

**RA Holding Mudareb Limited**

**INDEPENDENT AUDITORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 28 JUNE 2013 (DATE OF INCORPORATION)  
TO 30 JUNE 2014**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RA HOLDING MUDAREB LIMITED**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of RA Holding Mudareb Limited (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the period from 28 June 2013 (date of incorporation) to 30 June 2014, and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' responsibility for the consolidated financial statements*

The Group's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, made by the Group's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
RA HOLDING MUDAREB LIMITED (continued)**

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2014, and its consolidated financial performance and cash flows for the period from 28 June 2013 (date of incorporation) to 30 June 2014 in accordance with International Financial Reporting Standards.

*Ernst & Young*

26 September 2014  
Manama, Kingdom of Bahrain


RA Holding Mudareb Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Note</i>	<i>30 June 2014 US\$ '000</i>
<b>ASSETS</b>		
Balances with banks	3	117,593
Receivables	4	372,872
Investments	5	985,398
Other assets	6	4,326
<b>TOTAL ASSETS</b>		<b>1,480,189</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Due to financial and other institutions	7	370,427
Obligations under mudaraba	8	602,617
Other liabilities	9	24,135
Accrued incentive fees	16	36,799
<b>TOTAL LIABILITIES</b>		<b>1,033,978</b>
<b>EQUITY</b>		
Share capital	10	-
Contributed surplus	11	475,634
Retained earnings		(24,922)
Foreign currency translation reserve		(4,465)
<b>Total equity attributable to shareholders of the parent</b>		<b>446,247</b>
Non-controlling interest		(36)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,480,189</b>

I hereby certify that, to the best of my knowledge, these consolidated financial statements present fairly the financial condition of the Group as of 30 June 2014 and operations of the Group for the period from 28 June 2013 (date of incorporation) to 30 June 2014.

  
 Eugene I. Davis  
 Chairman of the Board of Directors

The attached notes 1 to 25 form part of these consolidated financial statements.


RA Holding Mudareb Limited

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the period from 28 June 2013 (date of incorporation) to 30 June 2014

	<i>Period from 28 June 2013 (date of incorporation) to 30 June 2014</i>	
	<i>US\$ '000</i>	<i>Note</i>
<b>INCOME</b>		
Management fee income	39,995	
Fair value gain on investments, net	114,899	21
Profit on murabaha with investee companies	13,004	
Capital loss on disposal of investments	(4,455)	
Gain on disposal of subsidiary	5,638	14
Other income	91	
<b>TOTAL INCOME</b>	<b>169,172</b>	
<b>EXPENSES</b>		
Financing expenses	(95,298)	15
Asset management and enhanced management fees	(30,142)	16
Performance based incentive fees		16
Realised	(8,357)	
Unrealised	(36,799)	
Legal and professional expenses	(20,762)	17
Staff costs	(1,878)	18
General and administrative expenses	(5,104)	
<b>TOTAL EXPENSES</b>	<b>(198,340)</b>	
<b>OPERATING INCOME FOR THE PERIOD</b>	<b>(29,168)</b>	
Provisions against receivables, net	(13,234)	4
Gain on foreign exchange, net	13,756	
<b>OPERATING INCOME BEFORE TAX FOR THE PERIOD</b>	<b>(28,646)</b>	
Taxation refund for prior years	3,672	19
<b>NET INCOME FOR THE PERIOD</b>	<b>(24,974)</b>	
<b>Attributable to:</b>		
Equity holders of the Parent	(24,922)	
Non-controlling interest	(52)	
	<b>(24,974)</b>	

I hereby certify that, to the best of my knowledge, these consolidated financial statements present fairly the financial condition of the Group as of 30 June 2014 and operations of the Group for the period from 28 June 2013 (date of incorporation) to 30 June 2014.

  
Eugene I. Davis

Chairman of the Board of Directors

The attached notes 1 to 25 form part of these consolidated financial statements.

**RA Holding Mudareb Limited**

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

For the period from 28 June 2013 (date of incorporation) to 30 June 2014

	<i>Period from 28 June 2013 (date of incorporation) to 30 June 2014 US\$ '000</i>
<b>Net loss for the period</b>	<b>(24,974)</b>
<b>Other comprehensive income</b>	
<b>Items to be reclassified to profit or loss in subsequent periods:</b>	
Exchange differences on translation of foreign operations	<u>(4,465)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u><u>(29,439)</u></u></b>
<b>Attributable to:</b>	
Equity holders of the Parent	(29,387)
Non-controlling interest	<u>(52)</u>
	<b><u><u>(29,439)</u></u></b>

The attached notes 1 to 25 form part of these consolidated financial statements.

# RA Holding Mudareb Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 28 June 2013 (date of incorporation) to 30 June 2014

	<i>Note</i>	<i>Period from 28 June 2013 (date of incorporation) to 30 June 2014 US\$ '000</i>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period		(24,974)
Adjustments:		
Financing expenses		95,298
Provisions against receivables, net	4	13,234
Fair value gain on investments, net		(114,899)
Gain on disposal of subsidiary		(5,638)
Performance based incentive fees (unrealised)		36,799
Operating loss before changes in operating assets and liabilities		(180)
Changes in operating assets or liabilities:		
Receivables		66,499
Investments		127,941
Other assets		3,800
Other liabilities		14,184
Restricted cash	3	(11,125)
Cash transferred from Arcapita at the date of emergence	20	100,493
		301,612
Financial charges paid		(33,113)
<b>Net cash from operating activities</b>		<b>268,499</b>
<b>FINANCING ACTIVITIES</b>		
Repayments of due to financial institution		(162,031)
Amount held in the retention account in connection with the Exit Facility	3	(15,000)
<b>Net cash used in financing activities</b>		<b>(177,031)</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>91,468</b>
Cash and cash equivalents at the beginning of the period		-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	3	<b>91,468</b>

The attached notes 1 to 25 form part of these consolidated financial statements.

RA Holding Mudareb Limited

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period from 28 June 2013 (date of incorporation) to 30 June 2014

	Note	Share capital US\$'000	Contributed surplus US\$'000	Foreign currency translation reserve US\$'000	Accumulated deficit US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance as at 28 June 2013 (date of incorporation)		-	-	-	-	-	-
Issuance of share capital	10	-	-	-	-	-	-
Contributed surplus transferred to the Company by the Parent during the period	20	-	475,274	-	-	-	475,274
Non-controlling interest arising on acquisition of Arcapita Bank B.S.C. (c)		-	-	-	-	16	-
Adjustment to convenience claims	9.1	-	(258)	-	-	-	(258)
Adjustment to priority claims	9.2	-	618	-	-	-	618
<b>Total comprehensive income</b>		-	-	-	(24,922)	(52)	(24,922)
Net loss for the period		-	-	-	-	-	-
<b>Other comprehensive income</b>		-	-	(4,465)	-	-	(4,465)
Exchange differences on translation of foreign operations		-	-	(4,465)	-	-	(4,465)
Total comprehensive income for the period		-	-	(4,465)	(24,922)	(52)	(29,387)
<b>Balance as at 30 June 2014</b>		-	475,634	(4,465)	(24,922)	(36)	446,247

The attached notes 1 to 25 form part of these consolidated financial statements.



As at 30 June 2014

**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").

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

**c) Approval of the consolidated financial statements**

These consolidated financial statements have been approved and authorised for issuance by the Board of Directors on 26 September 2014.

**d) Background to the Company's incorporation**

RA Holding 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 United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") on 17 June 2013 (the "Confirmation Order"). The Predecessor Company is presently an indirectly majority owned subsidiary of the Successor Company.

**e) Background to filing for Chapter 11 by Arcapita**

Arcapita and its subsidiaries (the "Arcapita Group") constituted a Bahrain-based wholesale bank, holding a portfolio of private equity investments and providing investment banking services in conformity with Islamic Shariah rules and principles. The Arcapita Group's general investment strategy was to hold a minority equity position in each portfolio investment, while it syndicated the majority of equity interests in each portfolio investment to investors.

To finance its proprietary interests, as well as ordinary operating expenses and additional capital injections into portfolio investments, the Bank and certain of its affiliates entered into various financing facilities. Most notably, at the time of filing for Chapter 11 protection, the Bank had a US\$ 1.1 billion unsecured syndicated murabaha facility (the "Syndicated Facility"), guaranteed by its subsidiary Arcapita Investment Holdings Limited ("AIHL"), as well as a US\$ 100 million unsecured sukuk facility guaranteed by AIHL (the "Arcsukuk Facility") and approximately US\$ 100 million in secured murabaha facilities, guaranteed by AIHL, Arcapita LT Holdings Limited ("ALTHL"), and certain subsidiaries of ALTHL, with Standard Chartered Bank ("SCB") (the "SCB Facilities").

As at 30 June 2014

**1 INTRODUCTION (continued)**

**e) Background to filing for Chapter 11 by Arcapita (continued)**

The Syndicated Facility was due to mature on 28 March 2012. The Arcapita Group engaged in efforts to refinance the Syndicated Facility or to negotiate an out of court agreement to extend the term and modify the economic terms of the Syndicated Facility; however, these negotiations ultimately were unsuccessful. The management of the Arcapita Group, in consultation with the previous Board of Directors of Arcapita and with the assistance of financial and legal advisors, reviewed the Arcapita Group's alternatives in light of its inability to refinance the Syndicated Facility or extend the term and modify its terms, the Arcapita Group considered instituting formal insolvency proceedings in various jurisdictions as a tool to attempt to restructure as a going concern.

