

**Arcapita Investment Management B.S.C. (c)**

**SHARI'AH SUPERVISORY BOARD REPORT,  
REPORT OF THE BOARD OF DIRECTORS,  
INDEPENDENT AUDITORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2016**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

## Shari'ah Supervisory Board's Report to Shareholders

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh,

In compliance with the letter of appointment and article 54(e) of the Articles of Association of Arcapita Investment Management B.S.C.(c) ("the Company"), we are required to submit the following report:

We have reviewed the contracts relating to the transactions undertaken by the Company during the year ended 30 June 2016. We have also conducted a review of the operations of the Group to form an opinion as to whether the Company has complied with Shari'ah rules and principles and the specific fatwas, ruling and guidelines issued by us.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with Islamic Shari'ah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Company, and to report to you.

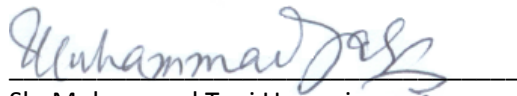
We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give assurance that the Company has not violated the rules and principles of Islamic Shari'ah.

In our opinion:

The services agreement entered into by the Company with AIM Group Limited, and the transactions and dealings resulting from such agreement during the year ended 30 June 2016 are in compliance with the Islamic Shari'ah rules and principles.

We beg Allah the Almighty to grant us all success and straightforwardness.

Shari'ah Supervisory Board:



Sh. Muhammad Taqi Usmani  
Chairman



Sh. Essam Mohammed Ishaq  
Member



Sh. Mohammed Al Jamea  
Member

3<sup>rd</sup> July 2016

# Arcapita Investment Management B.S.C. (c)

## REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in submitting their report and the audited financial statements of Arcapita Investment Management B.S.C. (c) (the "Company") for the year ended 30 June 2016.

### Principal activities and review of business developments

The Company operates under an Investment Firm license - Category I (Islamic Principles) issued by the Central Bank of Bahrain ("CBB"), to operate under Islamic Shari'ah principles, and is supervised and regulated by the CBB. The Company's principal activities are in dealing in financial instruments as an agent, and arranging, managing, safeguarding and advising on financial instruments.

### Financial Highlights

	<i>Year ended 30 June 2016 USD'000</i>	<i>Year ended 30 June 2015 USD'000</i>
<b>OPERATING INCOME</b>		
Fee and other income	12,381	12,674
Foreign exchange gain / (loss)	260	(118)
<b>Total operating income</b>	<b>12,641</b>	<b>12,556</b>
<b>OPERATING EXPENSES</b>		
Staff compensation and benefits	(8,646)	(8,600)
General and administration expenses	(2,763)	(2,454)
Professional and consulting fees	(1,232)	(1,502)
<b>Total operating expenses</b>	<b>(12,641)</b>	<b>(12,556)</b>

### Auditors

EY have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of Arcapita Investment Management B.S.C. (c), for the year ending 30 June 2017, will be submitted to the Annual General Meeting.

Signed on behalf of the Board



Chairman of the Board of Directors

14 July 2016

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARCAPITA INVESTMENT MANAGEMENT B.S.C. (c)**

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

We have audited the accompanying financial statements of Arcapita Investment Management B.S.C. (c) (the "Company") which comprise the statement of financial position as at 30 June 2016, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended. These financial statements and the Company's undertaking to operate in accordance with Islamic Shari'ah Rules and Principles are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 30 June 2016, the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

### **Report on other regulatory requirements**

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain ("CBB") Rule Book (Volume 4), we report that:

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and
- b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS  
OF ARCAPITA INVESTMENT MANAGEMENT B.S.C. (c) (continued)**

**Report on other regulatory requirements (continued)**

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6) and CBB directives, or the terms of the Company's memorandum and articles of association have occurred during the year ended 30 June 2016 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests. The Company has also complied with the Islamic Shari'ah Rules and Principles as determined by the Shari'ah Supervisory Board of the Company.



