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 2019

بسم الله الرحمن الرحيم

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 2019. We have also conducted a review of the operations of the Company 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, the transactions and dealings resulting from such agreement and the Zakah calculation during the year are in compliance with the Islamic Shari'ah rules and principles. All earnings (if any) that may have been realized from sources or by means prohibited by Shari'ah Rules and Principles have not been recognized as income but have been set aside to be disposed of to charitable causes.

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. Dr. Yousuf Abdullah Al Shubaily
Member

Sh. Mohammed Al Jamea
Member

7 Aug 2019.

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 2019.

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 dealing in financial instruments as an agent, and arranging, managing, safeguarding and advising on financial instruments.

Financial Highlights

	Year ended 30 June 2019 USD'000	*Year ended 30 June 2018 USD'000*
OPERATING INCOME		
Fee and other income	**17,456**	14,575
Foreign exchange loss	**(60)**	(56)
Total operating income	**17,396**	14,519
OPERATING EXPENSES		
Staff compensation and benefits	**(11,293)**	(10,050)
General and administration expenses	**(5,197)**	(3,473)
Professional and consulting fees	**(906)**	(996)
Total operating expenses	**(17,396)**	(14,519)

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of the Company, for the year ending 30 June 2020, will be submitted at the Annual General Meeting.

Signed on behalf of the Board of Directors

Abdulaziz Hamad Aljomaih
Chairman of the Board of Directors

15 August 2019

Building a better working world

Ernst & Young Middle East
P.O. Box 140
10th Floor, East Tower
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
C.R. No. 29977 - 1

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

Report on the financial statements

We have audited the accompanying statement of financial position of Arcapita Investment Management B.S.C. (c) (the "Company") as of 30 June 2019, and the related statements of 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 management, 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 2019, 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, regulation and rules or the terms of the Company's memorandum and articles of association have occurred during the year ended 30 June 2019 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 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.

Ernst & Young

Partner's Registration No. 45
3 September 2019
Manama, Kingdom of Bahrain

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**2019 USD'000**	*2018 USD'000*
ASSETS			
Balances with banks and cash	6	**13,154**	12,418
Receivables and other assets	7	**1,599**	1,379
Due from a related party	11	**474**	731
TOTAL ASSETS		**15,227**	14,528
LIABILITIES AND EQUITY			
LIABILITIES			
Accrued expenses and other liabilities		**2,203**	1,688
TOTAL LIABILITIES		**2,203**	1,688
EQUITY			
Share capital	8	**13,024**	7,833
Shares pending allotment	9	**-**	5,007
TOTAL EQUITY		**13,024**	12,840
TOTAL LIABILITIES AND EQUITY		**15,227**	14,528

Abdulaziz Hamad Aljomaih
Chairman of the Board of Directors

Atif A. Abdulmalik
Chief Executive Officer and Director

The attached explanatory notes 1 to 16 form part of these financial statements.

STATEMENT OF INCOME

For the year ended 30 June 2019

	Note	***Year ended 30 June 2019 USD'000***	*Year ended 30 June 2018 USD'000*
OPERATING INCOME			
Fee and other income	10	**17,456**	14,575
Total operating income		**17,456**	14,575
OPERATING EXPENSES			
Staff compensation and benefits		**(11,293)**	(10,050)
General and administration expenses		**(5,197)**	(3,473)
Professional and consulting fees		**(906)**	(996)
Total operating expenses		**(17,396)**	(14,519)
Foreign exchange loss		**(60)**	(56)
NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	-

Abdulaziz Hamad Aljomaih
Chairman of the Board of Directors

Atif A. Abdulmalik
Chief Executive Officer and Director

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	***Year ended 30 June 2019 USD'000***	*Year ended 30 June 2018 USD'000*
OPERATING ACTIVITIES			
Net income for the year		**-**	-
Changes in operating assets and liabilities:			
Capital raise proceeds held with a deposit agent	6	**5,007**	(5,007)
Due from a related party		**257**	(658)
Receivables and other assets		**(220)**	(433)
Accrued expenses and other liabilities		**515**	654
Net cash from (used in) operating activities		**5,559**	(5,444)
FINANCING ACTIVITY			
Proceeds from issuance of share capital	8	**184**	5,007
Net cash from financing activity		**184**	5,007
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**5,743**	(437)
Cash and cash equivalents at the beginning of the year		**7,411**	7,848
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	**13,154**	7,411

