

RA Holding Mudareb Limited
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 DECEMBER 2014 (Unaudited)

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

| | <i>Note</i> | Unaudited 31 December 2014 US\$ '000 | <i>Audited 30 June 2014 US\$ '000</i> |
|--|-------------|---|---|
| ASSETS | | | |
| Balances with banks | 4 | 73,542 | 117,593 |
| Receivables | 5 | 389,254 | 372,872 |
| Investments | 6 | 1,030,703 | 985,398 |
| Other assets | 7 | 4,117 | 4,326 |
| TOTAL ASSETS | | 1,497,616 | 1,480,189 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Due to financial and other institutions | 8 | 350,861 | 370,427 |
| Obligations under mudaraba | 9 | 635,067 | 602,617 |
| Other liabilities | 10 | 20,119 | 24,135 |
| Accrued incentive fees | 11 | 42,217 | 36,799 |
| TOTAL LIABILITIES | | 1,048,264 | 1,033,978 |
| EQUITY | | | |
| Share capital | | - | - |
| Contributed surplus | | 475,621 | 475,634 |
| Retained earnings | | (20,321) | (24,922) |
| Foreign currency translation reserve | | (5,930) | (4,465) |
| Total equity attributable to shareholders of the parent | | 449,370 | 446,247 |
| Non-controlling interest | | (18) | (36) |
| TOTAL LIABILITIES AND EQUITY | | 1,497,616 | 1,480,189 |

I hereby certify that, to the best of my knowledge, these interim condensed consolidated financial statements present fairly the financial condition of the Group as of 31 December 2014 and operations of the Group for the period from 1 July 2014 to 31 December 2014.



Eugene I. Davis
Chairman of the Board of Directors

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2014 (Unaudited)

| | Three months ended | | Period from | Period from 28 |
|-------------------------------------|--------------------|-----------------|-----------------|-------------------|
| | 31 December | 31 December | 1 July 2014 to | June 2013 (date |
| Note | 2014 | 2013 | 31 December | of incorporation) |
| | US\$ '000 | US\$ '000 | 2014 | to 31 December |
| | | (Restated) | US\$ '000 | 2013 |
| | | | | US\$ '000 |
| | | | | (Restated) |
| INCOME | | | | |
| Management fee income | 10,141 | 10,975 | 20,519 | 15,185 |
| Fair value gain on investments, net | 29,778 | 9,408 | 64,296 | 9,408 |
| Profit on murabaha | | | | |
| with investee companies | 4,122 | 5,074 | 7,729 | 6,677 |
| Capital loss on disposal | | | | |
| of investments | (3,202) | (655) | (2,946) | (215) |
| Dividend income | - | - | 973 | - |
| Gain on disposal of the subsidiary | - | - | - | 5,614 |
| Other income | 2,748 | 2 | 2,925 | 21 |
| TOTAL INCOME | 43,587 | 24,804 | 93,496 | 36,690 |
| EXPENSES | | | | |
| Financing expenses | (26,270) | (31,011) | (53,547) | (38,216) |
| Asset management and | | | | |
| enhanced management fees | 11 (3,018) | (12,576) | (6,149) | (19,126) |
| Performance based incentive fees | 11 | | | |
| Realised | (428) | (5,699) | (535) | (5,699) |
| Unrealised | 403 | 3,466 | (5,029) | (35,770) |
| Legal and professional expenses | (3,447) | (4,099) | (6,805) | (6,370) |
| Staff costs | - | (642) | (6) | (1,474) |
| General and administrative | | | | |
| expenses | (942) | (3,213) | (2,661) | (3,480) |
| TOTAL EXPENSES | (33,702) | (53,774) | (74,732) | (110,135) |
| OPERATING INCOME (LOSS) | | | | |
| FOR THE PERIOD | 9,885 | (28,970) | 18,764 | (73,445) |
| (Charge) reversal of provisions | | | | |
| against receivables, net | 5 (19,746) | 3,250 | (799) | 3,250 |
| (Loss) gain on foreign | | | | |
| exchange, net | (6,616) | 8,302 | (13,346) | 16,345 |
| NET (LOSS) INCOME | | | | |
| FOR THE PERIOD | (16,477) | (17,418) | 4,619 | (53,850) |
| Attributable to: | | | | |
| Equity holders of the Parent | (16,477) | (17,360) | 4,601 | (53,794) |
| Non-controlling interest | - | (58) | 18 | (56) |
| | (16,477) | (17,418) | 4,619 | (53,850) |

I hereby certify that, to the best of my knowledge, these interim condensed consolidated financial statements present fairly the financial condition of the Group as of 31 December 2014 and operations of the Group for the period from 1 July 2014 to 31 December 2014.