**f) Chapter 11 Proceedings**

On 19 March 2012 (the "Petition Date"), the Bank and five other direct and indirect subsidiaries (AIHL, Arcapita LT Holdings Limited, AEID II Holdings Limited, RailInvest Holdings Limited and WindTurbine Holdings Limited (collectively with the Bank, the "Initial Debtors")), filed voluntary petitions for relief under Chapter 11 of title 11 of the United States Bankruptcy Code (such title, the "U.S. Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Chapter 11 filing"). On 30 April 2012, Falcon Gas Storage Company, Inc. ("Falcon" and, together with the Initial Debtors, the "Debtors") filed a voluntary Chapter 11 petition for relief. Subsequently, the Chapter 11 cases of all of the Debtors were administered jointly.

Chapter 11 is the section of the U.S. Bankruptcy Code that allows corporations to reorganize under a process overseen by United States bankruptcy courts. Under the U.S. Bankruptcy Code, the filing of voluntary bankruptcy petitions by the Debtors automatically stayed most actions against the Debtors, including most actions to collect indebtedness incurred prior to the Petition Date, or to exercise control over the assets of the Debtors. Accordingly, although the Debtors defaulted on certain of their obligations, creditors were stayed from taking any actions as a result of such defaults.

Under the Chapter 11 filing process, the Debtors operated their business and managed their assets as "debtors-in-possession" in accordance with the applicable provisions of the U.S. Bankruptcy Code and orders entered by the bankruptcy court, under control of the previous Board of Directors and management, of Arcapita while working with creditors to develop a plan of reorganization (the "Plan" or the "Plan of Reorganization") that provides for the restructuring of their obligations and the continuation of the Debtors' business on a going concern basis.

Moreover, with a view to facilitating the Chapter 11 filing proceedings and to obtain protection against creditors who might undertake proceedings in the Cayman Islands, on 19 March 2012, AIHL presented a winding up petition on the basis of s.92 (a) of the Companies Law (2011 Revision) to the Grand Court of the Cayman Islands (the "Cayman Court") and applied simultaneously for the appointment of provisional liquidators and for the winding up petition to be adjourned. The Cayman Court approved this application on 20 March 2012. Under the order of the Cayman Court, the directors of AIHL, subject to the provisional liquidators' oversight, were authorized to continue to exercise all powers of management and in particular, take such steps as may be required in relation to the Chapter 11 filing process. On 31 May 2013, the Cayman Court entered an order approving AIHL's entry into certain transactions that were necessary to consummate the Plan of Reorganization. The winding up petition remains pending, but adjourned to a date to be fixed, in the Cayman Court.

On 5 April 2012, the United States Trustee for the Southern District of New York appointed an official committee of unsecured creditors (the "Creditors' Committee") to represent the interests of unsecured creditors of each of the Debtors. Among other things, the Creditors' Committee worked with the Debtors to formulate the Plan of Reorganization.

**g) Plan of Reorganization**

In order for the Debtors to emerge successfully from Chapter 11 and operate in the ordinary course of business outside of bankruptcy, the Debtors were required to obtain the bankruptcy court's approval of the Plan. A plan of reorganization determines the rights of the Debtors' creditors and equity holders, once it is confirmed by the bankruptcy court, following a vote by the creditors and equity holders.

As at 30 June 2014

**1 INTRODUCTION (continued)**

**g) Plan of Reorganization (continued)**

On 8 February 2013, the Arcapita Group filed the Plan, which was subsequently amended on 25 April 2013. On 26 April 2013, the bankruptcy court approved (i) the disclosure statement filed in connection with the Plan and (ii) procedures for soliciting and tabulating votes of creditors and equity interest holders with respect to the Plan. Subsequently, the Debtors distributed the disclosure statement and solicited votes with respect to the Plan. Out of 18 distinct classes of claims and equity interests in which votes were cast, all but one class accepted the Plan, and all but one of these accepting classes received greater than 95% acceptance, measured both by the amount of the claims or equity interests and by the number of claimants or interest holders. The sole rejecting class contained two claimants against Falcon, who were engaged in active litigation with Falcon regarding, among other things, the proper classification of their claims.

After negotiating the final form of various agreements related to the Plan, as well as obtaining appropriate regulatory approvals, the terms of the Plan became effective on 17 September 2013 (the "Effective Date"). On 31 January 2014, the Bankruptcy Court entered an order approving the plan of reorganization with respect to Falcon. The Falcon plan of reorganization went effective on 19 February 2014.

**h) Debtor in Possession Financing and Exit Facility**

In December 2012 the bankruptcy court approved the Debtors' entry into a debtor-in-possession Murabaha financing facility with Fortress Credit Corp. (the "Initial DIP Facility"), under which the Debtors could incur obligations of up to US\$ 150 million. The Debtors drew the entire US\$150 million in January 2013. The maturity date for the Initial DIP Facility was set at the earlier of the effective date of a confirmed plan of reorganization or 14 June 2013.

In June 2013, as the maturity date on the Initial DIP Facility was approaching, and concurrently with the bankruptcy court's consideration of the Plan (as discussed in further detail below), the Debtors entered into a replacement debtor-in-possession murabaha financing facility with Goldman Sachs International that was convertible into an exit facility (the "Exit Facility"). Under the terms of the Exit Facility, the Debtors were permitted initially to draw up to US\$ 175 million, which would be used in part to pay off the outstanding Initial DIP Facility.

Upon conversion into an exit financing facility, the Debtors were permitted to, and did, draw an additional US\$ 175 million, which was used in part to settle certain claims related to the SCB Facilities, including claims for the outstanding principal amount of the SCB Facilities. The Exit Facility matures on 17 September 2016. The profit rate is LIBOR plus 8.25%, with a LIBOR floor of 1.5%. In addition to payment at maturity, there are various triggers requiring prepayment of certain amounts outstanding under the Exit Facility, including in certain circumstances upon the sale of portfolio investments.

In line with the approved Plan of Reorganization, the Exit Facility has been transferred to one of the wholly owned subsidiaries of the Company. Accordingly, the outstanding amount has been presented under "due to financial and other institutions" in the consolidated statement of financial position. For the terms of this Exit Facility refer to note 7.1 of the consolidated financial statements.

As at 30 June 2014

**1 INTRODUCTION (continued)**

**i) Terms of the Plan of Reorganization**

The Plan resolved major issues among the key interested parties. The following paragraphs represent certain highlights of the terms of the Plan, but are not exhaustive of the relevant terms or the agreements reached among interested parties.

The Creditors' Committee devised an equitable solution for the distribution of proceeds as the Debtors' assets are monetized. In general, the Debtors had two main groups of pre-petition creditors: (1) unsecured creditors with claims against only Arcapita (including investors with accounts at Arcapita, employees, vendors, and certain financial creditors) (collectively, the "Bank GUCs"); and (2) unsecured creditors with claims under the Syndicated Facility and the Arcsukuk Facility, whose claims against Arcapita were guaranteed by AIHL (collectively, the "Syndicated Facility/Arcsukuk Creditors").

In accordance with the Plan of Reorganization all liabilities of Arcapita were either extinguished or transferred to RA Holding or its subsidiaries on the effective date. In accordance with the terms of the Plan of Reorganization, all claims and liabilities of Arcapita were categorized into various classes depending on the nature of the claim and whether it is secured or unsecured. Pursuant to the Plan of Reorganization, RA Group is to distribute the following instruments to various creditors based on their approved class of claims:

- i) Sukuk certificates amounting to US\$ 550 million issued to Syndicated Facility/Arcsukuk Creditors and the Bank GUCs;
- ii) Preference shares with redemption amounting to US \$810 million issued to Syndicated Facility/Arcsukuk Creditors and the Bank GUCs;
- iii) Ordinary shares to Syndicated Facility/Arcsukuk Creditors and the Bank GUCs;
- iv) Creditors warrants to Syndicated Facility/Arcsukuk Creditors and the Bank GUCs; and
- v) Shareholder warrants to the original shareholders of Arcapita and to investors who subscribed for shares of Arcapita but were pending allotment.

Under the terms of the Plan, proceeds (net of operating costs, post-petition liabilities, convenience claims and priority claims) would be distributed according to the following scheme:

- i) Initial proceeds will be used to pay down the Exit Facility, of which US\$ 149.6 million was outstanding as at 30 June 2014.
- ii) Once the Exit Facility is satisfied, proceeds will be used to make payments on a US\$ 550 million mudaraba sukuk facility accruing profit at a rate of 12% per annum from the date of issuance or the emergence date (the "Sukuk Facility") of (i) accrued profit, (ii) current profit, and (iii) redemption of the obligations issued pursuant to the Sukuk Facility (the "Sukuk Obligations"). The Sukuk Obligations are to be distributed as follows:
  - 85% pro rata to the Syndicated Facility/Arcsukuk Creditors on account of their allowed guarantee claims against AIHL, and
  - 15% pro rata to, collectively, the Bank GUCs and the Syndicated Facility/Arcsukuk Creditors on account of their allowed claims against Arcapita.
- iii) Once the Sukuk Obligations have been redeemed in full, proceeds will be used to redeem US\$ 810 million in redemption amount of preference shares (the "Preference Shares") issued by RA Holding. The Preference Shares are to be distributed as follows:
  - 55% pro rata to the Syndicated Facility/Arcsukuk Creditors on account of their allowed guarantee claims against AIHL, and
  - 45% pro rata to, collectively, the Bank GUCs and the Syndicated Facility/Arcsukuk Creditors on account of their allowed claims against Arcapita.
- iv) Once the Preference Shares have been redeemed in full, proceeds will be distributed to holders of ordinary shares issued by RA Holding (the "Ordinary Shares"). The Ordinary Shares are to be distributed as follows:
  - 97.5% pro rata to the Bank GUCs, and
  - 2.5% pro rata to the Syndicated Facility/Arcsukuk Creditors.

