



Grant Thornton  
Abdulaal

Consolidated financial statements and independent auditors' report  
**RA Holding Corp.**  
For the year ended 30 June 2019

## General information

Commercial Registration : 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

## Independent auditors' report

To the Shareholders of  
RA Holding Corp.

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### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of **RA Holding Corp.** (the “**Company**”) and its subsidiaries (together the “**Group**”), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2019, 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 *Auditors' 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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors 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 of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditors' 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 auditors' 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 ISAs, we exercise professional judgment 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 risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

*Grant Thornton*

3 February 2020

Manama, Kingdom of Bahrain



## Consolidated statement of financial position

### As at 30 June 2019

	Notes	30 June 2019 US\$ '000	30 June 2018 US\$ '000
<b>Assets</b>			
Balances with banks	3	11,734	19,432
Receivables	4	30,507	36,779
Investments	5	39,801	39,500
Other assets	6	424	516
<b>Total assets</b>		<b>82,466</b>	<b>96,227</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Accrued incentive fees	7	3,824	5,063
Distribution payable to preference shareholders	8	1,466	1,489
Other liabilities	9	1,242	11,404
Total liabilities excluding net assets attributable to senior class A preference shares		6,532	17,956
Senior class A preference shares	8	75,970	78,272
<b>Total liabilities including net assets attributable to senior class A preference shares</b>		<b>82,502</b>	<b>96,228</b>
<b>Equity</b>			
Share capital	10	1	1
<b>Total equity attributable to shareholders of the parent</b>		<b>1</b>	<b>1</b>
Non-controlling interest	11	(37)	(2)
<b>Total equity</b>		<b>(36)</b>	<b>(1)</b>
<b>Total liabilities and equity</b>		<b>82,466</b>	<b>96,227</b>

I hereby certify that, to the best of my knowledge, these consolidated financial statements present fairly the consolidated financial condition of the Group as at 30 June 2019 and its consolidated operations for the year then ended.




Eugene I. Davis  
Chairman of the Board of Directors

## Consolidated statement of profit or loss

### For the year ended 30 June 2019

		Year ended 30 June 2019 US\$ '000	Year ended 30 June 2018 US\$ '000
	Notes		
<b>Income</b>			
Management fee income	4.2	5,239	7,262
Capital gain on disposal of investments	5	1,531	72
Fair value gain on investments, net	16	300	4,572
Other income	13	10,069	1,269
<b>Total income</b>		<b>17,139</b>	<b>13,175</b>
<b>Expenses</b>			
Asset management and incentive fees	7	(284)	(2,452)
Performance based incentive fees			
Realised	7	(157)	(340)
Unrealised	7	923	311
Legal and professional expenses	14	(5,365)	(5,659)
General and administrative expenses	15	(2,799)	(2,804)
<b>Total expenses</b>		<b>(7,682)</b>	<b>(10,944)</b>
<b>Operating profit</b>		<b>9,457</b>	<b>2,231</b>
Charge of provisions against receivables, net	4.3	(11,658)	(1,656)
(Loss) / gain on foreign exchange, net		(95)	39
Tax (expense)/ refund	20	(17)	256
<b>(Loss)/profit before changes in obligation to senior class A preference shareholders</b>		<b>(2,313)</b>	<b>870</b>
Decrease / (increase) in obligation to senior class A preference shareholders	8	2,278	(872)
<b>Loss for the year</b>		<b>(35)</b>	<b>(2)</b>
<b>Attributable to:</b>			
Shareholders of the Parent		-	-
Non-controlling interest		(35)	(2)
		<b>(35)</b>	<b>(2)</b>

I hereby certify that, to the best of my knowledge, these consolidated financial statements present fairly the consolidated financial condition of the Group as at 30 June 2019 and its consolidated operations for the year then ended.

  
 Eugene I. Davis  
 Chairman of the Board of Directors

## Consolidated statement of comprehensive income

### For the year ended 30 June 2019

		Year ended 30 June 2019 US\$ '000	Year ended 30 June 2018 US\$ '000
	Notes		
<b>Net loss for the year</b>		(35)	(2)
<b>Other comprehensive (loss)/income</b>			
<b>Items to be reclassified to profit or loss in subsequent periods:</b>			
Exchange differences on translation of foreign operations		(24)	94
Decrease / (increase) in obligation to senior class A preference shares	8	24	(94)
<b>Total comprehensive loss for the year</b>		<b>(35)</b>	<b>(2)</b>
<b>Attributable to:</b>			
Shareholders of the Parent		-	-
Non-controlling interest		(35)	(2)
		<b>(35)</b>	<b>(2)</b>

**Consolidated statement of changes in equity****For the year ended 30 June 2019**

	<b>Share capital US\$'000</b>	<b>Non- controlling interest US\$'000</b>	<b>Total equity US\$'000</b>
Balance as at 1 July 2017	1	-	1
Net loss and total comprehensive loss for the year	-	(2)	(2)
<b>Balance as at 30 June 2018</b>	<b>1</b>	<b>(2)</b>	<b>(1)</b>
Balance as at 1 July 2018	1	(2)	(1)
Net loss and total comprehensive loss for the year	-	(35)	(35)
<b>Balance as at 30 June 2019</b>	<b>1</b>	<b>(37)</b>	<b>(36)</b>



## Consolidated statement of cash flows

### For the year ended 30 June 2019

		Year ended 30 June 2019 US\$ '000	Year ended 30 June 2018 US\$ '000
	Notes		
<b>Operating activities</b>			
(Loss) / profit before changes in obligation to senior class A preference shareholders		(2,313)	870
Adjustments:			
Impairment of other assets		92	-
Liabilities written back	13	(9,745)	(905)
Charge of provisions against receivables, net	4.3	11,658	1,656
Fair value gain on investments, net	16	(300)	(4,572)
Performance based incentive fees (unrealised)	7	(923)	(311)
Operating loss before changes in operating assets and liabilities		(1,531)	(3,262)
Changes in operating assets and liabilities:			
Receivables		(5,386)	(1,199)
Investments		(25)	3,240
Other assets		-	34
Other liabilities		(417)	244
Accrued incentive fees		(316)	(708)
Restricted cash	3	2,199	941
<b>Net cash used in operating activities</b>		<b>(5,476)</b>	<b>(710)</b>
<b>Financing activities</b>			
Distributions to senior class A preference shareholders	8	(23)	(10,257)
<b>Net cash used in financing activities</b>		<b>(23)</b>	<b>(10,257)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(5,499)</b>	<b>(10,967)</b>
Cash and cash equivalents at the beginning of the year		15,493	26,460
<b>Cash and cash equivalents at the end of the year</b>	3	<b>9,994</b>	<b>15,493</b>

## Notes to the consolidated financial statements

For the year ended 30 June 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(l) to the consolidated financial statements.

#### c) Approval of the consolidated financial statements

These consolidated financial statements have been approved and authorised for issuance by the Board of Directors on 3 February 2020.

#### d) Background to the Company's incorporation

RA Holding is the Successor Company to Arcapita. On 19 March 2012, the Predecessor Company and five of its direct and indirect subsidiaries, Arcapita Investment Holdings Limited (AIHL), Arcapita LT Holdings Limited (ALTHL), AEID II Holdings Limited, RailInvest Holdings Limited and WindTurbine Holdings Limited (together, the “filing entities”), filed voluntary petitions for reorganization under chapter 11 of the United States Bankruptcy Code (“Chapter 11”). On 17 September 2013, the Predecessor Company emerged from Chapter 11 reorganization pursuant to the terms of the Second Amended Joint Plan of Reorganization of Arcapita and related Debtors under Chapter 11 of the Bankruptcy Code (with First Technical Modifications) (the “Plan of Reorganization”). The Plan of Reorganization received the formal endorsement of the official committee of unsecured creditors appointed in the Chapter 11 cases and, as modified, was confirmed by an order of the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on 17 June 2013 (the “Confirmation Order”). The Predecessor Company is presently an indirectly majority owned subsidiary of the Successor Company.

#### e) Background to filing for Chapter 11 by Arcapita

Arcapita and its subsidiaries (the “Arcapita Group”) constituted a Bahrain-based wholesale bank, holding a portfolio of private equity investments and providing investment banking services in conformity with Islamic Shariah rules and principles. The Arcapita Group’s general investment strategy was to hold a minority equity position in each portfolio investment, while it syndicated the majority of equity interests in each portfolio investment to investors.

To finance its proprietary interests as well as ordinary operating expenses and additional capital injections into portfolio investments, the Bank and certain of its affiliates entered into various financing facilities. Most notably, at the time of filing for Chapter 11 protection, the Bank had a US\$ 1.1 billion unsecured syndicated murabaha facility (the “Syndicated Facility”), guaranteed by its subsidiary Arcapita Investment Holdings Limited (“AIHL”), as well as a US\$ 100 million unsecured sukuk facility guaranteed by AIHL (the “Arcsukuk Facility”) and approximately US\$ 100 million in secured murabaha facilities, guaranteed by AIHL, Arcapita LT Holdings Limited (“ALTHL”), and certain subsidiaries of ALTHL, with Standard Chartered Bank (“SCB”) (the “SCB Facilities”).



