

RA Holding Mudareb Limited
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 MARCH 2015 (Unaudited)

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Note	<i>Unaudited</i> 31 March 2015 US\$ '000	<i>Audited</i> 30 June 2014 US\$ '000 <i>(Restated)</i>
ASSETS			
Balances with banks	4	192,965	117,593
Receivables	5	260,215	368,677
Investments	6	310,025	985,398
Other assets	7	3,572	4,326
TOTAL ASSETS		766,777	1,475,994
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial and other institutions	8	-	370,427
Obligations under mudaraba	9	285,921	602,617
Other liabilities	10	21,647	24,135
Accrued incentive fees	11	29,024	36,799
TOTAL LIABILITIES		336,592	1,033,978
EQUITY			
Share capital		-	-
Contributed surplus		471,195	472,605
Retained earnings		(36,427)	(26,088)
Foreign currency translation reserve		(4,565)	(4,465)
Total equity attributable to shareholders of the parent		430,203	442,052
Non-controlling interest		(18)	(36)
TOTAL LIABILITIES AND EQUITY		766,777	1,475,994

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 March 2015 and operations of the Group for the period from 1 July 2014 to 31 March 2015.



Eugene I. Davis
Chairman of the Board of Directors

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 March 2015 (Unaudited)

	Three months ended		Period from	Period from 28
	31 March	31 March	1 July 2014 to	June 2013 (date
	2015	2014	31 March	of incorporation)
Note	US\$ '000	US\$ '000	US\$ '000	to 31 March
		(Restated)		2014
				US\$ '000
				(Restated)
INCOME				
Management fee income	7,666	13,927	28,185	28,723
Fair value gain on investments, net	(40,712)	(11,732)	23,584	(2,324)
Profit on murabaha				
with investee companies	3,967	2,861	11,696	9,538
Capital gain on disposal				
of investments	51,971	3,114	49,025	2,899
Dividend income	-	-	973	-
Gain on disposal of the subsidiary	-	24	-	5,638
Other income	2,014	27	3,350	48
TOTAL INCOME	24,906	8,221	116,813	44,522
EXPENSES				
Financing expenses	(51,204)	(28,123)	(72,301)	(66,339)
Asset management and				
enhanced management fees	11 (3,570)	(8,024)	(9,719)	(27,150)
Performance based incentive fees	11			
Realised	(8,209)	(1,365)	(8,744)	(7,064)
Unrealised	7,628	2,974	2,599	(32,796)
Legal and professional expenses	(3,705)	(9,480)	(10,510)	(15,850)
Staff costs	-	(397)	-	(1,871)
General and administrative				
expenses	(980)	216	(3,647)	(3,264)
TOTAL EXPENSES	(60,040)	(44,199)	(102,322)	(154,334)
OPERATING INCOME (LOSS)				
FOR THE PERIOD	(35,134)	(35,978)	14,491	(109,812)
(Charge) reversal of provisions				
against receivables, net	5 (2,607)	6,531	(3,406)	9,781
(Loss) gain on foreign				
exchange, net	(8,058)	(6,189)	(21,406)	10,156
NET (LOSS) INCOME				
FOR THE PERIOD	(45,799)	(35,636)	(10,321)	(89,875)
Attributable to:				
Equity holders of the Parent	(45,799)	(35,586)	(10,339)	(89,828)
Non-controlling interest	-	(50)	18	(47)
	(45,799)	(35,636)	(10,321)	(89,875)

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 March 2015 and operations of the Group for the period from 1 July 2014 to 31 March 2015.



Eugene I. Davis
Chairman of the Board of Directors

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME

For the nine months ended 31 March 2015 (Unaudited)

	<i>Three months ended</i>		<i>Period from</i>	<i>Period from 28</i>
	<i>31 March</i>	<i>31 March</i>	<i>1 July 2014 to</i>	<i>June 2013 (date</i>
	<i>2015</i>	<i>2014</i>	<i>31 March</i>	<i>of incorporation)</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>2015</i>	<i>to 31 March</i>
		<i>(Restated)</i>	<i>US\$ '000</i>	<i>2014</i>
				<i>US\$ '000</i>
				<i>(Restated)</i>
NET (LOSS) INCOME FOR THE PERIOD	(45,799)	(35,636)	(10,321)	(89,875)
Other comprehensive income items to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	321	(285)	(100)	(875)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(45,478)	(35,921)	(10,421)	(90,750)
Attributable to:				
Equity holders of the Parent	(45,478)	(35,863)	(10,439)	(90,694)
Non-controlling interest	-	(58)	18	(56)
	(45,478)	(35,921)	(10,421)	(90,750)

Note

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 March 2015 and operations of the Group for the period from 1 July 2014 to 31 March 2015.



