Condensed interim consolidated financial statements and review report

RA Holding Corp.

For the period from 1 July 2020 to 31 December 2020

General information

Commercial Registration	:	279024 obtained on 28 June 2013	
Board of Directors	:	Eugene Irwin Davis	Chairman
		Matthew Alexander Doheny	Director
		David John Burlison	Director
		Khalil Ebrahim Nooruddin	Director
		Ebtisam Al Arrayed	Director
Registered Office	:	Paget-Brown Trust Company Ltd. office Boundary Hall, Cricket Square, P.O. Box 111 Grand Cayman KY1-1102 Cayman Islands	
Bankers	:	Bank of New York Mellon National Bank of Bahrain	
Auditors	:	Grant Thornton - Abdulaal P.O. Box 11175 12th Floor, Al Nakheel Tower Seef District Kingdom of Bahrain	

Review report

To the Shareholders of
RA Holding Corp.

Introduction
We have reviewed the accompanying condensed interim consolidated financial statements of RA Holding Corp. (the "Company") and its subsidiaries (together the "Group"), which comprise the condensed interim consolidated statement of financial position as at 31 December 2020, and the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity for the period from 1 July 2020 to 31 December 2020, and a summary of significant accounting policies and other explanatory information. The Board of Directors is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the condensed interim consolidated financial position of the Group as at 31 December 2020, and its condensed interim consolidated financial performance and its condensed interim consolidated cash flows for the six months period then ended in accordance with IAS 34 Interim Financial Reporting.

XX April 2021
Manama, Kingdom of Bahrain

Condensed interim consolidated statement of financial position
As at 31 December 2020

	Notes	Unaudited 31 December 2020 US$ '000	Audited 30 June 2020 US$ '000
Assets			
Balances with banks	3	8,189	6,604
Receivables	4	28,176	28,315
Investments	5	40,314	36,949
Other assets		619	472
Total assets		**77,298**	**72,340**
Liabilities and equity			
Liabilities			
Accrued incentive fees	6	3,410	3,263
Distribution payable to preference shareholders	7	1,466	1,466
Other liabilities	8	7,124	7,472
Total liabilities excluding net assets attributable to senior class A preference shares		12,000	12,201
Senior class A preference shares	7	66,256	61,097
Total liabilities including net assets attributable to senior class A preference shares		**78,256**	**73,298**
Equity			
Share capital		1	1
Total equity attributable to shareholders of the parent		1	1
Non-controlling interest		(959)	(959)
Total equity		**(958)**	**(958)**
Total liabilities and equity		**77,298**	**72,340**

I hereby certify that, to the best of my knowledge, these condensed interim consolidated financial statements present fairly the condensed interim consolidated financial condition of the Group as at 31 December 2020 and its condensed interim consolidated operations for the six months period then ended.

Eugene I. Davis
Chairman of the Board of Directors

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

Condensed interim consolidated statement of profit or loss
For the period from 1 July 2020 to 31 December 2020

	Notes	Unaudited Period from 1 July 2020 to 31 December 2020 US$ '000	Unaudited Period from 1 July 2019 to 31 December 2019 US$ '000
Income			
Management fee income	4.2	-	811
Capital gain on disposal of investments	5	4,035	-
Fair value gain on investments, net	12	3,365	210
Other income	11	-	139
Total income		**7,400**	**1,160**
Expenses			
Asset management and incentive fees	6	(30)	(20)
Performance based incentive fees			
Realised	6	(282)	51
Unrealised	6	(102)	61
Legal and professional expenses		(917)	(2,006)
General and administrative expenses		(1,015)	(1,377)
Total expenses		**(2,346)**	**(3,291)**
Operating profit / (loss)		**5,054**	**(2,131)**
Charge of provisions against receivables, net	4.3	(3)	(860)
Gain on foreign exchange, net		108	43
Profit / (Loss) before changes in obligation to senior class A preference shareholders		**5,159**	**(2,948)**
(Increase) / decrease in obligation to senior class A preference shareholders	7	(5,159)	2,948
Loss for the period		-	-
Attributable to:			
Shareholders of the Parent		-	-
Non-controlling interest		-	
		-	-

I hereby certify that, to the best of my knowledge, these condensed interim consolidated financial statements present fairly the condensed interim consolidated financial condition of the Group as at 31 December 2020 and its condensed interim consolidated operations for the six months period then ended.