As at 30 June 2014

**1 INTRODUCTION (continued)**

**i) Terms of the Plan of Reorganization (continued)**

v) Once US\$ 1.425 billion in distributions have been made on account of the Ordinary Shares, certain warrants issued by RA Holding (the "Warrants") will become exercisable. The term of the Warrants are as follows:

- These are warrants to purchase Ordinary Shares of RA Holding at a purchase price of US\$ 0.0001 per share; and
- These comprise of warrants issued pro rata to Syndicated Facility/Arcasukuk Creditors (the "Creditor Warrants") and warrants issued pro rata to, collectively, certain former shareholders of Arcapita and all holders of subordinated claims against the Arcapita (the "Shareholder Warrants").

**j) Emergence from the Chapter 11 filing**

Pursuant to the Plan of Reorganization and an "implementation memorandum" also approved in the Confirmation Order, substantially all the assets of Arcapita were transferred to RA Holdco 2 LLC or its subsidiaries. RA Holdco 2 LLC is a directly wholly owned subsidiary of the Company, which is a 99.99% indirect owned by RA Holding and 0.01% owned by Arcapita. The liabilities of any of the Debtors that arose prior to the Effective Date 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 RA Invest Limited, a Cayman Islands company formed for the purpose of issuing these Shariah compliant instruments.

**k) Management of assets**

On the Effective Date, Arcapita terminated substantially all of its employees. RA Group does not have any employees and its operations are being overseen by its Board of Directors, and the RA Group's interests in various portfolio companies are being managed by AIM Group Limited ("AIM"), an independent management company formed by certain members of the Debtors' former management, pursuant to the Management Services Agreement (the "MSA") and subject to the terms of the Cooperation Agreement (defined below).

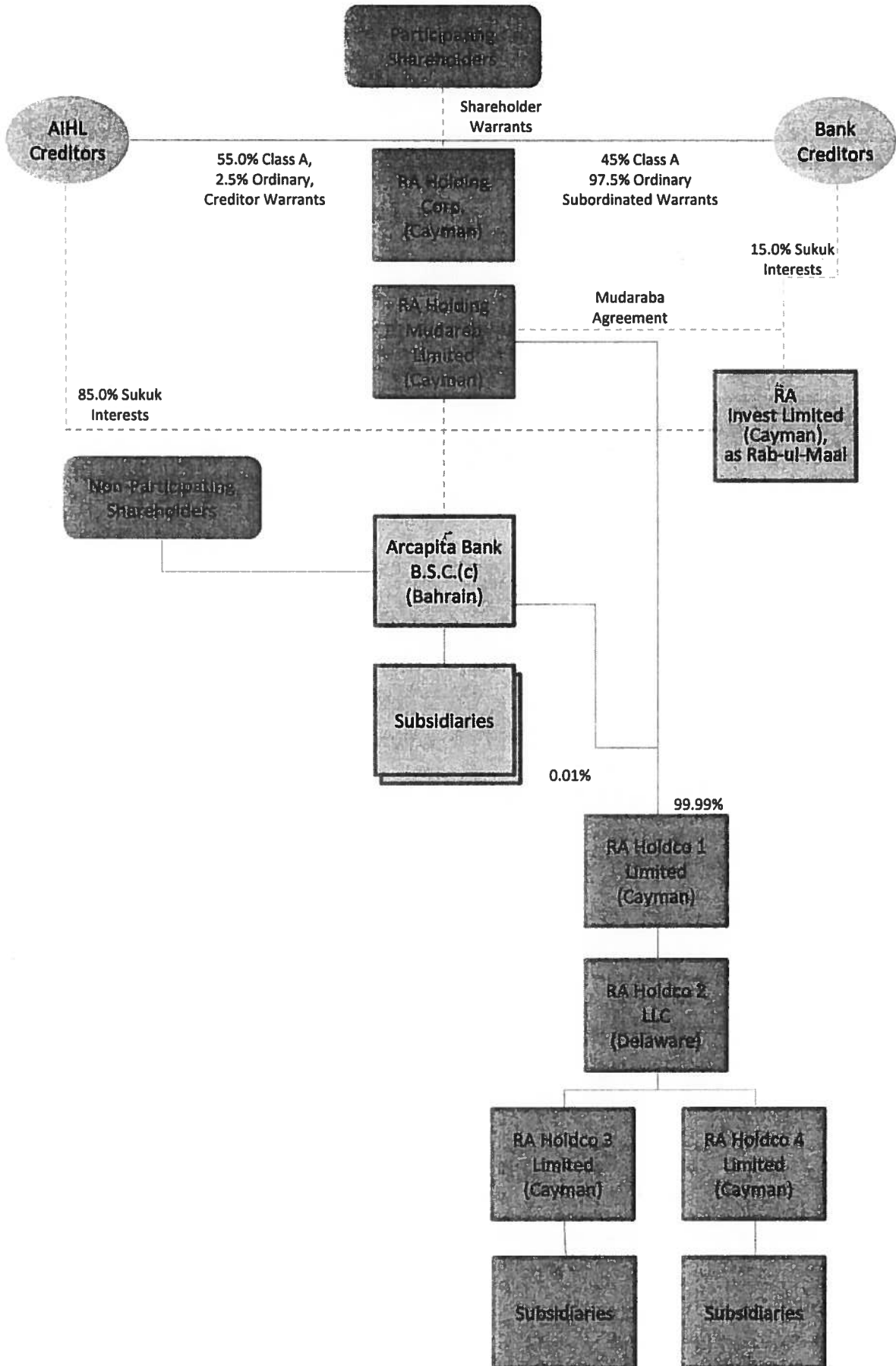
Control over portfolio investments of the RA Group and the various third-party investors who own syndicated equity interests in the portfolio investments is governed by a number of shareholder agreements and provisions in corporate documents that collectively implement a term sheet agreed among the Debtors and the Creditors' Committee and approved by the bankruptcy court in connection with the Plan (such agreements and provisions, collectively, the "Cooperation Agreement").

The Cooperation Agreement provides that dispositions of portfolio investments are subject to approval by a "Disposition Committee" comprised of members appointed, respectively, by (a) RA Holding (through its Board of Directors) and (b) AIM (on behalf of the third-party co-investors in such portfolio investments), allocated by agreement between AIM and RA Holding according to each party's relative economic interest in the disposition proceeds (attributing the economic interests of the third-party co-investors to AIM). Each Disposition Committee makes its determination by majority vote, but for certain agreed "major" investments, each party (RA Holding and AIM) must approve a transaction that does not meet a certain minimum price (as agreed in advance) and, in the event that the party with a majority representation on the Disposition Committee refuses to accept an offer that meets certain conditions, including the agreed minimum price, and that is made after the deadline for disposing of such investment (as agreed in advance), the party with a minority representation on the Disposition Committee may require the other party to purchase its interests in the investment on the terms of the refused offer. Each of the minimum prices for the respective investments is set in advance, but any such minimum price may be amended on the agreement of RA Holding and AIM.

As at 30 June 2014

1 INTRODUCTION (continued)

1) Group structure



As at 30 June 2014

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Group consists of the Company and its subsidiaries as detailed in note 2.2 (the "Group"), whereas the RA Group consists of RA Holding (ultimate parent of the Company) and its subsidiaries and affiliates.

The consolidated financial statements cover the period from 28 June 2013 (date of incorporation) to 30 June 2014, and this being the first period of operations for the Group, the presentation of comparative information is not applicable.

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

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

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

### 2.2 Basis of consolidation

These consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries for the period from 28 June 2013 (date of incorporation) to 30 June 2014. The consolidated subsidiaries of Arcapita were transferred to RA Group on the emergence date in accordance with the Plan of Reorganization and have been consolidated from 17 September 2013 to the date of consolidated statement of financial position.

The financial statements of subsidiaries are prepared using consistent accounting policies. The Group has utilized the "investment entity" exemption for investment in subsidiaries held for sale in the normal course of business. These investments are carried at fair value through profit or loss as explained in note 2.4 to these consolidated financial statements.