Eugene I. Davis
Chairman of the Board of Directors

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 31 March 2015 (Unaudited)

		<i>Period from 1 July 2014 to 31 March 2015 US\$ '000</i>	<i>Period from June 2013 (date of incorporation) to 31 March 2014 US\$ '000 (Restated)</i>
	<i>Note</i>		
OPERATING ACTIVITIES			
Net (loss) income for the period		(10,321)	(89,875)
Adjustments:			
Financing expenses		72,301	66,339
Charge (reversal) of provisions against receivables, net		3,406	(9,781)
Fair value gain on investments, net		(23,584)	2,324
Performance based incentive fees (unrealised)		(2,599)	32,796
Operating income before changes in operating assets and liabilities		39,203	1,803
Changes in operating assets or liabilities:			
Receivables		104,956	50,627
Investments		698,957	76,537
Other assets		754	4,029
Other liabilities		(3,898)	10,875
Net movement in assets and liabilities categorised as held for sale		-	2,810
Accrued incentive fees		(5,176)	-
Restricted cash		16,999	(11,254)
Cash transferred from Arcapita during the period		-	100,427
		851,795	235,854
Financial charges paid		(28,439)	(26,887)
Net cash from operating activities		823,356	208,967
FINANCING ACTIVITIES			
Repayments of due to financial institution	8	(370,225)	(130,083)
Repayments of obligations under mudaraba	9	(360,760)	-
Amounts held in the retention account in connection with the Exit Facility	4	-	(15,000)
Net cash used in financing activities		(730,985)	(145,083)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		92,371	63,884
Cash and cash equivalents at the beginning of the period		91,468	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	183,839	63,884

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2015 (Unaudited)

	Note	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 (as previously reported)	15	-	475,634	(4,465)	(24,922)	(36)	446,211
Adjustment relating to correction of prior period error		-	(3,029)	-	(1,166)	-	(4,195)
Balance as at 1 July 2014 (restated)		-	472,605	(4,465)	(26,088)	(36)	442,016
Adjustment to convenience claims		-	(1,410)	-	-	-	(1,410)
Total comprehensive income		-	-	-	(10,339)	18	(10,321)
Net income for the period		-	-	-	(100)	-	(100)
Other comprehensive income		-	-	(100)	-	-	(100)
Exchange differences on translation of foreign operations		-	-	(100)	-	-	(100)
Total comprehensive income for the period		-	-	(100)	(10,339)	18	(10,421)
Balance as at 31 March 2015		-	471,195	(4,565)	(36,427)	(18)	430,185
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		-	472,245	-	-	-	472,245
Non-controlling interest arising on acquisition of RA Bahrain B.S.C. (c) (formerly Arcapita Bank B.S.C. (c))		-	-	-	-	16	16
Total comprehensive income		-	-	-	(89,828)	(47)	(89,875)
Net income for the period		-	-	-	(875)	-	(875)
Other comprehensive income		-	-	(875)	-	-	(875)
Exchange differences on translation of foreign operations		-	-	(875)	-	-	(875)
Total comprehensive income for the period		-	-	(875)	(89,828)	(47)	(90,750)
Balance as at 31 March 2014 (restated)		-	472,245	(875)	(89,828)	(31)	381,511

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015 (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 RA Bahrain B.S.C. (c) (formerly 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 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 nine months ended 31 March 2015 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 March 2015 (Unaudited)

4 BALANCES WITH BANKS

		<i>Unaudited</i> 31 March 2015 US\$ '000	<i>Audited</i> 30 June 2014 US\$ '000
Balances with banks	4.1	192,965	117,593
Less: restricted cash	4.2	(9,126)	(26,125)
Cash and cash equivalents		183,839	91,468

4.1 These amounts were predominantly maintained in the Group's primary bank account which were governed by control agreements in compliance with the terms of the Exit Facility (as explained in note 8). The accounts included, as defined by the Exit Facility, a retention account, mandatory prepayment account and holding account. Subsequent to the settlement of Exit Facility during the period, these amounts are being held in the current accounts of the Group.

