INVESTCORP BANK B.S.C.

CONSOLIDATED

FINANCIAL STATEMENTS

JUNE 30, 2019
FISCAL YEAR 2019

Ernst & Young Middle East
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INVESTCORP BANK B.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the accompanying consolidated financial statements of Investcorp Bank B.S.C. ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INVESTCORP BANK B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

1. Valuation of unquoted investments, related fair value changes and performance fees	
Key audit matter	**How the key audit matter was addressed in the audit**
The Group's investment portfolio comprises of a number of unquoted private equity, credit management and real estate investments. The Group has used a combination of discounted cash flow analysis approach, PE multiples based approach and bids or indicative prices obtained from potential buyers or banks engaged in the sale process to determine the fair value of these investments. Owing to the unquoted and illiquid nature of these investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by management. This was a key area of focus of our audit given the significance of the judgments and estimates made by management to support the valuations. Also, during the year, the Group has recorded performance fees of US$ 27.8 million in respect of its unquoted investments representing fees accrued for performance in excess of hurdle / performance rates as agreed with investors.	We obtained an understanding of management's processes and controls for determining the fair valuation of unquoted investments. This included discussing with management the valuation governance structure and protocols around their oversight of the valuation process. For a sample of unquoted investments, we obtained and reviewed the relevant documents supporting the valuations and the assumptions used. We checked the mathematical accuracy of the valuation models for the sample selected. With the assistance of our valuations specialists, we formed an independent range for the key assumptions used in the valuation of a sample of unquoted investments, with reference to the relevant industry and market valuation considerations. We derived a range of fair values using our assumptions and other qualitative risk factors. We compared these ranges with management's assumptions, and discussed our results with management. On a sample basis, we re-performed the performance fee calculations and compared the basis of computation with the terms of the performance fee agreements. Refer to the critical accounting estimates and judgments and disclosures of investments in notes 12, 13, 15, 30 and 33 to the consolidated financial statements.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we have obtained the following sections of the 2019 Annual Report, and the remaining sections are expected to be made available to us after that date.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INVESTCORP BANK B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2019 Annual Report (continued)

- Message to shareholders
- Investment Activity
- Realizations & Distributions
- Discussion of Results
- AUM & Fundraising
- Portfolio Performance
- PE Portfolio Listing

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INVESTCORP BANK B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INVESTCORP BANK B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
From the matters communicated to the Audit & Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and Volume 1 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements

c) 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 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 30 June 2019 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's report is Gordon Bennie.

Ernst + Young

Partner's registration no. 145
6 August 2019
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

$millions	***2019***	***2018***	*Notes*
FEE INCOME			
AUM fees	181	173	
Deal fees	195	148	
Fee income (a)	376	321	4
ASSET BASED INCOME			
Private equity investment	29	65	
Credit management investment	22	28	
Absolute return investments	8	10	
Real estate investment	29	24	
Investment in an associate	5	-	6
Treasury and other asset based income	13	10	
Asset based income excluding fair value change of legacy investments (b)	106	137	
Fair value change of legacy investments (c)	(17)	(4)	12 (A)
Gross operating income (a) + (b) + (c)	465	454	4
Provisions for impairment	(4)	(4)	16
Interest expense	(51)	(56)	4
Operating expenses	(268)	(256)	7
PROFIT BEFORE TAX	142	138	
Income tax expense	(11)	(13)	8
PROFIT FOR THE YEAR *	131	125	
PROFIT FOR THE YEAR EXCLUDING FAIR VALUE CHANGE OF LEGACY INVESTMENTS	148	129	
Basic earnings per ordinary share ($)	1.52	1.34	25
Fully diluted earnings per ordinary share ($)	1.47	1.30	25

Profit for the year was used for calculation of basic and fully diluted earnings per ordinary share and total comprehensive income

Dr. Yousef Hamad Al-Ebraheem

Chairman

Mohammed Bin Mahfoodh Bin Saad Alardhi

Executive Chairman

The attached Notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

$millions	*2019*	*2018*	*Notes*
PROFIT FOR THE YEAR	131	125	
Other comprehensive income that will be recycled to statement of profit or loss			
Fair value movements - cash flow hedges	2	2	
Movements - Fair value through other comprehensive income investments	(3)	-	
Other comprehensive income that will not be recycled to statement of profit or loss			
Movements - Fair value through other comprehensive income investments	(6)	(6)	
Other comprehensive loss	(7)	(4)	
TOTAL COMPREHENSIVE INCOME	124	121	

Dr. Yousef Hamad Al-Ebraheem

Chairman

Mohammed Bin Mahfoodh Bin Saad Alardhi

Executive Chairman

The attached Notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

$millions	*June 30, 2019*	*June 30, 2018*	*Notes*
ASSETS			
Cash and short-term funds	57	105	
Placements with financial institutions and other liquid assets	333	266	
Positive fair value of derivatives	44	55	26
Receivables and prepayments	364	276	9
Advances	82	92	10
Underwritten and warehoused investments	334	446	11
Co-investments			
Private equity investment	505	625	12
Credit management investment	332	272	13
Absolute return investments	112	189	14
Real estate investment	68	76	15
Total co-investments	1,017	1,162	
Premises, equipment and other assets	37	36	
Investment in an associate	38	-	6
Intangible assets	55	55	17
TOTAL ASSETS	2,361	2,493	
LIABILITIES AND EQUITY			
LIABILITIES			
Call accounts	263	116	18
Term and institutional accounts	151	300	19
Payables and accrued expenses	202	226	20
Negative fair value of derivatives	23	39	26
Medium and long term debt	514	617	21
Deferred fees	63	72	22
TOTAL LIABILITIES	1,216	1,370	
EQUITY			
Preference share capital	123	123	23
Ordinary shares at par value	200	200	23
Reserves	321	322	
Treasury shares	(74)	(5)	
Retained earnings	540	447	
Ordinary shareholders' equity excluding proposed appropriations and other reserves	987	964	
Proposed appropriations	38	41	25
Other reserves	(3)	(5)	24
TOTAL EQUITY	1,145	1,123	
TOTAL LIABILITIES AND EQUITY	2,361	2,493	