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

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

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

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

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

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Basis of consolidation (continued)**

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

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

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

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

<i>Subsidiary</i>	<i>Ownership</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>
<b>RA Holdco 1 Limited ("RA Holdco 1")</b>			
RA Holdco 1 is the holding company of RA Holdco 2, RA Holdco 3 Limited, ALTHL and other Working Capital Finance (WCF) interests transferred from Arcapita.	99.99%	2013	Cayman Islands
<b>RA Holdco 2 LLC (Delaware) ("RA Holdco 2")</b>			
RA Holdco 2 is the holding company of RA Holdco 3 Limited, RALTHL and other Working Capital Finance (WCF) interests transferred from Arcapita.	100%	2013	Delaware (United States of America)
<b>RA LT Holdings Limited ("RALTHL") (formerly known as Arcapita LT Holdings Limited)</b>			
RALTHL's main activity is to hold the Group's share in investee companies.	100%	2010	Cayman Islands
<b>RA Holdco 3 Limited ("RA Holdco 3")</b>			
RA Holdco 3 is the holding company of RAIML, RAIFL and other management companies.	100%	2013	Cayman Islands
<b>RA Legacy Limited ("RA Legacy") (formerly known as Arcapita Limited)</b>			
Its main activities are to monitor the performance of the acquired companies on behalf of the Group and investors.	100%	2003	United Kingdom
<b>RAIM Limited ("RAIML") (formerly known as Arcapita Investment Management Limited)</b>			
RAIML's main activity is to maintain and manage the books of accounts of the investee companies.	100%	1997	Cayman Islands



As at 30 June 2014

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)****2.2 Basis of consolidation (continued)**

<i>Subsidiary</i>	<i>Ownership</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>
<b>RA Investment Funding Limited ("RAIFL") (formerly known as Arcapita Investment Funding Limited)</b> RAIFL is the holding company of ASFL; its main activities are to sponsor other investment banking activities.	100%	1998	Cayman Islands
<b>RA Structured Finance Limited ("RASFL") (formerly known as Arcapita Structured Finance Limited)</b> RASFL's main activity is to structure Islamic acceptable financing facilities to portfolio companies and to undertake post-acquisition asset management.	100%	1998	Cayman Islands
<b>RA B-Holding</b> RA B-Holding is the holding company of RA Holdco 1.	100.00%	2013	United States of America
<b>Arcapita Bank B.S.C. (c) ("Arcapita") *</b> Arcapita is the Predecessor Company as explained in note 1.	85.26%	1996	Kingdom of Bahrain

\* The assets and liabilities of Arcapita have been consolidated into the Group's consolidated financial statements based on unaudited management accounts for the period from 17 September 2013 to 30 June 2014. These balances are not significant when compared to the assets and liabilities of the Group and the Board of Directors do not anticipate these balances to be materially different from their carrying values.

**2.3 Standards and amendments effective for annual period beginning on 1 January 2014 and that have been early adopted by the Group**

The Group has early adopted the investment entity amendments to IFRS 10 'Consolidated financial statements' and related amendments to IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements' which are applicable for periods beginning on or after 1 January 2014.

*IFRS 10 'Consolidated financial statements' (IFRS 10) and Amendments to IFRS 10*

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The amendments to IFRS 10 define an investment entity and introduce an exception from the consolidation requirements for investment entities. On adoption, the Group has determined that it meets the definition of an investment entity and has therefore accounted for its equity stake in investment entities in which it may have control, at fair value through profit or loss. Accordingly, the Group has also designated its investments in associates under IAS 28 'Investment in associates' (IAS 28) at fair value through profit or loss.

*IFRS 12 'Disclosure of interests in other entities' (IFRS 12) and amendments to IFRS 12*

The standard requires entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities will also be required to provide more disclosures around certain 'structured entities'. The amendments also introduce new disclosure requirements related to investment entities. Adoption of the standard has impacted the Group's level of disclosures, but has not impacted the carrying value of assets in the Group's consolidated financial position.

As at 30 June 2014

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)****2.3 Standards and amendments effective for annual period beginning on 1 January 2014 and that have been early adopted by the Group (continued)***IAS 27 (revised 2011) 'Separate financial statements' (IAS 27) and amendments to IAS 27*

The objective of the standard is to prescribe the accounting and disclosure requirements when an entity prepares separate financial statements. The amendments require an investment entity as defined in IFRS 10 to present separate financial statements as its only financial statements in the case where it measures its specific subsidiaries at fair value through profit or loss and to disclose that fact. These consolidated financial statements are the only financial statements issued by the Company, and this fact has been disclosed in note 2.1 to these consolidated financial statements.

**2.4 Investment entity**

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Groups' objectives include providing investment management services to investors which includes monitoring and managing its private equity investments for the purpose of returns in the form of capital appreciation.

The Group reports to its investors and to its Board of Directors on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in its consolidated financial statements. The Company has a clearly documented disposition plan for all of its investments.

The Board of Directors has concluded that the Group meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

The Board has concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Since the Group measures and evaluates the performance of substantially all its investments on a fair value basis, it has elected to utilize the exemption available to investment entities from applying the equity method of accounting under IAS 28 'Investment in associates' and has designated such investments at fair value through profit or loss.

The following significant subsidiaries have not been consolidated and are accounted for at fair value through profit or loss in these consolidated financial statements:

<b><i>Unconsolidated subsidiaries</i></b>	<b><i>Effective ownership</i></b>	<b><i>Country of incorporation</i></b>
Poland Residential Development Company Limited	54%	Cayman Islands
Honiton Energy Holdings Plc	60%	China

As at 30 June 2014

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Significant accounting judgements and estimates (continued)

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

#### 2.5.1 Going concern

The Group's Board of Directors has made an assessment of the Group's ability to continue as a going concern which entails managing and maximizing the value of the Group's investment portfolio and selling down investments in a manner which will maximize returns to all shareholders, and is satisfied that the Group 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 Group's ability to continue as a going concern. Therefore, these consolidated financial statements have been prepared on a going concern basis.

#### 2.5.2 Fair value measurement 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 Group's entire investment portfolio falls under level 3 of the fair value hierarchy (as defined in note 21 to the consolidated financial statements) and the Group uses various valuation techniques which are based on unobservable market inputs to determine the fair value of such investments.

The Group has engaged third party qualified valuation experts to carry out the valuation of the Group's investment portfolio as at the date of the consolidated statement of financial position. The third party valuers utilize methods and techniques generally recognised as standard within the industry. These include discounted cash flows, earnings multiples and comparable market transaction approaches for private equity investments. Real estate investments are primarily measured using sales comparison, discounted cash flows or the capitalization of future cash streams of the underlying asset using the 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 provide the Board of Directors with a range of values which are determined on the basis of different valuation approaches used. The Board of Directors apply 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 of the date of the consolidated statement of financial position.

The estimates regarding the valuation of investments have an impact on the fair value of Group's net proceeds and hence the unrealised incentive fees and deferred incentive fees disclosed in note 16 to the consolidated financial statements. The actual disposal value and the future changes in assumptions and estimates used in determining fair values may result into changes in the accrued incentive and deferred incentive fees.

#### 2.5.3 Allowance for doubtful receivables

The Group reviews its 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 timings 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.

### 2.6 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

As at 30 June 2014

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2.6.1 Foreign currencies**

**(a) Foreign currency transactions**

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 consolidated statement of financial position date. Any exchange gains and losses are taken to the consolidated statement of profit or loss and comprehensive income.

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.

**(b) Foreign operations**

Assets and liabilities of foreign operations, including goodwill (if any) and fair value adjustments arising on acquisition, are translated into US\$ at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into US\$ at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed of such that the control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then the foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve within equity.

**2.6.2 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 balances with banks, receivables and investments.

**Initial recognition**

The Group classifies its financial assets into two categories: at fair value through profit or loss and receivables. The classification depends on the purpose for which the financial assets were acquired or transferred to the Group. The Board of Directors determines the classification of its financial assets upon initial recognition.

Financial assets are initially recognised at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

As at 30 June 2014

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2.6.2 Financial instruments (continued)**

**(a) Financial assets (continued)**

**Subsequent measurement**

*Financial assets at fair value through profit or loss*

Financial assets designated at fair value through profit or loss upon inception are those that are not held for trading but are managed and their performance evaluated on a fair value basis in accordance with the Group's objectives. The Group's objectives require the Board of Directors to evaluate information about these assets on a fair value basis together with other related financial information. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the statement of profit or loss and comprehensive income.

*Receivables*

These are non-derivative financial assets that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment if any. 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. Balances with banks and receivables which have fixed or determinable payments are classified as receivables.

An allowance for doubtful receivables is made when collection of the full or partial amount is no longer probable. Investment related receivables which are not considered recoverable at the time of exit of the investment are written off.

**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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 Group 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.

As at 30 June 2014

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2.6.2 Financial instruments (continued)**

**(a) Financial assets (continued)**

**Impairment of financial assets (continued)**

*Financial assets carried at amortised cost*

The Group assesses whether objective evidence of impairment of financial assets carried at amortised cost exists as at the date of the consolidated 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.

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 consolidated statement of profit or loss and comprehensive income. Assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery. 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 consolidated statement of profit or loss and comprehensive income.

*Investment related receivables carried at amortised cost*

The recoverability of investment related receivables, which include management fees receivables, Murabaha with investee companies and receivables from investee companies, and which are primarily recoverable upon exit from individual investment companies, is determined through waterfall calculations which used the enterprise values derived from the valuation models adopted by the Group. As at 30 June 2014, the Group used the enterprise values determined by the independent valuation experts to determine the recoverability of its investment related receivables.