Eugene I. Davis
Chairman of the Board of Directors

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME

For the six months ended 31 December 2014 (Unaudited)

| | <i>Three months ended</i> | | <i>Period from 1 July 2014 to 31 December 2014 US\$ '000</i> | <i>Period from 28 June 2013 (date of incorporation) to 31 December 2013 US\$ '000 (Restated)</i> |
|---|---|--|--|--|
| | <i>31 December 2014 US\$ '000</i> | <i>31 December 2013 US\$ '000 (Restated)</i> | | |
| NET (LOSS) INCOME FOR THE PERIOD | (16,477) | (17,418) | 4,619 | (53,850) |
| Other comprehensive income Items to be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translation of foreign operations | (1,044) | (1,677) | (1,465) | (2,267) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | (17,521) | (19,095) | 3,154 | (56,117) |
| Attributable to: | | | | |
| Equity holders of the Parent | (17,521) | (19,037) | 3,136 | (56,061) |
| Non-controlling interest | - | (58) | 18 | (56) |
| | (17,521) | (19,095) | 3,154 | (56,117) |

I hereby certify that, to the best of my knowledge, these interim condensed consolidated financial statements present fairly the financial condition of the Group as of 31 December 2014 and operations of the Group for the period from 1 July 2014 to 31 December 2014.



Eugene I. Davis
Chairman of the Board of Directors

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014 (Unaudited)

| | <i>Period from 1 July 2014 to 31 December 2014 US\$ '000</i> | <i>Period from 28 June 2013 (date of incorporation) to 31 December 2013 US\$ '000 (Restated)</i> |
|--|--|--|
| OPERATING ACTIVITIES | | |
| Net income (loss) for the period | 4,619 | (53,850) |
| Adjustments: | | |
| Financing expenses | 53,547 | 38,216 |
| Charge (reversal) of provisions against receivables, net | 799 | (3,250) |
| Fair value gain on investments, net | (64,296) | (9,408) |
| Performance based incentive fees (unrealised) | 5,029 | 35,770 |
| Operating (loss) income before changes in operating assets and liabilities | (302) | 7,478 |
| Changes in operating assets or liabilities: | | |
| Receivables | (18,646) | 23,546 |
| Investments | 18,991 | 61,777 |
| Other assets | 209 | 3,658 |
| Other liabilities | (4,029) | 14,121 |
| Net movement in assets and liabilities categorised as held for sale | - | 2,810 |
| Accrued incentive fees | 389 | - |
| Restricted cash | 947 | (11,254) |
| Cash transferred from Arcapita during the period | - | 94,154 |
| | (2,441) | 196,290 |
| Financial charges paid | (17,538) | (17,128) |
| Net cash (used in) from operating activities | (19,979) | 179,162 |
| FINANCING ACTIVITIES | | |
| Repayments of due to financial institution | (23,125) | (87,487) |
| Amounts held in the retention account in connection with the Exit Facility | 4 | (15,000) |
| Net cash used in financing activities | (23,125) | (102,487) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | (43,104) | 76,675 |
| Cash and cash equivalents at the beginning of the period | 91,468 | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 4 | 76,675 |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014 (Unaudited)

| | Share capital US\$'000 | Contributed surplus US\$'000 | Foreign currency translation reserve US\$'000 | Retained earnings US\$'000 | Non-controlling interest US\$'000 | Total equity US\$'000 |
|--|---------------------------|---------------------------------|--|-------------------------------|--------------------------------------|--------------------------|
| Balance as at 1 July 2014 | - | 475,634 | (4,465) | (24,922) | (36) | 446,211 |
| Adjustment to convenience claims | - | (13) | - | - | - | (13) |
| Total comprehensive income | - | - | - | 4,601 | 18 | 4,619 |
| Net income for the period | - | - | (1,465) | - | - | (1,465) |
| Other comprehensive income | - | - | (1,465) | - | - | (1,465) |
| Exchange differences on translation of foreign operations | - | - | (1,465) | - | - | (1,465) |
| Total comprehensive income for the period | - | - | (1,465) | 4,601 | 18 | 3,154 |
| Balance as at 31 December 2014 | - | 475,621 | (5,930) | (20,321) | (18) | 449,352 |
| Balance as at 28 June 2013 (date of incorporation) | - | - | - | - | - | - |
| Issuance of share capital | - | - | - | - | - | - |
| Contributed surplus transferred to the Company by the Parent during the period | - | 467,042 | - | - | - | 467,042 |
| Non-controlling interest arising on acquisition of Arcapita Bank B.S.C. (c) | - | - | - | - | 16 | 16 |
| Total comprehensive income | - | - | - | (53,794) | (56) | (53,850) |
| Net income for the period | - | - | (2,267) | - | - | (2,267) |
| Other comprehensive income | - | - | (2,267) | - | - | (2,267) |
| Exchange differences on translation of foreign operations | - | - | (2,267) | - | - | (2,267) |
| Total comprehensive income for the period | - | - | (2,267) | (53,794) | (56) | (56,117) |
| Balance as at 31 December 2013 | - | 467,042 | (2,267) | (53,794) | (40) | 410,941 |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

1 INTRODUCTION

a) Corporate information

RA Holding Mudareb Limited (the "Company") is an exempted 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 and real estate investments that were originally partially owned and managed by Arcapita Bank B.S.C. (c) ("Arcapita", the "Bank" or the "Predecessor Company"), 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 returns to all stakeholders. The Company is a direct subsidiary of RA Holding Corp. ("RA Holding" or the "Successor Company" or "Parent" and, together with its subsidiaries, "RA Group").

