 each	10	10
	<b>14</b>	<b>14</b>
	<b>31 December 2019 US\$ '000</b>	<b>30 June 2019 US\$ '000</b>
<b>Issued and fully paid up:</b>		
10,000,000 ordinary shares of US\$ 0.0001 each	1	1

- 9.1** Class A-1 senior preference shares, class A-2 senior preference shares, class A ordinary shares and class B ordinary shares are entitled to one vote per share at a general meeting. Class C ordinary shares do not have any voting rights at general meetings except on decisions regarding the election and removal of the warrant directors. Further, if class C ordinary shares are allowed to vote along with class A senior preference shares and class B ordinary shares at a general meeting on matters not relating to the election and removal of directors, then each class C ordinary share is entitled to one thousandth (1/1000th) of a vote per share on such matter.



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

#### 9 Share capital (continued)

- 9.2 The Company has issued series 'A' and series 'C' warrants which can be exercised to purchase class 'A' and class 'C' ordinary shares respectively. Series 'A' and 'C' warrants have been issued to creditors and shareholders of the Predecessor Company respectively. These warrants are exercisable once the Group's obligations under Exit Facility, mudaraba and senior class A preference shares are settled in full and the dividend threshold has been met in respect of the ordinary shares. American Stock Transfer & Trust Company, LLC serves as nominee, transfer agent, and registrar with respect to the warrants. These warrants will be distributed upon finalization of warrant holders list.

#### 10 Contingencies

At 31 December 2019, there were pending legal cases against the Group in Bahraini Courts. These include cases brought forward by a number of investors and investment account holders of the Bank which were forfeited under the Plan of Reorganization due to the failure to submit verification materials.

Where the Group's Board of Directors considers the claims to be unjustified and the probability that they will require settlement to be improbable, no amount has been recognized as a provision. Further information on these contingencies is omitted so as not to seriously prejudice the Group's position in the related disputes.

#### 11 Other income

	<b><i>Three months ended</i></b>		<b>Period from</b>	<b>Period from</b>
	<b><i>31 December</i></b>	<b><i>31 December</i></b>	<b>1 July 2019</b>	<b>1 July 2018</b>
	<b>2019</b>	<b>2018</b>	<b>to 31 December</b>	<b>to 31 December</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>2019</b>	<b>2018</b>
			<b>US\$ '000</b>	<b>US\$ '000</b>
Liability written back (i)	-	2,100	-	9,712
Miscellaneous	-	-	139	-
	<b>-</b>	<b>2,100</b>	<b>139</b>	<b>9,712</b>

(i) It represents liability written back for the provision previously accrued for potential legal expenses and hold back reserves.

# Notes to the condensed interim consolidated financial statements

## For the period from 1 July 2019 to 31 December 2019

### 12 Fair value of financial instruments

Fair value is the price that would be received upon the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group's financial instruments have been classified in accordance with their measurement basis as follows:

	At fair value through profit or loss US\$ '000	At cost/ amortised cost US\$ '000	Total US\$ '000
<b>31 December 2019</b>			
<b>Assets</b>			
Balances with banks	-	8,324	8,324
Receivables	-	30,535	30,535
Investments	40,011	-	40,011
	<b>40,011</b>	<b>38,859</b>	<b>78,870</b>
	At fair value through profit or loss US\$ '000	At cost/ amortised cost US\$ '000	Total US\$ '000
<b>31 December 2019</b>			
<b>Liabilities</b>			
Accrued incentive fees	-	3,537	3,537
Distribution payable to preference shareholders	-	1,466	1,466
Other liabilities	-	1,410	1,410
Senior class A preference shares	-	73,022	73,022
	<b>-</b>	<b>79,435</b>	<b>79,435</b>
	At fair value through profit or loss US\$ '000	At cost/ amortised cost US\$ '000	Total US\$ '000
<b>30 June 2019</b>			
<b>Assets</b>			
Balances with banks	-	11,734	11,734
Receivables	-	30,507	30,507
Investments	39,801	-	39,801
	<b>39,801</b>	<b>42,241</b>	<b>82,042</b>
	At fair value through profit or loss US\$ '000	At cost/ amortised cost US\$ '000	Total US\$ '000
<b>30 June 2019</b>			
<b>Liabilities</b>			
Accrued incentive fees	-	3,824	3,824
Distribution payable to preference shareholders	-	1,466	1,466
Other liabilities	-	1,242	1,242
Senior class A preference shares	-	75,970	75,970
	<b>-</b>	<b>82,502</b>	<b>82,502</b>