4.2 This balance includes US\$ 9.126 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. This also included US\$ 15 million on as 30 June 2014 as minimum liquidity in connection with the Exit Facility detailed in note 8. Since, the Exit Facility has been settled in full during the period, therefore, the Group is no longer required to maintain this minimum liquidity.

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 March 2014 and this amount has been presented under financing activities.

5 RECEIVABLES

		31 March 2015 (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		408,332	(281,221)	127,111
Management fee receivables		172,533	(62,239)	110,294
Receivables from investee companies	5.1	42,119	(20,047)	22,072
Other receivables		23,962	(23,224)	738
Receivable from financial institutions		33,483	(33,483)	-
		680,429	(420,214)	260,215
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		209,941	(68,560)	141,381
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)	-
		803,274	(434,597)	368,677

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

At 31 March 2015 (Unaudited)

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

5 RECEIVABLES (continued)

Movement in provision

	<i>Unaudited Period from 1 July 2014 to 31 March 2015 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	4,417	33,284
Reversals for the period	(1,011)	(20,050)
Net charge for the period	3,406	13,234
Management fee income - suspended	4,752	4,319
Write off on settlement of receivables	(6,164)	(38,829)
Foreign exchange movement	(16,377)	5,268
Balance as at 31 March 2015 / 30 June 2014	<u>420,214</u>	<u>434,597</u>

- 5.1 This balance includes receivables amounting to US\$ 3.2 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 are up to 5 years (30 June 2014: 3 months to 5 years) from the end of the reporting period.

6 INVESTMENTS

	<i>Unaudited 31 March 2015 US\$ '000</i>	<i>Audited 30 June 2014 US\$ '000</i>
Real estate	99,411	548,394
Private equity	210,614	437,004
	<u>310,025</u>	<u>985,398</u>

7 OTHER ASSETS

	<i>Unaudited 31 March 2015 US\$ '000</i>	<i>Audited 30 June 2014 US\$ '000</i>
Prepayments	2,204	2,958
Others	1,368	1,368
	<u>3,572</u>	<u>4,326</u>

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

8 DUE TO FINANCIAL AND OTHER INSTITUTIONS

		<i>Unaudited</i> 31 March 2015 US\$ '000	<i>Audited</i> 30 June 2014 US\$ '000
	<i>Note</i>		
Due to a financial institution	8.1	-	149,666
Obligation under sale and lease back transaction	8.2	-	220,761
		<u>-</u>	<u>370,427</u>

8.1 This represented a replacement debtor-in-possession facility which was later converted into an Exit Facility. The Exit Facility was prepaid early and fully settled by the Group during the period.

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.

On 8 January 2015, the Group completed 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"). Consequently, the obligation under sale and leaseback transaction was settled in full during the period.

9 OBLIGATIONS UNDER MUDARABA

	<i>Unaudited</i> 31 March 2015 US\$ '000	<i>Audited</i> 30 June 2014 US\$ '000
Outstanding principal	274,307	550,000
Share of profit from mudaraba	11,614	52,617
	<u>285,921</u>	<u>602,617</u>

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.

During the period, mudareb prepaid the senior debts owed by it including the exit financing facility. Consequently, mudareb approved to redeem portion of the sukuk certificates and paid an amount of US\$ 275.7 million and US\$ 85.1 million as principal and profit on sukuk certificates respectively to the sukuk certificate holders.

The repayment to the sukuk certificate holders was funded substantially through cash received from the Company's subsidiary amounting to US\$ 360.2 million, while the remaining amount was funded through income generated by the Company.

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

At 31 March 2015 (Unaudited)

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

10 OTHER LIABILITIES

	<i>Note</i>	Unaudited 31 March 2015 US\$ '000	<i>Audited 30 June 2014 US\$ '000</i>
Convenience claims	10.1	852	1,213
Priority claims	10.2	4,127	4,127
Holdback reserves on exited investments	10.3	9,126	11,125
Due to deal companies		1,676	1,452
Other liabilities		5,866	6,218
		21,647	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 March 2015, 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\$ 4.4 million (30 June 2014: US\$ 3 million) of which US\$ 3.6 million (30 June 2014: US\$ 1.8 million) has been settled.