Eugene I. Davis
Chairman of the Board of Directors

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

Condensed interim consolidated statement of comprehensive
For the period from 1 July 2020 to 31 December 2020

	Note	Unaudited Period from 1 July 2020 to 31 December 2020 US$ '000	Unaudited Period from 1 July 2019 to 31 December 2019 US$ '000
Net loss for the period		-	-
Other comprehensive loss			
Item to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-	-
Decrease in obligation to senior class A preference shares	7	-	-
Total comprehensive loss for the period		**-**	**-**
Attributable to:			
Shareholders of the Parent		-	-
Non-controlling interest		-	-
		-	**-**

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

Condensed interim consolidated statement of changes in equity
For the period from 1 July 2020 to 31 December 2020

	Share capital	Non-controlling interest	Total equity
	US$'000	US$'000	US$'000
Balance as at 1 July 2019 and as at 31 December 2019 - unaudited	**1**	**(37)**	**(36)**
Balance as at 1July 2020 and 31 December 2020 -unaudited	**1**	**(959)**	**(958)**

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

Condensed interim consolidated statement of cash flows
For the period from 1 July 2020 to 31 December 2020

	Notes	Unaudited Period from 1 July 2020 to 31 December 2020 US$ '000	Unaudited Period from 1 July 2019 to 31 December 2019 US$ '000
Operating activities			
Profit / (Loss) before changes in obligation to senior class A preference shareholders		5,159	(2,948)
Adjustments:			
Charge of provisions against receivables, net	4.3	3	860
Fair value gain on investments, net	12	(3,365)	(210)
Capital gain on disposal of investments		4,035	-
Performance based incentive fees (unrealised)	6	102	(61)
Operating profit/(loss) before changes in operating assets and liabilities		5,934	(2,359)
Changes in operating assets and liabilities:			
Receivables		136	(888)
Investments		(4,035)	-
Other assets		(147)	(105)
Other liabilities		(348)	168
Accrued incentive fees		45	(226)
Restricted cash	3	3	(4)
Net cash generated from/(used in) operating activities		**1,588**	**(3,414)**
Net movement in cash and cash equivalents		1,588	(3,414)
Cash and cash equivalents at the beginning of the period		4,881	9,994
Cash and cash equivalents at the end of the period	3	**6,469**	**6,580**

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

Notes to the condensed interim consolidated financial statements
For the period from 1 July 2020 to 31 December 2020