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Company and its subsidiaries (together the "Group") are prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements as at 30 June 2014. These interim condensed consolidated financial statements represent the only financial statements issued for the Group. In addition, results for the six months ended 31 December 2014 are not necessarily indicative of the results that may be expected for the financial period ending 30 June 2015.

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

3 ACCOUNTING POLICIES

3.1 Significant accounting judgements and estimates

The preparation of interim condensed consolidated financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by the Board of Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended 30 June 2014.

3.2 Significant accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements as at 30 June 2014, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The amendments to IFRS effective for the financial year ending 30 June 2015 are not expected to have a material impact on the Group.

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

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

4 BALANCES WITH BANKS

| | <i>Note</i> | <i>Unaudited</i> 31 December 2014 US\$ '000 | <i>Audited</i> 30 June 2014 US\$ '000 |
|---------------------------|-------------|---|---|
| Balances with banks | 4.1 | 73,542 | 117,593 |
| Less: restricted cash | 4.2 | (25,178) | (26,125) |
| Cash and cash equivalents | | 48,364 | 91,468 |

4.1 These amounts are predominantly maintained in the Group's primary bank account which is governed by control agreements in compliance with the terms of the Exit Facility (as explained in note 8). The accounts include, as defined by the Exit Facility, a retention account, mandatory prepayment account and holding account.

4.2 This balance includes US\$ 15 million (30 June 2014: US\$ 15 million) of minimum liquidity in connection with the Exit Facility as discussed in note 8.1. The Group is required to maintain this amount as a minimum balance until the Exit Facility is repaid in full. Also included within restricted cash is a balance of US\$ 10.178 million (30 June 2014: US\$ 11.125 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 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 interim condensed consolidated statement of cash flows. The Group has restated its comparative figures in the interim condensed consolidated statement of cash flows to exclude restricted cash amounting US\$ 15 million from cash and cash equivalents as at 31 December 2013 and this amount has been presented under financing activities.

5 RECEIVABLES

| 31 December 2014 (Unaudited) | | | | |
|--|-------------|---|---------------------------------------|---|
| | <i>Note</i> | <i>Gross</i> <i>receivable</i> US\$ '000 | <i>Provisions</i> US\$ '000 | <i>Net</i> <i>receivable</i> US\$ '000 |
| Due from investee companies: | | | | |
| Murabaha with investee companies | | 408,159 | (283,476) | 124,683 |
| Management fee receivables | | 207,679 | (64,069) | 143,610 |
| Receivables from investee companies | 5.1 | 137,985 | (17,910) | 120,075 |
| Other receivables | | 24,909 | (24,023) | 886 |
| Receivable from financial institutions | | 33,483 | (33,483) | - |
| | | 812,215 | (422,961) | 389,254 |
| 30 June 2014 (Audited) | | | | |
| | <i>Note</i> | <i>Gross</i> <i>receivable</i> US\$ '000 | <i>Provisions</i> US\$ '000 | <i>Net</i> <i>receivable</i> US\$ '000 |
| Due from investee companies: | | | | |
| Murabaha with investee companies | | 392,865 | (285,020) | 107,845 |
| Management fee receivables | | 214,136 | (68,560) | 145,576 |
| Receivables from investee companies | 5.1 | 140,091 | (21,414) | 118,677 |
| Other receivables | | 26,894 | (26,120) | 774 |
| Receivable from financial institutions | | 33,483 | (33,483) | - |
| | | 807,469 | (434,597) | 372,872 |

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

5 RECEIVABLES (continued)

Movement in provision

| | <i>Unaudited Period from 1 July 2014 to 31 December 2014 US\$ '000</i> | <i>Unaudited Period from 28 June 2013 to 30 June 2014 US\$ '000</i> |
|--|--|---|
| Balance as at 1 July 2014 / 28 June 2013 (date of incorporation) | 434,597 | - |
| Transferred to the Group on emergence | - | 450,605 |
| Charge for the period | 1,814 | 33,284 |
| Reversals for the period | (1,015) | (20,050) |
| Net charge for the period | 799 | 13,234 |
| Management fee income - suspended | 3,237 | 4,319 |
| Write off on settlement of receivables | (6,164) | (38,829) |
| Foreign exchange movement | (9,508) | 5,268 |
| Balance as at 31 December 2014 / 30 June 2014 | 422,961 | 434,597 |

- 5.1 This balance includes receivables amounting to US\$ 7.4 million (30 June 2014: US\$ 7.5 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 escrow release dates range from 3 months to 5 years from the end of the reporting period.

