

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 2020

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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 2020. 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 Arcapita Group Holdings 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

5 August 2020

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 2020.

Principal activities and review of business developments

The Company operates under an Investment Firm license - Category I (Islamic Principles) of Volume 4 of the CBB Rule Book 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.

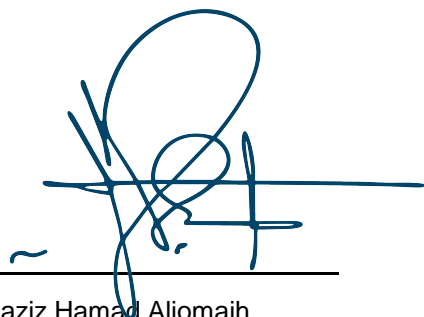
Financial Highlights

	<i>Year ended</i> 30 June 2020 <i>USD'000</i>	<i>Year ended</i> 30 June 2019 <i>USD'000</i>
OPERATING INCOME		
Fee and other income	16,696	17,456
Foreign exchange loss	(5)	(60)
Total operating income	16,691	17,396
OPERATING EXPENSES		
Staff compensation and benefits	(10,996)	(11,412)
General and administration expenses	(5,301)	(5,078)
Professional and consulting fees	(394)	(906)
Total operating expenses	(16,691)	(17,396)

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 2021, 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

5 August 2020

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 2020, and the related statements of income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information. 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 2020, 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)

Except for as noted in note 13, 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 2020 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.



Partner's registration no. 45
5 August 2020
Manama, Kingdom of Bahrain

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Note</i>	30 June 2020 USD'000	<i>30 June 2019 USD'000</i>
ASSETS			
Balances with banks and cash on hand	6	3,140	13,154
Receivables and other assets	7	1,613	1,599
Due from a related party	10	9,989	474
TOTAL ASSETS		14,742	15,227
LIABILITIES AND EQUITY			
LIABILITIES			
Accrued expenses and other liabilities		1,718	2,203
TOTAL LIABILITIES		1,718	2,203
EQUITY			
Share capital	8	13,024	13,024
TOTAL EQUITY		13,024	13,024
TOTAL LIABILITIES AND EQUITY		14,742	15,227

Abdulaziz Hamad Aljomaih
Chairman of the Board of Directors

Atif A. Abdulmalik
Chief Executive Officer and Director

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

STATEMENT OF INCOME

For the year ended 30 June 2020

	Note	Year ended 30 June 2020 USD'000	Year ended 30 June 2019 USD'000
OPERATING INCOME			
Fee and other income	9	16,696	17,456
Total operating income		16,696	17,456
OPERATING EXPENSES			
Staff compensation and benefits		(10,996)	(11,412)
General and administration expenses		(5,301)	(5,078)
Professional and consulting fees		(394)	(906)
Total operating expenses		(16,691)	(17,396)
Foreign exchange loss		(5)	(60)
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

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

		<i>Year ended</i> 30 June 2020 <i>USD'000</i>	<i>Year ended</i> 30 June 2019 <i>USD'000</i>
	<i>Note</i>		
OPERATING ACTIVITIES			
Net income for the year		-	-
Changes in operating assets and liabilities:			
Due from a related party		(9,515)	257
Receivables and other assets		(14)	(220)
Accrued expenses and other liabilities		(485)	515
Capital raise proceeds held with a deposit agent		-	5,007
Net cash (used in) from operating activities		(10,014)	5,559
FINANCING ACTIVITY			
Proceeds from issuance of share capital	8	-	184
Net cash from financing activity		-	184
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(10,014)	5,743
Cash and cash equivalents at the beginning of the year		13,154	7,411
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	3,140	13,154

The attached explanatory notes 1 to 17 form part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	<i>Note</i>	<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 2019		13,024	-	-	13,024
As at 30 June 2020		13,024	-	-	13,024
As at 1 July 2018		7,833	5,007	-	12,840
Issuance of share capital	8	5,191	(5,007)	-	184
As at 30 June 2019		13,024	-	-	13,024

The attached explanatory notes 1 to 17 form part of these financial statements.

At 30 June 2020

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. 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) of the CBB Rule Book Volume 4 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 2020, the Company has nil assets under management (30 June 2019: nil).

These financial statements have been approved and authorised for issue by the Board of Directors on 5 August 2020.

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 conformity 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 nearest 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 subsequently measured 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.

At 30 June 2020

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.

n. 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.

o. 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

Relevant standards issued but not yet effective up to the date of the financial statements of the Company are listed below. The Company intends to adopt these standards, if applicable, when they become effective.

- *FAS 30 Impairment, Credit Losses and Onerous Commitments*
- *FAS 35 Risk Reserves*
- *FAS 33 Investment in sukuk, shares and similar instruments*

The above standards are not expected to have any material impact on the Company's financial statements at the time of adoption.