Dr. Yousef Hamad Al-Ebraheem

Chairman

Mohammed Bin Mahfoodh Bin Saad Alardhi

Executive Chairman

The attached Notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

			Reserves							Other Reserves			
$millions	**Preference share capital**	**Ordinary share capital**	**Share premium**	**Statutory reserve**	**Fair value reserve**	**Total**	**Treasury shares**	**Retained earnings**	**Proposed appropriations**	**Cash flow hedges**	**Revaluation reserve on premises and equipment**	**Total**	**Total equity**
Balance at July 1, 2017	**223**	**200**	**226**	**100**	**(5)**	**321**	**(3)**	**366**	**44**	**(11)**	**5**	**(6)**	**1,145**
Total comprehensive income	-	-	-	-	(6)	(6)	-	125	-	2	-	2	121
Transferred to retained earnings upon derecognition	-	-	-	-	4	4	-	(4)	-	-	-	-	-
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	-	1	-	-	(1)	(1)	-
Treasury shares purchased during the year - net of sales and vesting	-	-	-	-	-	-	1	-	-	-	-	-	1
Gain on sale of treasury shares - net of loss on vesting	-	-	3	-	-	3	(3)	-	-	-	-	-	-
Preference shares redeemed during the year	(100)	-	-	-	-	-	-	-	-	-	-	-	(100)
Approved appropriations for fiscal 2017 paid	-	-	-	-	-	-	-	-	(44)	-	-	-	(44)
Proposed appropriations for fiscal 2018	-	-	-	-	-	-	-	(41)	41	-	-	-	-
Balance at June 30, 2018	**123**	**200**	**229**	**100**	**(7)**	**322**	**(5)**	**447**	**41**	**(9)**	**4**	**(5)**	**1,123**
Total comprehensive income	-	-	-	-	(9)	(9)	-	131	-	2	-	2	124
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	-	0	-	-	(0)	(0)	-
Treasury shares purchased during the year - net of sales and vesting	-	-		-	-	-	(61)	-	-	-	-	-	(61)
Gain on vesting of treasury shares	-	-	8	-	-	8	(8)	-	-	-	-	-	-
Approved appropriations for fiscal 2018 paid	-	-	-	-	-	-	-	-	(41)	-	-	-	(41)
Proposed appropriations for fiscal 2019	-	-	-	-	-	-	-	(38)	38	-	-	-	-
Balance at June 30, 2019	**123**	**200**	**237**	**100**	**(16)**	**321**	**(74)**	**540**	**38**	**(7)**	**4**	**(3)**	**1,145**

The attached Notes 1 to 34 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

$millions	*2019*	*2018*	*Notes*
OPERATING ACTIVITIES			
Profit before tax	142	138	
Adjustments for non-cash items in profit before tax :			
Depreciation	5	5	7
Provisions for impairment	4	4	16
Amortization of transaction costs of borrowings and management contracts	7	8	
Employee deferred awards	27	25	
Operating profit adjusted for non-cash items	185	180	
Changes in:			
Operating capital			
Placements with financial institutions and other liquid assets (non-cash equivalent)	2	126	
Receivables and prepayments	(102)	(20)	9
Advances	8	(8)	10
Underwritten and warehoused investments	112	14	11
Call accounts	147	(100)	18
Payables and accrued expenses	(29)	44	20
Deferred fees	(9)	(15)	22
Co-investments			
Private equity investment	122	(91)	12
Credit management investment	(64)	(13)	13
Absolute return investments	77	48	14
Real estate investment	12	3	15
Fair value of derivatives	36	1	
Other assets	-	1	
Income taxes paid	(9)	(11)	
NET CASH FROM OPERATING ACTIVITIES	488	159	
FINANCING ACTIVITIES			
Term and institutional accounts	(149)	115	19
Debt repaid - net of transaction costs and new issuances	(148)	(180)	21
Treasury shares purchased - net of sales	(84)	(12)	
Dividends paid	(41)	(44)	
Preference shares redeemed during the year	-	(100)	
NET CASH USED IN FINANCING ACTIVITIES	(422)	(221)	
INVESTING ACTIVITIES			
Investment in an associate and a subsidiary	(39)	-	
Investment in premises and equipment	(6)	(4)	
NET CASH USED IN INVESTING ACTIVITIES	(45)	(4)	
Net increase / (decrease) in cash and cash equivalents	21	(66)	
Cash and cash equivalents at beginning of the year	369	435	
Cash and cash equivalents at end of the year	390	369	
Cash and cash equivalents comprise of:			
Cash and short-term funds	57	105	
Placements with financial institutions and other liquid assets with an original maturity of three months or less	333	264	
	390	369	

In addition to the above, the Group has an undrawn and available balance of $686 million (June 30, 2018: $625 million) from its revolving medium-term facilities.

Additional cash flow information

$millions	*2019*	*2018*
Interest paid	(51)	(59)
Interest received	40	46

The attached Notes 1 to 34 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

(i) Incorporation

Investcorp Bank B.S.C. (the "Bank") operates under a Wholesale Banking License issued by the Central Bank of Bahrain ("CBB").

The Bank is a holding company owning various subsidiaries (together the "Group" or "Investcorp"). The activities of the Bank are substantially transacted through its subsidiaries.

The Bank is incorporated in the Kingdom of Bahrain as a Bahraini Shareholding Company with limited liability. The Bank is listed on the Bahrain Bourse. The ultimate parent of the Group is SIPCO Holdings Limited ("SHL") incorporated in the Cayman Islands.

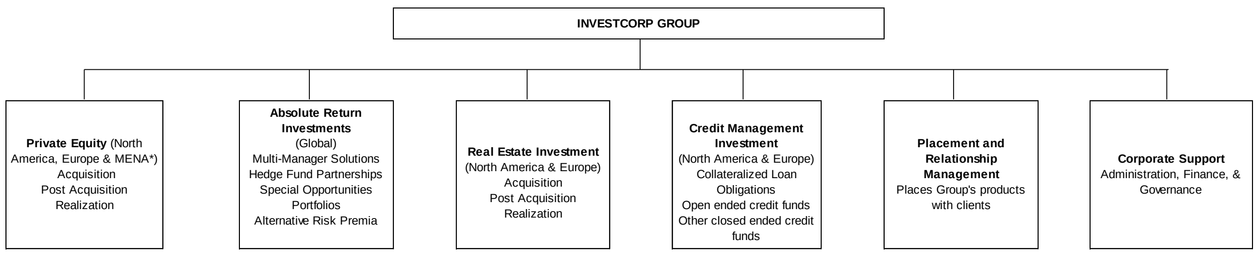
The registered office of the Bank is at Investcorp House, Building 499, Road 1706, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 12411-1 issued by the Ministry of Industry, Commerce and Tourism, Kingdom of Bahrain.

The consolidated financial statements for the year ended June 30, 2019 were authorized for issue in accordance with a resolution of the Board of Directors effective on August 6, 2019.

(ii) Activities

The Group performs two principal roles (a) to act as an intermediary by bringing global investment opportunities to its clients, and (b) to act as a principal investor by co-investing with its clients in each of its investment products.

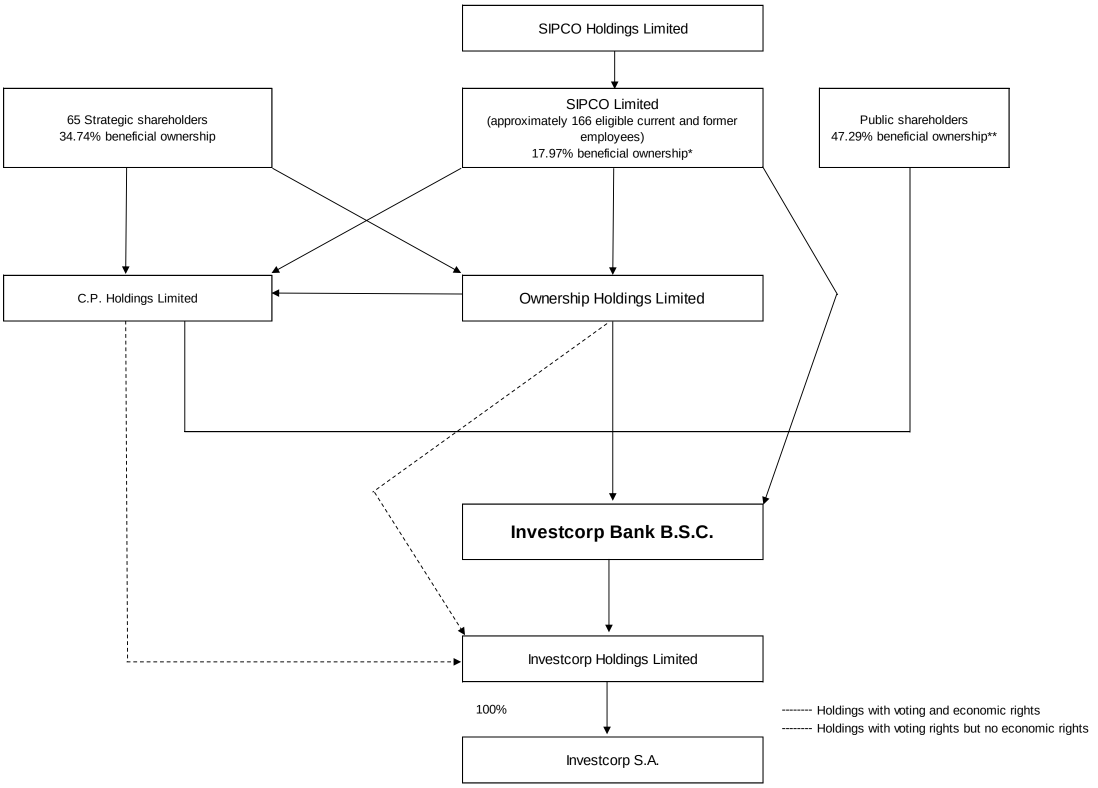
In performing its principal roles, the Group provides products in four broad investment asset classes. The investment asset classes in which the Group specializes are private equity investment, absolute return investments, real estate investment and credit management investment. Each of the asset classes is comprised of its own dedicated team of investment professionals and is supported by a common placement and relationship management team and corporate support units.