6 INVESTMENTS

| | <i>Unaudited 31 December 2014 US\$ '000</i> | <i>Audited 30 June 2014 US\$ '000</i> |
|----------------|---|---|
| Real estate | 562,540 | 548,394 |
| Private equity | 468,163 | 437,004 |
| | 1,030,703 | 985,398 |

7 OTHER ASSETS

| | <i>Unaudited 31 December 2014 US\$ '000</i> | <i>Audited 30 June 2014 US\$ '000</i> |
|-------------|---|---|
| Prepayments | 2,749 | 2,958 |
| Others | 1,368 | 1,368 |
| | 4,117 | 4,326 |

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

8 DUE TO FINANCIAL AND OTHER INSTITUTIONS

| | | <i>Unaudited</i> 31 December 2014 US\$ '000 | <i>Audited</i> 30 June 2014 US\$ '000 |
|--|-----|---|---|
| Due to a financial institution | 8.1 | 126,407 | 149,666 |
| Obligation under sale and lease back transaction | 8.2 | 224,454 | 220,761 |
| | | 350,861 | 370,427 |

- 8.1 This represents a replacement debtor-in-possession facility which was later converted into an Exit Facility. The Exit Facility carries a profit rate of LIBOR plus 8.25% with a LIBOR floor of 1.5% and matures on 17 September 2016. Repayment amounts and dates for this facility are linked to certain triggers, which include the sale of portfolio investments. This facility is secured by: a) a first ranking charge over the shares of certain subsidiaries of the Company which grants the financier with a priority right over its investment portfolio and investment related receivables; and b) a first priority assignment of rights under certain bank accounts.

Investments of US\$ 810.7 million (30 June 2014: US\$ 765.4 million) (including the first priority of rights of proceeds from the sale of the investment held under the sale and lease back) and due from investee companies of US\$ 388.4 million (30 June 2014: 372.1 million) have been pledged against this Exit Facility.

The Exit Facility is governed by covenants contained in the relevant agreements. Such covenants include maintaining certain minimum levels of liquidity, security cover ratio and operating below a maximum level of capital expenditures.

Subsequent to the period end, the Exit Facility was prepaid early and fully settled by the Group on 7 January 2015.

- 8.2 In March 2012, prior to the Chapter 11 filing, the Predecessor Company and its investment vehicle (now transferred to the Group pursuant to the Plan of Reorganization) entered into a US\$ 200 million sale and leaseback transaction with a financial institution over a real estate asset. The sale and lease back transaction was for a period of up to three years commencing in March 2012 and expiring in March 2015.

The Group holds an option, for the benefit of the investment vehicle, to repurchase the asset within three years at a fixed price of US\$ 220 million, expiring in March 2015, and subject to all payments being made on the due dates in line with the lease agreements. As of the date of these consolidated financial statements, the Group has settled all lease payments in line with the lease agreement.

The future lease commitments in relation to this sale and lease back transaction are detailed in note 12 to these interim condensed consolidated financial statements. The Group anticipates that the option will be exercised, and has accrued for the option amount on a straight line basis over the term of the lease.

On 5 November 2014, the Group entered into an agreement to sell its stake in Lusail Golf Development Company ("Lusail"), an investment asset held as part of obligation under sale and leaseback transaction, to a subsidiary of Barwa Real Estate Company Q.S.C. ("Barwa"). As at 31 December 2014, the Group continues to carry the investment in its books of accounts and has fair valued it on the basis of the signed agreement. The transaction has been completed subsequent to the period end on 8 January 2015, and the Group has settled its obligation under sale and lease back transaction on the same date.

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

9 OBLIGATIONS UNDER MUDARABA

| | <i>Unaudited</i> 31 December 2014 US\$ '000 | <i>Audited</i> 30 June 2014 US\$ '000 |
|-------------------------------|---|---|
| Outstanding principal | 550,000 | 550,000 |
| Share of profit from mudaraba | 85,067 | 52,617 |
| | 635,067 | 602,617 |

Pursuant to the Plan of Reorganisation, the Company entered into a Mudaraba Agreement with RA Invest Limited. Under the terms of the Mudaraba Agreement, RA Invest Limited as Rab-al-Maal contributed this amount to the Company in its capacity as Mudareb, which has invested these in its general business activities and in the Mudaraba Assets transferred from Arcapita. The purpose of the Mudaraba is to earn profit from the Mudaraba Assets in accordance with the Investment Plan agreed between the Company and Rab-al-Mal.

This Mudaraba carries a profit rate of 12% per annum. The payment of principal amount is dependent on the disposition of assets by the Company and subject to repayment of the senior debts owed by the Company which include the Exit Facility.

Subsequent to the period end, the Group approved to redeem portion of the obligation under mudaraba and on 20 January 2015 paid an amount of US\$ 124.5 million as principal repayment to Rab-al-Maal (RA Invest Limited) for onward distribution to sukuk certificate holders. In connection with this redemption, the Paying Agent will remit approximately US\$ 85 million as profit to the sukuk certificate holders.

10 OTHER LIABILITIES

| | <i>Note</i> | <i>Unaudited</i> 31 December 2014 US\$ '000 | <i>Audited</i> 30 June 2014 US\$ '000 |
|---|-------------|---|---|
| Convenience claims | 10.1 | 372 | 1,213 |
| Priority claims | 10.2 | 4,127 | 4,127 |
| Holdback reserves on exited investments | 10.3 | 10,046 | 11,125 |
| Due to deal companies | | 2,024 | 1,452 |
| Other liabilities | | 3,550 | 6,218 |
| | | 20,119 | 24,135 |

10.1 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 Company pursuant to the Plan of Reorganization and are reflected at their expected settlement amounts.

