



**Condensed interim consolidated financial statements and review report  
RA Holding Corp.**

**For the period from 1 July 2016 to 31 December 2016**

## Review report

To the Shareholders of  
RA Holding Corp.

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### Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of **RA Holding Corp.** (the "**Company**") and its subsidiaries (together the "**Group**"), which comprise the condensed interim consolidated statement of financial position as at 31 December 2016, 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 2016 to 31 December 2016, 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 2016, and its condensed interim consolidated financial performance and its condensed interim consolidated cash flows for the six month period then ended in accordance with IAS 34 Interim Financial Reporting.



28 February 2017  
Manama, Kingdom of Bahrain

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## General information

Commercial Registration	:	279024 obtained on 28 June 2013	
Board of Directors	:	Eugene Irvin Davis	Chairman
		Matthew Charles Turner	Director
		Matthew Alexander Doheny	Director
		David John Burlison	Director
		Brent William De Jong	Director
		Khalil Ebrahim Nooruddin	Director
		William Brannan Mollison (Up to 22 January 2017)	Director
		Ebtisam Al-Arrayed (From 22 January 2017)	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 Royal Bank of Scotland First Caribbean International Bank HSBC Ltd. Singapore National Bank of Bahrain	
Auditors	:	Grant Thornton - Abdulaal P.O. Box 11175 12th floor, Al Nakheel Tower Seef District Kingdom of Bahrain	

**Condensed interim consolidated statement of financial position**  
**As at 31 December 2016**

	Notes	Unaudited 31 December 2016 US\$ '000	Audited 30 June 2016 US\$ '000
<b>Assets</b>			
Balances with banks	3	53,340	39,563
Receivables	4	38,301	50,646
Investments	5	47,234	53,582
Other assets		1,190	1,013
<b>Total assets</b>		<b>140,065</b>	<b>144,804</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Accrued incentive fees	6	7,234	10,191
Distribution payable to preference shareholders	7	1,849	7,576
Other liabilities	8	14,261	16,926
Total liabilities excluding net assets attributable to senior class A preference shares		23,344	34,693
Senior class A preference shares	7	116,720	110,110
<b>Total liabilities including net assets attributable to senior class A preference shares</b>		<b>140,064</b>	<b>144,803</b>
<b>Equity</b>			
Share capital		1	1
<b>Total equity attributable to shareholders of the parent</b>		<b>1</b>	<b>1</b>
Non-controlling interest		-	-
<b>Total equity</b>		<b>1</b>	<b>1</b>
<b>Total liabilities and equity</b>		<b>140,065</b>	<b>144,804</b>

I hereby certify that, to the best of my knowledge, these condensed interim consolidated financial statements present fairly the condensed interim consolidated financial condition of the Group as at 31 December 2016 and its condensed interim consolidated operations for the six months period then ended.