1 Introduction

a) Corporate information

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

b) Activities

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

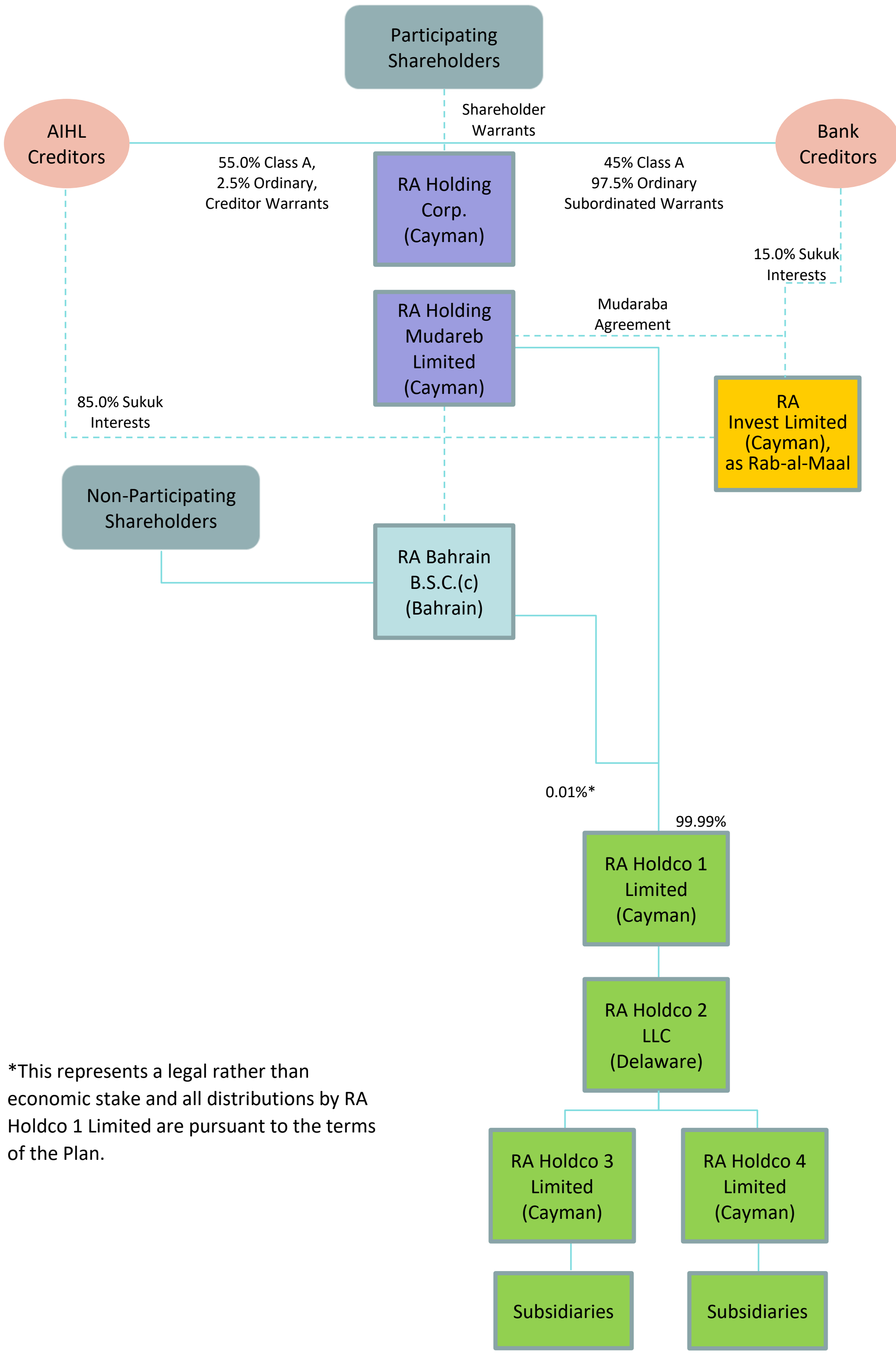
The structure of RA Group is set forth in note 1(d) to the condensed interim consolidated financial statements.

c) Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements have been approved and authorised for issuance by the Board of Directors on 10 June 2021.

1 Introduction (continued)

d) Group structure



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

Notes to the condensed interim consolidated financial statements
For the period from 1 July 2020 to 31 December 2020

2 Significant accounting policies

2.1 Basis of preparation

The condensed interim consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required in annual consolidated financial statements in accordance with International Financial Reporting Standards, and should be read in conjunction with the consolidated financial statements of the Company for the year ended 30 June 2020. In addition, results for the six months period ended 31 December 2020 are not necessarily indicative of the results that may be expected for the financial year ending 30 June 2021.

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

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

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

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

2.2 Basis of consolidation

These condensed interim consolidated financial statements comprise the condensed interim consolidated financial statements of the Company and its subsidiaries for the period ended 31 December 2020. The consolidated subsidiaries of Arcapita were transferred to RA Group on the emergence date in accordance with the Plan of Reorganization and have been consolidated from 17 September 2013 to the date of consolidated statement of financial position.

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

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

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

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

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

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

2 Significant accounting policies (continued)

2.2 Basis of consolidation (continued)

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

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

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

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

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

2 Significant accounting policies (continued)

2.2 Basis of consolidation (continued)

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

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

2.3 Significant accounting judgements and estimates

The same accounting policies, judgements, estimates, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2020.

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

Notes to the condensed interim consolidated financial statements
For the period from 1 July 2020 to 31 December 2020

3 Balances with banks

	Notes	31 December 2020 US$ '000	30 June 2020 US$ '000
Balances with banks		8,189	6,604
Less: restricted cash held for distributions	3.1	(1,720)	(1,723)
Cash and cash equivalents		**6,469**	**4,881**

3.1 This balance includes US$1,720 thousands (30 June 2020: US$1,723 thousands) 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.