**(b) Financial liabilities**

**Initial recognition**

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.

The Group's financial liabilities include due to financial and other institutions, obligations under mudaraba and other liabilities.

**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 consolidated 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, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and comprehensive income.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2.6.3 Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

**2.6.4 Provisions**

Provisions are recognised when the Group 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.

**2.6.5 Obligations under sale and leaseback financing transaction**

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. The Predecessor Company entered into a sale and leaseback in connection with a land held by an investee company of the Group. This transaction was treated as a finance lease on the basis that the Group retains the risks and rewards of the underlying asset and it has the option to buy back the asset during the lease term at a predetermined fixed price. This option has been transferred to the Group as part of the Plan of Reorganization. Future lease payments represent funding cost and are recognised in the consolidated statement of profit or loss and comprehensive income under financing expenses.

**2.6.6 Cash and cash equivalents**

Cash comprises of balances with banks. Cash and cash equivalents represent short term financial assets which can be readily converted to cash and are either available on demand or have original maturities of 90 days or less. Included in balances with banks is cash restricted as to withdrawal under the terms of certain borrowings. Restricted cash balances are excluded from cash and cash equivalents in the consolidated statement of cash flows.

**2.6.7 Revenue recognition**

**a) Management fee income**

Management fees represent recurring fees earned by the Group for rendering management and administrative services to investee companies and investment holding companies through which investors participate in the Group's investment products. Management fees are recognized as and when services are rendered.

**b) Profit on Murabaha with investee companies**

Profit from sales transactions ("Murabaha") is recognised when, at the commencement of the transaction, the ultimate income is both contractually determinable and quantifiable. Such income is recognised on a time-apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with counterparties. Recognition of profit is suspended if the Group ascertains that the recovery of these amounts may be doubtful.

**c) Capital gain on disposal of investments**

Capital gains or losses are recognised on a complete or partial disposal of investments, representing the proceeds returned by an investment in excess of its carrying value. Capital gain or loss is recognized when a binding and definitive sale agreement or contract is signed.

**2.6.8 Payables and accruals**

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

As at 30 June 2014

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2.6.9 Taxation**

There is no tax on corporate income in the Cayman Islands, where the Company is incorporated. Taxation on income from foreign subsidiaries is provided in accordance with the fiscal regulations of the countries in which the respective group entities operate.

**2.6.10 Financing expenses**

Financing expenses represent funding costs on due to financial and other institutions and obligations under mudaraba and is calculated using the effective interest rate method.

**2.6.11 Base management fee**

Base management fee represents fees paid to AIM for the rendering of services set forth in the MSA. The base management fee for the initial term represents a fixed fee which is accrued over a straight-line basis over the initial term. Subsequent to the initial term the base management fee will be based on certain percentages of the value of assets under management as defined in the MSA and similarly will be accrued on a straight-line basis.

**2.6.12 Incentive fee**

The Group accrues incentive fees and deferred incentive fees when specified hurdle rates are achieved upon the sale of an investment or an appreciation of fair value as at the reporting date. Incentive fees are reassessed at every reporting period based on the fair values of investments. When the fair value of investments decline below the accreted baseline values, previously accrued incentive fees are reversed through the statement of profit or loss and comprehensive income. Incentive fees and deferred incentive fees are recognised to the extent that it is probable that there will be outflow of resources embodying economic benefit and the accrual can be reliably measured.

Unrealised incentive fees are ultimately realised and settled when the investments are disposed of.

**2.6.13 Deferred incentive fee**

The Group accrues deferred incentive fee when a specified threshold factor has been met upon the appreciation of fair value of the entire portfolio as at the reporting date. Deferred incentive fees are reassessed at every reporting period based on the fair value of investments. When the fair value of investments decline the deferred incentive fees are reversed. When the threshold factor is no longer met the deferred incentive fees are reversed in full.

Unrealised deferred incentive fees are realised and settled when the entire investment portfolio is disposed.

**2.6.14 Terminologies used in the consolidated financial statements**

The following terms are being used in these consolidated financial statements and have the meanings as specified below:

**a) Management fees receivable**

These represent receivables in respect of a recurring fee earned for rendering management and administrative services to the investee companies and investment holding companies. Management fees are recognised as and when services are rendered.

**b) Receivables from investee companies**

These represent receivables from investee companies in respect of expenses incurred on behalf of the investee companies and are carried at amortised cost, less impairment, if any.



**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2.6.14 Terminologies used in the consolidated financial statements (continued)**

**c) Murabaha with investee companies**

These represent Islamic financing facilities provided to investee companies in the form of Murabaha financing contracts. Income on murabaha with investee companies is recognised on a time apportioned basis over the period of the contract.

Murabaha financing represents a sale contract whereby a commodity is sold to the investee company at an agreed upon profit mark up on cost. Profit from a Murabaha is quantifiable at the commencement of the transaction. Such income is recognised as it accrues over the period of the contract on the effective profit rate method on the balance outstanding.

**d) Mudaraba**

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.

**e) Private equity investments**

Private equity investments represent equity stakes in established unlisted entities which operate in several sectors including energy generation and transmission industries, transportation, clothing, logistics, and are spread across several regions including the United States of America, Europe and East Asia.

**f) Real estate investments**

Real estate investments represent joint ventures or equity interests in companies which operate in real estate sectors which includes warehousing, senior assisted living, real estate project development companies and other yielding real estate assets.

**g) Initial term**

The period from the Effective Date through the expiration of the eighteenth month after the Effective Date is referred to herein as the Initial term.

**h) Net sale proceeds**

The amount of net cash received by the Group upon the disposal of an investment less any amounts required to be paid to third parties in relation to the sale and any post effective day fundings.

**i) Abbreviations used in these consolidated financial statements**

INR:	Indian Rupee
BHD:	Bahraini Dinar
LTM:	Last Twelve Months
EBITDA:	Earnings Before Interest, Tax, Depreciation and Amortisation
NFY:	Next Fiscal Year
MW:	Mega Watts
QAR:	Qatari Riyal

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 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 Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

*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 Group's financial assets. The Group 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 adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

*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 Group 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 Group does not expect IFRIC 21 to have a material financial impact in the future on the Group.

*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 Group is not involved in novation of derivatives. Therefore, this amendment will not have any impact on the Group's consolidated financial statements upon application.

*IFRS 15 Revenue from contracts with customers (1 January 2017)*

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. This standard is effective for annual periods beginning on or after 1 January 2017. The Group will assess the impact of this standard when it becomes effective.

As at 30 June 2014

**3 BALANCES WITH BANKS**

	<i>Note</i>	<b>30 June 2014 US\$ '000</b>
Balances with banks	3.1	117,593
Less: restricted cash	3.2	(26,125)
Cash and cash equivalents		<u><u>91,468</u></u>

**3.1** 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 7). The accounts include, as defined by the Exit Facility, a retention account, mandatory prepayment account and holding account.

**3.2** This balance includes US\$ 15 million of minimum liquidity in connection with the Exit Facility as discussed in note 7.1. 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\$ 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 the period. These balances are not available for use in the day to day operations of the Group and have therefore been excluded from cash and cash equivalents in the consolidated statement of cash flows.

**4 RECEIVABLES**

	<i>Note</i>	<b>30 June 2014 Gross receivable US\$ '000</b>	<b>30 June 2014 Provisions US\$ '000</b>	<b>30 June 2014 Net receivable US\$ '000</b>
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	4.1	140,091	(21,414)	118,677
Other receivables		26,894	(26,120)	774
Receivable from financial institutions		33,483	(33,483)	-
		<u><u>807,469</u></u>	<u><u>(434,597)</u></u>	<u><u>372,872</u></u>

**4.1** This balance includes receivables amounting to 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.

# RA Holding Mudareb Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2014

### 4 RECEIVABLES (continued)

#### 4.2 Movement in provision

	<i>30 June 2014 US\$ '000</i>
Balance as at 28 June 2013 (date of incorporation)	-
Transferred to the Group on emergence	450,605
Charge for the period	33,284
Reversals for the period	(20,050)
	13,234
Management fee income - suspended	4,319
Write off on settlement of receivables	(38,829)
Foreign exchange movement	5,268
Balance as at 30 June 2014	<u>434,597</u>

### 5 INVESTMENTS

	<i>30 June 2014 US\$ '000</i>
Real estate	548,394
Private equity	437,004
	<u>985,398</u>

Information about the valuation techniques and significant assumptions used to determine the fair value of investments is set in note 21 to these consolidated financial statements.

### 6 OTHER ASSETS

	<i>30 June 2014 US\$ '000</i>
Prepayments	2,958
Others	1,368
	<u>4,326</u>

### 7 DUE TO FINANCIAL AND OTHER INSTITUTIONS

	<i>30 June 2014 US\$ '000</i>
	<i>Note</i>
Due to a financial institution	7.1 149,666
Obligation under sale and lease back transaction	7.2 220,761
	<u>370,427</u>

As at 30 June 2014

**7 DUE TO FINANCIAL AND OTHER INSTITUTIONS (continued)**

- 7.1** 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\$ 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\$ 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.