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 1 Introduction (continued)

##### e) Background to filing for Chapter 11 by Arcapita (continued)

The Syndicated Facility matured on 28 March 2012. The Arcapita Group engaged in efforts to refinance the Syndicated Facility or to negotiate an out-of-court agreement to extend the term and modify the economic terms of the Syndicated Facility; however, these negotiations were ultimately unsuccessful. The management of the Arcapita Group, in consultation with the previous Board of Directors of Arcapita and with the assistance of financial and legal advisors, reviewed the Arcapita Group's alternatives in light of its inability to refinance the Syndicated Facility or extend the term and modify its terms. The Arcapita Group considered instituting formal insolvency proceedings in various jurisdictions as a tool to attempt to restructure as a going concern.

##### f) Chapter 11 Proceedings

On 19 March 2012 (the "Petition Date"), the Bank and five other direct and indirect subsidiaries (AIHL, Arcapita LT Holdings Limited, AEID II Holdings Limited, Rail Invest Holdings Limited and Wind Turbine Holdings Limited (collectively with the Bank, the "Initial Debtors")), filed voluntary petitions for relief under Chapter 11 of title 11 of the United States Bankruptcy Code (such title, the "U.S. Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Chapter 11 filing"). On 30 April 2012, Falcon Gas Storage Company, Inc. ("Falcon" and, together with the Initial Debtors, the "Debtors") filed a voluntary Chapter 11 petition for relief. Subsequently, the Chapter 11 cases of all of the Debtors were administered jointly.

Chapter 11 is the section of the U.S. Bankruptcy Code that allows corporations to reorganize under a process overseen by United States bankruptcy courts. Under the U.S. Bankruptcy Code, the filing of voluntary bankruptcy petitions by the Debtors automatically stayed most actions against the Debtors, including most actions to collect indebtedness incurred prior to the Petition Date, or to exercise control over the assets of the Debtors. Accordingly, although the Debtors defaulted on certain of their obligations, creditors were stayed from taking any actions as a result of such defaults.

Under the Chapter 11 filing process, the Debtors operated their business and managed their assets as "debtors-in-possession" in accordance with the applicable provisions of the U.S. Bankruptcy Code and orders entered by the bankruptcy court, under control of the previous Board of Directors and management, of Arcapita while working with creditors to develop a plan of reorganization (the "Plan" or the "Plan of Reorganization") that provides for the restructuring of their obligations and the continuation of the Debtors' business on a going concern basis.

Moreover, with a view to facilitating the Chapter 11 filing proceedings and to obtain protection against creditors who might undertake proceedings in the Cayman Islands, on 19 March 2012, AIHL presented a winding up petition on the basis of s.92 (a) of the Companies Law (2011 Revision) to the Grand Court of the Cayman Islands (the "Cayman Court") and applied simultaneously for the appointment of provisional liquidators and for the winding up petition to be adjourned. The Cayman Court approved this application on 20 March 2012. Under the order of the Cayman Court, the directors of AIHL, subject to the provisional liquidators' oversight, were authorized to continue to exercise all powers of management and in particular, take such steps as may be required in relation to the Chapter 11 filing process. On 31 May 2013, the Cayman Court entered an order approving AIHL's entry into certain transactions that were necessary to consummate the Plan of Reorganization. The winding up petition remains pending, but adjourned to a date to be fixed, in the Cayman Court.

On 5 April 2012, the United States Trustee for the Southern District of New York appointed an official committee of unsecured creditors (the "Creditors' Committee") to represent the interests of unsecured creditors of each of the Debtors. Among other things, the Creditors' Committee worked with the Debtors to formulate the Plan of Reorganization.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 1 Introduction (continued)

##### g) Plan of Reorganization

In order for the Debtors to emerge successfully from Chapter 11 and operate in the ordinary course of business outside of bankruptcy, the Debtors were required to obtain the bankruptcy court's approval of the Plan. A plan of reorganization determines the rights of the Debtors' creditors and equity holders, once it is confirmed by the bankruptcy court, following a vote by the creditors and equity holders.

On 8 February 2013, the Arcapita Group filed the Plan, which was subsequently amended on 25 April 2013. On 26 April 2013, the bankruptcy court approved (i) the disclosure statement filed in connection with the Plan and (ii) procedures for soliciting and tabulating votes of creditors and equity interest holders with respect to the Plan. Subsequently, the Debtors distributed the disclosure statement and solicited votes with respect to the Plan. Out of 18 distinct classes of claims and equity interests in which votes were cast, all but one class accepted the Plan, and all but one of these accepting classes received greater than 95% acceptance, measured both by the amount of the claims or equity interests and by the number of claimants or interest holders. The sole rejecting class contained two claimants against Falcon, who were engaged in active litigation with Falcon regarding, among other things, the proper classification of their claims.

On 10 June 2013, the bankruptcy court held a hearing to consider a dispute regarding the appropriate priority of various claims against Falcon, which could affect the confirmation of the Plan with respect to Falcon. The bankruptcy court took the matter under advisement. With the bankruptcy court's approval, the Debtors continued to request confirmation of the Plan with respect to all Debtors other than Falcon. On 11 June 2013, the Bankruptcy Court held a hearing to consider confirmation of the Plan with respect to the Debtors other than Falcon, and on 17 June 2013, the Bankruptcy Court entered an order confirming the Plan with respect to all Debtors other than Falcon.

After negotiating the final form of various agreements related to the Plan, as well as obtaining appropriate regulatory approvals, the terms of the Plan became effective on 17 September 2013 (the "Effective Date"). On 31 January 2014, the Bankruptcy Court entered an order approving the plan of reorganization with respect to Falcon. The Falcon plan of reorganization went effective on 19 February 2014.

##### h) Debtor in Possession Financing and Exit Facility

In December 2012 the bankruptcy court approved the Debtors' entry into a debtor-in-possession Murabaha financing facility with Fortress Credit Corp. (the "Initial DIP Facility"), under which the Debtors could incur obligations of up to US\$ 150 million. The Debtors drew the entire US\$ 150 million in January 2013. The maturity date for the Initial DIP Facility was set at the earlier of the effective date of a confirmed plan of reorganization on 14 June 2013.

In June 2013, as the maturity date on the Initial DIP Facility was approaching, and concurrently with the bankruptcy court's consideration of the Plan (as discussed in further detail below), the Debtors entered into a replacement debtor-in-possession murabaha financing facility with Goldman Sachs International that was convertible into an exit facility (the "Exit Facility"). Under the terms of the Exit Facility, the Debtors were permitted initially to draw up to US\$ 175 million, which would be used in part to pay off the outstanding Initial DIP Facility.

Upon conversion into an exit financing facility, the Debtors were permitted to, and did, draw an additional US\$ 175 million, which was used in part to settle certain claims related to the SCB Facilities, including claims for the outstanding principal amount of the SCB Facilities. The Exit Facility was due to mature on 17 September 2016. The profit rate is LIBOR plus 8.25%, with a LIBOR floor of 1.5%. In addition to payment at maturity, there are various triggers requiring prepayment of certain amounts outstanding under the Exit Facility, including in certain circumstances upon the sale of portfolio investments.



## Notes to the consolidated financial statements

For the year ended 30 June 2019

### 1 Introduction (continued)

#### h) Debtor in Possession Financing and Exit Facility (continued)

In line with the approved Plan of Reorganization, the Exit Facility has been transferred to one of the wholly owned subsidiaries of the Company. The Exit facility was settled in full on 20 January 2015.

#### i) Terms of the Plan of Reorganization

The Plan resolved major issues among the key interested parties. The following paragraphs represent certain highlights of the terms of the Plan, but are not exhaustive of the relevant terms or the agreements reached among interested parties.

The Creditors' Committee devised an equitable solution for the distribution of proceeds as the Debtors' assets are monetized. In general, the Debtors had two main groups of pre-petition creditors: (1) unsecured creditors with claims against only Arcapita (including investors with accounts at Arcapita, employees, vendors, and certain financial creditors) (collectively, the "Bank GUCs"); and (2) unsecured creditors with claims under the Syndicated Facility and the Arcsukuk Facility, whose claims against Arcapita were guaranteed by AIHL (collectively, the "Syndicated Facility/Arcsukuk Creditors").

In accordance with the Plan of Reorganization, all liabilities of Arcapita were either extinguished or transferred to RA Holding or its subsidiaries on the effective date. In accordance with the terms of the Plan of Reorganization, all claims and liabilities of Arcapita were categorised into various classes depending on the nature of the claim and whether it is secured or unsecured. Pursuant to the Plan of Reorganization, RA Group is to distribute the following instruments to various creditors based on their approved class of claims:

- i) Sukuk certificates amounting to US\$ 550 million issued to Syndicated Facility/Arcsukuk Creditors and the Bank GUCs;
- ii) Preference shares with redemption amounting to US\$ 810 million issued to Syndicated Facility/Arcsukuk Creditors and the Bank GUCs;
- iii) Ordinary shares to Syndicated Facility/Arcsukuk Creditors and the Bank GUCs;
- iv) Creditors warrants to Syndicated Facility/Arcsukuk Creditors and the Bank GUCs; and
- v) Shareholder warrants to the original shareholders of Arcapita and to investors who subscribed for shares of Arcapita but were pending allotment.