# Notes to the condensed interim consolidated financial statements

## For the period from 1 July 2019 to 31 December 2019

### 12 Fair value of financial instruments (continued)

#### Fair value hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted (unadjusted) prices 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 (that is, as prices) or indirectly (that is, derived from prices). This category includes financial instruments valued using quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the financial instrument's valuation.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total fair values US\$ '000
<b>31 December 2019</b>				
Real estate	-	-	37,045	37,045
Private equity	2,623	-	343	2,966
	<b>2,623</b>	<b>-</b>	<b>37,388</b>	<b>40,011</b>
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total fair values US\$ '000
<b>30 June 2019</b>				
Real estate	-	-	37,047	37,047
Private equity	2,411	-	343	2,754
	<b>2,411</b>	<b>-</b>	<b>37,390</b>	<b>39,801</b>

#### Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value:

	Unquoted 31 December 2019 US\$ '000	Unquoted 30 June 2019 US\$ '000
Opening balance	39,801	39,501
Fair value gain, net	210	300
Ending balance	<b>40,011</b>	<b>39,801</b>

## Notes to the condensed interim consolidated financial statements

For the period from 1 July 2019 to 31 December 2019

### 12 Fair value of financial instruments (continued)

#### Valuation processes of the Group

The Group has engaged third party qualified valuation experts to perform the valuation of certain Group investments as of 31 December 2019. The third party valuers have utilised methods and techniques generally recognised as standard within the industry. These include discounted cash flows, earnings multiples and comparable market transactions approaches for private equity investments. Real estate investments were measured using the sales approach, discounted cash flows or the capitalization of future cash streams of the underlying asset using prevailing capitalization rate for similar properties or similar geographies. The valuation experts applied their judgment in determining the appropriate valuation techniques and considerations of unobservable valuation inputs used in valuation models which include discount rates, exit multiples, specific risk premiums, control premiums and comparable assets or companies.

The external valuers provided the Board of Directors with a range of values which were determined on the basis of different valuation approaches. The Board of Directors applied their judgment in determining appropriate values for individual investments from within the range which in their view is more representative of the fair value under the market conditions as at the date of the consolidated statement of financial position.

The techniques used by the independent valuation experts to determine fair values are described in detail below:

#### Valuation techniques used to derive level 3 fair values

##### Market approach

The market approach provides fair value indications for a Group through a comparison with guideline public companies or guideline transactions. The market approach entails selecting relevant financial metrics of the subject company, such as revenues, earnings or cash flows, and capitalizing those amounts using valuation multiples that are based on empirical market observations.

Firms engaged in the same or similar businesses, whose securities are actively traded, are selected for comparative purposes, and their capitalization rates are used as a guide in selecting appropriate risk-adjusted rates for the subject company. Enterprise value to earnings before interest, taxes, depreciation and amortization ("EV/EBITDA") ratios, established in active arm's length trading, are expressions of what prudent investors believe are fair and reasonable rates of return for these securities. Thus, they are interpreted as being reliable indicators of fair capitalization rates for the subject business, appropriately adjusted for risk factors.

##### Sales comparison approach

In the sales comparison approach, the appraiser develops an opinion of value by comparing the property being valued to similar properties that have been sold within a reasonable period from the valuation date, applying appropriate units of comparison, and making adjustments to the sale prices of the comparable based on the elements of comparison.