Eugene I. Davis  
Chairman of the Board of Directors

**Condensed interim consolidated statement of profit or loss**  
**For the period from 1 July 2016 to 31 December 2016**

	Notes	<i>Three months ended (unaudited)</i>		Unaudited	Unaudited
		<i>31 December</i>	<i>31 December</i>	Period from	Period from
		<i>2016</i>	<i>2015</i>	1 July 2016 to	1 July 2015 to
		US\$ '000	US\$ '000	31 December	31 December
				2016	2015
				US\$ '000	US\$ '000
<b>Income</b>					
Management fee income	4.2	2,582	6,729	5,121	12,489
Profit on murabaha with investee companies	4.1	-	1,396	-	2,768
Capital gain / (loss) on disposal of investments	5	3,657	(789)	8,698	693
Fair value (loss) / gain on investments, net	11	(5,464)	3,328	(5,538)	(7,956)
Other income	10	1,258	64	1,309	2,655
<b>Total income</b>		<b>2,033</b>	<b>10,728</b>	<b>9,590</b>	<b>10,649</b>
<b>Expenses</b>					
Asset management fees	6	(647)	(1,459)	(1,064)	(2,308)
Performance based incentive fees					
Realised	6	(328)	(62)	(1,357)	(159)
Unrealised	6	345	(226)	(20)	1,295
Legal and professional expenses		(1,841)	(1,522)	(3,321)	(3,474)
General and administrative expenses		(702)	(871)	(1,494)	(1,813)
<b>Total expenses</b>		<b>(3,173)</b>	<b>(4,140)</b>	<b>(7,256)</b>	<b>(6,459)</b>
<b>Operating (loss) / profit</b>		<b>(1,140)</b>	<b>6,588</b>	<b>2,334</b>	<b>4,190</b>
(Charge) / reversal of provisions against receivables, net	4	(61)	311	6,050	108
Gain / (loss) on foreign exchange, net		2,230	(3,374)	2,023	(9,161)
<b>Operating profit / (loss) before tax</b>		<b>1,029</b>	<b>3,525</b>	<b>10,407</b>	<b>(4,863)</b>
Tax expense		(1,131)	-	(1,131)	-
<b>(Loss) / profit before changes in senior class A preference shareholders</b>		<b>(102)</b>	<b>3,525</b>	<b>9,276</b>	<b>(4,863)</b>
Increase / (decrease) in obligation to senior class A preference shareholders		102	(3,546)	(9,276)	4,841
<b>Loss for the period</b>		<b>-</b>	<b>(21)</b>	<b>-</b>	<b>(22)</b>
<b>Attributable to:</b>					
Shareholders of the Parent		-	-	-	-
Non-controlling interest		-	(21)	-	(22)
		-	(21)	-	(22)

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 2016 and its condensed interim consolidated operations for the six months period then ended.



Eugene I. Davis  
Chairman of the Board of Directors

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**Condensed interim consolidated statement of comprehensive income**
**For the period from 1 July 2016 to 31 December 2016**

	<b><i>Three months ended (unaudited)</i></b>		<b>Unaudited</b>	<b>Unaudited</b>
	<b><i>31 December</i></b>	<b><i>31 December</i></b>	<b>1 July 2016 to</b>	<b>1 July 2015 to</b>
	<b>2016</b>	<b>2015</b>	<b>31 December</b>	<b>31 December</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Net loss for the period</b>	-	(21)	-	(22)
<b>Other comprehensive income / (loss)</b>				
<b>Items to be reclassified to profit or loss</b>				
<b>in subsequent periods:</b>				
Exchange differences on translation of foreign operations	(2,683)	165	(2,666)	557
Decrease / (increase) in obligation to senior class A preference shares	2,683	(165)	2,666	(557)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(21)</b>	<b>-</b>	<b>(22)</b>
<b>Attributable to:</b>				
Shareholders of the Parent	-	-	-	-
Non-controlling interest	-	(21)	-	(22)
	<b>-</b>	<b>(21)</b>	<b>-</b>	<b>(22)</b>

## Condensed interim consolidated statement of changes in equity

### For the period from 1 July 2016 to 31 December 2016

	Share capital US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
Balance as at 1 July 2015	1	22	23
Net loss and total comprehensive income for the period	-	(22)	(22)
<b>Balance as at 31 December 2015 - Unaudited</b>	<b>1</b>	<b>-</b>	<b>1</b>
Balance as at 1 July 2016	1	-	1
Net loss and total comprehensive loss for the period	-	-	-
<b>Balance as at 31 December 2016 - Unaudited</b>	<b>1</b>	<b>-</b>	<b>1</b>