The total amount of convenience claims as at 31 December 2014, represents claims which have been submitted up to the date of these consolidated financial statements and have been or are expected to be allowed. In future periods, additional claimants may either qualify or may opt for convenience class treatment which may result in the increase of convenience claims balance and decrease in contributed surplus; however, aggregate cash payments to convenience claim holders is capped at US\$ 9.7 million. As of the date of the statement of financial position, the total convenience claims recognised by the Group amounted to US\$ 3 million of which US\$ 2.6 million has been settled.

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

10 OTHER LIABILITIES (continued)

10.2 This balance represents claims entitled to a priority in payment pursuant to the Bankruptcy Code and are carried at amounts equal to the unpaid portion of the expected settlements.

10.3 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. As discussed in note 4.2 of the interim condensed consolidated financial statements these cash balances are reserved specifically against this liability and hence have been excluded from cash and cash equivalents.

11 ASSET MANAGEMENT AND INCENTIVE FEES

| | <i>Unaudited</i> Unaudited <i>Period from</i> 1 July 2014 <i>to 31 December</i> 2014 <i>US\$ '000</i> | <i>Unaudited</i> <i>Period from 28</i> <i>June 2013 (date</i> <i>of incorporation)</i> <i>to 31 December</i> 2013 <i>US\$ '000</i> |
|-------------------------|--|---|
| Base management fee | 6,149 | 3,835 |
| Enhanced management fee | - | 15,291 |
| | <u>6,149</u> | <u>19,126</u> |

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

| | 6 months ended 31 December 2014 | | |
|--------------------------------|--|---------------------------------------|----------------------------------|
| | <i>Realised</i> <i>US\$ '000</i> | <i>Unrealised</i> <i>US\$ '000</i> | <i>Total</i> <i>US\$ '000</i> |
| Performance linked fees | | | |
| Incentive fees | 535 | 3,644 | 4,179 |
| Deferred incentive fees | - | 1,385 | 1,385 |
| | <u>535</u> | <u>5,029</u> | <u>5,564</u> |

| | <i>Period from 28 June 2013 (date of incorporation)</i> <i>to 31 December 2013 (unaudited) (restated)</i> | | |
|-------------------------|--|---------------------------------------|----------------------------------|
| | <i>Realised</i> <i>US\$ '000</i> | <i>Unrealised</i> <i>US\$ '000</i> | <i>Total</i> <i>US\$ '000</i> |
| Performance linked fees | | | |
| Incentive fees | 5,699 | 28,457 | 34,156 |
| Deferred incentive fees | - | 7,313 | 7,313 |
| | <u>5,699</u> | <u>35,770</u> | <u>41,469</u> |

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

11 ASSET MANAGEMENT AND INCENTIVE FEES (continued)

Pursuant to the Management Services Agreement ("MSA"), AIM Group Limited ("AIM") is entitled to receive incentive fees in connection with the sale of investments, if the Group's net sale proceeds exceed the agreed base values accreted by the required rate of return set forth in the MSA. AIM is also entitled to receive a deferred incentive fee once the Group's entire investment portfolio is disposed of; and subject to achieving a specific threshold factor as set forth in the MSA. For the period ended 30 June 2014, the Group recognised incentive fees and deferred incentive fees on the basis of the fair value of investments as at the reporting date. The Group carries out a reassessment of incentive and deferred incentive fees on each reporting period to reflect any changes in the expected net sales proceeds from the investments.

The MSA was entered into on 17 September 2013, and as at that date, the fair value of the net sale proceeds, as determined by an independent valuation expert, exceeded the accreted baseline values. However, the Group recorded the provision against incentive fee on 30 June 2014 and hence this provision was not reflected in the interim condensed consolidated financial statements for the period ended 31 December 2013. The Group has therefore, restated its comparative figures in the interim condensed consolidated statement of profit or loss and comprehensive income and has recognised a provision amounting to US\$ 28.5 million and US\$ 7.3 million against incentive and deferred incentive fees respectively for the period ended 31 December 2013 which has been calculated on the basis of fair value of investments and related receivables as at 31 December 2013.

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.