*Includes Turkey

1. ORGANIZATION (CONTINUED)

(iii) Ownership



* Includes 7% shares granted but not acquired and ungranted shares under the various Employee Share Ownership Plans. The Bank has approval from the Central Bank of Bahrain ("CBB") to hold up to 40% of its shares for various Employee Share Ownership Plans. On the balance sheet these shares are accounted for as the equivalent of treasury shares.

** Includes 0.03% beneficial ownership held in the form of unlisted Global Depositary Receipts.

As at June 30, 2019, Ownership Holdings Limited ('OHL'), a Cayman Islands company, has control of 51.4% of Investcorp Bank's Ordinary Shares directly and through CP Holdings Limited ('CPHL'), a Cayman Islands company. CPHL is controlled by OHL which, in turn, has SIPCO Limited ("SIPCO") as its largest shareholder. Strategic shareholders own the balance of CPHL and OHL. SIPCO, a subsidiary of SHL, is the entity through which employees own beneficial interests in the Bank's ordinary shares.

As a result of the Bank's ownership structure, the directors of SIPCO, comprised of certain of the Bank's directors and senior executive officers who are also the directors of OHL's sole director, which is a Cayman Islands corporation, have the ability to control the voting of 52.7% of the Bank's ordinary shares.

SHL, SIPCO, OHL and CPHL are companies incorporated in the Cayman Islands.

1. ORGANIZATION (CONTINUED)

(iv) Subsidiary companies

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries.

The Bank has a 100% economic interest in Investcorp Holdings Limited ("IHL"), incorporated in the Cayman Islands, through its ownership of Series A and Series B preference shares issued by IHL. These preference shares have the right to 100% of all dividends declared by IHL and 100% of IHL's net assets in the event of liquidation subject to the payment of a nominal amount in respect of IHL's ordinary shares. CPHL, OHL and SIPCO Limited own ordinary shares of IHL to facilitate the investment protection mechanism described in the Annual Report. Please see Ownership Structure, Corporate Governance and Regulation section of the Annual Report. The ordinary shares and Series A preference shares of IHL carry voting rights.

IHL in turn has a 100% economic and voting interest in Investcorp S.A. ("ISA"), a Cayman Islands holding company. ISA is the principal asset-holding operating entity within the Group and, consistent with covenants contained in the Group's medium and long-term debt agreements, the Group holds at least 95% of its assets through ISA or subsidiaries that are owned directly or indirectly by ISA.

1. ORGANIZATION (CONTINUED)

(iv) Subsidiary companies (continued)

The Group structure along with its significant subsidiaries is illustrated below:

Parent	Wholly owned significant subsidiaries	Description of principal activities
Investcorp Bank B.S.C. (Bahrain)		Bahrain-based parent company of the Group.
	Investcorp Holdings Limited (Cayman Islands)	Holding company that provides *force majeure* investment protection to shareholders and lenders.
	Investcorp S.A. (Cayman Islands)	Holding company that is the principal operating and asset owning arm of the Group.
	Investcorp Capital Limited (Cayman Islands)	Company that issues the Group's long-term notes and other capital market financings.
	Investcorp Investment Holdings Limited (Cayman Islands)	Company through which the Group retains its equity investments across its product classes.
	Investcorp Management Services Limited (Cayman Islands)	Company that provides administrative services to non-United States client investment holding companies for corporate and real estate investments
	Investcorp Single Manager Enterprises Limited (Cayman Islands)	Company that provides corporate management and administrative services
	Investcorp Investment Advisers Limited (Cayman Islands)	Company that provides investment management and advisory services to investment funds including absolute return investments (ARI) and is an SEC registered
	Investcorp Funding Limited (Cayman Islands)	Company that provides short-term funding to investee and client investment holding companies.
	Investcorp Trading Limited (Cayman Islands)	Company that executes the Group's money market, foreign exchange and derivative financial contracts, invests in hedge funds partners and manages the Group's excess liquidity.
	CIP AMP Limited (Cayman Islands)	Company through which the Group co-invests in ARI products.
	Investcorp International Limited (UK)	The Group's principal operating subsidiary in the UK which employs the group's UK-based employees.
	Investcorp Securities Ltd. (UK)	Company that provides M & A consulting services for deal execution in Europe and acts as a Small AIFM and RIA, regulated by the UK FCA and the SEC.
	Investcorp International Holdings Inc. (USA)	The Group's holding company in the United States of America.
	Investcorp International Inc. (USA)	Employs the group's United States-based employees.
	N A Investcorp LLC (USA)	Company is a SEC registered broker dealer that provides marketing services in the United States for the ARI and real estate funds and investment banking services for M&A transactions.
	Investcorp Investment Advisers LLC (USA)	Company that provides investment management and advisory services in the United States for investment funds, including ARI, and is an SEC registered investment advisor.
	Investcorp Credit Management US LLC (USA)	Company that provides investment management and advisory services to various debt funds in the US and is an SEC registered investment adviser.
	Investcorp Financial Services BSC	Company that provides investment management and advisory services in MENA region and acts as principal agent in Bahrain for placements of the products offered by
	Investcorp Europe Holdings Limited (UK)	Company that acts as a holding company for Banque Paris Bertrand Sturdza
	Investcorp Credit Management EU Limited (UK)	Company that provides investment management and advisory services to various debt funds in the UK and is regulated by the UK FCA.
	Investcorp Asia Services Pte. Ltd. (Singapore)	Company that acts as principal agent of the Group in Asia for placements of alternative asset investment products.
	Investcorp India Asset Managers Private Limited (India)	Company that acts as the Fund Manager and Investment adviser for investments in India
	Investcorp Investments LLC (Qatar)	Company that acts as principal agent of the Group in Qatar for placements of the products offered by the Group.
	Investcorp Saudi Arabia Financial Investments Co (Saudi Arabia)	Company that acts as principal agent of the Group in Saudi Arabia for placements of the products offered by the Group.