Under the terms of the Plan, proceeds (net of operating costs, post-petition liabilities, convenience claims and priority claims) would be distributed according to the following scheme:

- i) Initial proceeds will be used to pay down the Exit Facility.
- ii) Once the Exit Facility is satisfied, proceeds will be used to make payments on a US\$ 550 million mudaraba sukuk facility accruing profit at a rate of 12% per annum from the date of issuance or the emergence date (the "Sukuk Facility") of (i) accrued profit, (ii) current profit, and (iii) redemption of the obligations issued pursuant to the Sukuk Facility (the "Sukuk Obligations"). The Sukuk Obligations are to be distributed as follows:
  - 85% pro rata to the Syndicated Facility/Arcsukuk Creditors on account of their allowed guarantee claims against AIHL, and
  - 15% pro rata to, collectively, the Bank GUCs and the Syndicated Facility/Arcsukuk Creditors on account of their allowed claims against Arcapita.

## Notes to the consolidated financial statements

For the year ended 30 June 2019

### 1 Introduction (continued)

#### i) Terms of the Plan of Reorganization (continued)

- iii) Once the Sukuk Obligations have been redeemed in full, proceeds will be used to redeem US\$ 810 million in redemption amount of preference shares (the “Preference Shares”) issued by RA Holding. The Preference Shares are to be distributed as follows:
- 55% pro rata to the Syndicated Facility/Arcsukuk Creditors on account of their allowed guarantee claims against AIHL, and
  - 45% pro rata to, collectively, the Bank GUCs and the Syndicated Facility/Arcsukuk Creditors on account of their allowed claims against Arcapita.
- iv) Once the Preference Shares have been redeemed in full, proceeds will be distributed to holders of ordinary shares issued by RA Holding (the “Ordinary Shares”). The Ordinary Shares are to be distributed as follows:
- 97.5% pro rata to the Bank GUCs, and
  - 2.5% pro rata to the Syndicated Facility/Arcsukuk Creditors.
- v) Once US\$ 1.425 billion in distributions have been made on account of the Ordinary Shares, certain warrants issued by RA Holding (the “Warrants”) will become exercisable. The term of the Warrants are as follows:
- These are warrants to purchase Ordinary Shares of RA Holding at a purchase price of US\$ 0.0001 per share; and
  - These comprise of warrants issued pro rata to Syndicated Facility/Arcsukuk Creditors (the “Creditor Warrants”) and warrants issued pro rata to, collectively, certain former shareholders of Arcapita and all holders of subordinated claims against the Arcapita (the “Shareholder Warrants”).

#### j) Emergence from the Chapter 11 filing

Pursuant to the Plan of Reorganization and an “implementation memorandum” also approved in the Confirmation Order, substantially all the assets of Arcapita were transferred to RA Group. RA Holdco 2 LLC is a directly wholly owned subsidiary of RA Holdco 1 Limited, which is, in turn, a 99.99% indirect owned by RA Holding and 0.01% owned by Arcapita. The liabilities of any of the Debtors that arose prior to the Effective Date were either reinstated and transferred to the RA Group or cancelled in return for either, (a) with respect to a limited amount of claims, an entitlement to receive cash from RA Holding or certain of its affiliates or (b) equity instruments issued by RA Holding or debt instruments issued by RA Invest Limited, a Cayman Islands company formed for the purpose of issuing these Shariah compliant instruments.

#### k) Management of assets

On the Effective Date, Arcapita terminated substantially all of its employees. RA Group does not have any employees and its operations are being overseen by its Board of Directors, and the RA Group’s interests in various portfolio companies are being managed by AIM Group Limited (“AIM”), an independent management company formed by certain members of the Debtors’ former management, pursuant to the Management Services Agreement (the “MSA”) and subject to the terms of the Cooperation Agreement (defined below).

Control over portfolio investments of the RA Group and the various third-party investors who own syndicated equity interests in the portfolio investments is governed by a number of shareholder agreements and provisions in corporate documents that collectively implement a term sheet agreed among the Debtors and the Creditors’ Committee and approved by the bankruptcy court in connection with the Plan (such agreements and provisions, collectively, the “Cooperation Agreement”).



## Notes to the consolidated financial statements

For the year ended 30 June 2019

### 1 Introduction (continued)

#### k) Management of assets (continued)

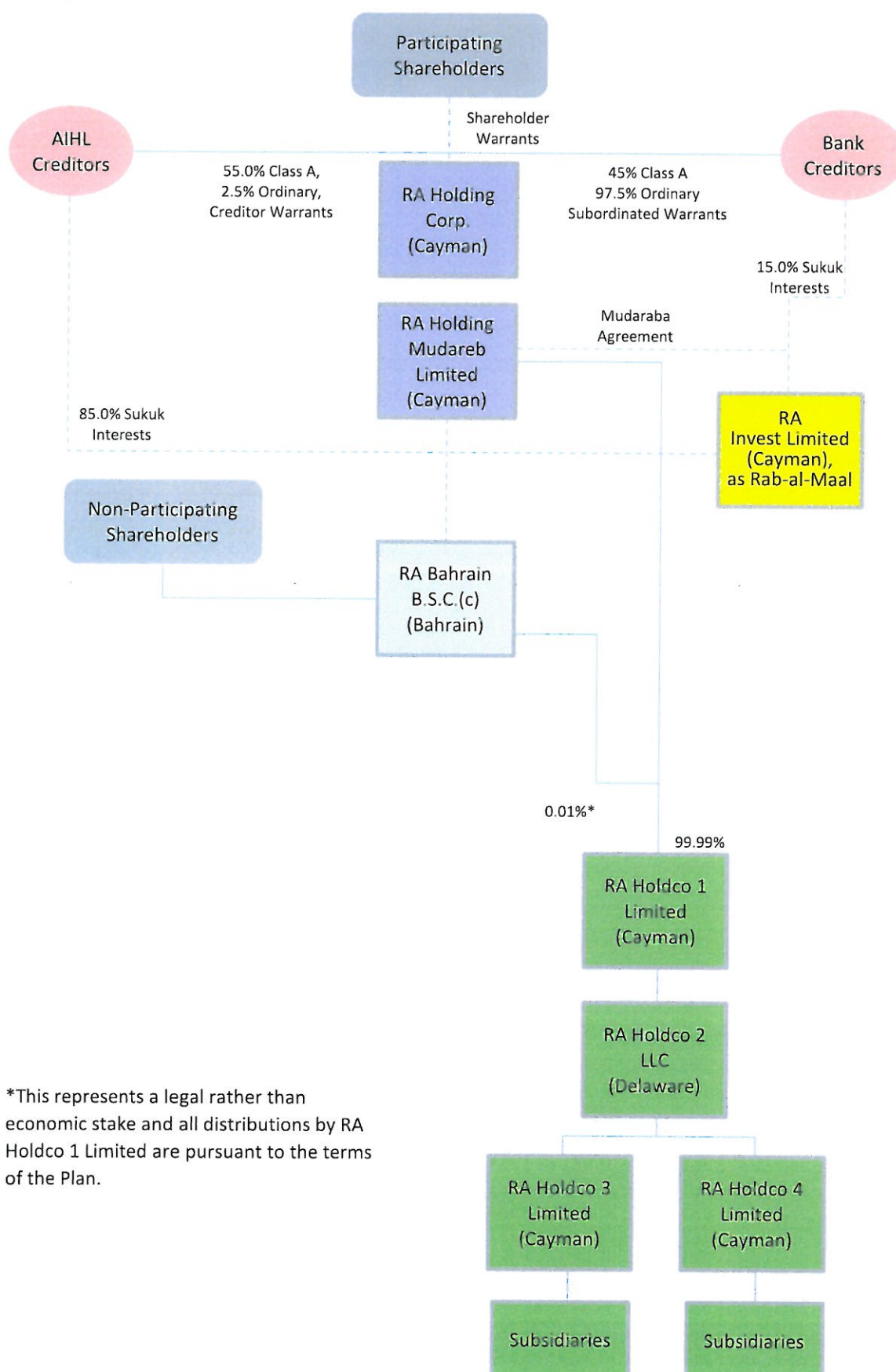
The Cooperation Agreement provides that dispositions of portfolio investments are subject to approval by a “Disposition Committee” comprised of members appointed, respectively, by (a) RA Holding (through its Board of Directors) and (b) AIM (on behalf of the third-party co-investors in such portfolio investments), allocated by agreement between AIM and RA Holding according to each party’s relative economic interest in the disposition proceeds (attributing the economic interests of the third-party co-investors to AIM). Each Disposition Committee makes its determination by majority vote, but for certain agreed “major” investments, each party (RA Holding and AIM) must approve a transaction that does not meet a certain minimum price (as agreed in advance) and, in the event that the party with a majority representation on the Disposition Committee refuses to accept an offer that meets certain conditions, including the agreed minimum price, and that is made after the deadline for disposing of such investment (as agreed in advance), the party with a minority representation on the Disposition Committee may require the other party to purchase its interests in the investment on the terms of the refused offer. Each of the minimum prices for the respective investments is set in advance, but any such minimum price may be amended upon agreement of RA Holding and AIM.