## Condensed interim consolidated statement of cash flows

### For the period from 1 July 2016 to 31 December 2016

	Notes	Unaudited Period from 1 July 2016 to 31 December 2016 US\$ '000	Unaudited Period from 1 July 2015 to 31 December 2015 US\$ '000
<b>Operating activities</b>			
Profit / (loss) before changes in obligation to senior class A preference shareholders		9,276	(4,863)
Adjustments:			
Reversal of provisions against receivables, net	4	(6,050)	(108)
Fair value (gain) / loss on investments, net	11	5,538	7,956
Performance based incentive fees (unrealised)	7	20	(1,295)
Operating profit before changes in operating assets and liabilities		8,784	1,690
Changes in operating assets and liabilities:			
Receivables		18,395	13,104
Investments		(1,856)	5,313
Other assets		(177)	730
Other liabilities		(2,665)	(2,008)
Accrued incentive fees		(2,977)	(15,187)
Restricted cash	3	6,081	(8,197)
<b>Net cash generated from / (used in) operating activities</b>		<b>25,585</b>	<b>(4,555)</b>
<b>Financing activities</b>			
Distributions to senior class A preference shareholders		(5,727)	(116,551)
<b>Net cash used in financing activities</b>		<b>(5,727)</b>	<b>(116,551)</b>
<b>Net movement in cash and cash equivalents</b>		<b>19,858</b>	<b>(121,106)</b>
Cash and cash equivalents at the beginning of the period		28,517	161,221
<b>Cash and cash equivalents at the end of the period</b>	3	<b>48,375</b>	<b>40,115</b>

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

## Notes to the condensed interim consolidated financial statements For the period from 1 July 2016 to 31 December 2016

### 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.

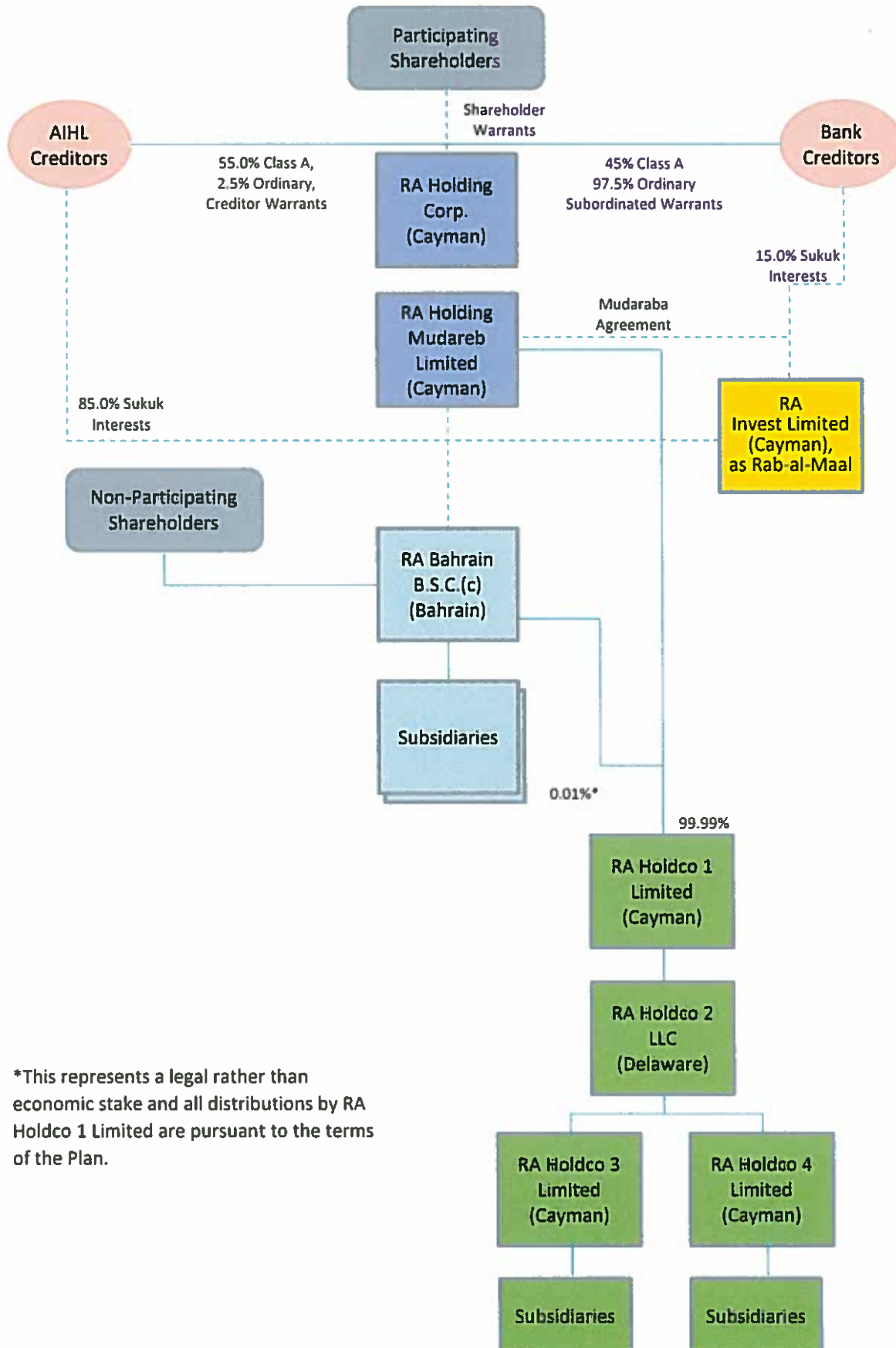
#### c) Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements have been approved and authorised for issuance by the Board of Directors on 28 February 2017.