2. ASSETS UNDER MANAGEMENT

The Group's clients participate in products offered under its four investment asset classes. Total assets under management ("AUM") in each product category at the year end are as follows:

	June 30, 2019				June 30, 2018 (Restated)			
$millions	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Private equity investment								
Closed-end committed funds	815	34	19	868	380	20	10	410
Closed-end invested funds	1,402	77	21	1,500	718	81	18	817
Deal-by-deal	2,544	398 *	177	3,119	2,749	524 *	139	3,412
Deal-by-deal underwriting	-	52	-	52	-	123	-	123
Strategic and other investments	-	18	-	18	-	20	-	20
Special opportunity portfolio	181	5	-	186	-	-	-	-
Investment in associate	-	38	-	38	-	-	-	-
Total private equity investment	**4,942**	**622**	**217**	**5,781**	**3,847**	**768**	**167**	**4,782**
Credit management investment								
Closed-end invested funds	10,975	356	-	11,331	10,772	272	-	11,044
Open-end invested funds	258	10	-	268	355	25	-	380
Warehousing	-	5	266	271	-	42	-	42
Total credit management investment	**11,233**	**371**	**266**	**11,870**	**11,127**	**339**	**-**	**11,466**
Absolute return investments**								
Multi-manager solutions	1,605	29	-	1,634	2,004	45	-	2,049
Hedge funds partnerships	1,949	30	-	1,979	1,371	65	-	1,436
Special opportunities portfolios	96	43	-	139	121	55	-	176
Alternative risk premia	38	10	-	48	38	24	-	62
Special opportunities portfolios underwriting	-	-	-	-	-	11	-	11
Total absolute return investments	**3,688**	**112**	**-**	**3,800**	**3,534**	**200**	**-**	**3,734**
Real estate investment								
Closed-end invested funds	134	-	-	134	6	5	-	11
*Deal-by-deal****	4,820	588	306	5,714	4,654	543	417	5,614
*Deal-by-deal underwriting****	-	278	-	278	-	269	-	269
Strategic and other investments	-	-	-	-	-	6	-	6
Total real estate investment	**4,954**	**866**	**306**	**6,126**	**4,660**	**823**	**417**	**5,900**
Client call accounts held in trust	576	-	-	576	393	-	-	393
Total	**25,393**	**1,971**	**789**	**28,153**	**23,561**	**2,130**	**584**	**26,275**
*Associate's assets under management*****	**5,661**	**-**	**-**	**5,661**	**-**	**-**	**-**	**-**
Summary by products:								
Closed-end committed funds	815	34	19	868	380	20	10	410
Closed-end invested funds	1,536	77	21	1,634	724	86	18	828
Credit management funds	11,233	366	-	11,599	11,127	297	-	11,424
Absolute return investments	3,688	112	-	3,800	3,534	189	-	3,723
*Deal-by-deal****	7,364	986	483	8,833	7,403	1,067	556	9,026
*Underwriting and warehousing****	-	335	266	601	-	445	-	445
Client monies held in trust	576	-	-	576	393	-	-	393
Strategic and other investments	-	18	-	18	-	26	-	26
Special opportunity portfolio	181	5	-	186	-	-	-	-
Investment in associate	-	38	-	38	-	-	-	-
Total	**25,393**	**1,971**	**789**	**28,153**	**23,561**	**2,130**	**584**	**26,275**
*Associate's assets under management*****	**5,661**	**-**	**-**	**5,661**	**-**	**-**	**-**	**-**
Summary by asset classes:								
Private equity investment	4,942	604	217	5,763	3,847	748	167	4,762
Credit management investment	11,233	371	266	11,870	11,127	339	-	11,466
Absolute return investments	3,688	112	-	3,800	3,534	200	-	3,734
*Real estate investment****	4,954	866	306	6,126	4,660	817	417	5,894
Client call accounts held in trust	576	-	-	576	393	-	-	393
Strategic and other investments	-	18	-	18	-	26	-	26
Total	**25,393**	**1,971**	**789**	**28,153**	**23,561**	**2,130**	**584**	**26,275**
*Associate's assets under management*****	**5,661**	**-**	**-**	**5,661**	**-**	**-**	**-**	**-**

** Includes Group's commitment of $4 million (June 30, 2018: $4 million) to a private equity deal.*

*** Stated at gross value of the underlying exposure. Also, includes $2.9 billion (June 30, 2018: $2.4 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM.*

**** Real estate investment stated at gross asset value.*

***** Represents AUM managed by an associate where Investcorp is entitled to net return based on the proportionate indirect ownership of the associate.*

In the above table, all absolute return investments and real estate investment exposures and Investcorp's co-investment amounts for private equity investment and credit management exposures are stated at current fair values while the other categories are stated at their carrying cost.

2. ASSETS UNDER MANAGEMENT (CONTINUED)

During the current year, there has been a change in the presentation of real estate investment AUMs from net asset value to gross asset value. Accordingly, the prior year real estate investment AUMs have also been restated.

Certain of the Group's clients entered into a trust arrangement whereby their balances maintained with the Bank are transferred into individual trust fund accounts held by a common trustee. These trust funds are invested in highly liquid assets, which have a credit rating no lower than that of Investcorp, or placed with Investcorp. Client assets held in trust earn the return generated from the investment of such assets, with a guaranteed minimum return equivalent to inter-bank based market rates.

All of these clients' assets, including affiliates and co-investors, are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn a majority of the rewards on their investments, subject to normal management and performance fee arrangements. Accordingly, these assets are not included in the Group's consolidated statement of financial position.

3. BUSINESS COMBINATION

During the year, the Group acquired the private equity and real estate asset management business of IDFC Alternatives Limited, India and added these to its asset classes and product offerings.

The fair value of the assets acquired was the same as their carrying value as of the date of acquisition. At the date of acquisition, net current liabilities of $0.6 million were transferred to the Group. This comprises of current assets of $0.3 million and current liabilities of $0.9 million.

Total goodwill of $1 million was recognized on the acquisition of the business as this transaction will enable the business to leverage upon Investcorp's strategic commitment, capital and distribution capabilities and will support the Indian private equity and real estate asset management business in its next phase of global growth.

4. SEGMENT REPORTING

A. REPORTING SEGMENTS

The business segments reported are based on the two primary reporting segments into which the Group classifies its activities.

i) ***Fee Business***

The Group acts as an intermediary by acquiring, managing and realizing investments in investment assets for institutional and high net worth clients. The Group operates through centers in the Arabian Gulf, the US, Europe, India and Singapore. The Group's clients primarily include institutional and high net worth clients in Arabian Gulf states and institutional investors in the United States, Europe and Asia. Fee income is earned throughout the life cycle of investments by providing these intermediary services to clients.

4. SEGMENT REPORTING (CONTINUED)

A. REPORTING SEGMENTS (CONTINUED)

ii) ***Co-investment Business***

The Group co-invests along with its clients in the investment asset products it offers to clients. Income from these co-investments in private equity investment deals, absolute return investments, real estate investment deals and credit management investment deals are classified as asset based income.