## Notes to the consolidated financial statements

For the year ended 30 June 2019

## 1 Introduction (continued)

## 1) 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 consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

These 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 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 consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 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 as explained in note 2.6 to these consolidated financial statements.

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 consolidated financial statements

### For the year ended 30 June 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 consolidated financial statements:

<i>Subsidiary</i>	<i>Ownership</i>	<i>Year 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
<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
<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
<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
<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
<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

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.2 Basis of consolidation (continued)

<i>Subsidiary</i>	<i>Ownership</i>	<i>Year 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
<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
<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
<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

\*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 New or revised Standards or Interpretations

#### New Standards adopted as at 1 January 2018

- IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively, however the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group in any year.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.3 New or revised Standards or Interpretations (continued)

- IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. The adoption of IFRS 9 has no significant impact on the impairment of financial assets applying the expected credit loss model. There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

#### **Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group**

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

- IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the consolidated statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Group has decided not to early adopt.

Management is yet to fully assess the impact of the above standard, which will be done once this standard is effective, and therefore is unable to provide quantified information.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.4 Investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group's objectives include providing investment management services to investors which includes monitoring and managing its private equity investments for the purpose of returns in the form of capital appreciation.

The Board of Directors has concluded that the Group meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

The Board of Directors has concluded that the Company meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Since the Company measures and evaluates the performance of substantially all its investments on a fair value basis, it has elected to utilise the exemption available to investment entities from applying the equity method of accounting under IAS 28 'Investment in associates' and has designated such investments at fair value through profit or loss.

### 2.5 Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, the Board of Directors has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### 2.5.1 Going concern

The Group's Board of Directors has made an assessment of the Group's ability to continue as a going concern which entails managing and maximizing the value of the Group's investment portfolio and selling down investments in a manner which will maximize returns to all shareholders, and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, these consolidated financial statements have been prepared on a going concern basis.

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.5 Significant accounting judgements and estimates (continued)

#### 2.5.2 Fair value measurement 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 Group's entire investment portfolio falls under level 1 and level 3 of the fair value hierarchy (as defined in note 17 to the consolidated financial statements) and the Group uses various valuation techniques which are based on unobservable market inputs to determine the fair value of such investments.

The Group has engaged third party qualified valuation experts to carry out the valuation of the Group's investment portfolio as at the date of the consolidated statement of financial position. The third party valuers utilise methods and techniques generally recognised as standard within the industry. These include discounted cash flows, earnings multiples and comparable market transaction approaches for private equity investments. Real estate investments are primarily measured using sales comparison, discounted cash flows or the capitalization of future cash streams of the underlying asset using the prevailing capitalization rate for similar properties or similar geographies. The valuation experts applied their judgement 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 valuation experts provide the Board of Directors with a range of values which are determined on the basis of different valuation approaches used. The Board of Directors apply their judgement in determining appropriate values for individual investments from within the range which, in their view are more representative of the fair value under the market conditions as of the date of the consolidated statement of financial position.

The estimates regarding the valuation of investments have an impact on the fair value of Group's net proceeds and hence the unrealised incentive fees and deferred incentive fees disclosed in note 7 to the consolidated financial statements. The actual disposal value and the future changes in assumptions and estimates used in determining fair values may result in changes in the accrued incentive and deferred incentive fees.

#### 2.5.3 Allowance for doubtful receivables

The Group reviews its receivables at each financial position date to assess whether an allowance should be made for recoverability. In determining this allowance, judgement by the Board of Directors is required in the estimation of the amount and timings of future cash flows. Such estimates are based on assumptions of a number of factors and actual results may differ, resulting in future changes to the allowance.

### 2.6 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

#### 2.6.1 Foreign currencies

##### (a) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the relevant functional currency rate of exchange prevailing at the date of transaction.

Monetary assets and liabilities in foreign currencies are translated into United States Dollar at rates of exchange prevailing at the consolidated statement of financial position date. Any exchange gains and losses are taken to the consolidated statements of profit or loss and comprehensive income.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.6 Summary of significant accounting policies (continued)

#### 2.6.1 Foreign currencies (continued)

##### (a) Foreign currency transactions (continued)

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items in a foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

##### (b) Foreign operations

Assets and liabilities of foreign operations, including goodwill (if any) and fair value adjustments arising on acquisition, are translated into US\$ at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into US\$ at spot exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve included within senior class A preference shares.

When a foreign operation is disposed of such that the control is lost, the cumulative amount in the foreign currency translation reserve (included within senior class A preference shares) related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then the foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve included within senior class A preference shares.

#### 2.6.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### (a) Financial assets

Financial assets comprise of balances with banks, receivables and investments.

##### Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable), except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15.

Financial assets, other than those designated and effective as hedging instruments (if any), are classified into the following categories:

- amortised cost,
- fair value through profit or loss (FVTPL), and
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of receivables which is presented separately in the consolidated statement of comprehensive income.

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.6 Summary of significant accounting policies (continued)

#### 2.6.2 Financial instruments (continued)

##### (a) Financial assets (continued)

##### **Subsequent measurement of financial assets**

##### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's balance with banks and receivables fall into this category of financial instruments.

##### **Financial assets at fair value through profit or loss (FVTPL)**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

##### **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, contract receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.6 Summary of significant accounting policies (continued)

#### 2.6.2 Financial instruments (continued)

##### (a) Financial assets (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### *Previous financial asset impairment under IAS 39*

In the prior year, the impairment of receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of impairment is recognised in the consolidated statement of profit or loss. Assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited in the consolidated statement of profit or loss.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.6 Summary of significant accounting policies (continued)

#### (b) Classification and measurement of financial liabilities

##### Initial recognition

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include accrued incentive fees, distribution payable to preference shareholders and other liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss, if any. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

##### 2.6.3 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

##### 2.6.4 Cash and cash equivalents

Cash comprises of balances with banks. Cash and cash equivalents represent short term financial assets which can be readily converted to cash and are either available on demand or have original maturities of 90 days or less. Included in balances with banks is cash restricted as to withdrawal under the terms of amounts distributable to senior class A preference shareholders and indemnity obligations from exited investments. Restricted cash balances are excluded from cash and cash equivalents in the consolidated statement of cash flows.

##### 2.6.5 Revenue recognition

Revenue arises mainly from the sale of investment, management fee and profit on murabaha with investee companies

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

#### a) Management fee income

Management fees represent recurring fees earned by the Group for rendering management and administrative services to investee companies and investment holding companies through which investors participate in the Group's investment products. Management fees are recognised as and when services are

#### b) Profit on Murabaha with investee companies

Profit from sales transactions ("Murabaha") is recognised when, at the commencement of the transaction, the ultimate income is both contractually determinable and quantifiable. Such income is recognised on a time-apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with counterparties. Recognition of profit is suspended if the Group ascertains that the recovery of these amounts may be doubtful.

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.6 Summary of significant accounting policies (continued)

#### c) Capital gain on disposal of investments

Capital gains or losses are recognised on a complete or partial disposal of investments, representing the proceeds returned by an investment in excess of its carrying value. Capital gain or loss is recognised when a binding and definitive sale agreement or contract is signed.

#### 2.6.6 Payables and accruals

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

#### 2.6.7 Taxation

There is no tax on corporate income in the Cayman Islands, where the Company is incorporated. Taxation on income from foreign subsidiaries is provided in accordance with the fiscal regulations of the countries in which the respective group entities operate.

Tax expense recognised in consolidated statements of profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Financing expenses represent funding costs on due to financial and other institutions and obligations under mudaraba and is calculated using the EPR method.

#### 2.6.8 Base management fee

Base management fee represents fees paid to AIM for the rendering of services set forth in the MSA. The base management fee for the initial term represents a fixed fee which is accrued over a straight-line basis over the initial term. Subsequent to the initial term the base management fee will be based on certain percentages of the value of assets under management as defined in the MSA and similarly will be accrued on a straight-line basis.

#### 2.6.9 Incentive fee

The Group accrues incentive fees and deferred incentive fees when specified hurdle rates are achieved upon the sale of an investment or an appreciation of fair value as at the reporting date. Incentive fees are reassessed at every reporting period based on the fair values of investments. When the fair value of investments decline resulting in the decline of the Group's net sale proceeds below the accreted baseline values, previously accrued incentive fees are reversed through the consolidated statement of profit or loss. Incentive fees and deferred incentive fees are recognised to the extent that it is probable that there will be outflow of resources embodying economic benefits and the accrual can be reliably measured.

Unrealised incentive fees are ultimately realised and settled when the investments are disposed of.

#### 2.6.10 Deferred incentive fee

The Group accrues deferred incentive fee when a specified threshold factor has been met upon the appreciation of fair value of the entire portfolio as at the reporting date. Deferred incentive fees are reassessed at every reporting period based on the fair value of investments. When the fair value of investments decline the deferred incentive fees are reversed. When the threshold factor is no longer met the deferred incentive fees are reversed in full.