Notes to the condensed interim consolidated financial statements  
For the period from 1 July 2016 to 31 December 2016

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 2016 to 31 December 2016

### 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 Group for the year ended 30 June 2016. In addition, results for the six months period ended 31 December 2016 are not necessarily indicative of the results that may be expected for the financial year ending 30 June 2017.

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 2016. 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 condensed interim 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 period are included in the condensed interim consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

## 2 Significant accounting policies (continued)

### 2.2 Basis of consolidation (continued)

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

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

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

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

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

**Notes to the condensed interim consolidated financial statements**  
**For the period from 1 July 2016 to 31 December 2016**

**2 Significant accounting policies (continued)**

**2.2 Basis of consolidation (continued)**

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

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

**2.3 Significant accounting policies, 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 2016.

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

#### 3 Balances with banks

	Notes	31 December 2016 US\$ '000	30 June 2016 US\$ '000
Balances with banks		53,340	39,563
Less: restricted cash held for distributions	3.1	(2,139)	(7,704)
Less: restricted cash held for indemnity obligations	3.2	(2,826)	(3,342)
Cash and cash equivalents		<b>48,375</b>	<b>28,517</b>

**3.1** This balance includes US\$ 1.8 million (30 June 2016: US\$ 7.6 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 condensed interim consolidated statement of cash flows.

**3.2** This balance includes US\$ 2.8 million (30 June 2016: US\$ 3.3 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 condensed interim consolidated statement of cash flows.

#### 4 Receivables

		31 December 2016		
	Notes	Gross receivable US\$ '000	Provisions US\$ '000	Net receivable US\$ '000
Due from investee companies:				
Murabaha with investee companies	4.1	256,051	(247,868)	8,183
Management fee receivables	4.2	59,501	(34,616)	24,885
Receivables from investee companies	4.3	21,214	(16,588)	4,626
Other receivables		5,181	(4,574)	607
Receivable from financial institutions		33,483	(33,483)	-
		<b>375,430</b>	<b>(337,129)</b>	<b>38,301</b>
		30 June 2016		
	Notes	Gross receivable US\$ '000	Provisions US\$ '000	Net receivable US\$ '000
Due from investee companies:				
Murabaha with investee companies	4.1	262,586	(254,621)	7,965
Management fee receivables	4.2	61,454	(36,631)	24,823
Receivables from investee companies	4.3	35,807	(18,584)	17,223
Other receivables		5,227	(4,592)	635
Receivable from financial institutions		33,483	(33,483)	-
		<b>398,557</b>	<b>(347,911)</b>	<b>50,646</b>



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

#### 4 Receivables (continued)

- 4.1 These receivables are impaired and the Group no longer recognizes profit income. The net receivable has been estimated based on fair valuations of the underlying assets.
- 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 This balance includes receivables amounting to US\$ 1.47 million (30 June 2016: US\$ 12 million), which will be settled through proceeds from escrow funds. Escrow funds represent a percentage of the sale proceeds of investments held in an escrow account to be used in the event of indemnification or an adjustment of the sale price. These escrow balances are carried at their face value assuming full recoverability. The escrows are expected to realize within one year (30 June 2016: 1 year) from the end of the reporting period.