4 Receivables

		31 December 2020		
	Notes	Gross receivable US$ '000	Provisions US$ '000	Net receivable US$ '000
Due from investee companies:				
Murabaha with investee companies	4.1	126,890	(120,955)	5,935
Management fee receivables	4.2	35,624	(14,499)	21,125
Receivables from investee companies		2,450	(1,334)	1,116
Receivable from financial institutions		33,257	(33,257)	-
		198,221	**(170,045)**	**28,176**

		30 June 2020		
	Notes	Gross receivable US$ '000	Provisions US$ '000	Net receivable US$ '000
Due from investee companies:				
Murabaha with investee companies	4.1	126,890	(120,955)	5,935
Management fee receivables	4.2	35,624	(14,499)	21,125
Receivables from investee companies		2,607	(1,352)	1,255
Receivable from financial institutions		33,257	(33,257)	-
		198,378	**(170,063)**	**28,315**

4 Receivables (continued)

4.1 These receivables carry effective profit rate of 15% (30 June 2020: 15%), however Company is not being accrued due to impairment in murabaha receivables.

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. However not being accrued due to to termination of administration agreement on 31 August 2019.

4.3 Movement in provision

	31 December 2020 US$ '000	30 June 2020 US$ '000
Beginning balance	170,063	171,355
Charge for the period/year	3	1,684
Write off of receivables	(21)	(2,976)
Ending balance	**170,045**	**170,063**

5 Investments

	31 December 2020 US$ '000	30 June 2020 US$ '000
Real estate	34,336	34,389
Private equity	5,978	2,560
	40,314	**36,949**

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

During the period ended 31 December 2020, the Group recognized escrow proceeds from previously exited investments resulting in a capital gain of US$4,035 thousands (31 December 2019: Nil).

6 Asset management and incentive fees

Asset management fees recorded during the period are as follows:

	Period from 1 July 2020 to 31 December 2020 US$ '000	Period from 1 July 2019 to 31 December 2019 US$ '000
Base management fee	**30**	**20**

Notes to the condensed interim consolidated financial statements
For the period from 1 July 2020 to 31 December 2020

6 Asset management and incentive fees (continued)

	Period from 1 July 2020 to 31 December 2020 (unaudited)		
	Realised	**Unrealised**	**Total**
	US$ '000	US$ '000	US$ '000
Performance linked fees			
Incentive fees	179	-	179
Deferred incentive fees	103	-	103
Directors' incentive fees	-	102	102
	282	**102**	**384**

	Period from 1 July 2019 to 31 December 2019 (unaudited)		
	Realised	**Unrealised**	**Total**
	US$ '000	US$ '000	US$ '000
Performance linked fees			
Incentive fees	-	-	-
Deferred incentive fees	-	-	-
Directors' incentive fees	(51)	(61)	(112)
	(51)	**(61)**	**(112)**

The accrued incentive fees are as follows:

	31 December 2020	**30 June 2020**
	US$ '000	US$ '000
Accrued incentive fees	992	992
Accrued directors incentive fees	2,418	2,271
	3,410	**3,263**

Notes to the condensed interim consolidated financial statements
For the period from 1 July 2020 to 31 December 2020

6 Asset management and incentive fees (continued)

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

7 Senior class A preference shares

	31 December 2020 US$ '000	30 June 2020 US$ '000
Net assets attributable to:		
- 3,241,503 (30 June 2020: 3,241,503) senior class A-1 preference shares of US$ 0.01 each	36,437	33,600
- 2,652,710 (30 June 2020: 2,652,710) senior class A-2 preference shares of US$ 0.01 each	29,819	27,497
	66,256	**61,097**

As of the date of condensed interim consolidated statement of financial position, the Group has carried out a reassessment of the cash out flow available to settle the senior preference shares and has shown the senior preference shares on that basis. Net assets attributable to senior preference shares are based on net asset values as of the date of condensed interim consolidated statement of financial condition and do not include adjustments for liquidation costs or other liquidation variables. Such liquidation costs and liquidation variables may cause the realised cash out flow available to settle senior preference shares to differ and such difference could be material. The movement of change in carrying value of obligation to preference shareholders during the period is as follows:

	31 December 2020 US$ '000	30 June 2020 US$ '000
Carrying value of obligation to preference shareholders		
Beginning balance	61,097	75,970
Change in obligation due to:		
Reassessment of cash outflow available due to profit/(loss) for the period/year	5,159	(14,873)
Ending balance	**66,256**	**61,097**

The distribution payable to preference shareholders amounts to US$1,466 thousands (30 June 2020 - US$1,466 thousands)

8 Other liabilities

	Notes	31 December 2020 US$ '000	30 June 2020 US$ '000
Convenience claims	8.1	131	131