The following approaches have been utilised by the valuation experts to value real estate investments:

##### Direct capitalization approach

The direct capitalization approach measures the property's capacity to generate future benefits and capitalises the income into an indication of value. Using the direct capitalization approach, a net operating income (or net cash flow) from real estate operations is capitalised by an appropriate rate of return (of one year's net operating income). The resulting present value of the future cash flow stream represents an indication of fair value.



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

#### 12 Fair value of financial instruments (continued)

##### Valuation processes of the Group (continued)

##### Valuation techniques used to derive level 3 fair values (continued)

##### Discounted cash flow approach

The discounted cash flow approach measures the property's capacity to generate future benefits for a specified holding period and capitalises the income into an indication of value. Using the discounted cash flow approach, a net operating income (or net cash flow) from real estate operations or the sale of assets is discounted by an appropriate rate of return over the forecast of net cash flows projected over an appropriate investment horizon. The resulting present value of the future cash flow stream represents an indication of value. The technique used is dependent on the characteristics of the asset and the method used to value them.

##### Description of significant unobservable inputs to valuation

Valuation Technique	Significant unobservable inputs	Range	The estimated fair value would increase (decrease) if:
Direct capitalization approach	Capitalization rate	7.50% - 8.50%	Capitalization rates were lower (higher)
Sales comparison approach	US\$ per acre: BHD per square feet	30 - 40 85-110	Sales multiples derived from prices were higher (lower)
Discounted cash flow approach	Discount rates:	0% - 25%	Discount rates were lower (higher)
Market approach	Asset multiples:	0.9x - 1.0x	Assets multiples were higher (lower)

# Notes to the condensed interim consolidated financial statements

## For the period from 1 July 2019 to 31 December 2019

### 12 Fair value of financial instruments (continued)

#### The effect of unobservable inputs on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. For fair value measurements in level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

#### 31 December 2019

			Impact on income	
	Unobservable inputs	Change	Favour- able US\$ '000	Unfavour- able US\$ '000
Private Equity investments	Asset multiples	+/- 10%	2,222	(1,878)
Real Estate investments	Capitalization rates	+/- 1%	2,779	(2,155)
	Price per sq. ft. / acres	+/- 10%	1,833	(1,833)
	Discount rates	+/- 1%	750	(713)

#### 30 June 2019

			Impact on income	
	Unobservable inputs	Change	Favour- able US\$ '000	Unfavour- able US\$ '000
Private Equity investments	Asset multiples	+/- 10%	2,222	(1,878)
Real Estate investments	Capitalization rates	+/- 1%	2,779	(2,155)
	Price per sq. ft. / acres	+/- 10%	1,833	(1,833)
	Discount rates	+/- 1%	750	(713)

#### Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total fair values US\$ '000	Total carrying amount US\$ '000
<b><u>31 December 2019</u></b>					
<b>Assets</b>					
Balances with banks	8,324	-	-	8,324	8,324
Due from investee companies	-	-	30,535	30,535	30,535
	<b>8,324</b>	<b>-</b>	<b>30,535</b>	<b>38,859</b>	<b>38,859</b>
<b>Liabilities</b>					
Accrued incentive fees	-	-	3,537	3,537	3,537
Distribution payable to preference shareholders	-	-	1,466	1,466	1,466
Other liabilities	-	-	1,124	1,124	1,124
	<b>-</b>	<b>-</b>	<b>6,127</b>	<b>6,127</b>	<b>6,127</b>



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2019 to 31 December 2019

#### 12 Fair value of financial instruments (continued)

<b>30 June 2019</b>	<b>Level 1</b> US\$ '000	<b>Level 2</b> US\$ '000	<b>Level 3</b> US\$ '000	<b>Total fair values</b> US\$ '000	<b>Total carrying amount</b> US\$ '000
<b>Assets</b>					
Balances with banks	11,734	-	-	11,734	11,734
Due from investee companies	-	-	30,507	30,507	30,507
	<b>11,734</b>	<b>-</b>	<b>30,507</b>	<b>42,241</b>	<b>42,241</b>
<b>Liabilities</b>					
Accrued incentive fees	-	-	3,824	3,824	3,824
Distribution payable to preference shareholders	-	-	1,466	1,466	1,466
Other liabilities	-	-	1,242	1,242	1,242
	<b>-</b>	<b>-</b>	<b>6,532</b>	<b>6,532</b>	<b>6,532</b>

Balances with banks represent cash and cash equivalents and are due on demand. The carrying value of these balances represents their fair value.