Unrealised deferred incentive fees are realised and settled when the entire investment portfolio is disposed of.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.6 Summary of significant accounting policies (continued)

#### 2.6.11 Senior class A preference shares

Pursuant to the plan of reorganization, the Group issued senior class A-1 and A-2 preference shares (together the “preference shares” or “class A shares”) to certain creditors of Arcapita. These are redeemable by the Group and oblige the Group to pay to the class A preference shareholders (the “preference shareholders”) any excess cash after settling its obligations under the mudaraba facility, the Exit Facility, convenience claims and priority claims. The redemption price is capped at US\$ 810 million.

The Group has a contractual obligation to deliver a fixed amount of cash to the preference shareholders (i.e. its excess funds after settling its other obligations which are detailed above up to a cap of US\$ 810 million). “IAS 32 Financial instruments: presentation” (“IAS 32”) requires entities that issue financial instruments to classify such instruments as liabilities or equity in accordance with the substance of the contractual arrangement and the definitions contained within IAS 32 of a financial liability and equity instrument. Based on the judgement of the Board of Directors, the amount due to preference shareholders meets the definition of a financial liability under IAS 32 and has been presented under liabilities in the consolidated statement of financial position.

Class A shares have been designated at amortised cost and were initially recognised at fair value being the net asset value of the Group. Subsequent to initial measurement, the Group carries out a reassessment of estimated cash flows required to settle this obligation and adjusts the carrying amount accordingly.

#### 2.6.12 Terminologies used in the consolidated financial statements

The following terms are being used in these consolidated financial statements and have the meanings as specified below:

##### a) Management fees receivable

These represent unsecured receivables in respect of a recurring fee earned for rendering management and administrative services to the investee companies and investment holding companies. Management fees are recognised as and when services are rendered.

##### b) Receivables from investee companies

These represent unsecured receivables from investee companies in respect of expenses incurred on behalf of the investee companies and are carried at amortised cost, less impairment, if any.

##### c) Murabaha with investee companies

These represent Islamic financing facilities provided to investee companies in the form of murabaha financing contracts which are unsecured. Profit on murabaha with investee companies is recognised on a time apportioned basis over the period of the contract.

Murabaha financing represents a sale contract whereby a commodity is sold to the investee company at an agreed upon profit mark up on cost. Profit from a murabaha is quantifiable at the commencement of the transaction. Such profit is recognised as it accrues over the period of the contract on the EPR method on the balance outstanding.

##### d) Mudaraba

Mudaraba is a partnership between one party, which provides the capital (Rab-al-Maal), and another, which possesses the necessary skills and expertise to manage such capital (Mudareb), for a pre-determined share of the profit.

##### e) Private equity investments

Private equity investments represent equity stakes in established unlisted entities which operate in several sectors including energy generation and transmission industries, transportation, clothing, logistics, and are spread across several regions including the United States of America, Europe and Asia.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 2 Significant accounting policies (continued)

### 2.6 Summary of significant accounting policies (continued)

#### 2.6.12 Terminologies used in the consolidated financial statements (continued)

##### f) Real estate investments

Real estate investments represent joint ventures or equity interests in companies which operate in real estate sectors which includes warehousing, senior assisted living, real estate project development companies and other yielding real estate assets.

##### g) Initial term

The period from the effective date through the expiration of the eighteenth month after the effective date is referred to herein as the Initial term.

##### h) Net sale proceeds

The amount of net cash received by the Group upon the disposal of an investment less any amounts required to be paid to third parties in relation to the sale and any post effective day fundings.

##### i) Abbreviations used in these consolidated financial statements

BHD:	Bahraini Dinar
LTM:	Last Twelve Months
EBITDA:	Earnings Before Interest, Tax, Depreciation and Amortisation
NFY:	Next Fiscal Year

## Notes to the consolidated financial statements

## For the year ended 30 June 2019

## 3 Balances with banks

	Notes	30 June 2019 US\$ '000	30 June 2018 US\$ '000
Balances with banks		11,734	19,432
Less: restricted cash held for distributions	3.1	(1,727)	(1,761)
Less: restricted cash held for indemnity obligations	3.2	(13)	(2,178)
Cash and cash equivalents		<b>9,994</b>	<b>15,493</b>

**3.1** This balance includes US\$1.5 million (30 June 2018: 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 thousand (30 June 2018: US\$ 2.2 million) 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

		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>

		30 June 2018		
	Notes	Gross receivable US\$ '000	Provisions US\$ '000	Net receivable US\$ '000
Due from investee companies:				
Murabaha with investee companies	4.1	128,305	(122,690)	5,615
Management fee receivables	4.2	34,757	(6,057)	28,700
Receivables from investee companies		4,544	(2,080)	2,464
Other receivables		416	(416)	-
Receivable from financial institutions		33,483	(33,483)	-
		201,505	(164,726)	36,779

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 4 Receivables (continued)

4.1 These receivables carry effective profit rate of 15% (30 June 2018: 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

	30 June 2019 US\$ '000	30 June 2018 US\$ '000
Beginning balance	164,726	172,589
Charge for the year	11,658	1,657
Reversals for the year	-	(1)
Net charge for the year	11,658	1,656
Management fee income - suspended	-	482
Write off of receivables	(5,029)	(10,092)
Foreign exchange movement	-	91
Ending balance	<b>171,355</b>	<b>164,726</b>

#### 5 Investments

	30 June 2019 US\$ '000	30 June 2018 US\$ '000
Real estate	37,047	36,426
Private equity	2,754	3,074
	<b>39,801</b>	<b>39,500</b>

Information about the valuation techniques and significant assumptions used to determine the fair value of investments is set out in note 16 to these consolidated financial statements.

During the year ended 30 June 2019, the Group recognized escrow proceeds from previously exited investments resulting in a capital gain of US\$ 1,532 thousands (30 June 2018: US\$72 thousands).

#### 6 Other assets

	30 June 2019 US\$ '000	30 June 2018 US\$ '000
Others	516	516
Less: impairment of other assets	(92)	-
	<b>424</b>	<b>516</b>



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 7 Asset management and incentive fees

Asset management fees recorded during the year are as follows:

	Notes	Year ended 30 June 2019 US\$ '000	Year ended 30 June 2018 US\$ '000
Base management fee	7.1	<u>284</u>	<u>2,452</u>

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

		Year ended 30 June 2019		
	Notes	Realised US\$ '000	Unrealised US\$ '000	Total US\$ '000
<b>Performance linked fees</b>				
Incentive fees	7.3	118	332	450
Deferred incentive fees	7.4	39	(1,018)	(979)
Directors' incentive fees	7.5	-	(237)	(237)
		<u>157</u>	<u>(923)</u>	<u>(766)</u>
		Year ended 30 June 2018		
	Notes	Realised US\$ '000	Unrealised US\$ '000	Total US\$ '000
<b>Performance linked fees</b>				
Incentive fees	7.3	319	11	330
Deferred incentive fees	7.4	21	(92)	(71)
Directors' incentive fees	7.5	-	(230)	(230)
		<u>340</u>	<u>(311)</u>	<u>29</u>

The accrued incentive fees are as follows:

		30 June 2019 US\$ '000	30 June 2018 US\$ '000
Accrued incentive fees	7.3 & 7.4	1,209	1,766
Accrued directors incentive fees	7.5	2,615	3,297
		<u>3,824</u>	<u>5,063</u>

Pursuant to the MSA signed between the Group and AIM, (as discussed in note 1(k) to the consolidated financial statements), AIM is entitled to a base management fee, enhanced management fee, incentive fee and a deferred incentive fee.

- 7.1** Base management fee represents fees paid to AIM for the rendering of services set forth in the MSA. The base management fee for the initial term represents a fixed fee and subsequent to the initial term will be paid based on certain percentages of the value of assets under management as defined in the MSA. The initial term has elapsed.

## Notes to the consolidated financial statements

## For the year ended 30 June 2019

## 7 Asset management and incentive fees (continued)

- 7.2 The enhanced management fee represents a certain agreed percentage of the Group's net sale proceeds which AIM is entitled to upon the exit of investments during the initial term of the MSA. The initial term has elapsed and the cap of US\$ 20 million has been reached.
- 7.3 AIM is entitled to receive incentive fees in connection with the sale of individual investments, if the Group's net sale proceeds exceed the agreed base values accreted by the required rate of return set forth in the MSA. Incentive fees are recognised by the Group upon the appreciation of the valuation of investments above the accreted base line values set in the MSA, assuming that the investments are disposed of at their fair values on the reporting date. Accordingly, incentive fees include both realised and unrealised fees based on either the net sale proceeds from the sale of investments during the period (realised) or the fair value of investments at the end of the reporting period (unrealised).
- 7.4 AIM is also entitled to receive a deferred incentive fee once the Group's investment portfolio is disposed of and subject to achieving a specific threshold factor as set forth in the MSA. The entire deferred fee is unrealised and has been determined on the basis of the fair value of the Group's net proceeds as at the reporting date. The deferred incentive fees recognised by the Group upon emergence amounted to US\$ 6.9 million.
- 7.5 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.