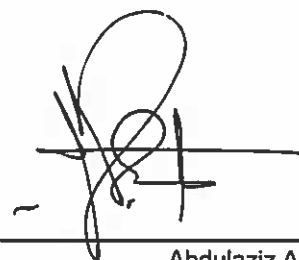
Partner's registration no. 121  
14 July 2016  
Manama, Kingdom of Bahrain

# Arcapita Investment Management B.S.C. (c)

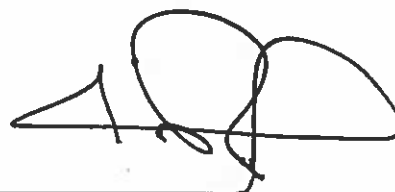
## STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 USD'000	2015 USD'000
<b>ASSETS</b>			
Cash and cash equivalents	5	7,398	6,343
Receivables and other assets	6	976	1,174
Due from a related party		108	-
<b>TOTAL ASSETS</b>		<b>8,482</b>	<b>7,517</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Accrued expenses and other liabilities		982	2,517
<b>TOTAL LIABILITIES</b>		<b>982</b>	<b>2,517</b>
<b>EQUITY</b>			
Share capital	7	7,500	2,645
Shares pending allotment	8	-	2,355
<b>TOTAL EQUITY</b>		<b>7,500</b>	<b>5,000</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,482</b>	<b>7,517</b>



Abdulaziz Aljomaih  
Chairman of the Board of Directors



Atif A. Abdulmalik  
Chief Executive Officer and Director

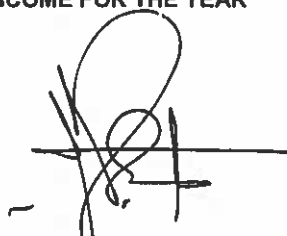
The attached notes 1 to 14 form part of these financial statements.

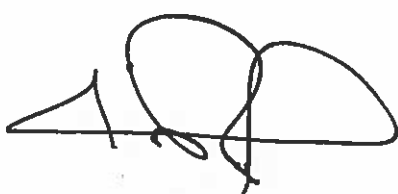
Arcapita Investment Management B.S.C. (c)

**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME**

For the year ended 30 June 2016

		<i>Year ended 30 June 2016 USD'000</i>	<i>Year ended 30 June 2015 USD'000</i>
<b>OPERATING INCOME</b>			
Fee and other income	9.1	<u>12,381</u>	<u>12,674</u>
<b>Total operating income</b>		<u>12,381</u>	<u>12,674</u>
<b>OPERATING EXPENSES</b>			
Staff compensation and benefits		(8,646)	(8,600)
General and administration expenses		(2,763)	(2,454)
Professional and consulting fees		<u>(1,232)</u>	<u>(1,502)</u>
<b>Total operating expenses</b>		<u>(12,641)</u>	<u>(12,556)</u>
Foreign exchange gain / (loss)		<u>260</u>	<u>(118)</u>
<b>NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>-</u></u>	<u><u>-</u></u>

  
 \_\_\_\_\_  
 Abdulaziz Aljomaih  
 Chairman of the Board of Directors

  
 \_\_\_\_\_  
 Atif A. Abdulmalik  
 Chief Executive Officer and Director

The attached notes 1 to 14 form part of these financial statements.

Arcapita Investment Management B.S.C. (c)

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

		<b>Year ended 30 June 2016 USD'000</b>	<i>Year ended 30 June 2015 USD'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		-	-
Changes in operating assets and liabilities			
Due from a related party		<b>(108)</b>	2,281
Receivables and other assets		<b>198</b>	(616)
Accrued expenses and other liabilities		<b>(1,535)</b>	1,779
Net cash (used in) / from operating activities		<b>(1,445)</b>	3,444
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Proceeds from the issuance of share capital	7 & 8	<b>2,500</b>	1,818
Net cash from financing activity		<b>2,500</b>	1,818
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,055</b>	5,262
Cash and cash equivalents at the beginning of the year		<b>6,343</b>	1,081
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	5	<b>7,398</b>	6,343

The attached notes 1 to 14 form part of these financial statements.