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

| | <i>31 December 2014 (unaudited)</i> | | |
|-------------------------------------|-------------------------------------|-------------------|-------------------|
| | <i>Gross</i> | | <i>Net</i> |
| | <i>receivable</i> | <i>Provisions</i> | <i>receivable</i> |
| | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Assets | | | |
| Murabaha with investee companies | 408,159 | (283,476) | 124,683 |
| Management fee receivables | 207,679 | (64,069) | 143,610 |
| Receivables from investee companies | 137,985 | (17,910) | 120,075 |
| | 753,823 | (365,455) | 388,368 |
| | | | |
| | <i>30 June 2014 (audited)</i> | | |
| | <i>Gross</i> | | <i>Net</i> |
| | <i>receivable</i> | <i>Provisions</i> | <i>receivable</i> |
| | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Assets | | | |
| Murabaha with investee companies | 392,865 | (285,020) | 107,845 |
| Management fee receivables | 214,136 | (68,560) | 145,576 |
| Receivables from investee companies | 140,091 | (21,414) | 118,677 |
| | 747,092 | (374,994) | 372,098 |

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

12 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

| | <i>Unaudited</i> 31 December 2014 US\$ '000 | <i>Audited</i> 30 June 2014 US\$ '000 |
|--|---|--|
| Liabilities | | |
| Payable to RA Group entities | 8 | 801 |
| Due to investee companies | 2,024 | 1,452 |
| Due to members of the Board of Directors | 225 | 947 |
| | <u>2,257</u> | <u>3,200</u> |

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

| | <i>Unaudited</i> Period from 1 July 2014 to 31 December 2014 US\$ '000 | <i>Unaudited</i> Period from 28 June 2013 (date of incorporation) to 31 December 2013 US\$ '000 |
|--|--|---|
| Management fee income | 20,519 | 15,185 |
| Profit on murabaha with investee companies | 7,729 | 6,677 |
| Remuneration to the Board of Directors | 1,221 | 393 |
| (Charge) reversal of provisions against receivables, net | (799) | 3,250 |

13 COMMITMENTS AND CONTINGENCIES

| | <i>Unaudited</i> 31 December 2014 US\$ '000 | <i>Audited</i> 30 June 2014 US\$ '000 |
|---|---|--|
| Commitments | | |
| Investment related commitments | 45,723 | 45,723 |
| Future lease commitments under sale and lease back transaction | 3,936 | 19,239 |
| Future operating lease commitments in respect of office spaces | 785 | 1,061 |
| | <u>50,444</u> | <u>66,023</u> |
| Contingencies | | |
| Contingent payment on the sale and leaseback option | 1,610 | 4,902 |
| | <u>52,054</u> | <u>70,925</u> |

13.1 This commitment represents installment considerations to be made as part of the acquisition of a certain asset. Subsequent to the period end, these have been settled as part of the sale of Lusail as disclosed in note 8.2 to the interim condensed consolidated financial statements.

13.2 This commitment represents installment considerations to be made as part of the acquisition of a certain asset. Subsequent to the period end, this has been settled as part of the sale of Lusail as disclosed in note 8.2 to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

13 COMMITMENTS AND CONTINGENCIES (continued)

13.3 The Predecessor Company provided a guarantee to a bank on behalf of one of its deal company in connection with the restructuring of the financing in its portfolio in a manner which benefitted the deal company. Subsequent to the approval of the plan of reorganization and emergence date, this guarantee has been taken over by RA Group for a fixed fee recognised under other income in the interim condensed statement of profit or loss. This guarantee commits the Group to make payments on behalf of the deal company in the event of a specific act. This guarantee covers any shortfalls in the repayment of financing amount by the deal company. The fair value ascertained by the Group of the deal company's assets is higher than the outstanding amount of loan, therefore, the Group does not anticipate any shortfalls by the deal company against this guarantee.

14 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:

| | <i>At fair value through statement of income</i> | <i>At cost/ amortised cost</i> | <i>Total</i> |
|---|--|--|------------------|
| <u>31 December 2014 (unaudited)</u> | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Assets | | | |
| Balances with banks | - | 73,542 | 73,542 |
| Receivables | - | 389,254 | 389,254 |
| Investments | 1,030,703 | - | 1,030,703 |
| | <u>1,030,703</u> | <u>462,796</u> | <u>1,493,499</u> |
| Liabilities | | | |
| Due to financial and other institutions | - | 350,861 | 350,861 |
| Obligations under mudaraba | - | 635,067 | 635,067 |
| Other liabilities | - | 20,119 | 20,119 |
| Accrued incentive fees | - | 42,217 | 42,217 |
| | <u>-</u> | <u>1,048,264</u> | <u>1,048,264</u> |
| | <i>At fair value through statement of income</i> | <i>At cost/ amortised cost</i> | <i>Total</i> |
| <u>30 June 2014 (audited)</u> | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Assets | | | |
| Balances with banks | - | 117,593 | 117,593 |
| Receivables | - | 372,872 | 372,872 |
| Investments | 985,398 | - | 985,398 |
| | <u>985,398</u> | <u>490,465</u> | <u>1,475,863</u> |
| Liabilities | | | |
| Due to financial and other institutions | - | 370,427 | 370,427 |
| Obligations under mudaraba | - | 602,617 | 602,617 |
| Other liabilities | - | 24,135 | 24,135 |
| Accrued incentive fees | - | 36,799 | 36,799 |
| | <u>-</u> | <u>1,033,978</u> | <u>1,033,978</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

14 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 interim condensed 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 fair value of assets or liabilities 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 interim condensed consolidated statement of financial position.