Notes to the condensed interim consolidated financial statements
For the period from 1 July 2020 to 31 December 2020

Due to deal companies	-	28
Other liabilities	6,993	7,313
	7,124	**7,472**

8 Other liabilities (continued)

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

The total amount of convenience claims as at 31 December 2020, represents claims which have been submitted up to the date of issuance of these consolidated financial statements and have been or are expected to be allowed. Aggregate cash payments to convenience claim holders is capped at US$ 9.7 million. As of the date of condensed interim consolidated statement of financial position, the total convenience claims recognised by the Group amounted to US$ 3,900 thousands (30 June 2020: US$ 3,900 thousands) of which US$ 3,700 thousands (30 June 2020: US$ 3,700 thousands) has been settled.

9 Share capital

	31 December 2020 US$ '000	30 June 2020 US$ '000
Authorised:		
- 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
	14	**14**

	31 December 2020 US$ '000	30 June 2020 US$ '000
Issued and fully paid up:		
10,000,000 ordinary shares of US$ 0.0001 each	**1**	**1**

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

Notes to the condensed interim consolidated financial statements
For the period from 1 July 2020 to 31 December 2020

9 Share capital (continued)

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

10 Contingencies

At 31 December 2020, there were pending legal cases against the Group in Bahraini Courts. These include cases brought forward by a number of investors and investment account holders of the Bank which were forfeited under the Plan of Reorganization due to the failure to submit verification materials.

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

11 Other income

	Period from 1 July 2020 to 31 December 2020 US$ '000	**Period from 1 July 2019 to 31 December 2019** US$ '000
Liability written back (i)	-	-
Miscellaneous	-	139
	-	**139**

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

Notes to the condensed interim consolidated financial statements
For the period from 1 July 2020 to 31 December 2020

12 Fair value of financial instruments

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

a) In the principal market for the asset or liability, or
b) 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	At cost/ amortised cost	Total
31 December 2020	US$ '000	US$ '000	US$ '000
Assets			
Balances with banks	-	8,189	8,189
Receivables	-	28,176	28,176
Investments	40,314	-	40,314
	40,314	**36,365**	**76,679**

	At fair value through profit or loss	At cost/ amortised cost	Total
31 December 2020	US$ '000	US$ '000	US$ '000
Liabilities			
Accrued incentive fees	-	3,410	3,410
Distribution payable to preference shareholders	-	1,466	1,466
Other liabilities	-	7,124	7,124
Senior class A preference shares	-	66,256	66,256
	-	**78,256**	**78,256**

	At fair value through profit or loss	At cost/ amortised cost	Total
30 June 2020	US$ '000	US$ '000	US$ '000
Assets			
Balances with banks	-	6,604	6,604
Receivables	-	28,315	28,315
Investments	36,949	-	36,949
	36,949	**34,919**	**71,868**
30 June 2020			
Liabilities			
Accrued incentive fees	-	3,263	3,263
Distribution payable to preference shareholders	-	1,466	1,466
Other liabilities	-	7,472	7,472
Senior class A preference shares	-	61,097	61,097
	-	**73,298**	**73,298**

12 Fair value of financial instruments (continued)

Fair value hierarchy

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes financial instruments valued using quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

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

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

31 December 2020	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total fair values US$ '000
Real estate	-	-	34,336	34,336
Private equity	5,644	-	334	5,978
	5,644	**-**	**34,670**	**40,314**

30 June 2020	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total fair values US$ '000
Real estate	-	-	34,389	34,389
Private equity	2,225	-	335	2,560
	2,225	**-**	**34,724**	**36,949**

Movements in level 3 financial instruments measured at fair value

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

	Unquoted 31 December 2020 US$ '000	Unquoted 30 June 2020 US$ '000
Opening balance	36,949	39,801
Fair value gain, net	3,365	(2,852)
Ending balance	**40,314**	**36,949**

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12 Fair value of financial instruments (continued)

Valuation processes of the Group

The Group has engaged third party qualified valuation experts to perform the valuation of certain Group investments as of 30 June 2020. The third party valuers have utilised methods and techniques generally recognised as standard within the industry. These include discounted cash flows, earnings multiples and comparable market transactions approaches for private equity investments. Real estate investments were measured using the sales approach, discounted cash flows or the capitalization of future cash streams of the underlying asset using prevailing capitalization rate for similar properties or similar geographies. The valuation experts applied their judgment in determining the appropriate valuation techniques and considerations of unobservable valuation inputs used in valuation models which include discount rates, exit multiples, specific risk premiums, control premiums and comparable assets or companies.