Arcapita Investment Management B.S.C. (c)

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	<i>Share capital USD'000</i>	<i>Shares pending allotment USD'000</i>	<i>Retained earnings USD'000</i>	<i>Total equity USD'000</i>
As at 1 July 2015	<b>2,645</b>	<b>2,355</b>	-	<b>5,000</b>
Net income for the year	-	-	-	-
Issuance of share capital	<b>4,855</b>	<b>(2,355)</b>	-	<b>2,500</b>
As at 30 June 2016	<b>7,500</b>	-	-	<b>7,500</b>
As at 1 July 2014	2,645	537	-	3,182
Net income for the year	-	-	-	-
Issuance of share capital	-	1,818	-	1,818
As at 30 June 2015	2,645	2,355	-	5,000

## 1 ORGANISATION AND ACTIVITIES

Arcapita Investment Management B.S.C. (c) ("the Company") is a closed joint stock company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under the commercial registration number 87184 obtained on 10 October 2013, which is the date the Company commenced its commercial operations. The address of the Company's registered office is P.O.Box 1357, Arcapita Building, 5th floor, Bahrain Bay, Manama, Kingdom of Bahrain.

The Company operates under an Investment Firm license - Category I (Islamic Principles) issued by the Central Bank of Bahrain ("CBB"), to operate under Islamic Shari'ah principles, and is supervised and regulated by the CBB. The Company's principal activities are in dealing in financial instruments as an agent, and arranging, managing, safeguarding and advising on financial instruments.

As at 30 June 2016, the Company has USD nil (30 June 2015: nil) assets under management.

These financial statements have been prepared for the year ended 30 June 2016 and were authorized for issue by the Board of Directors on 5 July 2016.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), the Shari'ah Rules and Principles as determined by the Shari'ah Supervisory Board of the Company, the Bahrain Commercial Companies Law, Financial Institutions Law, the CBB Rulebooks, directives, regulations and associated resolutions and the terms of the Company's memorandum and articles of association. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Company uses the relevant International Financial Reporting Standard ("IFRS") issued by International Accounting Standards Board ("IASB").

### 2.2 Accounting convention

The financial statements have been prepared under the historical cost basis and presented in the United States Dollar, which is the functional currency of the Company.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are:

### a. Cash and cash equivalents

Cash and cash equivalents include cash in hand, amounts due from banks on demand or with an original maturity of 90 days or less and balances held with deposit agents.

### b. Receivables and other assets

Receivables and other assets are carried at amortised cost. An estimate is made for impaired receivables based on a review of all outstanding amounts at the year end.

### c. Financial instruments

#### ***Recognition and de-recognition***

Financial instruments comprise financial assets and financial liabilities.

All financial assets and financial liabilities are initially recognised on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument.

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c. Financial instruments (continued)**

***Recognition and de-recognition (continued)***

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

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

**d. Accrued expenses and other liabilities**

Accrued expenses and other liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**e. Amortized cost measurement**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as such when the Company has the positive intention and ability to hold them to maturity. After initial measurement, these investments are measured at amortised cost using the effective profit rate (EPR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss under 'provisions'.

**f. Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable or religious right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

**g. Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

*Fee income*

The fee income represents income the Company earns for asset management and administrative services rendered in accordance to the contractual terms agreed between the parties.

**h. Shari'ah supervisory board**

The Company's business activities are subject to the supervision of a Shari'ah supervisory board consisting of at least three members appointed by the general assembly.

**i. Earnings prohibited by Shari'ah**

The Company is committed to avoid recognizing any income generated from non-Islamic sources. Accordingly all non-Islamic income is credited to a charity account where the Company uses these funds for various social welfare activities.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j. Foreign currencies**

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

Monetary assets and liabilities in foreign currencies are translated into United States Dollars at exchange rates prevailing at the statement of financial position date. Any gains or losses are recognized in the statement of profit or loss.

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

**k. Employees' end of service benefits**

Bahraini employees are covered by the Social Insurance Organization scheme which comprises a defined contribution scheme to which the Company contributes a monthly sum based on a fixed percentage of the salary. The contribution is recognized as an expense in the statement of income.