## 8 Senior class A preference shares

	30 June 2019 US\$ '000	30 June 2018 US\$ '000
<b>Authorised:</b>		
- 500,000,000 senior class A-1 preference shares of US\$ 0.01 each	5,000	5,000
- 400,000,000 senior class A-2 preference shares of US\$ 0.01 each	4,000	4,000
	<b>9,000</b>	<b>9,000</b>
	30 June 2019 US\$ '000	30 June 2018 US\$ '000
<b>Issued:</b>		
- 3,241,503 (2018: 3,241,503) senior class A-1 preference shares of US\$ 0.01 each	32	32
- 2,652,710 (2018: 2,652,710) senior class A-2 preference shares of US\$ 0.01 each	27	27
	<b>59</b>	<b>59</b>
	30 June 2019 US\$ '000	30 June 2018 US\$ '000
<b>Share premium:</b>		
- 3,241,503 senior class A-1 preference shares of US\$ 80.99 each	262,529	262,529
- 2,652,710 senior class A-2 preference shares of US\$ 80.99 each	214,843	214,843
	<b>477,372</b>	<b>477,372</b>

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 8 Senior class A preference shares (continued)

	30 June 2019 US\$ '000	30 June 2018 US\$ '000
<b>Net assets attributable to:</b>		
- 3,241,503 (2018: 3,241,503) senior class A-1 preference shares of US\$ 0.01 each	41,779	43,045
- 2,652,710 (2018: 2,652,710) senior class A-2 preference shares of US\$ 0.01 each	34,191	35,227
	<b>75,970</b>	<b>78,272</b>

These senior class A-1 and A-2 preference shares have par value per share of US\$ 0.01, were issued at US\$ 81 per share and rank pari passu in all respects with each other except with respect to voting rights relating to removal of certain directors of the Company. These have been issued on pro-rata basis to certain creditors of Arcapita pursuant to the Plan of Reorganization as explained in note 1(i) and 2.6.12 to these consolidated financial statements.

As of the date of 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:

	30 June 2019 US\$ '000	30 June 2018 US\$ '000
<b>Carrying value of obligation to preference shareholders</b>		
Beginning balance	78,272	87,306
Distributions to senior class A preference shareholders	-	(10,000)
Change in obligation due to:		
Reassessment of cash outflow available due to (loss) /profit for the year	(2,278)	872
Foreign currency translation (loss)/gain of foreign operations	(24)	94
Ending balance	<b>75,970</b>	<b>78,272</b>

During the year, the Board of Directors approved distribution to senior class A preference shareholders in the amount of Nil (30 June 2018: US\$ 10 million). The distribution payable to preference shareholders as at 30 June 2019 amounted to US\$ 1.5 million (30 June 2018: US\$1.5 million).

#### 9 Other liabilities

		30 June 2019 US\$ '000	30 June 2018 US\$ '000
	Notes		
Convenience claims	9.1	131	131
Holdback reserves on exited investments	9.2	13	2,178
Due to deal companies		285	427
Other liabilities		813	8,668
		<b>1,242</b>	<b>11,404</b>



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 9 Other liabilities (continued)

- 9.1 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 30 June 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 consolidated statement of financial position, the total convenience claims recognised by the Group amounted to US\$ 3.9 million (30 June 2018: US\$ 3.9 million) of which US\$ 3.7 million (30 June 2018: US\$ 3.7million) has been settled.

- 9.2 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.

#### 10 Share capital

	30 June 2019 US\$ '000	30 June 2018 US\$ '000
<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>30 June 2019 US\$ '000</b>	<b>30 June 2018 US\$ '000</b>
<b>Issued and fully paid up:</b>		
10,000,000 ordinary shares of US\$ 0.0001 each	1	1

- 10.1 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. For additional details of allocation, refer to note 1(i) to these consolidated financial statements.

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 10 Share capital (continued)

- 10.2 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.

#### 11 Non-controlling interest

This represents non-controlling interest in respect of RA Bahrain B.S.C. (c) and has been recognised at a proportionate share of the net assets of RA Bahrain B.S.C. (c) as at the date of consolidated statement of financial position.

#### 12 Contingencies

At 30 June 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. Further, the Group is contingently liable to pay potential taxes related to the sale of certain investment.

#### 13 Other income

	Year ended 30 June 2019 US\$ '000	Year ended 30 June 2018 US\$ '000
Yield income	-	364
Liabilities written back	9,745	905
Miscellaneous	324	-
	<b>10,069</b>	<b>1,269</b>

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 14 Legal and professional expenses

	Year ended 30 June 2019 US\$ '000	Year ended 30 June 2018 US\$ '000
Legal charges	3,225	3,414
Professional charges relating to advisory services, auditing services, regulatory compliance services and trustee services	2,140	2,245
	<b>5,365</b>	<b>5,659</b>

#### 15 General and administrative expenses

	Year ended 30 June 2019 US\$ '000	Year ended 30 June 2018 US\$ '000
Board and committee remuneration	2,220	2,252
Annual maintenance	116	109
Office rent	39	43
Deal expenses	49	35
Impairment of other assets	92	-
Miscellaneous	283	365
	<b>2,799</b>	<b>2,804</b>

#### 16 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>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>



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

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

	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>82,502</b>	<b>82,502</b>
	At fair value through profit or loss US\$ '000	At cost/ amortised cost US\$ '000	Total US\$ '000
<b>30 June 2018</b>			
<b>Assets</b>			
Balances with banks	-	19,432	19,432
Receivables	-	36,779	36,779
Investments	39,500	-	39,500
	<b>39,500</b>	<b>56,211</b>	<b>95,711</b>
<b>Liabilities</b>			
Accrued incentive fees	-	5,063	5,063
Distribution payable to preference shareholders	-	1,489	1,489
Other liabilities	-	11,404	11,404
Senior class A preference shares	-	78,272	78,272
	-	<b>96,228</b>	<b>96,228</b>

#### 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.

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

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

##### Fair value hierarchy (continued)

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>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>
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total fair values US\$ '000
<b>30 June 2018</b>				
Real estate	-	-	36,426	36,426
Private equity	1,657	-	1,417	3,074
	<b>1,657</b>	<b>-</b>	<b>37,843</b>	<b>39,500</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 30 June 2019 US\$ '000	Unquoted 30 June 2018 US\$ '000
Opening balance	39,500	38,074
Net movements attributable to exited deals	-	(3,146)
Fair value gain, net	300	4,572
Ending balance	<b>39,800</b>	<b>39,500</b>

##### Valuation processes of the Group

The Group has engaged third party qualified valuation experts to perform the valuation of certain Group investments as of 30 June 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.



## Notes to the consolidated financial statements

### For the year ended 30 June 2019

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

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

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.

###### Income approach

The income approach provides fair value indications for a Group, asset, debt or other investment through an analysis of its projected economic earnings (i.e., net operating income or cash flows), discounted to present value. The Discounted Cash Flow (DCF) analysis, a commonly used method under the income approach, estimates the present value of the projected cash flows to be generated by the subject company, asset, debt or other investment. The discount rate used in the DCF analysis is intended to reflect all relevant risks associated with realizing the stream of projected cash flows.

###### Asset-based (cost) approach

Under this method, a valuation analysis is performed for a Group's identified fixed, financial, intangible and other assets. The derived aggregate fair values are then offset by the estimated fair values of all existing and potential liabilities, resulting in an indicated range of values attributable to Shareholders' equity. This method was utilised in valuing investment companies where operating earnings are insignificant relative to the value of the underlying assets.

###### 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 consolidated financial statements

### For the year ended 30 June 2019

#### 16 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:	30 - 40	Sales multiples derived from prices were higher (lower)
	BHD per square feet	85-110	
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 consolidated financial statements

### For the year ended 30 June 2019

#### 16 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:

##### 30 June 2019

			Impact on income	
	Unobservable inputs	Change	Favour- able US\$ '000	Unfavour- able US\$ '000
Private Equity investments	Discount rates	+/- 1%	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 2018

			Impact on income	
	Unobservable inputs	Change	Favour- able US\$ '000	Unfavour- able US\$ '000
Private Equity investments	Asset multiples	+/- 10%	382	(388)
Real Estate investments	Capitalization rates	+/- 1%	2,730	(3,635)
	Price per sq. ft. / acres	+/- 10%	2,114	(2,115)
	Discount rates	+/- 1%	1,040	(947)

##### 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>30 June 2019</u></b>					
<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>

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

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

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
30 June 2018	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Assets</b>					
Balances with banks	19,432	-	-	19,432	19,432
Due from investee companies	-	-	36,779	36,779	36,779
	<b>19,432</b>	<b>-</b>	<b>36,779</b>	<b>56,211</b>	<b>56,211</b>
<b>Liabilities</b>					
Accrued incentive fees	-	-	5,063	5,063	5,063
Distribution payable to preference shareholders	-	-	1,489	1,489	1,489
Other liabilities	-	-	11,404	11,404	11,404
	<b>-</b>	<b>-</b>	<b>17,956</b>	<b>17,956</b>	<b>17,956</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.