B. ASSET CLASSES AND PRODUCTS

The Group classifies its two primary reporting segments further on the basis of asset classes and products:

Asset Classes	Products
1) Private equity investment	- Deal by deal offerings - Closed-end fund(s)
2) Credit management investment	- Open-end fund(s) - Closed-end fund(s)
3) Absolute return investments	- Multi-manager solutions - Hedge fund partnerships - Alternative risk premia - Special opportunities portfolios
4) Real estate investment	- Deal by deal offerings - Closed-end fund(s)

The asset classes, together with their related product offerings, are described in further detail below:

i) ***Private equity Investment (PE)***

The PE teams are based in London, New York, the Kingdom of Bahrain and India. The PE teams based in London and New York arrange private equity investments in mid-size companies, in North America and Western Europe, with a strong track record and potential for growth. The PE team based in the Kingdom of Bahrain and India primarily looks at growth capital investments in the wider MENA region, (including Turkey) and India respectively. These PE investments are placed primarily on a deal-by-deal basis with the Group's investor base in the Arabian Gulf states and are also offered through conventional fund structures participation which is extended to investors. The Group retains a small portion as a co-investment on its consolidated statement of financial position. These investments are held until realization.

4. SEGMENT REPORTING (CONTINUED)

B. ASSET CLASSES AND PRODUCTS (CONTINUED)

ii) ***Credit Management Investment (CM)***

The CM teams are based in London and New York. The teams primarily manage Investcorp's CM business which includes proprietary co-investments as well as client assets under management. The CM teams' business activity comprises of launching and managing of CLO funds in North America and Europe with an approximate size of each fund of US$500 million / €400 million and development and management of other senior debt funds that invest in debt of companies in North America and Europe. The business aims to achieve consistent outperformance against market returns for debt investors through active and diversified portfolio management.

iii) ***Absolute Return Investments (ARI)***

The ARI team, primarily operating from New York, manages Investcorp's ARI business which includes proprietary co-investments as well as client assets under management. The ARI business comprises multi-manager solutions, special opportunities portfolios, alternative risk premia funds and hedge fund partnership products. The business aims to achieve attractive returns on a risk-adjusted basis over a medium-term period with low correlation to traditional and other asset classes, through a diversified portfolio of investments.

iv) ***Real Estate Investment (RE)***

The RE teams are based in New York, London and India. The RE teams arrange investments in North American, European and Indian properties with strong cash flows and/or potential for attractive capital gains over a three to five year holding period. Several properties are assembled into diversified portfolios that are then placed with the Group's investor base in the Arabian Gulf states, with the Group retaining a small portion as a co-investment on its own consolidated statement of financial position. Further, the Group also provides its investor base with mezzanine investment opportunities through fund structures, with the Group retaining a small portion as a co-investment on its own consolidated statement of financial position. The real estate investments are held until realization.

C. REVENUE GENERATION

i) ***Fee income***

There are several components of fees that are earned from providing intermediary services to clients and investee companies.

AUM fees

AUM fees consist of

- management, administrative and recurring consulting fees earned on PE and RE investments from client's investment holding companies, investee companies and closed-end funds; and
- management, performance and other fees earned on ARI and CM assets under management.

4. SEGMENT REPORTING (CONTINUED)

C. REVENUE GENERATION (CONTINUED)

Deal fees

Deal fees are comprised of activity fees and performance fees on PE and RE investments.

Activity fees comprise fees earned by the Group from investee companies in connection with new PE or RE acquisitions. This also includes part of the placement fees earned by the Group from clients at the time of placing a new investment with them (usually as a percentage of the total subscription from a client), and ancillary fees that are earned from investee companies for providing consulting services.

Performance fees on PE and RE deals are calculated as a portion of the gain earned by clients on investments that exceed a specified hurdle performance/rate.

ii) ***Asset based income***

This includes realized as well as unrealized gains and losses on co-investments in PE, RE, ARI and investment in associate which are measured at Fair Value Through Profit or Loss ("FVTPL"), cash or pay-in-kind interest net of impairment from various RE and CM debt investments carried at amortized cost and rental income distributions from RE co-investments.

All other income that is common to the Group (such as income arising from the deployment of the Group's excess liquidity and interest earned on other advances) is treated as treasury and other asset based income.

D. SEGREGATION OF ASSETS

Assets directly attributable to the Co-investment Business are primarily in the form of co-investments by the Group in each asset class, and any associated working capital items. All other assets, including cash and receivables relating to realization or redemption from a co-investment, are recorded under the Fee Business.

E. ALLOCATION OF EQUITY, LIABILITIES AND INTEREST EXPENSE

Total equity allocated to the Fee Business is determined by the amount of economic capital needed to support ongoing underwriting activity and associated working capital requirements. The remaining amount of total equity is allocated to the Co-investment Business. Revaluation reserves and other components of equity are allocated to the relevant reporting segment on the basis of the asset or liability to which they relate.

Having determined the assets directly attributable to each reporting segment, and the economic capital requirements, the Group allocates liabilities (debt funding) to each reporting segment based on the relative maturity profile of the segment's assets. Long term debt including loans secured by co-investments in CM are allocated to the Co-investment Business to the extent possible with the residual being allocated to Fee Business. Call accounts, term and institutional accounts, medium term debt, other associated working capital and the fair value of derivatives are allocated to the Fee Business. The allocation of liabilities determined above, in turn, drives the allocation of interest expense for each reporting segment.

4. SEGMENT REPORTING (CONTINUED)

F. ALLOCATION OF OPERATING EXPENSES

A portion of the operating expenses for the Co-investment Business are allocated using a fixed rate charge on the aggregate co-investments, excluding underwriting, at the beginning and middle of the year. There is an additional potential expense for the co-investment business in the form of incentive payments if the net asset based income from the Co-investment Business exceeds a certain hurdle. All residual operating expenses are allocated to the Fee Business.

4. SEGMENT REPORTING (CONTINUED)

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS

The consolidated statements of profit or loss by reporting segments are as follows:

PERFORMANCE BY BUSINESS SEGMENT

$millions	*2019*	*2018*
FEE BUSINESS		
AUM fees		
Private equity investment	97	95
Credit management investment	50	46
Absolute return investments	13	13
Real estate investment	21	19
Total AUM fees	181	173
Deal fees		
Private equity investment	127	90
Credit management investment	1	2
Absolute return investments	-	2
Real estate investment	67	54
Total deal fees	195	148
Investment in an associate	5	-
Treasury and other asset based income	13	10
Gross income attributable to fee business (a)	394	331
Provisions for impairment	(4)	(4)
Interest expense (b)	(12)	(16)
Operating expenses attributable to fee business (c)*	(262)	(233)
FEE BUSINESS PROFIT (d)	116	78
CO-INVESTMENT BUSINESS		
Asset based income		
Private equity investment	29	65
Credit management investment	22	28
Absolute return investments	8	10
Real estate investment	29	24
Asset based income excluding fair value change of legacy investments	88	127
Fair value change of legacy investments	(17)	(4)
Gross income attributable to co-investment business (e)	71	123
Interest expense (f)	(39)	(40)
Operating expenses attributable to co-investment business (g)*	(17)	(36)
CO-INVESTMENT BUSINESS PROFIT (h)	15	47
PROFIT FOR THE YEAR (d) + (h)	131	125
PROFIT FOR THE YEAR EXCLUDING FAIR VALUE CHANGE OF LEGACY INVESTMENTS	148	129
Gross operating income (a) + (e)	465	454
Gross operating expenses (c) + (g)	(279)	(269)
Interest expense (b) + (f)	(51)	(56)

* including income tax expense

4. SEGMENT REPORTING (CONTINUED)

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS (CONTINUED)

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues during the year (2018: nil).

$166.9 million (2018: $128.6 million) of deal fees relates to activity fees and $27.8 million (2018: $19.8 million) represents performance fees.