The Company provides end of service benefits to its non-Bahraini employees. Entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits which comprise a defined benefit scheme are accrued over the period of employment based on the notional amount payable if all employees had left at the statement of financial position date.

**l. Impairment of financial assets**

An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset or a Group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Company of the estimated cash equivalent value, is recognized in the statement of income. Specific provisions are created to reduce all impaired financial contracts to their realizable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognized, the previously recognized impairment loss is reversed.

**m. Events after the statement of financial position date**

The financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date the financial statements are authorized for issue, provided they give evidence of conditions that existed as of the statement of financial position date. Events that are indicative of conditions that arose after the statement of financial position date are disclosed, but do not result in an adjustment to the financial statements.

**o. Operating lease commitments**

The Company has entered into property leases which are classified as operating leases. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property, that it therefore does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**p. Zakah**

Individual shareholders are responsible for payment of Zakah.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

**(i) Estimates and assumptions**

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**(ii) Going concern**

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

**5 CASH AND CASH EQUIVALENTS**

	Note	<i>As at 30 June 2016 USD'000</i>	<i>As at 30 June 2015 USD'000</i>
Cash and balances with banks		<b>7,398</b>	3,989
Capital raise proceeds with deposit agent	5.1	-	2,354
		<b>7,398</b>	<b>6,343</b>

**5.1 Capital raise proceeds with deposit agent**

Proceeds from the capital raise were held by the deposit agent, Arcapita Cayman SPE Limited through a segregated client account operated by a reputed international bank until allocation and issuance of shares.

**6 RECEIVABLES AND OTHER ASSETS**

Receivables and other assets comprise of prepaid expenses, reimbursables and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

**7 SHARE CAPITAL**

	<b>As at 30 June 2016 USD</b>	<b>As at 30 June 2015 USD</b>
<b>Authorized capital</b>		
26,455,030 ordinary shares with a par value of USD 1 per share	<b>26,455,030</b>	26,455,030
<b>Issued and paid up capital</b>		
As at 1 July (2015: 2,645,503 shares, 2014: 2,645,503 shares)	<b>2,645,503</b>	2,645,503
Issued during the year (2016: 4,854,497 shares, 2015: Nil shares)	<b>4,854,497</b>	-
As at 30 June (2016: 7,500,000 shares, 2015: 2,645,503 shares)	<b>7,500,000</b>	2,645,503

**8 SHARES PENDING ALLOTMENT**

During the year ended 30 June 2015, the Company received USD 5,000,000 representing the full commitment as part of the first tranche of capital issuance. Out of the capital raised of USD 5,000,000, an amount of USD 2,354,497 was categorized as shares pending allotment at 30 June 2015 as the legal formalities necessary to issue shares were yet to be completed. These formalities were completed and the shares allotted to investors during the year ended 30 June 2016.

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, the Company's Shari'ah Supervisory Board and entities controlled, jointly controlled or significantly influenced by such parties. Transactions with related parties arise from the ordinary course of business. Pricing policies and terms of these transactions are approved by the Company's management. Outstanding balances at year end if any, are unsecured.

**Income and expenses incurred with related parties is as follows:**

	Note	<b>30 June 2016 USD'000</b>	<b>30 June 2015 USD'000</b>
<b>Income</b>			
Fee income	9.1	<b>12,357</b>	12,649
<b>Expenses</b>			
Key management personnel costs		<b>4,978</b>	3,670
Shari'ah supervisory board remuneration		<b>45</b>	53
		<b>30 June 2016 USD'000</b>	<b>30 June 2015 USD'000</b>
<b>Balances with related parties</b>			
<b>Assets</b>			
Due from a related party		<b>108</b>	-
<b>Liabilities</b>			
Payable to a related party		-	968

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

**9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**9.1 Fee income**

AIM Group Limited (AGL) an affiliate company, and Arcapita Investment Management B.S.C. (c) (Company) are under the common control of the same shareholders and governed by the same Board of Directors. In accordance with the terms of a 'Service Agreement', the Company provides advisory and administrative services to AGL (and its affiliates). AGL reimburses the expenditures incurred by the Company in respect of the services rendered.