- 7.2** 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 13 to the consolidated financial statements. The Group anticipates that the option will be exercised and has therefore accrued for the option amount on a straight line basis over the term of the lease.

**8 OBLIGATIONS UNDER MUDARABA**

	<i>30 June 2014 US\$ '000</i>
Outstanding principal	550,000
Share of profit from mudaraba	52,617
	<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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2014

**9 OTHER LIABILITIES**

	<i>Note</i>	<b>30 June 2014 US\$ '000</b>
Convenience claims	9.1	1,213
Priority claims	9.2	4,127
Holdback reserves on exited investments	9.3	11,125
Due to deal companies		1,452
Other liabilities		6,218
		<u><u>24,135</u></u>

**9.1** 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 30 June 2014, represents claims which have been submitted up to the date of issuance of these consolidated financial statements and have been or are expected to be allowed. 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 statement of financial position, the total convenience claims recognised by the Group amounted to US\$ 3 million of which US\$ 1.8 million has been settled.

**9.2** 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.

**9.3** 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 3.2 of the consolidated financial statements these cash balances are reserved specifically against this liability and hence has been excluded from cash and cash equivalents.

**10 SHARE CAPITAL**

	<b>30 June 2014 US\$</b>
<b>Authorised:</b>	
50,000 ordinary shares of US\$ 1 each	<u><u>50,000</u></u>
<b>Issued and fully paid up:</b>	
1 ordinary share of US\$ 1 each	<u><u>1</u></u>

As all numbers in these consolidated financial statements are rounded to the nearest thousand dollars, the nominal amount of equity of US\$ 1 is not separately disclosed on the consolidated statement of financial position.

**11 CONTRIBUTED SURPLUS**

As disclosed in note 1, Arcapita transferred substantially all of its assets to the Group in return for various considerations, including the transfer of certain liabilities to RA Holding and certain of its affiliates in line with the Plan of Reorganization.

Liabilities were either reinstated and transferred to the RA Group or cancelled in return for either, (a) with respect to a certain 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 RA Invest Limited, a Cayman Islands company formed for the purpose of issuing these Shariah compliant instruments. All assets were transferred to the Group at their fair values, primarily determined by an independent valuation expert, resulting in an excess of assets over liabilities in the books of the Company. This excess of assets over liabilities has been recorded as contributed surplus from the parent.

**12 NON-CONTROLLING INTEREST**

This represents non-controlling interest in respect of Arcapita and has been recognised at a proportionate share of the net assets of Arcapita as at the date of consolidated statement of financial position.

**13 COMMITMENTS AND CONTINGENCIES**

	<i>Note</i>	<i>30 June 2014 US\$</i>
<b>Commitments</b>		
Investment related commitments	13.1	<b>45,723</b>
Future lease commitments under sale and lease back transaction		<b>19,239</b>
Future operating lease commitments in respect of office spaces		<b>1,061</b>
		<b>66,023</b>
<b>Contingencies</b>		
Contingent payment on the sale and leaseback option	7.2	<b>4,902</b>
		<b>70,925</b>

**13.1** This commitment represents installment considerations to be made as part of the acquisition of a certain asset.

**13.2 Contractual maturities of commitments**

The following table illustrates the contractual payment obligations in respect of these commitments as at 30 June 2014:

	<i>Less than 1 year US\$ '000</i>	<i>1 to 5 years US\$ '000</i>	<i>Total US\$ '000</i>
Investment related commitments	<b>15,241</b>	<b>30,482</b>	<b>45,723</b>
Future lease commitments under the sale and lease back transaction	<b>19,239</b>	-	<b>19,239</b>
Future operating lease commitments in respect of office spaces	<b>427</b>	<b>634</b>	<b>1,061</b>
	<b>34,907</b>	<b>31,116</b>	<b>66,023</b>

**14 GAIN ON DISPOSAL OF SUBSIDIARY**

The Group disposed its wholly owned equity interest in a group of subsidiaries on 11 October 2013 through Arcapita Investment Management s.a.r.l (the "Disposal Group"). The Disposal Group consisted of Europe based real estate management platform and was sold together as part of a sale of the Group's investment in a pool of Europe based real estate investments. The Disposal Group was classified as held for sale as on 17 September 2013, the date of emergence. The disposal resulted in a gain of US\$ 5.6 million.

**15 FINANCING EXPENSES**

	<i>Period from 28 June 2013 (date of incorporation) to 30 June 2014 US\$ '000</i>
Financial charges on:	
Due to a financial institution	23,289
Obligation under sale and lease back transaction	19,392
Obligations under mudaraba	52,617
	<u>95,298</u>

**16 ASSET MANAGEMENT AND INCENTIVE FEES**

	<i>Period from 28 June 2013 (date of incorporation) to 30 June 2014 US\$ '000</i>
	<i>Note</i>
Base management fee	16.1 10,199
Enhanced management fee	16.2 19,943
	<u>30,142</u>

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

		<i>Period from 28 June 2013 (date of incorporation) to 30 June 2014</i>		
	<i>Note</i>	<i>Realised US\$ '000</i>	<i>Unrealised US\$ '000</i>	<i>Total US\$ '000</i>
<b>Performance linked fees</b>				
Incentive fees	16.3	8,357	28,754	37,111
Deferred incentive fees	16.4	-	8,045	8,045
		<u>8,357</u>	<u>36,799</u>	<u>45,156</u>

Pursuant to the MSA signed between the Group and AIM, (as discussed in note 1(k) to the consolidated financial statements), AIM is entitled to a base management fee, enhanced management fee, incentive fee and a deferred incentive fee.



**16 ASSET MANAGEMENT AND INCENTIVE FEES (continued)**

**16.1** Base management fee represents fees paid to AIM for the rendering of services set forth in the MSA. The base management fee for the initial term represents a fixed fee and subsequent to the initial term will be paid based on certain percentages of the value of assets under management as defined in the MSA.

**16.2** The enhanced management fee represents a certain agreed percentage of the Group's net sale proceeds which AIM is entitled to upon the exit of investments during the initial term of the MSA. The enhanced management fee is capped at US\$ 20 million and as of the date of these consolidated financial statements this cap has been reached.

**16.3** AIM is entitled to receive incentive fees in connection with the sale of individual 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. Incentive fees are recognised by the Group upon the appreciation of the valuation of investments above the accreted base line values set in the MSA, assuming that the investments are disposed of at their fair values on the reporting date. Accordingly incentive fees include both realised and unrealised fees based on either the net sale proceeds from the sale of investments during the period (realised) or the fair value of investments at the end of the reporting period (unrealised).

The MSA had been effected on 17 September 2013 and as at that date, the fair value of net sale proceeds, as determined by an independent valuation expert, exceeded the accreted baseline values and hence the Group had recognised incentive fees once the MSA had been effected. The incentive fees recognised by the Group upon emergence amounted to US\$ 31.8 million.

**16.4** AIM is also entitled to receive a deferred incentive fee once the Group's investment portfolio is disposed of and subject to achieving a specific threshold factor as set forth in the MSA. The entire deferred fee is unrealised and has been determined on the basis of the fair value of the Group's net proceeds as at the reporting date. The deferred incentive fees recognised by the Group upon emergence amounted to US\$ 6.9 million.

**17 LEGAL AND PROFESSIONAL EXPENSES**

	<i>Period from 28 June 2013 (date of incorporation) to 30 June 2014 to 30 June</i>
Legal charges	10,402
Professional charges relating to:	
- advisory services	7,366
- auditing services	2,545
- trustee services	317
- regulatory compliance services	132
	<u>20,762</u>

**18 STAFF COSTS**

These represent costs of certain employees of a subsidiary, transferred to the Group on the date of emergence, who had not reached an agreement with the Group on their settlement packages by the date of emergence. Subsequently an agreement on the settlement packages was reached and these employees were terminated. These costs represent salaries and severance payments from emergence till their termination.

**19 TAXATION**

The amount recognized in the consolidated statement of profit or loss and comprehensive income amounting to US\$ 3,672 thousand represents a tax refund received from tax authorities in relation to taxes paid by a subsidiary of the Company in previous years.

Deferred tax assets amounting to US\$ 7,932 thousand have not been recognised in respect of the following items, because it is not probable that future taxable profits will be available against which the Group can use the benefits.

	<i>30 June 2014 US\$</i>
Capital allowances in excess of depreciation	99
Tax losses carried forward	7,833
	<u>7,932</u>

**20 TRANSFER OF ASSETS AND LIABILITIES AT THE DATE OF EMERGENCE**

As detailed in note 1, all assets of the Predecessor Company were transferred to the Group at the date of emergence in return for all liabilities of Arcapita being extinguished or transferred to RA Holding or its subsidiaries on the effective date of the Plan of Reorganization.

Following is the break-up of assets and liabilities transferred to the Group during the period from the date of emergence to the consolidated statement of financial position date:

	<i>US\$</i>
<b>Assets</b>	
Cash and balances with banks	100,493
Receivables	448,498
Investments	998,440
Other assets	8,126
Assets classified as held for sale	9,050
	<u>1,564,607</u>
<b>Liabilities</b>	
Due to financial and other institutions	522,891
Other liabilities	9,951
Liabilities classified as held for sale	6,240
Net liabilities acquired of Arcapita's subsidiaries	251
	<u>539,333</u>
Total net assets at fair value	<u>1,025,274</u>
Obligations under mudaraba	550,000
Ordinary shares issued by the Company	-
Contributed surplus from the Parent	475,274
	<u>1,025,274</u>
Net cash transferred at the date of emergence	<u>100,493</u>

The assets of the Predecessor Company were transferred to the Group primarily at their fair values as determined by third party independent valuation experts. The liabilities were recognised at their estimated settlement amounts. No transactions were executed by the Group between the date of incorporation, 28 June 2013 to the date of emergence, 17 September 2013.