#### 4.4 Movement in provision

	31 December 2016 US\$ '000	30 June 2016 US\$ '000
Beginning balance	347,911	402,649
Charge for the period / year	388	4,254
Reversals for the period / year	(6,438)	(6,666)
Net reversal for the period / year	(6,050)	(2,412)
Management fee income - suspended	343	4,705
Write off on settlement of receivables	(2,211)	(52,793)
Foreign exchange movement	(2,864)	(4,238)
Ending balance	<u>337,129</u>	<u>347,911</u>

#### 5 Investments

	31 December 2016 US\$ '000	30 June 2016 US\$ '000
Real estate	36,893	37,525
Private equity	10,341	16,057
	<u>47,234</u>	<u>53,582</u>

Information about the valuation techniques and significant assumptions used to determine the fair value of investments is set out in note 11 to these condensed interim consolidated financial statements.

During the period, the Group recognized escrow proceeds from previously exited investments resulting in a capital gain of US\$ 7,109 thousand (period ended 31 December 2015: capital loss of US\$ 569 thousand).

#### 6 Asset management and incentive fees

Asset management fees recorded during the period are as follows:

	<u>Three months ended</u>		Period from 1 July 2016 to 31 December 2016 US\$ '000	Period from 1 July 2015 to 31 December 2015 US\$ '000
	31 December 2016 US\$ '000	31 December 2015 US\$ '000		
Base management fee	<u>647</u>	<u>1,459</u>	<u>1,064</u>	<u>2,308</u>



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

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

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

	<b>Three months ended 31 December 2016</b>		
	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Performance linked fees</b>			
Incentive fees	328	(96)	232
Deferred incentive fees	-	(206)	(206)
Directors' incentive fees	-	(43)	(43)
	<b>328</b>	<b>(345)</b>	<b>(17)</b>

	<b>Three months ended 31 December 2015</b>		
	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Performance linked fees</b>			
Incentive fees	62	523	585
Deferred incentive fees	-	21	21
Directors' incentive fees	-	(318)	(318)
	<b>62</b>	<b>226</b>	<b>288</b>

	<b>Period from 1 July 2016 to 31 December 2016</b>		
	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Performance linked fees</b>			
Incentive fees	1,357	(82)	1,275
Deferred incentive fees	-	(117)	(117)
Directors' incentive fees	-	219	219
	<b>1,357</b>	<b>20</b>	<b>1,377</b>

	<b>Period from 1 July 2015 to 31 December 2015</b>		
	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Performance linked fees</b>			
Incentive fees	159	(511)	(352)
Deferred incentive fees	-	(233)	(233)
Directors' incentive fees	-	(551)	(551)
	<b>159</b>	<b>(1,295)</b>	<b>(1,136)</b>

The accrued incentive fees are as follows:

	<b>31 December</b>	<b>30 June</b>
	<b>2016</b>	<b>2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Accrued directors incentive fees	5,111	6,517
Accrued incentive fees	2,123	3,674
	<b>7,234</b>	<b>10,191</b>

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.