**10 SEGMENTAL INFORMATION**

The Company's sole business is the provision of advisory and administrative services. Therefore the Company does not have any other reportable segments for this financial period.

**11 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received upon the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

**30 June 2016**

	<i>At fair value through statement of income USD '000</i>	<i>At cost/ amortised cost USD '000</i>	<i>Total USD '000</i>
<b>ASSETS</b>			
Cash and cash equivalents	-	7,398	7,398
Receivables and other assets	-	976	976
Due from a related party	-	108	108
	<u>-</u>	<u>8,482</u>	<u>8,482</u>
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	-	982	982
	<u>-</u>	<u>982</u>	<u>982</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

30 June 2015

	<i>At fair value through statement of income USD '000</i>	<i>At cost/ amortised cost USD '000</i>	<i>Total USD '000</i>
<b>ASSETS</b>			
Cash and cash equivalents	-	6,343	6,343
Receivables and other assets	-	1,174	1,174
	<u>-</u>	<u>7,517</u>	<u>7,517</u>
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	-	982	982
	<u>-</u>	<u>982</u>	<u>982</u>

**Determination of fair value and fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing fair value of financial assets and financial liabilities:

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

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2016 and 2015, the fair values of the Company's financial instruments approximated their carrying values.

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 receivable were determined by the management as part of impairment testing by calculating the net present values of the expected cash flows. The carrying amounts therefore approximate the fair value of these receivables.

Other liabilities are current in nature and the carrying value of these financial instruments represents their fair value.

12 CAPITAL MANAGEMENT

The objective of capital management is to ensure the Company's ability to operate as a going concern by maintaining an appropriate capital base in line with regulatory requirements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

**13 RISK MANAGEMENT**

**13.1 Introduction**

The Company has established an independent risk management department and is in the process of implementing a robust risk management framework that is aligned to the Company's business profile. While such a framework is being established, the risk management department in co-ordination with management has identified and is monitoring the risks identified below. Significant matters if any are brought to the attention of the Board of Directors.

**13.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is limited due to minimal lending / placement activity and the fact that there are no investments in financial securities. The Company is exposed to credit risk on its bank balance and receivables. This risk is considered minimal as the bank balances are maintained in current accounts with reputable international banks having good credit standings. The receivable balances primarily represent prepayments to vendors and other receivables.

**13.3 Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may also arise from an inability to realize a financial asset quickly at an amount close to its fair value. The Company's exposure to liquidity risk is low given that the Company does not hold any investments on its balance sheet and maintains minimal balance sheet leverage. The Company has enough cash and bank balances available as of 30 June 2016 in order to discharge its financial liabilities when they fall due. All of the assets and liabilities as presented in the statement of financial position of the Company are of current nature with the exception of equipment.

**13.4 Market risk**

Market risk is the risk of losses due to adverse movements in market fundamentals such as profit rates, foreign currency exchange rates, equity markets / prices and commodity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the risk adjusted return on capital. The Company's exposure to market risk is low given that the Company does not hold any investments on its balance sheet, maintains minimal profit rate sensitive assets / liabilities and foreign currency net open positions (of non USD currencies that are not pegged to the USD) are also minimal.

The largest net foreign currency exposure is in GBP amounting to approximately USD 3.1 million (30 June 2015: USD 0.5 million). A 10 percent change in exchange rates, positive or negative would impact net income by USD 0.3 million (30 June 2015: USD 0.05 million). Exposures to other currencies are minimal.

**13.5 Operational risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Company minimizes the operational risk by maintaining a strong internal control environment and oversight by the Board of Directors.

**14 COMMITMENTS AND CONTINGENCIES**

	<b>30 June 2016 USD '000</b>	<b>30 June 2015 USD '000</b>
Operating lease commitments relating to rented premises		
within one year	<b>1,000</b>	217
within two to five years	<b>231</b>	-
	<b>1,231</b>	217