6 BALANCES WITH BANKS AND CASH ON HAND

	30 June 2020 USD'000	30 June 2019 USD'000
Balances with banks	3,136	13,150
Cash on hand	4	4
Cash and cash equivalents	3,140	13,154

7 RECEIVABLES AND OTHER ASSETS

	30 June 2020 USD'000	30 June 2019 USD'000
Equipments	638	483
Receivables	542	664
Prepayments	422	441
Other assets	11	11
	1,613	1,599

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2020

8 SHARE CAPITAL

	30 June 2020 USD	30 June 2019 USD
Authorised capital		
26,455,030 ordinary shares with a par value of USD 1 per share	26,455,030	26,455,030
Issued and paid up capital		
As at 1 July 2019 / 2018 (2019: 13,023,617 shares , 2018: 7,833,334 shares)	13,023,617	7,833,334
Issued during the year (2020: Nil Shares , 2019: 5,190,283 shares)	-	5,190,283
As at 30 June 2020 / 2019 (2020: 13,023,617 shares , 2019: 13,023,617 shares)	13,023,617	13,023,617

9 FEE AND OTHER INCOME

	<i>Note</i>	30 June 2020 USD	30 June 2019 USD
Service fee income	9.1	16,003	16,979
Profit from Mudarabah deposits with financial institutions		459	179
Management fee		225	228
Other income		9	70
		16,696	17,456

9.1 Service fee income

Arcapita Group Holdings Limited (AGHL), 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 AGHL (and its affiliates). AGHL reimburses the expenditures incurred by the Company in respect of the services rendered in the form of fee income.

10 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 and included in the statement of income is as follows:

	<i>Note</i>	30 June 2020 USD'000	30 June 2019 USD'000
Income			
Service fee income	9.1	16,003	16,979
Expenses			
Key management personnel costs		6,472	5,582
Shari'ah supervisory board remuneration		15	53

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2020

10 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Balances with related parties included in the statement of financial position is as follows:

	<i>Note</i>	30 June 2020 USD'000	<i>30 June 2019 USD'000</i>
Assets			
Due from a related party	10.1	9,989	474
Receivables and other assets	10.2	41	100

10.1 Due from a related party

This represents balance due from AGHL and is repayable on demand.

10.2 Receivables and other assets

This relates to advances made to key management personnel in the normal course of business. A portion of each balance is repaid each month.

11 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.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

	30 June 2020 At cost/ amortised cost USD '000	<i>30 June 2019 At cost/ amortised cost USD '000</i>
ASSETS		
Balances with banks	3,136	13,150
Receivables and other assets	553	675
Due from a related party	9,989	474
	13,678	14,299
LIABILITIES		
Accrued expenses and other liabilities	1,718	2,203
	1,718	2,203

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.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 30 June 2020 and 2019, 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.

13 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.

As at the statement of financial position date, the Company exceeded its single counterparty exposure limit with respect to a balance due from a related party (USD 9,989 thousand) and its capital adequacy ratio (CAR) was below the minimum CAR requirement of 110% (68%) prescribed in CBB Rulebook Volume 4 'Investment Business'. Subsequent to the statement of financial position date, the single exposure was reduced within the prescribed limit and the CAR restored above the minimum limit thereby resolving all issues of non-compliance.

14 RISK MANAGEMENT

14.1 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.

14.2 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.

14.3 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 realise 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 2020 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.

14 RISK MANAGEMENT (CONTINUED)

14.4 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 2020, the Company has no significant foreign currency exposure.

14.5 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 minimises the operational risk by maintaining a strong internal control environment and oversight by the Board of Directors.

15 COMMITMENTS AND CONTINGENCIES

	30 June 2020 USD '000	30 June 2019 USD '000
Operating lease commitments relating to rented premises		
within one year	1,240	264
more than 1 year and less than five years	620	-
	<u>1,860</u>	<u>264</u>

16 IMPACT OF NOVEL CORONAVIRUS (COVID-19)

On 11 March 2020, the spread of the COVID-19 virus around the world was declared a pandemic by the World Health Organisation. The Government of the Kingdom of Bahrain and other countries implemented restrictions aimed at limiting the rate of its spread which have impacted people, businesses and economies. Additionally, the Government of the Kingdom of Bahrain has launched economic support and relief measures to minimise the impact on individuals and corporates. The Company received following economic support from the Government of the Kingdom of Bahrain:

	30 June 2020 USD '000
Economic support received from the Government of the Kingdom of Bahrain	<u>1,107</u>

Support received from the Government of the Kingdom of Bahrain include subsidies of staff salaries and electricity, water and municipality rates. These have been netted off against the relevant expenses.

The Company is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential impact of the business disruption due to Covid-19 outbreak, on its operations and financial performance.

The extent of the impact of covid-19 outbreak on the financial performance of the Company will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of Covid-19 on the financial markets and the overall economy, all of which are uncertain and difficult to predict. If the financial markets and/or the overall economy are impacted for an extended period, the Company's results may be affected.

At 30 June 2020

17 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year. Such reclassifications do not affect previously reported net profit or total equity.