#### 17 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 consolidated financial statements

## For the year ended 30 June 2019

## 17 Related party balances and transactions (continued)

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

	30 June 2019		
	Gross	Provisions	Net
	receivables US\$ '000	US\$ '000	receivables US\$ '000
<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>
	30 June 2018		
	Gross	Provisions	Net
	receivables US\$ '000	US\$ '000	receivables US\$ '000
<b>Assets</b>			
Murabaha with investee companies	128,305	(122,690)	5,615
Management fee receivables	34,757	(6,057)	28,700
Receivables from investee companies	4,544	(2,080)	2,464
	<b>167,606</b>	<b>(130,827)</b>	<b>36,779</b>
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
		US\$ '000	US\$ '000
<b>Liabilities</b>			
Due to members of the Board of Directors		2,615	3,297
Due to investee companies		285	427
		<b>2,900</b>	<b>3,724</b>

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

	Year ended 30 June 2019 US\$ '000	Year ended 30 June 2018 US\$ '000
Management fee income	5,239	7,262
Board and committee compensation	2,220	2,252
Incentive fee to the Board of Directors	(237)	(230)
Charge of provisions against receivables, net	(11,658)	(1,656)

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 18 Maturity analysis of assets and liabilities

The tables below show an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled as at 30 June 2019 and at 30 June 2018. The Group's contractual undiscounted repayment obligations are disclosed in Note 19.4 to the consolidated financial statements.

##### 30 June 2019

	Up to one year		Over one year			
	Up to 3 months	3 months to 12 months	Subtotal up to 1 year	1 to 3 years	3 to 5 years	Subtotal Over 1 year
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Assets</b>						
Balances with banks	11,734	-	11,734	-	-	-
Receivables	-	-	-	-	-	-
Investments	-	2,411	2,411	-	30,507	30,507
Other assets	-	-	-	424	37,390	37,390
					424	424
<b>Total</b>	<b>11,734</b>	<b>2,411</b>	<b>14,145</b>	<b>424</b>	<b>67,897</b>	<b>68,321</b>
<b>Liabilities</b>						
Accrued incentive fees	-	279	279	-	-	-
Distributable payable to preference shareholders	-	1,466	1,466	929	2,616	3,545
Other liabilities	1,242	-	1,242	-	-	-
Senior class A preference shares	-	-	-	-	75,970	75,970
<b>Total</b>	<b>1,242</b>	<b>1,745</b>	<b>2,987</b>	<b>929</b>	<b>78,586</b>	<b>79,515</b>
<b>Net</b>	<b>10,492</b>	<b>666</b>	<b>11,158</b>	<b>(505)</b>	<b>(10,689)</b>	<b>(11,194)</b>
						<b>82,502</b>
						<b>(36)</b>

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 18 Maturity analysis of assets and liabilities (continued)

##### 30 June 2018

	Up to one year		Over one year			Total US\$ '000
	Up to 3 months US\$ '000	3 months to 12 months US\$ '000	Subtotal up to 1 year US\$ '000	1 to 3 years US\$ '000	3 to 5 years US\$ '000	Subtotal Over 1 year US\$ '000
<b>Assets</b>						
Balances with banks	19,432	-	19,432	-	-	19,432
Receivables	104	22,034	22,138	14,026	615	36,779
Investments	1,657	-	1,657	15,361	22,482	39,500
Other assets	-	-	-	-	516	516
<b>Total</b>	<b>21,193</b>	<b>22,034</b>	<b>43,227</b>	<b>29,387</b>	<b>23,613</b>	<b>96,227</b>
<b>Liabilities</b>						
Accrued incentive fees	600	300	900	-	4,163	5,063
Distributable payable to preference shareholders	-	1,489	1,489	-	-	1,489
Other liabilities	1,626	9,778	11,404	-	-	11,404
Senior class A preference shares	-	-	-	-	78,272	78,272
<b>Total</b>	<b>2,226</b>	<b>11,567</b>	<b>13,793</b>	<b>-</b>	<b>82,435</b>	<b>96,228</b>
<b>Net</b>	<b>18,967</b>	<b>10,467</b>	<b>29,434</b>	<b>29,387</b>	<b>(58,822)</b>	<b>(1)</b>



## Notes to the consolidated financial statements

For the year ended 30 June 2019

### 19 Risk management

#### 19.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring by the Group's Board of Directors. RA Group is exposed to credit risk, liquidity risk, market risk and operational risk as discussed in detail below. In order to mitigate such risks, RA Group's operations are being overseen by its Board of Directors, with the interests in the various portfolio companies managed by AIM, pursuant to the MSA. RA Group has established several committees (audit committee, claims committee and administrative committee) to oversee certain areas such as financial reporting, claims reconciliation, and the monitoring and approval of new projects.

#### 19.2 Risk management structure

The operations, management, and control of the RA Group is the responsibility of the Board of Directors, however, certain of these functions have been outsourced to AIM pursuant to the MSA.

##### Audit Committee

The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, and the soundness of the internal controls of the Group. The Audit Committee also oversees and evaluates, in conjunction with the Board of Directors, on a quarterly basis, AIM's performance under, and compliance with, the MSA.

##### Administrative Committee

The Administrative Committee has been established to assist the Board of Directors in monitoring budgets for the RA Group's various advisors and to manage and oversee AIM's performance, as well as review all reporting received from AIM.

##### Claims Committee

The Claims Committee oversees the reconciliation of claims as well as distributions to claimholders pursuant to the Plan of Reorganization.

Control over portfolio investments among the RA Group and the various third-party investors who own syndicated equity interests in the portfolio investments is governed by a number of shareholder agreements and provisions in corporate documents that collectively implement a term sheet agreed among the Debtors and the UCC and approved by the Bankruptcy Court in connection with the Plan of Reorganization (such agreements and provisions, collectively, the "Cooperation Agreement").

##### Investment disposal process

The Cooperation Agreement provides that dispositions of portfolio investments are subject to approval by a "Disposition Committee" comprised of members appointed, respectively, by (a) RA Holding Corp. (through its Board of Directors) and (b) AIM (on behalf of the third-party co-investors in such portfolio investment).

The Major Investments will be sold in accordance with a disposition plan negotiated prior to the Effective Date by the Debtors and the UCC (each, a "Disposition Plan"). Investments comprising Major Investments are set forth in the Disposition Plan. The Disposition Plan for each Major Investment will set forth the material conditions (the "Sale Conditions") applicable to the sale of Investment. Any material deviation from the Disposition Plan for a Major Investment may only be effected with the approval of a majority of each of the Majority Committee Members and the Minority Committee Members of the relevant Disposition Committee.

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 19 Risk management (continued)

##### 19.2 Risk management structure (continued)

###### Investment disposal process (continued)

Each Disposition Committee shall have sole discretion to determine whether or not to sell a Minor Investment upon receipt of a bona fide third-party offer, provided that if the consideration to be received pursuant to such offer is not all cash and in a currency that can be readily bought or sold without government restrictions, such offer may only be accepted by the Disposition Committee in the event the majority of the Minority Committee Members shall have consented with respect to the form of consideration.

##### 19.3 Credit risk

Credit risk is the risk of financial loss to the Group when a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's exposure investment related receivables, its bank accounts and other receivables.

RA Group manages credit risk with respect to balances with bank by maintaining its current accounts with reputable financial institutions or banks with good credit ratings.

RA Group is also exposed to credit risk with respect to receivables mainly from investee companies. The financial performance of the investee companies drives these companies' ability to discharge their liabilities, which include the management fees, murabaha obligations, non-profit bearing loans and other receivables and reimbursables owed to RA Group. The ongoing management of the investee companies is carried out by AIM and the performance of these companies is regularly reported to the Board of Directors, which may carry out corrective action when needed.

##### (a) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group does not maintain any collateral against its credit exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position headings:

	Gross maximum exposure 30 June 2019 US\$ '000	Gross maximum exposure 30 June 2018 US\$ '000
Balances with banks	11,734	19,432
Receivables	30,507	36,779
<b>Total credit risk exposure</b>	<b>42,241</b>	<b>56,211</b>

## Notes to the consolidated financial statements

For the year ended 30 June 2019

## 19 Risk management (continued)

## 19.3 Credit risk (continued)

## (b) Analysis of credit quality

**30 June 2019**

	Neither past due nor impaired US\$ '000	Past due but not impaired US\$ '000	Past due and impaired US\$ '000	Total US\$ '000
Balances with banks	11,734	-	-	11,734
Receivables				
- Gross		-	201,862	201,862
- Provisions	-	-	(171,355)	(171,355)
	-	-	30,507	30,507
	<b>11,734</b>	<b>-</b>	<b>30,507</b>	<b>42,241</b>

**30 June 2018**

	Neither past due nor impaired US\$ '000	Past due but not impaired US\$ '000	Past due and impaired US\$ '000	Total US\$ '000
Balances with banks	19,432	-	-	19,432
Receivables				
- Gross	-	-	201,505	201,505
- Provisions	-	-	(164,726)	(164,726)
	-	-	36,779	36,779
	<b>19,432</b>	<b>-</b>	<b>36,779</b>	<b>56,211</b>

Amounts due from investee companies are recoverable primarily at the time of exit from the investee companies. The Group assesses recoverability of receivables on the basis of enterprise values and waterfall models as explained in note 18 and categorises those receivables against which it has recorded provisions as impaired.