The attached explanatory notes 1 to 16 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Note	*Share capital USD'000*	*Shares pending allotment USD'000*	*Retained earnings USD'000*	*Total equity USD'000*
As at 1 July 2018		7,833	5,007	-	12,840
Issuance of share capital	9	5,191	(5,007)	-	184
As at 30 June 2019		**13,024**	**-**	**-**	**13,024**
As at 1 July 2017		7,833	-	-	7,833
Issuance of share capital		-	5,007	-	5,007
As at 30 June 2018		7,833	5,007	-	12,840

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, Commerce and Tourism 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 strategy and principal activities are dealing in financial instruments as an agent, and arranging, managing, safeguarding and advising on financial instruments.

As at 30 June 2019, the Company has nil assets under management (30 June 2018: nil).

These financial statements have been approved and authorised for issue by the Board of Directors on 15 August 2019.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in accordance with the Financial Accounting Standards ("FAS") 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 and in confirmity with FAS, 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.

2.2 Accounting convention

The financial statements have been prepared under the historical cost basis and presented in the United States Dollar ("USD") rounded to the nearst USD thousand, unless otherwise indicated, 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, unless restricted for use in operations or for specific purpose.

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, measurement and de-recognition

Financial instruments comprise financial assets and financial liabilities.

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

All financial assets and financial liabilities are subsequestly measure at amortised cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

Recognition and de-recognition (continued)

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

- 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 recognised to the extent of the Company's continuing involvement in the asset.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expires.

d. Accrued expenses and other liabilities

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

e. Amortised 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 recognised 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 recognised 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 recognising 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 recognised in the statement of income.

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 recognised 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 recognised 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 recognised, the previously recognised 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 authorised 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, 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.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised 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 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The standards issued but not yet effective, upto the date of issuance of Company's financial statements are listed below. The Company intends to adopt these standards when they become effective.

FAS 28 Murabaha and Other Deferred Payment Sale

This standard is effective from 1 January 2019 and prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transactions, excluding Tawarruq and commodity Murabaha transactions. FAS 28 supersedes the earlier FAS 2 “Murabaha and Murabaha to the Purchase Order” and FAS 20 “Deferred Payment Sale”, where it aims at setting out the accounting rules for measurement, recognition and disclosure of the transactions of Murabaha and other deferred payment sales that are carried out by Islamic Financial Institutions. Also, this standard shall not apply to investments made in investment instruments e.g. equity instruments or Sukuk, where the underlying asset for such instrument is a Murabaha or deferred payment sale.

The Company's assessment indicates that the new standard would not likely have a significant impact on the financial statements.

FAS 30 Impairment, Credit Losses and Onerous Commitments

In November 2017, AAOIFI issued FAS 30 - "Impairment, credit losses and onerous commitments" which is effective from the financial periods beginning on or after 1 January 2020, with early adoption permitted. This standard supersedes the earlier FAS 11 - "Provisions and Reserves".

The Company has carried out an assessment and it does not expect a material impact on adoption.

6 BALANCES WITH BANKS AND CASH

	Note	***30 June 2019 USD'000***	*30 June 2018 USD'000*
Balances with banks		**13,150**	7,405
Cash on hand		**4**	6
Cash and cash equivalents		**13,154**	7,411
Capital raise proceeds held with deposit agent	6.1	**-**	5,007
		13,154	12,418

6.1 Capital raise proceeds held with deposit agent

As of 30 June 2018, proceeds from the capital raise were held with the deposit agent, Arcapita Cayman SPE Limited, through a segregated client account operated by a reputed international bank until allocation and issuance of shares is completed. These proceeds were transfered to the Company on completion of legal formalities and allocation of shares during the year ended 30 June 2019.