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|------------------|------------------|--------------------|
| | US\$ '000 | US\$ '000 | US\$ '000 | fair values |
| <u>31 December 2014 (unaudited)</u> | | | | US\$ '000 |
| Real estate | - | - | 562,540 | 562,540 |
| Private equity | - | - | 468,163 | 468,163 |
| | - | - | 1,030,703 | 1,030,703 |
| | | | | |
| <u>30 June 2014 (audited)</u> | Level 1 | Level 2 | Level 3 | Total |
| | US\$ '000 | US\$ '000 | US\$ '000 | fair values |
| | | | | US\$ '000 |
| Real estate | - | - | 548,394 | 548,394 |
| Private equity | - | - | 437,004 | 437,004 |
| | - | - | 985,398 | 985,398 |

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

14 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:

| | <i>Unaudited Period from 1 July 2014 to 31 December 2014 US\$ '000</i> | <i>Unaudited Period from 28 June 2013 to 30 June 2014 US\$ '000</i> |
|--|--|---|
| Balance as at 1 July 2014 / 28 June 2013 (date of incorporation) | 985,398 | - |
| Investments transferred on 17 September 2013 (date of emergence) | - | 998,880 |
| Net movements attributable to exited deals | (18,991) | (128,381) |
| Fair value gains, net | 64,296 | 114,899 |
| Balance at closing of the period | <u>1,030,703</u> | <u>985,398</u> |

Valuation processes of the Group

The Group engaged third party qualified valuation experts to perform the valuation of the Group's entire investment portfolio as of 30 June 2014. The third party valuation experts utilised methods and techniques generally recognised as standard within the industry. These included 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 judgement in determining the appropriate valuation techniques and considerations of unobservable valuation inputs used in valuation models which include discount rates, exit multiples, specific risk premiums, control premiums and comparable assets or companies.

The external valuation experts 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 judgement 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 interim condensed consolidated statement of financial position.

Using these values for the underlying investment positions as a starting point, the carrying balance for each of the Group's equity investment positions were determined through waterfall calculations. Similarly, the recoverability of investment related receivables (management fee receivables, murabaha with investee companies and receivables from investee companies), were also determined through the waterfall calculations. The carrying amounts therefore approximate the fair value of these receivables.

These waterfall calculations incorporate a number of items, including but not limited to the debt and equity capitalization details at any given point for the various operating and holding companies associated with each investment position, currency exchange rates for positions that are denominated in currencies other than US dollars, and the amount of accrued and unpaid fees and other receivables payable, including those due to affiliates of RA Holding Corp. Therefore, carrying values can fluctuate quarter to quarter based on prevailing exchange rates at quarter end and timing of working capital flows impacting quarter end net borrowing levels at the operating companies.

The Board of Directors carry out an assessment of market conditions on each quarter end. If there is a significant change in the market conditions of any particular investment, the Group engages independent third party valuers to carry out a fresh valuation for that investment. If there is no change, the Group continues to use the previous valuation reports for the purpose of calculating equity and receivable values through waterfall calculations. Further, the Group also adjusts for fair values as per the signed sale purchase agreement in cases where the Group has entered into a sale purchase agreement for an investment prior to the date of the consolidated statement of financial position but the sale has not yet been culminated.

At 31 December 2014 (Unaudited)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation processes of the Group (continued)

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

Valuation techniques used to derive level 3 fair values

Market approach

The market approach provides fair value indications for a 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 arms-length trading, are expressions of what prudent investors believe are fair and reasonable rates of return for these securities. Thus, they are interpreted as being reliable indicators of fair capitalization rates for the subject business, appropriately adjusted for risk factors.

Income approach

The income approach provides fair value indications for a 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 net 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (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 capitalizes 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 | 4.75% - 10.00% | Capitalization rates were lower (higher) |
| Sales comparison approach | INR per square meter: | 35,000 - 40,000 | Sales multiples derived from prices were higher (lower) |
| | INR per square feet: | 3,000 - 4,000 | |
| | USD per acre: | 130,000 - 220,000 | |
| | USD per square feet: | 34.33 - 39.83 | |
| | BHD per square feet | 55.0 - 115.0 | |
| | QAR per square feet | 134.5 | |
| | Discount for lack of marketability: | 27.5% - 37.5% | |
| | Bid/ask spread adjustments: | 20.0% - 30.0% | Bid/ask spread adjustments were lower (higher) |
| Discounted cash flow approach | Discount rates: | 0.0% - 35.5% | Discount rates were lower (higher) |
| | Long-term growth rate: | 1.0% to 3.0% | Long-term growth rate higher (lower) |
| | Terminal multiple: | 5.25x to 7.5x | Terminal multiple was higher (lower) |
| Market approach | LTM EBITDA multiples: | 5.25x to 11.0x | LTM EBITDA multiples were higher (lower) |
| | NFY, EBITDA multiples: | 4.5x to 9.0x | NFY, EBITDA multiples were higher (lower) |
| | NFY + 1, EBITDA multiples: | 6.0x to 7.25x | NFY+1, EBITDA multiples were higher (lower) |
| | Asset multiples: | 0.30x - 0.85x | Assets multiples were higher (lower) |
| | Control premium: | 0% - 20% | Control premiums were higher (lower) |
| | MW capacity multiple (utilities specific investments): | RMB 7.0 - 8.0 mil | MW capacity multiples were higher (lower) |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

