

**RA Invest Limited**

**INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**31 MARCH 2014 (Unaudited)**


RA Invest Limited

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2014 (Unaudited)

	Note	(Unaudited) 31 March 2014 US\$ '000
<b>ASSETS</b>		
Due from Mudareb	3	585,933
<b>TOTAL ASSETS</b>		<b>585,933</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Due to sukuk certificate holders	4	585,933
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>585,933</b>

I hereby certify that, to the best of my knowledge, the interim condensed financial statements fairly represent the financial condition and operations of the Company as of March 31, 2014.



Devon Financial Services Ltd. - Director

RA Invest Limited

INTERIM STATEMENT OF INCOME

For the period from inception to 31 March 2014 (Unaudited)

	<i>Note</i>	<i>(Unaudited) Period from inception to 31 March 2014 US\$ '000</i>
<b>INCOME</b>		
Profit from mudaraba assets		35,933
<b>EXPENSES</b>		
Funding cost on Sukuk obligation		(35,933)
<b>Net results for the period</b>		<u><u>-</u></u>

## RA Invest Limited

### INTERIM STATEMENT OF CASH FLOWS

For the period from inception to 31 March 2014 (Unaudited)

*(Unaudited)*  
*Period from*  
*inception to*  
*31 March*  
*2014*  
*US\$ '000*

#### **OPERATING ACTIVITIES**

Net loss for the period

-

Changes in operating assets or liabilities

Due from mudareb

(35,933)

Due to sukuk certificate holders

35,933

**Net cash from operating activities**

-

**Net movement in cash and cash equivalents**

-

Cash and cash equivalents at the beginning of the period

-

Cash and cash equivalents at the end of the period

-

## RA Invest Limited

### NOTES TO THE FINANCIAL STATEMENT

---

At 31 March 2014 (Unaudited)

#### 1 INTRODUCTION

##### **Corporate information:**

RA Invest Limited (the "Company" or "Rab-al-Maal") is an exempted limited liability company incorporated in the Cayman Islands on 25 April 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. The Company was initially incorporated under the name of Evin Investments Limited on 25 April 2013, however, its name was changed to RA Invest Limited on 13 August 2013.

##### **Activities:**

The Company has been formed pursuant to the Plan of Reorganization (as explained below), and has entered into a mudaraba agreement on 16 September 2013, in its capacity as Rab-al-Mal, issuer and trustee with RA Holding Mudareb Limited ("mudareb") in its capacity as mudareb, and issued US\$ 550 million sukuk certificates ("sukuk certificates") to certain creditors of Arcapita Bank B.S.C. (c) ("Arcapita" or the "Predecessor Company") in accordance with the implementation memorandum as approved by the US Bankruptcy Court. These funds have been invested with the mudareb in a pool of mudaraba assets which comprise of assets transferred to a subsidiary of the mudareb by Arcapita.

The purpose of the Company is to act as trustee of the holders of the sukuk certificates under the Declaration of Trust entered into between the Company, mudareb and Wilmington Trust (London) Limited ("Delegate" or "Security Trustee") on 16 September 2013. The Company's responsibility is to remit profits to sukuk certificate holders on receipt of profits from the mudareb.

##### **Background to the Company's incorporation:**

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

Pursuant to the Plan of Reorganization and an "implementation memorandum" also approved in the Confirmation Order, the assets of the Predecessor Company were transferred to RA Group while the liabilities were either reinstated and transferred to the RA Group or cancelled in return for either, (a) with respect to a limited amount of claims, an entitlement to receive cash from RA Holding or certain of its affiliates or (b) equity instruments issued by RA Holding or debt instruments issued by the Company, formed for the purpose of issuing these Shariah compliant instruments.

Accordingly, the Company issued sukuk certificates, Islamic Shari'a compliant debt instruments under the mudaraba agreement. Mudaraba is a partnership between one party, which provides the capital (rab-al-mal), and another, which possesses the necessary skills and expertise to manage such capital (mudareb), for a pre-determined share of the profit. Pursuant to the terms of the mudaraba agreement, the Company as Rab-al-Maal has contributed the proceeds of the issue of the sukuk certificates to the mudareb, which form the mudaraba capital. The mudareb has invested the mudaraba capital 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 the mudareb.

# RA Invest Limited

## NOTES TO THE FINANCIAL STATEMENT

At 31 March 2014 (Unaudited)

### 1 INTRODUCTION (continued)

The Company does not have any employees, and the Company's limited operations are being overseen by its Board of Directors. The Company has delegated all of its activities to the Security Trustee and has also appointed Banque Internationale A' Luxembourg SA as a paying agent for the payment of profits to the sukuk certificate holders.

This financial statement has been approved and authorised for issuance by the Board of Directors on May 14<sup>th</sup> 2014.

### 2 ACCOUNTING POLICIES

#### 2.1 Basis of preparation

This financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This financial statement comprises of a statement of financial position of the Company, a summary of significant accounting policies and other explanatory information.

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

#### 2.2 Significant accounting judgements and estimates

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

##### 2.2.1 Going concern

The Company's Board of Directors has made an assessment of the Company's ability to continue as a going concern which entails maximizing returns to Sukuk Certificate holders. The maximization of returns to Sukuk Certificate holders is directly related to the activities of the RA Holding Mudareb's asset portfolio and selling down assets in a manner which will maximize returns to all stakeholders including Sukuk Certificate holders. The Board of Directors is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statement has been prepared on a going concern basis.