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

#### 7 Senior class A preference shares

	31 December 2016 US\$ '000	30 June 2016 US\$ '000
<b>Net assets attributable to:</b>		
- 3,445,183 senior class A-1 preference shares of US\$ 0.01 each	64,193	60,558
- 2,819,093 senior class A-2 preference shares of US\$ 0.01 each	52,527	49,552
	<u>116,720</u>	<u>110,110</u>

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

	31 December 2016 US\$ '000	30 June 2016 US\$ '000
<b>Carrying value of obligation to preference shareholders</b>		
Beginning balance	110,110	437,856
Adjustment to priority and convenience claims	-	318
Distributions to senior class A preference shareholders	-	(302,594)
Change in obligation due to:		
Reassessment of cash outflow available due to loss for the period/year	9,276	(28,439)
Foreign currency translation gain of foreign operations	(2,666)	2,969
Ending balance	<u>116,720</u>	<u>110,110</u>

During the period, there were no distributions to senior class A preference shareholders. The distribution payable to preference shareholders as at 31 December 2016 amounted to US\$ 1.8 million (30 June 2016: US\$ 7.6 million).

#### 8 Other liabilities

		31 December 2016 US\$ '000	30 June 2016 US\$ '000
	Notes		
Convenience claims	8.1	128	128
Holdback reserves on exited investments	8.2	2,826	3,342
Due to deal companies		1,218	2,717
Accruals		8,913	8,867
Other liabilities		1,176	1,872
		<u>14,261</u>	<u>16,926</u>

**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 2016, 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 statement of financial position, the total convenience claims recognised by the Group amounted to US\$ 3.9 million (30 June 2016: US\$ 3.9 million) of which US\$ 3.7 million (30 June 2016: US\$ 3.7 million) has been settled.

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

#### 8 Other liabilities (continued)

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

#### 9 Commitments and contingencies

	Notes	31 December 2016 US\$ '000	30 June 2016 US\$ '000
<b>Commitments</b>			
Future operating lease commitments in respect of office spaces	9.1	161	322
Future operating sub lease commitments in respect of office spaces	9.1	(106)	(210)
		<u>55</u>	<u>112</u>

##### 9.1 Contractual maturities of commitments

The following table illustrates the contractual payment obligations in respect of these commitments:

	31 December 2016		
	Less than 1 year US\$ '000	1 to 5 years US\$ '000	Total US\$ '000
Future operating lease commitments in respect of office spaces	161	-	161
Future operating sub lease commitments in respect of office spaces	(106)	-	(106)
	<u>55</u>	<u>-</u>	<u>55</u>
	30 June 2016		
	Less than 1 year US\$ '000	1 to 5 years US\$ '000	Total US\$ '000
Future operating lease commitments in respect of office spaces	322	-	322
Future operating lease commitments in respect of office spaces	(210)	-	(210)
	<u>112</u>	<u>-</u>	<u>112</u>

##### 9.2 Contingencies

At 31 December 2016, 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.

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

#### 9 Commitments and contingencies (continued)

##### 9.2 Contingencies (continued)

No amount has been recognized as a provision since the Board of Directors considers the claims to be unjustified and the probability that they will require settlement at the Group's expense to be improbable. 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.

#### 10 Other income

	<i>Three months ended</i>		<i>Period from</i>	<i>Period from</i>
	<i>31 December</i>	<i>31 December</i>	<i>1 July 2016 to</i>	<i>1 July 2015 to</i>
	<i>2016</i>	<i>2015</i>	<i>31 December</i>	<i>31 December</i>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Fee income on issue of a guarantee	-	-	-	1,340
Yield income	1,205	-	1,205	1,079
Recoveries/refund	-	10	-	81
Liabilities written back	-	-	-	60
Miscellaneous	53	54	104	95
	<b>1,258</b>	<b>64</b>	<b>1,309</b>	<b>2,655</b>

#### 11 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:

<b>31 December 2016</b>	<b>At fair value through profit or loss</b>	<b>At cost/ amortised cost</b>	<b>Total</b>
	US\$ '000	US\$ '000	US\$ '000
<b>Assets</b>			
Balances with banks	-	53,340	53,340
Receivables	-	38,301	38,301
Investments	47,234	-	47,234
	<b>47,234</b>	<b>91,641</b>	<b>138,875</b>
	<b>At fair value through profit or loss</b>	<b>At cost/ amortised cost</b>	<b>Total</b>
	US\$ '000	US\$ '000	US\$ '000
<b>Liabilities</b>			
Accrued incentive fees	-	7,234	7,234
Distribution payable to preference shareholders	-	1,849	1,849
Other liabilities	-	14,261	14,261
Senior class A preference shares	-	116,720	116,720
	<b>-</b>	<b>140,064</b>	<b>140,064</b>