Treasury and other asset based income includes $11.5 million (2018: $11.6 million) of interest income. RE and CM asset based income includes $26.5 million (2018: $30 million) of interest income.

None of the Group's customers have generated ten percent or more of the Group's total revenues reported above.

All significant activities of the Group are performed on an integrated, worldwide basis. The Group's clients and trading partners also operate in the international market place, and neither their domicile nor the geographical location of a transaction is necessarily related to the country in which the asset or liability underlying the transaction is located. Consequently, any geographical segmentation of revenues would be potentially misleading. As such, segmentation of revenues and cashflows by region has not been presented. Notes 11, 12, 13, 15 and 29 (iv) present the geographical split of assets and off-balance sheet items.

The cashflows generated from the business segments and asset classes have been presented under the operating activities in the cashflow statement, as these arose in the normal course of the business.

4. SEGMENT REPORTING (CONTINUED)

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS (CONTINUED)

The consolidated statements of financial position by reporting segments are as follows:

June 30, 2019 *$millions*	*Co-investment Business*	*Fee Business*	*Total*
Assets			
Cash and short-term funds	-	57	57
Placements with financial institutions and other liquid assets	-	333	333
Positive fair value of derivatives	-	44	44
Receivables and prepayments	100	264	364
Advances	-	82	82
Underwritten and warehoused investments	-	334	334
Co-investments			
Private equity investment	505	-	505
Credit management investment	332	-	332
Absolute return investments	112	-	112
Real estate investment	68	-	68
Premises, equipment and other assets	-	37	37
Investment in an associate	-	38	38
Intangible assets	-	55	55
Total assets	1,117	1,244	2,361
Liabilities and Equity			
Liabilities			
Call accounts	-	263	263
Term and institutional accounts	-	151	151
Payables and accrued expenses	18	184	202
Negative fair value of derivatives	-	23	23
Medium and long term debt	396	118	514
Deferred fees	-	63	63
Total liabilities	414	802	1,216
Total equity	703	442	1,145
Total liabilities and equity	1,117	1,244	2,361

4. SEGMENT REPORTING (CONTINUED)

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS (CONTINUED)

June 30, 2018 *$millions*	*Co-investment Business*	*Fee Business*	*Total*
Assets			
Cash and short-term funds	-	105	105
Placements with financial institutions and other liquid assets	-	266	266
Positive fair value of derivatives	-	55	55
Receivables and prepayments	92	184	276
Advances	-	92	92
Underwritten and warehoused investments	-	446	446
Co-investments			
Private equity investment	625	-	625
Credit management investment	272	-	272
Absolute return investments	189	-	189
Real estate investment	76	-	76
Premises, equipment and other assets	-	36	36
Intangible assets	-	55	55
Total assets	1,254	1,239	2,493
Liabilities and Equity			
Liabilities			
Call accounts	-	116	116
Term and institutional accounts	-	300	300
Payables and accrued expenses	9	217	226
Negative fair value of derivatives	-	39	39
Medium-term debt	-	167	167
Long-term debt	448	2	450
Deferred fees	-	72	72
Total liabilities	457	913	1,370
Total equity	797	326	1,123
Total liabilities and equity	1,254	1,239	2,493

5. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows categories of the Group's financial assets and financial liabilities at the year end.

June 30, 2019 ***$millions***	***FVTPL Investments***	***Items at amortized cost***	***FVOCI Investments***	***Derivatives***	***Total***
Financial assets					
Cash and short-term funds	-	57	-	-	57
Placements with financial institutions and other liquid assets	0	333	-	-	333
Positive fair value of derivatives	-	-	-	44	44
Receivables	-	325	-	-	325
Advances	-	82	-	-	82
Underwritten and warehoused investments	334	-	-	-	334
Co-investments					
Private equity investment	477	-	28	-	505
Credit management investment	16	183	133	-	332
Absolute return investments	104	-	8	-	112
Real estate investment	64	-	4	-	68
Investment in associate	38	-	-	-	38
Total financial assets	1,033	980	173	44	2,230
Non-financial assets					
Prepayments					39
Premises, equipment and other assets					37
Intangible assets					55
Total assets					2,361
Financial liabilities					
Call accounts	-	263	-	-	263
Term and institutional accounts	-	151	-	-	151
Payables and accrued expenses	-	202	-	-	202
Negative fair value of derivatives	-	-	-	23	23
Medium-term and long-term debt*	-	514	-	-	514
Total financial liabilities	-	1,130	-	23	1,153
Non-financial liabilities					
Deferred fees					63
Total liabilities					1,216

* Adjusted for related fair value hedges.

June 30, 2018 *$millions*	*FVTPL Investments*	*Items at amortized cost*	*FVOCI Investments*	*Derivatives*	*Total*
Financial assets					
Cash and short-term funds	-	105	-	-	105
Placements with financial institutions and other liquid assets	123	143	-	-	266
Positive fair value of derivatives	-	-	-	55	55
Receivables	-	237	-	-	237
Advances	-	92	-	-	92
Underwritten and warehoused investments	389	42	15	-	446
Co-investments					
Private equity investment	550	-	75	-	625
Credit management investment	-	207	65	-	272
Absolute return investments	180	-	9	-	189
Real estate investment	64	2	10	-	76
Total financial assets	1,306	828	174	55	2,363
Non-financial assets					
Prepayments					39
Premises, equipment and other assets					36
Intangible assets					55
Total assets					2,493
Financial liabilities					
Call accounts	-	116	-	-	116
Term and institutional accounts	-	300	-	-	300
Payables and accrued expenses	-	226	-	-	226
Negative fair value of derivatives	-	-	-	39	39
Medium-term and long-term debt*	-	617	-	-	617
Total financial liabilities	-	1,259	-	39	1,298
Non-financial liabilities					
Deferred fees					72
Total liabilities					1,370

* Adjusted for related fair value hedges.

6. INVESTMENT IN ASSOCIATE

During the year, the Group acquired a 46.51% indirect ownership stake in the ordinary shares of Banque Pâris Bertrand, a private bank based in Geneva and Luxembourg which provides investment advisory services and customized investment solutions to high net-worth individuals, family offices and institutional clients mainly from Switzerland and Europe.

This investment is presented as investment in an associate in the consolidated statement of financial position and is designated at fair value through profit and loss. Investment in an associate is initially recorded at acquisition cost (being the initial fair value) and is re-measured to fair value at each reporting date, with the resulting unrealized gains or losses being recorded as fair value changes in the consolidated statement of profit or loss. The fair value of investment in associate is determined by using a multiples-based approach applied to the most recent performance metric (typically EBITDA or AUM) of the underlying company.

7. OPERATING EXPENSES

$millions	***2019***	*2018*
Staff compensation and benefits	174	164
Other personnel and compensation charges	14	11
Professional fees	25	29
Travel and business development	12	12
Administration and research	18	16
Technology and communication	8	7
Premises	12	12
Depreciation	5	5
Total	268	256

8. INCOME TAX

The Group's current tax expense and deferred tax expense amounts to $9 million (2018: $3.2 million) and $2 million (2018: $10 million) respectively. The current tax liability includes $5 million (June 30, 2018: $4.1 million) as shown in Note 20. The deferred tax asset amounts to $10.6 million (June 30, 2018: $12.5 million) as shown in Note 9. The deferred tax asset relates to an excess of depreciation over capital allowances amounting to $2.6 million (June 30, 2018: $3.1 million), losses available for offset against future taxable income and other intangibles amounting to $1.1 million (June 30, 2018: $0.4 million) and deferred compensation amounting to $6.9 million (June 30, 2018: $9.0 million).