The tables below set out the credit quality of balances with banks and receivables as at 30 June 2019 and at 30 June 2018. The analysis has been based on Standard and Poor's rating agency, where applicable:

**30 June 2019**

	Balances with banks US\$ '000	Recei- vables US\$ '000	Total US\$ '000
Rated AAA to A-	11,734	-	11,734
Unrated	-	30,507	30,507
	<b>11,734</b>	<b>30,507</b>	<b>42,241</b>



## Notes to the consolidated financial statements

## For the year ended 30 June 2019

## 19 Risk management (continued)

## 19.3 Credit risk (continued)

## (b) Analysis of credit quality (continued)

30 June 2018

	Balances with banks US\$ '000	Recei- vables US\$ '000	Total US\$ '000
Rated AAA to A-	19,432	-	19,432
Unrated	-	36,779	36,779
	<b>19,432</b>	<b>36,779</b>	<b>56,211</b>

## (c) Risk concentrations of the maximum exposure to credit risk

The maximum credit exposure to any counterparty as of 30 June 2019 was US\$ 11.7 million (30 June 2018: US\$19.4 million).

The following tables analyse the geographical and industrial sector concentrations of the Group's maximum exposure to credit risk.

30 June 2019

## Geographical analysis

	Middle East and Asia US\$ '000	North America US\$ '000	Europe US\$ '000	Total US\$ '000
Balances with banks	-	11,734	-	11,734
Receivables	29,070	1,437	-	30,507
<b>Total</b>	<b>29,070</b>	<b>13,171</b>	<b>-</b>	<b>42,241</b>

30 June 2019

## Industry analysis

	Real estate US\$ '000	Utilities US\$ '000	Banking and financial institutions US\$ '000	Others US\$ '000	Total US\$ '000
Balances with banks	-	-	11,734	-	11,734
Receivables	11,078	19,312	-	117	30,507
<b>Total</b>	<b>11,078</b>	<b>19,312</b>	<b>11,734</b>	<b>117</b>	<b>42,241</b>

30 June 2018

## Geographical analysis

	Middle East and Asia US\$ '000	North America US\$ '000	Europe US\$ '000	Total US\$ '000
Balances with banks	-	19,432	-	19,432
Receivables	34,055	2,724	-	36,779
<b>Total</b>	<b>34,055</b>	<b>22,156</b>	<b>-</b>	<b>56,211</b>

## Notes to the consolidated financial statements

## For the year ended 30 June 2019

## 19 Risk management (continued)

## 19.3 Credit risk (continued)

## (c) Risk concentrations of the maximum exposure to credit risk (continued)

**30 June 2018**

## Industry analysis

	Real estate US\$ '000	Utilities US\$ '000	Banking and financial institutions US\$ '000	Others US\$ '000	Total US\$ '000
Balances with banks	-	-	19,432	-	19,432
Receivables	14,659	22,036	-	84	36,779
<b>Total</b>	<b>14,659</b>	<b>22,036</b>	<b>19,432</b>	<b>84</b>	<b>56,211</b>

## 19.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations when they fall due.

RA Group has accrued incentive fee liabilities as detailed in note 7 to the consolidated financial statements. Accrued incentive fees are not a liquidity risk as the fees are tied directly to the achievement of certain hurdle rates at the time of sale for each investment.

The following tables illustrate the contractual payment obligations in respect of undiscounted financial liabilities and contingencies as at 30 June 2019 and at 30 June 2018:

	No fixed maturity 30 June 2019 US\$ '000	No fixed maturity 30 June 2018 US\$ '000
Senior class A preference shares (a)	75,970	78,272
Accrued incentive fees	3,824	5,063
Distributable payable to preference shareholders	1,466	1,489
Other liabilities	1,242	11,404
	<b>82,502</b>	<b>96,228</b>

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

#### 19 Risk management (continued)

##### 19.4 Liquidity risk (continued)

- (a) These do not have a fixed repayment schedule. The redemption of these is dependent upon the disposition of investments and repayment of Exit Facility, other priority claims and obligations under mudaraba. Therefore, these have been reflected in the above tables at amortised cost.

##### 19.5 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of: profit rate risk, equity price risk, and currency risk. Financial instruments affected by market risk include investments and due to financial and other institutions.

###### 19.5.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. It is a combination of the rate of return risk and the risk of exposure due to the mismatch in the Group's profit sensitive assets and liabilities caused by variations in the market reference rate which would result in a decrease of the Group's net present value.

The Group is not exposed to profit rate risk on its financial assets as these are based on fixed profit rates.

###### 19.5.2 Equity price risk

Equity price risk is the risk that the fair value of equities will fluctuate as a result of changes in the fair future value of investment securities. The Group relies on AIM to manage the performance of its investments portfolio and prepare the monthly performance reports provided to the Board of Directors. Valuation reports are also prepared and updated by an independent third party valuation expert on a regular basis or when the Board of Directors consider that there has been a change in the significant inputs used to fair value these investments.

The Group is exposed to equity price risk in relation to its investments in equity instruments of investee companies. Refer to note 16 to this consolidated financial statements for details on the unobservable inputs used to determine the fair value and the sensitivity analysis of a reasonable change in unobservable inputs.

###### 19.5.3 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net open positions denominated in currencies other than the reporting currency and the translation impact of translating subsidiaries that operate in other currencies.



## Notes to the consolidated financial statements

## For the year ended 30 June 2019

## 19 Risk management (continued)

## 19.5 Market risk (continued)

## 19.5.3 Currency risk (continued)

The Group's financial liabilities are primarily denominated in United States Dollar. The Group had the following significant exposures denominated in foreign currencies at 30 June 2019 and 30 June 2018:

**30 June 2019**

	<b>Assets</b> US\$ '000	<b>Liabilities</b> US\$ '000	<b>Net</b> US\$ '000
Pound sterling	880	-	880
Japanese yen	-	(13)	(13)
Others	286	(41)	245
	<b>1,166</b>	<b>(54)</b>	<b>1,112</b>

**30 June 2018**

	<b>Assets</b> US\$ '000	<b>Liabilities</b> US\$ '000	<b>Net</b> US\$ '000
Pound sterling	963	(220)	743
Japanese yen	-	(13)	(13)
Others	3,174	(2,367)	807
	<b>4,137</b>	<b>(2,600)</b>	<b>1,537</b>

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

**30 June 2019**

	<b>Change in US\$ rate in percentage</b>	<b>Increase Effect on profit before tax US\$ '000</b>	<b>Decrease Effect on profit before tax US\$ '000</b>
Pound sterling	+/-10%	88	(88)
Japanese yen	+/-10%	(1)	1
Others	+/-10%	25	(25)

**30 June 2018**

	<b>Change in US\$ rate in percentage</b>	<b>Increase Effect on profit before tax US\$ '000</b>	<b>Decrease Effect on profit before tax US\$ '000</b>
Pound sterling	+/-10%	74	(74)
Japanese yen	+/-10%	(1)	1
Others	+/-10%	81	(81)

## Notes to the consolidated financial statements

### For the year ended 30 June 2019

## 19 Risk management (continued)

### 19.5 Market risk (continued)

#### 19.5.4 Operational risk

As discussed in note 1 to the consolidated financial statement, RA Group has outsourced its investment management and financial reporting services to AIM. The Group is exposed to operational risk in relation to the outsourced activities. To manage these risks, the RA Group has established an Audit Committee, and separately participates in Disposition Committees which oversee the disposal process.

## 20 Taxation

In previous year, tax refund amounted to US\$ 256 thousand. Deferred tax assets amounting to US\$ 5,757 thousand (30 June 2018: US\$ 5,349 thousand) related to 2018 have not been recognised in respect of the following items, because it is not probable that future taxable profits will be available against which the Group can use the benefits. Further, the Company's subsidiary in UK has trading losses of US\$ 30,188 thousand however the subsidiary is still conducting a detailed analysis whether it is prohibited to carryforward the trading losses since there has been a change in ownership from September 2013. In addition, with respect to certain subsidiaries in US, the federal and state loss carryforwards in the amount of US\$ 39,692 thousand existing at the date change of ownership on 16 September 2013 are subject to limitation under IRC 382. Also, the losses are potentially subject to separate return limitation year rules. Additional analysis must be completed in order to determine whether the subsidiaries in US can utilize any portion of their existing net operating losses to offset future taxable income.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	US\$ '000	US\$ '000
Tax losses carried forward	5,757	5,349
	<u><b>5,757</b></u>	<u><b>5,349</b></u>

## 21 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.

## 22 Post-reporting date events

The following Directors have resigned from the Bank subsequent to the financial position date:

Matthew Charles Turner (resigned on 26 November 2019)

Brent William De Jong (resigned on 26 November 2019)

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

## 23 Comparative figures

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