14 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 2014 (unaudited)

| | <i>Unobservable inputs</i> | <i>Change US\$ '000</i> | <i>Impact on income</i> | |
|----------------------------|----------------------------|-----------------------------|---------------------------------------|---|
| | | | <i>Favour- able US\$ '000</i> | <i>Unfavour- able US\$ '000</i> |
| Private Equity investments | EBITDA multiples | +/- 10% | 55,861 | (66,567) |
| | Asset multiples | +/- 10% | 2,483 | (2,788) |
| | MW capacity multiples | +/- 10% | 1,513 | (2,294) |
| | Terminal multiples | +/- 10% | 13,774 | (13,830) |
| | Discount rates | +/- 1% | 6,526 | (5,808) |
| Real Estate investments | Capitalization rates | +/- 1% | 8,056 | (11,553) |
| | Price per sq. ft. / acres | +/- 10% | 4,650 | (4,459) |
| | Discount rates | +/- 1% | 2,110 | (2,020) |

30 June 2014 (audited)

| | <i>Unobservable inputs</i> | <i>Change US\$ '000</i> | <i>Impact on income</i> | |
|----------------------------|----------------------------|-----------------------------|---------------------------------------|---|
| | | | <i>Favour- able US\$ '000</i> | <i>Unfavour- able US\$ '000</i> |
| Private Equity investments | EBITDA multiples | +/- 10% | 41,747 | (70,914) |
| | Asset multiples | +/- 10% | 2,093 | (2,092) |
| | MW capacity multiples | +/- 10% | 1,423 | (1,423) |
| | Terminal multiples | +/- 10% | 22,089 | (22,579) |
| | Discount rates | +/- 1% | 14,458 | (13,591) |
| Real Estate investments | Capitalization rates | +/- 1% | 17,689 | (12,442) |
| | Price per sq. ft. / acres | +/- 10% | 61,766 | (61,580) |
| | Discount rates | +/- 1% | 2,294 | (2,208) |

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.

| | <i>Level 1 US\$ '000</i> | <i>Level 2 US\$ '000</i> | <i>Level 3 US\$ '000</i> | <i>Total fair values US\$ '000</i> | <i>Total carrying amount US\$ '000</i> |
|--|------------------------------|------------------------------|------------------------------|--|--|
| <u>31 December 2014 (unaudited)</u> | | | | | |
| Assets | | | | | |
| Balances with banks | 73,542 | - | - | 73,542 | 73,542 |
| Due from investee companies | - | - | 388,368 | 388,368 | 388,368 |
| | <u>73,542</u> | <u>-</u> | <u>388,368</u> | <u>461,910</u> | <u>461,910</u> |
| Liabilities | | | | | |
| Due to financial and other institutions | - | - | 350,861 | 350,861 | 350,861 |
| Accrued incentive fees | - | - | 42,217 | 42,217 | 42,217 |
| | <u>-</u> | <u>-</u> | <u>393,078</u> | <u>393,078</u> | <u>393,078</u> |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014 (Unaudited)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

| <u>30 June 2014 (audited)</u> | <i>Level 1</i> US\$ '000 | <i>Level 2</i> US\$ '000 | <i>Level 3</i> US\$ '000 | <i>Total fair values</i> US\$ '000 | <i>Total carrying amount</i> US\$ '000 |
|---|-----------------------------|-----------------------------|-----------------------------|---------------------------------------|---|
| Assets | | | | | |
| Balances with banks | 117,474 | - | - | 117,474 | 117,474 |
| Due from investee companies | - | - | 372,098 | 372,098 | 372,098 |
| | <u>117,474</u> | <u>-</u> | <u>372,098</u> | <u>489,572</u> | <u>489,572</u> |
| Liabilities | | | | | |
| Due to financial and other institutions | - | - | 368,770 | 368,770 | 370,427 |
| Accrued incentive fees | - | - | 36,799 | 36,799 | 36,799 |
| | <u>-</u> | <u>-</u> | <u>405,569</u> | <u>405,569</u> | <u>407,226</u> |

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 due to financial and other institutions is estimated using discounted cash flow techniques, applying the current rates that are offered for financings of similar maturities and terms.

The fair value of obligations under mudaraba cannot be ascertained accurately as there are no comparable market transactions of similar instruments. Further, these do not have a fixed repayment schedule and the repayment is dependent upon repayment of priority claims and senior debts. Accordingly, these have 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.

15 SUBSEQUENT EVENTS

On 19 December 2014, the Group entered into an agreement to sell its stake in an investment asset. As at 31 December 2014, the Group continues to carry the investment in its books of accounts as the sale has not been culminated. The Group has fair valued the said investment on the basis of the signed stock purchase agreement. The Group completed the sale transaction on 2 February 2014 and the funds were received on that date in the escrow account opened for the purpose of this sale transaction. The Group expects a capital gain of US\$ 1.179 million and it also expects to receive US\$ 149.265 million out of this sale which includes recovery of receivables against the related investee companies.