**21 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:

<b><u>30 June 2014</u></b>	<b><i>At fair value through statement of income US\$ '000</i></b>	<b><i>At cost/ amortised cost US\$ '000</i></b>	<b><i>Total US\$ '000</i></b>
<b>Assets</b>			
Balances with banks	-	117,593	117,593
Receivables	-	372,872	372,872
Investments	985,398	-	985,398
	<b>985,398</b>	<b>490,465</b>	<b>1,475,863</b>
<b>Liabilities</b>			
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
	-	<b>1,033,978</b>	<b>1,033,978</b>

***Fair value hierarchy***

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

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

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

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

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

**21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

<b><u>30 June 2014</u></b>	<b>Level 1</b> <b>US\$ '000</b>	<b>Level 2</b> <b>US\$ '000</b>	<b>Level 3</b> <b>US\$ '000</b>	<b>Total</b> <b>fair values</b> <b>US\$ '000</b>
Real estate	-	-	548,394	548,394
Private equity	-	-	437,004	437,004
	-	-	<b>985,398</b>	<b>985,398</b>

***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:

	<b><i>Unquoted</i></b> <b><i>30 June</i></b> <b><i>2014</i></b> <b><i>US\$</i></b>
Balance at 28 June 2013 (date of incorporation)	-
Investments transferred on 17 September 2013 (date of emergence)	998,880
Net movements attributable to exited deals	(128,381)
Fair value gains, net	114,899
Balance at 30 June 2014	<b>985,398</b>

***Valuation processes of the Group***

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

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

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

**21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

***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 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 capitalizes 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 capitalized by an appropriate rate of return (of one year's net operating income). The resulting present value of the future cash flow stream represents an indication of fair value.

***Discounted cash flow approach***

The discounted cash flow approach measures the property's capacity to generate future benefits for a specified holding period and 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.

## 21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

*Description of significant unobservable inputs to valuation*

Valuation Technique	Significant unobservable inputs	Range	The estimated fair value would increase (decrease) if:
Direct capitalization approach	Capitalization rate	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	120	
	Discount for lack of marketability:	27.5% - 37.5%	
Discounted cash flow approach	Bid/ask spread adjustments:	20.0% - 30.0%	Bid/ask spread adjustments were lower (higher)
	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)
Market approach	Terminal multiple:	5.25x to 7.5x	Terminal multiple was higher (lower)
	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 CONSOLIDATED FINANCIAL STATEMENTS

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## 21 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:

**30 June 2014**

	<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>
<b>30 June 2014</b>					
<b>Assets</b>					
Balances with banks	117,593	-	-	117,593	117,593
Due from investee companies	-	-	372,098	372,098	372,098
	<u>117,593</u>	<u>-</u>	<u>372,098</u>	<u>489,691</u>	<u>489,691</u>
<b>Liabilities</b>					
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.

**21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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.

**22 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 consolidated statement of financial position are as follows:

	<i>30 June 2014 Gross receivable US\$ '000</i>	<i>30 June 2014 Provisions US\$ '000</i>	<i>30 June 2014 Net receivable US\$ '000</i>
<b>Assets</b>			
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
	<u>747,092</u>	<u>(374,994)</u>	<u>372,098</u>
			<i>30 June 2014 US\$ '000</i>
<b>Liabilities</b>			
Payable to RA Group entities			801
Due to investee companies			1,733
Due to members of the Board of Directors			947
			<u>3,481</u>

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

	<i>Period from 28 June 2013 (date of incorporation) to 30 June 2014 US\$ '000</i>
Management fee income	39,995
Profit on murabaha with investee companies	13,004
Remuneration to the Board of Directors	1,872
Provisions against receivables, net	(13,234)



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**23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled as at 30 June 2014. The Group's contractual undiscounted repayment obligations are disclosed in note 24.4 to the consolidated financial statements.

	Up to one year			Over one year			Subtotal Over 1 year US\$ '000	Total US\$ '000
	Up to 3 months US\$ '000	3 months 12 months US\$ '000	Subtotal up to 12 months US\$ '000	1 to 3 years US\$ '000	3 to 5 years US\$ '000	Subtotal Over 1 year US\$ '000		
<b>Assets</b>								
Balances with banks	92,701	9,892	102,593	15,000	-	15,000	117,593	
Receivables	911	158,297	159,208	198,973	14,691	213,664	372,872	
Investments	159	661,921	662,080	269,587	53,731	323,318	985,398	
Other assets	2,959	53	3,012	642	672	1,314	4,326	
<b>Total</b>	<b>96,730</b>	<b>830,163</b>	<b>926,893</b>	<b>484,202</b>	<b>69,094</b>	<b>553,296</b>	<b>1,480,189</b>	
<b>Liabilities</b>								
Due to financial and other institutions	5,865	215,098	220,963	149,464	-	149,464	370,427	
Obligations under mudaraba	-	-	-	602,617	-	602,617	602,617	
Other liabilities	12,028	11,417	23,445	690	-	690	24,135	
Accrued incentive fees	-	26,506	26,506	1,930	8,363	10,293	36,799	
<b>Total</b>	<b>17,893</b>	<b>253,021</b>	<b>270,914</b>	<b>754,701</b>	<b>8,363</b>	<b>763,064</b>	<b>1,033,978</b>	
<b>Net</b>	<b>78,837</b>	<b>577,142</b>	<b>655,979</b>	<b>(270,499)</b>	<b>60,731</b>	<b>(209,768)</b>	<b>446,211</b>	

## 24 RISK MANAGEMENT

### 24.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring by the Group's Board of Directors. RA Group is exposed to credit risk, liquidity risk, market risk and operational risk as discussed in detail below. In order to mitigate such risks, RA Group's operations are being overseen by its Board of Directors, with the interests in the various portfolio companies managed by AIM, pursuant to the MSA. RA Group has established several committees (audit committee, claims committee and administrative committee) to oversee certain areas such as financial reporting, claims reconciliation, and the monitoring and approving of new projects.

### 24.2 Risk management structure

The operations, management, and control of the RA Group is the responsibility of the Board of Directors, however, certain of these functions have been outsourced to AIM pursuant to the MSA.

#### Audit Committee

The Audit Committee is appointed by the Board of Directors. The committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, and the soundness of the internal controls of the Group. The audit committee also oversees and evaluates, in conjunction with the Board of Directors, on a quarterly basis, AIM's performance under, and compliance with, the MSA.

#### Administrative committee

The administrative committee has been established to assist the Board of Directors in monitoring budgets for the RA Group's various advisors and to manage and oversee AIM's performance, as well as review all reporting received from AIM.

#### Claims Committee

The claims committee oversees the reconciliation of claims as well as distributions to claimholders pursuant to the Plan to Reorganization.

Control over portfolio investments among the RA Group and the various third-party investors who own syndicated equity interests in the portfolio investments is governed by a number of shareholder agreements and provisions in corporate documents that collectively implement a term sheet agreed among the Debtors and the UCC and approved by the Bankruptcy Court in connection with the Plan of Reorganization (such agreements and provisions, collectively, the "Cooperation Agreement").

#### Investment disposal process

The Cooperation Agreement provides that dispositions of portfolio investments are subject to approval by a "Disposition Committee" comprised of members appointed, respectively, by (a) RA Holding Corp. (through its board of directors) and (b) AIM (on behalf of the third-party co-investors in such portfolio investment).

The Major Investments will be sold in accordance with a disposition plan negotiated prior to the Effective Date by the Debtors and the UCC (each, a "Disposition Plan"). Investments comprising Major Investments are set forth in the Disposition Plan. The Disposition Plan for each Major Investment will set forth the material conditions (the "Sale Conditions") applicable to the sale of other disposition of that Investment. Any material deviation from the Disposition Plan for a Major Investment may only be effected with the approval of a majority of each of the Majority Committee Members and the Minority Committee Members of the relevant Disposition Committee.

Each Disposition Committee shall have sole discretion to determine whether or not to sell a Minor Investment upon receipt of a bona fide third-party offer, provided that if the consideration to be received pursuant to such offer is not all cash and in a currency that can be readily bought or sold without government restrictions, such offer may only be accepted by the Disposition Committee in the event the majority of the Minority Committee Members shall have consented with respect to the form of consideration.

**24 RISK MANAGEMENT (continued)**

**24.3 Credit risk**

Credit risk is the risk of financial loss to Group is a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Groups exposure investment related receivables, its bank accounts and other receivables.

RA Group manages credit risk with respect to balances with bank by maintaining its current accounts with reputable financial institutions or banks with good credit ratings.