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

	Unaudited Period from 1 July 2014 to 31 March 2015 US\$ '000	<i>Unaudited Period from 28 June 2013 (date of incorporation) to 31 March 2014 US\$ '000</i>
Base management fee	9,719	7,168
Enhanced management fee	-	19,982
	9,719	27,150

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

11 ASSET MANAGEMENT AND INCENTIVE FEES (continued)

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

	<i>Period from 1 July 2014 to 31 March 2015</i>		
	<i>Realised</i>	<i>Unrealised</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Performance linked fees			
Incentive fees	8,744	(2,693)	6,051
Deferred incentive fees	-	94	94
	8,744	(2,599)	6,145
	<i>Period from 28 June 2013 (date of incorporation) to 31 March 2014 (unaudited) (restated)</i>		
	<i>Realised</i>	<i>Unrealised</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Performance linked fees			
Incentive fees	7,064	26,139	33,203
Deferred incentive fees	-	6,657	6,657
	7,064	32,796	39,860

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 March 2014. 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\$ 26,139 million and US\$ 6,657 million against incentive and deferred incentive fees respectively for the period ended 31 March 2014 which has been calculated on the basis of fair value of investments and related receivables as at 31 March 2014.

RA Holding Mudareb Limited

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015 (Unaudited)

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 March 2015 (unaudited)</i>		
	<i>Gross receivable</i>	<i>Provisions</i>	<i>Net receivable</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Assets			
Murabaha with investee companies	408,332	(281,221)	127,111
Management fee receivables	172,533	(62,239)	110,294
Receivables from investee companies	42,119	(20,047)	22,072
	622,984	(363,507)	259,477
	<i>30 June 2014 (audited)</i>		
	<i>Gross receivable</i>	<i>Provisions</i>	<i>Net 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	209,941	(68,560)	141,381
Receivables from investee companies	140,091	(21,414)	118,677
	742,897	(374,994)	367,903
	Unaudited	Audited	
	31 March	30 June	
	2015	2014	
	US\$ '000	US\$ '000	
Liabilities			
Payable to RA Group entities		1,134	801
Due to investee companies		1,676	1,452
Due to members of the Board of Directors		31	947
		2,841	3,200

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

	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Period from</i>	<i>Period from 28</i>
	<i>1 July 2014</i>	<i>June 2013 (date</i>
	<i>to 31 March</i>	<i>of incorporation)</i>
	<i>2015</i>	<i>to 31 March</i>
	<i>US\$ '000</i>	<i>2014</i>
		<i>US\$ '000</i>
Management fee income	28,185	28,723
Profit on murabaha with investee companies	11,696	9,538
Remuneration to the Board of Directors	1,861	668
(Charge) reversal of provisions against receivables, net	(3,406)	9,781

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13 COMMITMENTS AND CONTINGENCIES

		<i>Unaudited</i> 31 March 2015 US\$ '000	<i>Audited</i> 30 June 2014 US\$ '000
Commitments	<i>Note</i>		
Investment related commitments	13.1	-	45,723
Future lease commitments under sale and lease back transaction	13.2	-	19,239
Future operating lease commitments in respect of office spaces		710	1,061
		710	66,023
Contingencies			
Contingent payment on the sale and leaseback option		-	4,902
		710	70,925

13.1 This commitment represented installment considerations to be made as part of the acquisition of a certain asset. These have been settled during the period.

13.2 This commitment represented installment considerations to be made as part of the acquisition of a certain asset. These have been settled during the period.

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:

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

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

	<i>At fair value</i> <i>through statement</i> <i>of income</i> US\$ '000	<i>At cost/</i> <i>amortised</i> <i>cost</i> US\$ '000	Total US\$ '000
<u>31 March 2015 (unaudited)</u>			
Assets			
Balances with banks	-	192,965	192,965
Receivables	-	260,215	260,215
Investments	310,025	-	310,025
	310,025	453,180	763,205
Liabilities			
Due to financial and other institutions	-	-	-
Obligations under mudaraba	-	285,921	285,921
Other liabilities	-	21,647	21,647
Accrued incentive fees	-	29,024	29,024
	-	336,592	336,592

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14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>At fair value through statement of income US\$ '000</i>	<i>At cost/ amortised cost US\$ '000</i>	<i>Total US\$ '000</i>
30 June 2014 (audited)			
Assets			
Balances with banks	-	117,593	117,593
Receivables	-	368,677	368,677
Investments	985,398	-	985,398
	<u>985,398</u>	<u>486,270</u>	<u>1,471,668</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>

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.