The recoverability of due from investee companies, i.e. investment related receivables (murabaha with investee companies, management fee receivables and receivables from investee companies) were determined through waterfall calculations, which used the enterprise values as determined by the independent valuation experts. The carrying amounts therefore approximate the fair value of these receivables.

The fair value of senior class A preference shares cannot be ascertained accurately as there are no comparable market transactions of similar instruments. Further, these do not have a fixed repayment schedule and their repayment is subject to the repayment of priority claims and senior debts. Accordingly, these have not been disclosed in the above table.

Other receivables, distribution payable to preference shareholders and other liabilities are current in nature and the fair values of these financial instruments approximate their carrying values.

#### 13 Related party balances and transactions

Related parties consist of associated companies, significant shareholders, directors and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions carried out with the investee companies were approved by the previous board of directors of Arcapita and those approved agreements were transferred to the Group in accordance with the Plan of Reorganization. Any related party transactions subsequent to the date of emergence have been approved by the Group's Board of Directors.

# Notes to the condensed interim consolidated financial statements

## For the period from 1 July 2019 to 31 December 2019

### 13 Related party balances and transactions (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	<b>31 December 2019</b>		
	<b>Gross receivables US\$ '000</b>	<b>Provisions US\$ '000</b>	<b>Net receivables US\$ '000</b>
<b>Assets</b>			
Murabaha with investee companies	128,305	(120,781)	7,524
Management fee receivables	37,829	(16,059)	21,770
Receivables from investee companies	3,359	(2,118)	1,241
	<b>169,493</b>	<b>(138,958)</b>	<b>30,535</b>
	<b>30 June 2019</b>		
	<b>Gross receivables US\$ '000</b>	<b>Provisions US\$ '000</b>	<b>Net receivables US\$ '000</b>
<b>Assets</b>			
Murabaha with investee companies	128,305	(120,781)	7,524
Management fee receivables	37,018	(15,276)	21,742
Receivables from investee companies	3,282	(2,041)	1,241
	<b>168,605</b>	<b>(138,098)</b>	<b>30,507</b>
	<b>31 December 2019 US\$ '000</b>		<b>30 June 2019 US\$ '000</b>
<b>Liabilities</b>			
Due to members of the Board of Directors		2,485	2,615
Due to investee companies		142	285
		<b>2,627</b>	<b>2,900</b>

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	<b>Three months ended</b>		<b>Period from</b>	<b>Period from</b>
	<b>31 December 2019 US\$ '000</b>	<b>31 December 2018 US\$ '000</b>	<b>1 July 2019 to 31 December 2019 US\$ '000</b>	<b>1 July 2018 to 31 December 2018 US\$ '000</b>
Management fee income	-	1,383	811	2,087
Board and committee compensation	(550)	(550)	(1,100)	(1,100)
Incentive fee to the Board of Directors	94	(118)	(112)	97
Charge of provisions against receivables, net	(72)	(264)	(860)	(543)



## **Notes to the condensed interim consolidated financial statements**

**For the period from 1 July 2019 to 31 December 2019**

### **14 Segmental reporting**

Segmental reporting is not applicable since the Board of Directors does not review the performance of the Group's investment portfolio on a segmental basis.

### **15 Post-reporting date events**

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

### **16 Comparative figures**

Comparative figures for the previous year have been reclassified/re-arranged wherever necessary to conform with the presentation in the current period's condensed interim consolidated financial statements.