## Notes to the condensed interim consolidated financial statements

For the period from 1 July 2016 to 31 December 2016

## 11 Fair value of financial instruments (continued)

<b>30 June 2016</b>	<b>At fair value through profit or loss US\$ '000</b>	<b>At cost/ amortised cost US\$ '000</b>	<b>Total US\$ '000</b>
<b>Assets</b>			
Balances with banks	-	39,563	39,563
Receivables	-	50,646	50,646
Investments	53,582	-	53,582
	<b>53,582</b>	<b>90,209</b>	<b>143,791</b>
<b>Liabilities</b>			
Accrued incentive fees	-	10,191	10,191
Distribution payable to preference shareholders	-	7,576	7,576
Other liabilities	-	16,926	16,926
Senior class A preference shares	-	110,110	110,110
	<b>-</b>	<b>144,803</b>	<b>144,803</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 condensed interim 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 condensed interim consolidated statement of financial position.

	<b>Level 1 US\$ '000</b>	<b>Level 2 US\$ '000</b>	<b>Level 3 US\$ '000</b>	<b>Total fair values US\$ '000</b>
<b>31 December 2016</b>				
Real estate	-	-	36,893	36,893
Private equity	-	-	10,341	10,341
	<b>-</b>	<b>-</b>	<b>47,234</b>	<b>47,234</b>
<b>30 June 2016</b>				
Real estate	-	-	37,525	37,525
Private equity	-	-	16,057	16,057
	<b>-</b>	<b>-</b>	<b>53,582</b>	<b>53,582</b>

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

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

##### 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 2016 US\$ '000	Unquoted 30 June 2016 US\$ '000
Opening balance	53,582	160,377
Net movements attributable to exited deals	(1,524)	(82,558)
Fair value loss, net	(5,538)	(24,237)
Investment adjustments	714	-
Ending balance	<u>47,234</u>	<u>53,582</u>

##### Valuation processes of the Group

The Group has engaged third party qualified valuation experts to perform the valuation of the Group's investment portfolio as at the date of the condensed interim consolidated statement of financial position. 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 condensed interim 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 company 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.



## Notes to the condensed interim consolidated financial statements For the period from 1 July 2016 to 31 December 2016

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

#### **Income approach**

The income approach provides fair value indications for a company, 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 company'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.

#### **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.

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

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

##### 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:	70,000 - 90,000	Sales multiples derived from prices were higher (lower)
	BHD per square feet	45 - 120	
Discounted cash flow approach	Discount rates:	0.0% - 25%	Discount rates were lower (higher)
Market approach	LTM EBITDA multiples:	8x to 10x	LTM EBITDA multiples were higher (lower)
	Asset multiples:	0.6x - 0.9x	Assets multiples were higher (lower)
	Control premium:	0% - 30%	Control premiums were higher (lower)



## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

#### 11 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 2016

	Unobservable inputs	Change	Impact on income	
			Favourable US\$ '000	Unfavourable US\$ '000
Private Equity investments	EBITDA multiples	+/- 10%	1,884	(2,054)
	Asset multiples	+/- 10%	459	(465)
Real Estate investments	Capitalization rates	+/- 1%	682	(561)
	Price per sq. ft. / acres	+/- 10%	2,852	(2,031)
	Discount rates	+/- 1%	2,337	(2,127)

##### 30 June 2016

	Unobservable inputs	Change	Impact on income	
			Favourable US\$ '000	Unfavourable US\$ '000
Private Equity investments	EBITDA multiples	+/- 10%	1,613	(1,613)
	Asset multiples	+/- 10%	462	(462)
Real Estate investments	Capitalization rates	+/- 1%	682	(561)
	Price per sq. ft. / acres	+/- 10%	2,423	(2,423)
	Discount rates	+/- 1%	1,183	(1,108)