	<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>
31 March 2015 (unaudited)				
Real estate	-	-	99,411	99,411
Private equity	-	-	210,614	210,614
	<u>-</u>	<u>-</u>	<u>310,025</u>	<u>310,025</u>
30 June 2014 (audited)				
Real estate	-	-	548,394	548,394
Private equity	-	-	437,004	437,004
	<u>-</u>	<u>-</u>	<u>985,398</u>	<u>985,398</u>

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At 31 March 2015 (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 March 2015 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
Investments disposed off during the period	(698,957)	(128,381)
Fair value gains, net	23,584	114,899
Balance at 31 March 2015 / 30 June 2014	310,025	985,398

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.

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At 31 March 2015 (Unaudited)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation processes of the Group (continued)

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.

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.

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At 31 March 2015 (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	
	Discount for lack of marketability:	27.5% - 37.5%	Discount for lack of marketability were lower (higher)
	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)

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At 31 March 2015 (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 March 2015 (unaudited)

		Unobservable inputs	Change US\$ '000	Impact on income	
				Favour- able US\$ '000	Unfavour- able US\$ '000
Private Equity investments	EBITDA multiples		+/- 10%	202,923	106,083
	Asset multiples		+/- 10%	8,414	7,443
	Terminal multiples		+/- 10%	155,543	137,735
	Discount rates		+/- 1%	158,850	150,518
Real Estate investments	Capitalization rates		+/- 1%	82,696	65,715
	Price per sq. ft. / acres		+/- 10%	28,006	21,609
	Discount rates		+/- 1%	96,785	92,753

30 June 2014 (audited)

		Unobservable inputs	Change US\$ '000	Impact on income	
				Favour- able US\$ '000	Unfavour- able US\$ '000
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.

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total fair values US\$ '000	Total carrying amount US\$ '000
31 March 2015 (unaudited)					
Assets					
Balances with banks	192,965	-	-	192,965	192,965
Due from investee companies	-	-	259,477	259,477	259,477
	<u>192,965</u>	<u>-</u>	<u>259,477</u>	<u>452,442</u>	<u>452,442</u>
Liabilities					
Due to financial and other institutions	-	-	-	-	-
Accrued incentive fees	-	-	29,024	29,024	29,024
	<u>-</u>	<u>-</u>	<u>29,024</u>	<u>29,024</u>	<u>29,024</u>

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At 31 March 2015 (Unaudited)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

<i>30 June 2014 (audited)</i>	<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>
Assets					
Balances with banks	117,474	-	-	117,474	117,474
Due from investee companies	-	-	367,903	367,903	367,903
	<u>117,474</u>	<u>-</u>	<u>367,903</u>	<u>485,377</u>	<u>485,377</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 ADJUSTMENT RELATING TO CORRECTION OF PRIOR PERIOD ERROR

In prior periods, Arcapita recorded management fee income in excess of its entitlement as per the relevant management services agreements in respect of services provided to certain investee companies. This has been identified and corrected by the Company in the current period.

This error was made in prior reporting periods. Therefore, the consolidated statement of financial position as at 30 June 2014 and consolidated statements of profit or loss and comprehensive income, cash flows and changes in equity have been restated as follows:

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At 31 March 2015 (Unaudited)

15 ADJUSTMENT RELATING TO CORRECTION OF PRIOR PERIOD ERROR (continued)*Consolidated financial statement line item / balance affected*

	<i>Previously reported 30 June 2014 US\$ '000</i>	<i>Correction of error (adjustment) US\$ '000</i>	<i>Restated 30 June 2014 US\$ '000</i>
Consolidated statement of financial position:			
Receivables - management fee receivables	145,576	(4,195)	141,381
Contributed surplus	475,634	(3,029)	472,605
Retained earnings	(24,922)	(1,166)	(26,088)
	<i>Period from 28 June 2013 to 31 March 2014 US\$ '000</i>	<i>Correction of error (adjustment) US\$ '000</i>	<i>Period from 28 June 2013 to 31 March 2014 US\$ '000</i>
Consolidated statement of profit or loss and comprehensive income:			
Management fee income	29,501	(778)	28,723

16 SUBSEQUENT EVENTS

Subsequent to the period end, the Company approved to redeem portion of the sukuk certificates and on 23 April 2015 paid an amount of US\$ 135.7 million as principal repayment to the sukuk certificate holders. In connection with this redemption, the Paying Agent will remit US\$ 11.6 million as profit to the sukuk certificate holders.