##### 2.2.2 Allowance for doubtful receivables

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

**2.3 Summary of significant accounting policies**

The significant accounting policies adopted in the preparation of the financial statement are set out below:

**2.3.1 Foreign currencies**

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

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

**2 ACCOUNTING POLICIES (continued)**

**2.3 Summary of significant accounting policies (continued)**

**2.3.1 Foreign currencies (continued)**

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

**2.3.2 Financial instruments**

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

**(a) Financial assets**

Financial assets comprise of due from Mudareb.

**Initial recognition**

The classification of financial assets depends on the purpose for which the financial assets were acquired by the Company. The Board of Directors determines the classification of its financial assets upon initial recognition. The Company designated its due from mudareb as a receivable.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to its acquisition or issue.

**2 ACCOUNTING POLICIES (continued)**

**Subsequent measurement**

Receivables are non-derivative financial assets that are not quoted in an active market and are stated at fair value plus transaction costs. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less allowance for doubtful accounts. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. Receivables which have fixed or determinable payments are classified as receivables.

An allowance for doubtful receivables is made when collection of the full amount is no longer probable. Receivables are written off when there is no possibility of recovery.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (i) the right to receive cash flows from the asset have expired; or
- (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment of financial assets**

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company assesses whether objective evidence of impairment of financial assets carried at amortised cost exists as at the date of statement of financial position. The amount of any impairment identified is measured as the difference between the financial asset's carrying value and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective profit rate.



**2 ACCOUNTING POLICIES (continued)**

**Impairment of financial assets (continued)**

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

**(b) Financial liabilities**

The Company's financial liabilities comprise of obligations due to sukuk certificate holders.

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

**Subsequent measurement**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of income, when the liabilities are derecognised, as well as through the effective interest rate method (EIR) amortisation process.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**2.3.3 Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if and only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

**2.3.4 Provisions**

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

#### 2.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statement are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

##### *IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. The Company will assess the impact of these amendments when these become effective.

##### *IFRIC Interpretation 21 Levies (IFRIC 21)*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect IFRIC 21 to have a financial impact in the future on the Company.

##### *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company does not hold any derivatives, therefore, this amendment will not have an impact on the Company's financial statements upon application.

##### *IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Branch's financial assets. The Branch will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

## RA Invest Limited

### NOTES TO THE FINANCIAL STATEMENT

At 31 March 2014 (Unaudited)

#### 2.4 Standards issued but not yet effective (continued)

##### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company, since the Company does not have any subsidiaries.

#### 3 DUE FROM MUDAREB

These represent receivables from the Mudareb in respect of funds contributed by the Company for Mudaraba assets. These carry a profit rate of 12% per annum. These do not have a specified repayment schedule and its repayment is directly related to the receipt of funds from disposition of mudaraba assets by the mudareb subject to repayment of senior debts owed by the mudareb which include an exit financing facility to a financial institution.

#### 4 DUE TO SUKUK CERTIFICATE HOLDERS

This represents a payable to the Sukuk Certificate holders and carries a profit rate of 12% per annum. The repayment of this liability and related profit is subject to receipt of funds from the Mudareb. These Sukuk Certificates have been issued to the creditors of Arcapita in accordance with the Plan of Reorganisation and implementation memorandum as detailed in note 1.

#### 5 SHARE CAPITAL

	<b>17 September 2013 US\$</b>
<b>Authorised:</b>	
50,000 ordinary shares of US\$ 1 each	<b>50,000</b>
<b>Issued and fully paid up:</b>	
100 ordinary shares of US\$ 1 each	<b>100</b>

The shares of the Company are held by Paget Brown Trust Company Limited under the terms of corporate services agreement. As all values in this in these financial statement are rounded to the nearest thousand, the nominal amount of equity of US\$ 100 is not separately disclosed on the statement of financial position.

#### 6 RELATED PARTY BALANCES

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 these transactions will be approved by the Company's Board of Directors.

The Company does not have any balances with related parties as at the date of statement of financial position.

## 7 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 Company's financial instruments are carried at amortised cost. The fair value of the financial instruments cannot be reliably measured. These carry a profit rate of 12%, however, these do not have a specified repayment schedule.

## 8 RISK MANAGEMENT

### 8.1 Introduction

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring by the Board of Directors. The Board of Directors is in the process of designing its risk management framework as at the date of the statement of financial position. The Company is exposed to credit risk, market risk, liquidity risk and operational risk. These have been described below in detail:

### 8.2 Credit risk

Credit risk is the risk that the Company will incur a loss because its mudareb fails to discharge its contractual obligations. As on the date of statement of financial position, the Company is exposed to credit risk on its due from mudareb amounting to US\$ 550 million which is considered minimal by the Company as these are covered by fair value of mudaraba assets.

### 8.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of: interest rate risk and currency risk. all financial instruments are affected by market risk. However, these financial instruments are not exposed to currency risk as both the due from mudareb and due to sukuk certificate holders are payable in US Dollars. Further, the Company is not exposed to interest rate risk as the profit rates on both due from Mudareb and due to Sukuk Certificate holders is fixed.

### 8.4 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due. However, the repayment of due to sukuk certificate holders is dependent upon the receipt of funds from mudareb, therefore, the Board of Directors consider that the Company is exposed to minimal liquidity risk.