RA Group is also exposed to credit risk with respect to receivables mainly from investee companies. The financial performance of the investee companies drives these companies' ability to discharge their liabilities, which include the management fees, Murabaha obligations, non-interest bearing loans and other receivables and reimbursable owed to RA Group. The ongoing management of the investee companies is carried out by AIM and the performance of these companies is regularly reported to the Board of Director, which may carryout corrective action when needed.

**(a) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

The Group does not maintain any collateral against its credit exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position headings:

	<i>Gross maximum exposure 30 June 2014 US\$ '000</i>
Balances with banks	117,593
Receivables	372,872
Total credit risk exposure	<u>490,465</u>

**(b) Analysis of credit quality**

**30 June 2014**

	<i>Neither past due nor impaired US\$ '000</i>	<i>Past due but not impaired US\$ '000</i>	<i>Past due and impaired US\$ '000</i>	<i>Total US\$ '000</i>
Balances with banks	117,593	-	-	117,593
Receivables				
- Gross	366,447	-	431,020	797,467
- Provisions	-	-	(424,595)	(424,595)
	<u>366,447</u>	<u>-</u>	<u>6,425</u>	<u>372,872</u>
	<u>484,040</u>	<u>-</u>	<u>6,425</u>	<u>490,465</u>

**24 RISK MANAGEMENT (continued)**

**24.3 Credit risk (continued)**

**(b) Analysis of credit quality (continued)**

Amounts due from investee companies are recoverable primarily at the time of exit from the investee companies. The Group assesses recoverability of receivables on the basis of enterprise values and waterfall models as explained in note 21 and categorises those receivables against which it has recorded provisions as impaired.

The table below sets out the credit quality of balances with banks and receivables as at 30 June 2014. The analysis has been based on Standards and Poor rating agency, where applicable:

	<i>Balances with banks US\$ '000</i>	<i>Receivables US\$ '000</i>	<i>Total US\$ '000</i>
Rated AAA to AA-	93	-	93
Rated A- to A+	116,600	-	116,600
Rated BBB+ and below	646	-	646
Unrated	254	372,872	373,126
	<u>117,593</u>	<u>372,872</u>	<u>490,465</u>

**(c) Risk concentrations of the maximum exposure to credit risk**

The maximum credit exposure to any counterparty as of 30 June 2014 was US\$ 122.5 million.

The following tables analyse the geographical and industrial sector concentrations of the Group's maximum exposure to credit risk.

**Geographical analysis**

	<i>Middle East and Asia US\$ '000</i>	<i>North America US\$ '000</i>	<i>Europe US\$ '000</i>	<i>Total US\$ '000</i>
Balances with banks	119	116,600	874	117,593
Receivables	178,224	59,268	135,380	372,872
Total	<u>178,343</u>	<u>175,868</u>	<u>136,254</u>	<u>490,465</u>

**Industry analysis**

	<i>Real estate US\$ '000</i>	<i>Utilities US\$ '000</i>	<i>Banking and financial institution US\$ '000</i>	<i>Services US\$ '000</i>	<i>Manu- facturing US\$ '000</i>	<i>Techno- logy US\$ '000</i>	<i>Others US\$ '000</i>	<i>Total US\$ '000</i>
Balances with banks	-	-	117,593	-	-	-	-	117,593
Receivables	153,506	176,419	-	16,038	3,194	1,701	22,014	372,872
Total	<u>153,506</u>	<u>176,419</u>	<u>117,593</u>	<u>16,038</u>	<u>3,194</u>	<u>1,701</u>	<u>22,014</u>	<u>490,465</u>

As at 30 June 2014

**24 RISK MANAGEMENT (continued)****24.4 Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its obligations when they fall due.

RA Group has payment obligations under the Exit Facility, which will mature in 2016. Repayment amounts and dates for this facility are linked to certain triggers, which include the sale of portfolio investments. The Exit Facility obligations are senior to the Plan securities distributed to creditors (i.e., the Sukuk (obligations under mudaraba) and various equity securities). RA Group also has liabilities due to an investee company in connection with a sale and leaseback financing transaction which was entered into by Arcapita and its investment vehicle (now transferred to the RA Group pursuant to the Plan of Reorganization) during March 2012. The RA Group holds an option on behalf of the investment vehicle to buy back the asset within three years expiring in March 2015, and subject to the RA Group making all the payments on the due dates in line with the lease agreements.

The Board of Directors monitors the cash requirements by preparing cash flow budgets (the "Budget") which is also submitted to Goldman Sachs International as Investment Agent for the Exit Facility on a quarterly basis, along with an analysis of budget versus actual performance. The Budget is used to project the anticipated cash inflows from the disposal proceeds of investments as well as ensure sufficient liquidity is available to cover all liabilities, operating expenses, and make repayments on maturity dates over the next 12 months.

RA Group has accrued incentive fee liabilities as detailed in note 16 to the consolidated financial statements. Accrued incentive fees are not a liquidity risk as the fees are tied directly to the achievement of certain hurdle rates at the time of sale for each investment.

The following table illustrates the contractual payment obligations in respect of undiscounted financial liabilities and contingencies as at 30 June 2014:

	<i>Up to one year</i>			<i>Over one year</i>			<i>Total</i>
	<i>Up to 3 months</i>	<i>3 months to 12 months</i>	<i>Subtotal up to 12 months</i>	<i>1 to 3 years</i>	<i>3 to 5 years</i>	<i>Subtotal Over 1 year</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Due to financial and other institutions	13,742	240,634	254,376	167,000	-	167,000	421,376
Obligations under mudaraba *	-	-	-	602,617	-	602,617	602,617
Other liabilities	13,474	10,661	24,135	-	-	-	24,135
	<b>27,216</b>	<b>251,295</b>	<b>278,511</b>	<b>769,617</b>	<b>-</b>	<b>769,617</b>	<b>1,048,128</b>

\* These carry a fixed rate of 12.5% but do not have a fixed repayment schedule. The repayment of profit and principal are dependent upon the disposition of investments and repayment of Exit Facility and other priority claims. Therefore, these have been shown at amortized cost.

**24.5 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 prices are comprised of: interest rate risk, equity price risk, and currency risk. Financial instruments affected by market risk include investments, due to financial and other institutions and due to parent company.

**24.5.1 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is a combination of the rate of return risk and the risk of exposure due to the mismatch in the Group's interest sensitive assets and liabilities caused by variations in the market reference rate which would result in a decrease of the Group's net present value.

**24 RISK MANAGEMENT (continued)**

**24.5 Market risk (continued)**

**24.5.1 Interest rate risk (continued)**

The Group is not exposed to interest rate risk on its financial assets as these are based on fixed profit rates. However, the fair value of financial instruments may be affected by current market forces including interest rates. The Group is exposed to interest rate risk in respect of its exit facility which carries a profit rate of LIBOR plus 8.25%, with a LIBOR floor of 1.50%. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the same. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate debt obligations, as follows:

<u>30 June 2014</u>	<i>Increase / decrease in basis points</i>	<i>Effect on profit before tax US\$ '000</i>
	+100	(1,495)
	-100	1,495

**24.5.2 Equity price risk**

Equity price risk is the risk that the fair value of equities will fluctuate as a result of changes in the fair future value of investment securities. The Group relies on AIM to manage the performance of its investments portfolio and prepare the monthly performance reports provided to the Board of Directors. Valuation reports are also prepared and updated by an independent third party valuation expert on a regular basis or when the Board of Directors consider that there has been a change in the significant inputs used to fair value these investments.

The Group is exposed to equity price risk in relation to its investments in equity instruments of investee companies. Refer to note 21 to this consolidated financial statements for details on the unobservable inputs used to determine the fair value and the sensitivity analysis of a reasonable change in unobservable inputs.

**24.5.3 Currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net open positions denominated in currencies other than the reporting currency and the translation impact of translating subsidiaries that operate in other currencies.

# RA Holding Mudareb Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2014

### 24 RISK MANAGEMENT (continued)

#### 24.5 Market risk (continued)

##### 24.5.3 Currency risk (continued)

The Group's financial liabilities are primarily denominated in United States Dollar. The Group had the following significant exposures denominated in foreign currencies at 30 June 2014:

	<i>Assets</i> US\$ '000	<i>Liabilities</i> US\$ '000	<i>Net</i> US\$ '000
Pound sterling	136,509	(581)	135,928
Japanese yen	11,130	(14)	11,116
Others	12,162	(10,715)	1,447
	<u>159,801</u>	<u>(11,310)</u>	<u>148,491</u>

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency change for all other currencies is not material.

<u>30 June 2014</u>	<i>Change in</i> <i>US\$ rate in</i> <i>percentage</i> <i>US\$ '000</i>	<i>Increase</i> <i>in profit</i> <i>before tax</i> <i>US\$ '000</i>	<i>Decrease</i> <i>in profit</i> <i>before tax</i> <i>US\$ '000</i>
Pound sterling	+/-10%	13,593	(13,593)
Japanese yen	+/-10%	1,112	(1,112)
Others	+/-10%	145	(145)

#### 24.6 Operational risk

As discussed in note 1 to the consolidated financial statements, RA Group has outsourced its investment management and financial reporting services to AIM. The Group is exposed to operational risk in relation to the outsourced activities. To manage these risks, the RA Group has established an Audit Committee ("Audit Committee"), and separately participates in Disposition Committees which oversee the disposal process.

### 25 SEGMENTAL REPORTING

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