##### Financial instruments not measured at fair value

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

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total fair values US\$ '000	Total carrying amount US\$ '000
<b><u>31 December 2016</u></b>					
<b>Assets</b>					
Balances with banks	53,340	-	-	53,340	53,340
Due from investee companies	-	-	37,694	37,694	37,694
	<b>53,340</b>	<b>-</b>	<b>37,694</b>	<b>91,034</b>	<b>91,034</b>
<b>Liabilities</b>					
Accrued incentive fees	-	-	7,234	7,234	7,234
	<b>-</b>	<b>-</b>	<b>7,234</b>	<b>7,234</b>	<b>7,234</b>

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

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

<b>30 June 2016</b>	<b>Level 1</b> US\$ '000	<b>Level 2</b> US\$ '000	<b>Level 3</b> US\$ '000	<b>Total fair values</b> US\$ '000	<b>Total carrying amount</b> US\$ '000
<b>Assets</b>					
Balances with banks	39,563	-	-	39,563	39,563
Due from investee companies	-	-	50,011	50,011	50,011
	<b>39,563</b>	<b>-</b>	<b>50,011</b>	<b>89,574</b>	<b>89,574</b>
<b>Liabilities</b>					
Accrued incentive fees	-	-	10,191	10,191	10,191
	<b>-</b>	<b>-</b>	<b>10,191</b>	<b>10,191</b>	<b>10,191</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 (management fee receivables, murabaha with investee companies 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 obligation under senior class A preference shares cannot be ascertained accurately as there are no comparable market transactions of similar instruments. Further, this obligation does not have a fixed repayment schedule and their repayment is subject to the repayment of priority claims. Accordingly, this obligation has not been disclosed in the above table.

Other receivables and other liabilities are current in nature and the fair values of these financial instruments approximate their carrying values. Therefore, these have not been disclosed in the above table.

#### 12 Related party balances and transactions

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

## Notes to the condensed interim consolidated financial statements

### For the period from 1 July 2016 to 31 December 2016

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

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

	31 December 2016		
	Gross receivables US\$ '000	Provisions US\$ '000	Net receivables US\$ '000
<b>Assets</b>			
Murabaha with investee companies	256,051	(247,868)	8,183
Management fee receivables	59,501	(34,616)	24,885
Receivables from investee companies	21,214	(16,588)	4,626
	<b>336,766</b>	<b>(299,072)</b>	<b>37,694</b>
	30 June 2016		
	Gross receivables US\$ '000	Provisions US\$ '000	Net receivables US\$ '000
<b>Assets</b>			
Murabaha with investee companies	262,586	(254,621)	7,965
Management fee receivables	61,454	(36,631)	24,823
Receivables from investee companies	35,807	(18,584)	17,223
	<b>359,847</b>	<b>(309,836)</b>	<b>50,011</b>
	31 December 2016 US\$ '000		30 June 2016 US\$ '000
<b>Liabilities</b>			
Due to members of the Board of Directors		5,249	6,534
Due to investee companies		1,218	2,717
		<b>6,467</b>	<b>9,251</b>

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

	Three months ended		Unaudited Period from 1 July 2016 to 31 December 2016	Unaudited Period from 1 July 2015 to 31 December 2015
	31 December 2016 US\$ '000	31 December 2015 US\$ '000	31 December 2016 US\$ '000	31 December 2015 US\$ '000
Management fee income	2,582	6,729	5,121	12,489
Profit on murabaha with investee companies	-	1,396	-	2,768
Remuneration to the Board of Directors	571	493	1,102	1,150
Incentive fee to the Board of Directors	(43)	(318)	219	(551)
Reversal / (charge) of provisions against receivables, net	(61)	311	6,050	108

## Notes to the condensed interim consolidated financial statements

For the period from 1 July 2016 to 31 December 2016

### 13 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.

### 14 Post-reporting date events

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

### 15 Comparative

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