The Group's tax expense includes all direct taxes that are accrued on taxable profits of entities in their respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits.

8. INCOME TAX (CONTINUED)

The effective tax rates for the Group's significant subsidiaries operating in the following tax based jurisdictions are as follows:

	2019	*2018*
United States	31%	28%
United Kingdom	20%	20%
Kingdom of Saudi Arabia	20%	20%
India	36%	-
Qatar	10%	10%

During 2018, the applicable statutory federal corporation tax rate in the United States changed from 34% to 21% and has resulted in a blended tax rate of 27.5%.

9. RECEIVABLES AND PREPAYMENTS

$millions	***June 30, 2019***	***June 30, 2018***
Subscriptions receivable	146	72
Receivables from investee and holding companies	88	78
Investment disposal proceeds receivable	81	78
ARI related receivables	10	8
Accrued interest receivable	7	6
Prepaid expenses	28	26
Deferred tax asset (see Note 8)	11	13
Other receivables	6	7
	377	288
Provisions for impairment (see Note 16)	(13)	(12)
Total	364	276

Receivables arise largely from subscriptions by clients to the Group's investment products, fees earned in respect of the Group's investment management, investment performance and other transactional services, interest accruals on advances and proceeds due from investment disposals.

Subscriptions receivable represent amounts due from clients for participation in the Group's deal by deal investment products. These arise in the normal course of the Group's placement activities and are recorded when clients sign a binding agreement confirming their participation in an investment offering. These are typically collected over the short-term, and, in the interim period prior to receipt of cash, are collateralized by clients' other investment assets with Investcorp.

Receivables from investee and holding companies and funds include fees and other receivables, which are due from investee companies and performance fee receivables from holding companies accrued on client assets under management.

Investment disposal proceeds receivable includes proceeds due from contracted disposals of private equity investments and real estate investments. They also include redemption proceeds receivable from underlying investment managers relating to the Group's ARI co-investments.

9. RECEIVABLE AND PREPAYMENTS (CONTINUED)

ARI related receivables represent amounts due from clients for management and administrative services and performance fees.

Accrued interest receivable represents interest receivable on placements with financial institutions.

10. ADVANCES

$millions	*June 30, 2019*	*June 30, 2018*
Advances to investment holding companies	81	73
Advances to employee investment programs	16	16
Advances to PE closed-end funds	3	17
Other advances	-	1
	100	107
Provisions for impairment (see Note 16)	(18)	(15)
Total	82	92

Advances to investment holding companies arise largely as a result of the Group extending working capital advances to companies established for client participation in the Group's investment products. These advances carry interest at market rates.

Advances to employee investment programs represent the amounts advanced by the Group on behalf of employees in connection with their co-investment in the Group's investment products. These advances carry interest at benchmark interbank rates plus a margin, and are collateralized by the underlying investments, resulting in a low risk to the Group.

Advances to the PE closed-end funds represent amounts invested on behalf of the Group's clients in the acquisitions and expenses of the funds in the interim period prior to receipt of the associated capital call from clients.

The advances, in management's opinion, represent a low risk to the Group.

11. UNDERWRITTEN AND WAREHOUSED INVESTMENTS

At the time the Group acquires an investment it earmarks a significant portion of each investment for placement with investors and classifies this as an underwritten and warehoused investment. These investments are placed with the investors over the underwriting period which typically can take up to 6 months.

The Group's current underwritten investment balances in Private Equity Investments, Absolute Return Investments, Real Estate Investments and Credit Management Investments classified as FVTPL comprise the following:

	June 30, 2019				June 30, 2018			
$millions	North America	Europe	MENA	Total	North America	Europe	MENA	Total
Underwritten investments								
Private equity investment:								
Industrial/ Business Services	36	-	-	36	24	-	-	24
Healthcare	15	-	-	15	-	-	38	38
Industrial Products	-	-	-	-	11	50	-	61
Total private equity investment	51	-	-	51	35	50	38	123
Absolute return investments:								
Special opportunities portfolio	-	-	-	-	11	-	-	11
Total absolute return investments	-	-	-	-	11	-	-	11
Real estate investment:								
Core / Core Plus	236	42	-	278	187	83	-	270
Total real estate investment	236	42	-	278	187	83	-	270
Warehoused investments								
Credit management Investments								
CLO Investments	5	-	-	5	30	12	-	42
Total credit management investment	5	-	-	5	30	12	-	42
Total	292	42	-	334	263	145	38	446

12. PRIVATE EQUITY CO-INVESTMENTS

$millions	*June 30, 2019*	*June 30, 2018*
PE co-investments [See Note 12 (A)]	491	609
Strategic and other investments [See Note 12 (B)]	14	16
Total	505	625

12 (A) PE CO-INVESTMENTS

The Group's PE co-investments are primarily classified as FVTPL investments.

The fair value of unquoted co-investments is determined wherever possible using valuations implied by material financing events for the specific investment in question that involve third party capital providers operating at arms' length. An example of a material event would be where a sale is imminent and credible bids have been received from third parties or valuations have been received from banks engaged in the sale process. In these cases, the fair value would be established with reference to the range of bids received and based on management's assessment of the most likely realization value within that range. Another example of a material event would be where an arm's length financing transaction has occurred recently that is (a) material in nature, (b) involves third parties, and (c) attaches an implicit value to the company. In the event that such a recent third-party measure of specific fair value for an individual investment is not available, the fair value is determined by using a multiples-based approach applied to the most recent and relevant operating performance metric of the underlying company, typically EBITDA and sometimes sales. The multiple used is taken from a universe of comparable publicly listed companies, recent M&A transactions involving comparable companies, and multiples implied by Discounted Cash Flow ("DCF") analysis. Management exercises its judgment in choosing the most appropriate multiple, on a consistent basis, from within the universe referred to above.

Legacy investment

The PE co-investments include an investment of $90.8 million (June 30, 2018: $107.3 million) that was made prior to the financial crisis in 2008. This investment is considered and categorized as a legacy investment for financial reporting purposes as it is monitored separately from other PE co-investments. Any asset-based income relating to the legacy investment is disclosed separately in the consolidated statement of profit or loss to ensure more relevant information is presented.

The valuation technique for measuring the fair value of the legacy investment is same as that for PE co-investments.

12. PRIVATE EQUITY CO-INVESTMENTS (CONTINUED)

12 (A) PE CO-INVESTMENTS (CONTINUED)

The carrying values of the Group's PE co-investments at June 30, 2019 and June 30, 2018 are:

$millions	June 30, 2019 North America	Europe	MENA*	Asia	Total	June 30, 2018 North America	Europe	MENA*	Total
Consumer Products	57	32	24	-	113	63	72	32	167
Consumer Services	-	-	5	-	5	22	-	9	31
Healthcare	7	49	83	-	139	-	8	45	53
Industrial Products	7	7	-	-	14	7	18	4	29
Industrial/ Business Services	44	8	61	-	113	28	8	59	95
Telecom**	91	-	-	-	91	107	-	-	107
Technology					-				
Big Data	1	9	-	4	14	1	89	-	90
Internet / Mobility	-	-	1	-	1	-	8	2	10
Security	-	1	-	-	1	14	13	-	27
Total	207	106	174	4	491	242	216	151	609

*Including Turkey
** Represents legacy investment

12 (B) STRATEGIC AND OTHER INVESTMENTS

Strategic and other investments represent the following types of investments of the Group:

1. Investments made for strategic reasons; and
2. Instruments obtained on disposal of exited investments.

Strategic investments in equity instruments are held as FVOCI investments. For FVOCI investments, during the year, $0.5 million (2018: $0.3 million) of dividend income was recognized in the consolidated statement of profit or loss and $2.1 million (2018: $5.1 million) of losses were recognized in other comprehensive income. No investment was de-recognized during the year and accordingly, no loss (2018: $2.5 million) was recycled to retained earnings.