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

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

Valuation techniques used to derive level 3 fair values

Market approach

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

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

Sales comparison approach

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

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

Direct capitalization approach

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

12 Fair value of financial instruments (continued)

Valuation processes of the Group (continued)

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

Discounted cash flow approach

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

Description of significant unobservable inputs to valuation

Valuation Technique	Significant unobservable inputs	Range	The estimated fair value would increase (decrease) if:
Direct capitalization approach	Capitalization rate	7.50% - 8.50%	Capitalization rates were lower (higher)
Sales comparison approach	US$ per acre:	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)

12 Fair value of financial instruments (continued)

The effect of unobservable inputs on fair value measurement

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

31 December 2020

	Unobservable inputs	Change	Impact on income: Favourable US$ '000	Impact on income: Unfavourable US$ '000
Private Equity investments	Discount rates	+/- 10%	2,204	(1,865)
Real Estate investments	Capitalization rates	+/- 1%	3,818	(3,407)
	Price per sq. ft. / acres	+/- 10%	1,457	(1,429)
	Discount rates	+/- 1%	770	(427)

30 June 2020

	Unobservable inputs	Change	Impact on income: Favourable US$ '000	Impact on income: Unfavourable US$ '000
Private Equity investments	Discount rates	+/- 10%	2,174	(1,767)
Real Estate investments	Capitalization rates	+/- 1%	2,927	(2,204)
	Price per sq. ft. / acres	+/- 10%	1,343	(1,074)
	Discount rates	+/- 1%	1,868	(1,748)

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.

31 December 2020	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total fair values US$ '000	Total carrying amount US$ '000
Assets					
Balances with banks	8,189	-	-	8,189	8,189
Due from investee companies	-	-	28,176	28,176	28,176
	8,189	**-**	**28,176**	**36,365**	**36,365**
Liabilities					
Accrued incentive fees	-	-	3,410	3,410	3,410
Distribution payable to preference shareholders	-	-	1,466	1,466	1,466
Other liabilities	-	-	7,124	7,124	7,124
	-	**-**	**12,000**	**12,000**	**12,000**

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12 Fair value of financial instruments (continued)

30 June 2020	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total fair values US$ '000	Total carrying amount US$ '000
Assets					
Balances with banks	6,604	-	-	6,604	6,604
Due from investee companies	-	-	28,315	28,315	28,315
	6,604	-	**28,315**	**34,919**	**34,919**
Liabilities					
Accrued incentive fees	-	-	3,263	3,263	3,263
Distribution payable to preference shareholders	-	-	1,466	1,466	1,466
Other liabilities	-	-	7,472	7,472	7,472
	-	-	**12,201**	**12,201**	**12,201**

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

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

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

13 Related party balances and transactions

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

13 Related party balances and transactions (continued)

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

	31 December 2020		
	Gross receivables US$ '000	**Provisions** US$ '000	**Net receivables** US$ '000
Assets			
Murabaha with investee companies	126,890	(120,955)	5,935
Management fee receivables	35,624	(14,499)	21,125
Receivables from investee companies	2,450	(1,334)	1,116
	164,964	**(136,788)**	**28,176**

	30 June 2020		
	Gross receivables US$ '000	**Provisions** US$ '000	**Net receivables** US$ '000
Assets			
Murabaha with investee companies	126,890	(120,955)	5,935
Management fee receivables	35,624	(14,499)	21,125
Receivables from investee companies	2,607	(1,352)	1,255
	165,121	**(136,806)**	**28,315**

	31 December 2020 US$ '000	**30 June 2020** US$ '000
Liabilities		
Due to members of the Board of Directors	2,418	2,571
Due to investee companies	-	28
	2,418	**2,599**

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

	Period from 1 July 2020 to 31 December 2020 US$ '000	**Period from 1 July 2019 to 31 December 2019** US$ '000
Management fee income	-	811
Board and committee compensation	(825)	(1,100)
Incentive fee to the Board of Directors	102	(112)
Charge of provisions against receivables, net	(3)	(860)

14 Segmental reporting

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

15 Post-reporting date events

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

16 Comparative figures

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