7 RECEIVABLES AND OTHER ASSETS

	30 June 2019 USD'000	*30 June 2018 USD'000*
Receivables	**664**	303
Equipments	**483**	663
Prepayments	**441**	303
Other assets	**11**	110
	1,599	1,379

8 SHARE CAPITAL

	30 June 2019 USD	*30 June 2018 USD*
<u>Authorised capital</u>		
26,455,030 ordinary shares with a par value of USD 1 per share	**26,455,030**	26,455,030
<u>Issued and paid up capital</u>		
As at 1 July 2018 / 2017		
*(**2019: 7,833,334 shares**, 2018: 7,833,334 shares)*	**7,833,334**	7,833,334
Issued during the year		
*(**2019: 5,190,283 Shares**, 2018: Nil shares)*	**5,190,283**	-
As at 30 June 2019 / 2018		
*(**2019: 13,023,617 shares**, 2018:7,833,334 shares)*	**13,023,617**	7,833,334

9 SHARES PENDING ALLOTMENT

As at 30 June 2018 the Company had received USD 5,007 thousand from its current and new shareholders as part of a capital raise. This amount was categorised as shares pending allotment as the legal formalities necessary to issue shares had not been completed. These formalities were completed during the year ended 30 June 2019 and all shares were allocated.

10 FEE AND OTHER INCOME

	Note	***30 June 2019 USD***	*30 June 2018 USD*
Intercompany fee income	10.1	**16,979**	14,382
Management fee		**228**	141
Profit from Mudarabah deposits with financial institutions		**179**	-
Other income		**70**	52
		17,456	14,575

10.1 Intercompany fee income

AIM Group Limited (AGL) an affiliate company, and the 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 in the form of fee income.

11 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	***30 June 2019 USD'000***	*30 June 2018 USD'000*
Income			
Fee income	10.1	**16,979**	14,382
Expenses			
Key management personnel costs		**5,582**	4,740
Shari'ah supervisory board remuneration		**53**	69
Balances with related parties			
Assets			
Due from a related party		**474**	731

12 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 the financial year.

13 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.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Company's financial instruments are carried at amortised cost as follows:

	30 June 2019 At cost/ amortised cost USD '000	*30 June 2018 At cost/ amortised cost USD '000*
ASSETS		
Balances with banks	**13,150**	7,405
Receivables and other assets	**675**	413
Due from a related party	**474**	731
Capital raise proceeds held with deposit agent	**-**	5,007
	14,299	13,556
LIABILITIES		
Accrued expenses and other liabilities	**2,203**	1,688
	2,203	1,688

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 2019 and 2018, 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 receivables were determined by 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.

14 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.

15 RISK MANAGEMENT

15.1 Introduction

The Company adopts an enterprise-wide approach to risk management, with proactive identification and mitigation of the risks embedded in the Company's balance sheet and business activities. One of the primary objectives of risk management is to optimize shareholder and investor returns while maintaining the Company's risk exposure within self-imposed parameters defined within the Company's Board approved risk policy documents.

The overall responsibility for the implementation of a sound risk management framework lies with the Company's senior management and the Board of Directors. The Company has established an independent Risk Management Department (RMD) that works in co-ordination with the Risk Management Committee (RMC), which is a management level committee with the objective of providing a platform for senior management input, review and approval of key aspects relating to risk management. The RMD and RMC work under the supervision of the Audit and Risk Committee (ARC), which is a board level committee delegated with certain responsibilities of risk oversight on behalf of the Board and supports the Board in the execution of its responsibilities pertaining to risk management.

15.2 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 a reputable regional bank. The receivable balances primarily represent prepayments to vendors and other receivables.

15.3 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 2019 in order to discharge its financial liabilities as and 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.

15.4 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.

As of 30 June 2019, the Company has no significant foreign currency exposure.

15.5 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.

16 COMMITMENTS AND CONTINGENCIES

	30 June 2019 USD '000	*30 June 2018 USD '000*
Operating lease commitments relating to rented premises		
within one year	**264**	302
more than 1 year and less then five years	**-**	-
	264	302