Valuation techniques for measuring the fair value of strategic and other investments are the same as those used for PE co-investments.

13. CREDIT MANAGEMENT INVESTMENTS (CM)

$millions	*June 30, 2019*	*June 30, 2018*
European CLO Investments	274	254
US CLO Investments	48	18
Risk Retention Fund	10	-
Total	332	272

The Group's co-investments in CM investment mainly represents co-investments in collateralized loan obligations (CLOs) managed by the CM team and are classified as FVTPL and FVOCI debt investments, except for certain European positions that are carried at amortised cost.

During the year, the Group has invested in a risk retention fund. The purpose of the risk retention fund is to generate income from long term investments in debt instruments including to act as an originator and invest in CLO warehouse first loss tranches and hold a minimum of 5% in CLOs via the equity tranche to meet European risk retention rule for CLOs to be managed by CM business. The interests in the risk retention fund will be in the form of profit participating notes which give the Group full rights to the proportionate profits and losses. The investment is classified as FVTPL.

In relation to investments carried at amortised cost and FVOCI, interest income on these debt instruments is recognized using the effective interest rate ("EIR"). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instruments or, when appropriate a shorter period, to the net carrying amount of the debt instruments at the reporting date. The amortised cost of the CLO debt instrument will be adjusted if there is a revision in estimates of projected cashflows from the underlying CLO investments. The adjusted amortised cost is calculated based on the latest re-estimated EIR. The accrual based on EIR and any losses arising from impairment of such investments are included in asset based income in the consolidated statement of profit or loss.

The fair value of CLO co-investments categorized as FVOCI or FVTPL co-investments is determined on the basis of inputs from independent third parties including broker quotes and Markit data.

Certain of the Group's CLO co-investments amounting to $84 million (June 30, 2018: $42 million) are utilized to secure amounts drawn under repurchase agreements. At June 30, 2019, $84 million (June 30, 2018: $42 million) was the outstanding balance from financing under repurchase agreements (See Note 21).

14. ABSOLUTE RETURN INVESTMENTS CO-INVESTMENTS

The Group's ARI co-investments, primarily classified as FVTPL investments, comprise the following:

$millions	***June 30, 2019***	***June 30, 2018***
Multi-manager solutions	29	45
Hedge funds partnerships	30	65
Alternative risk premia	10	24
Special opportunities portfolios	43	55
Total	112	189

The net asset value of the Group's ARI co-investments is determined based on the fair value of the underlying investments of each fund as reported by the managers. Significant controls are built into the determination of the net asset values of the various investments, including the appointment of third party independent fund administrators, use of separate accounts for increased transparency and an independent verification of the prices of underlying securities through a dedicated operational risk group unit.

The valuations of the Group's ARI co-investments which are classified under Level 3 of the fair value hierarchy (see Note 30) are closely monitored by the Group. Management holds regular discussions with the investment managers and uses pricing which is reflective of the investment's fair value.

Of the above, co-investments amounting to $8.0 million (June 30, 2018: $9.0 million) are classified as FVOCI investments. For FVOCI investments, during the year, gain of $0.2 million (2018: gain of $1.0 million) were recognized in other comprehensive income. These investments comprise funds which are not immediately available for redemption due to the liquidity profile of the instruments held by the underlying managers and are classified as Level 3 investments in the fair value hierarchy.

Of the above, co-investments amounting to $23.7 million (June 30, 2018: $18.8 million) are subject to a lock up-period. Such investments are classified as Level 2 investments in the fair value hierarchy.

15. REAL ESTATE CO-INVESTMENTS

The Group's co-investments in real estate are classified as follows:

- Co-investments in equity of real estate acquired after the global financial crisis in 2008-2009 are classified as FVTPL investments.
- Co-investments in equity of real estate acquired prior to global financial crisis in 2008-2009 and strategic investments are classified as FVOCI investments.
- Debt investments in real estate properties are carried at amortised cost.

Those investments that are developed and leased out are fair valued based on the estimated future cash flows from the underlying real estate assets and using prevailing capitalization rates for similar properties in the same geographical area, or DCF analysis.

Opportunistic investments that involve an element of development are generally valued based on third party led financing events, or DCF analysis.

Debt investments in real estate properties carried at amortised cost amount to $0.1 million (June 30, 2018: $2.2 million). Investments which are classified as FVOCI investments amount to $4.2 million (June 30, 2018: $9.7 million). For FVOCI investments, during the year, $3.7 million (2018: $0.2 million) of losses were recognized in other comprehensive income and no gain or loss (2018: nil) was recycled to retained earnings on derecognition. All other investments are classified as FVTPL.

The carrying values of the Group's co-investments in real estate portfolios, which as at June 30, 2019 and June 30, 2018 were located in United States and Europe are:

$millions **PORTFOLIO TYPE**	***June 30, 2019***			*June 30, 2018*		
	North America	**Europe**	**Total**	North America	Europe	Total
Core / Core Plus	60	7	67	61	7	68
Debt	0	-	0	2	-	2
Opportunistic	1	-	1	1	-	1
Strategic	0	-	0	5	-	5
Total	61	7	68	69	7	76

16. PROVISIONS FOR IMPAIRMENT

Impairment provisions are as follows:

$millions

Categories	Balance At beginning	Charge	At end*
12 months to June 30, 2019			
Receivables (Note 9)	12	1	13
Advances (Note 10)	15	3	18
Co-investments - debt	1	-	1
Cash and short-term funds	0	-	0
Placement with financial institutions and other liquid assets	0	-	0
Total	28	4	32

* Of the total provision, $1.0 million relates to stage 1, $2.7 million relates to stage 2 and $28.6 million relates to stage 3 assets. Of the stage 1 and 2 provision, $2.9 million relates to advances. During the year, there was a movement in loss allowance of $0.2 million from stage 2 to stage 3 assets.

$millions

Categories	Balance At beginning	Charge	At end*
12 months to June 30, 2018			
Receivables (Note 9)	10	2	12
Advances (Note 10)	13	2	15
Co-investments - debt	1	-	1
Cash and short-term funds	0	-	0
Placement with financial institutions and other liquid assets	0	-	0
Total	24	4	28

* Of the total provision, $1.5 million relates to stage 1, $2.6 million relates to stage 2 and $24.3 million relates to stage 3 assets. Of the stage 1 and 2 provision, $2.7 million relates to advances. During the year, there was a movement in loss allowance of $0.2 million from stage 1 to stage 2 assets.

17. INTANGIBLE ASSETS

$millions	*June 30, 2019*	*June 30, 2018*
Management Contracts	5	6
Goodwill	50	49
Total	55	55

Intangible assets were primarily recognized on the acquisition of the credit management business acquired through business combination.

Management contracts represent the right to manage European and US CLOs. The contracts have a useful life of 5 years from the date of acquisition and are amortized accordingly.

The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill on-balance sheet is impaired. No impairment was recognized in 2019 as the result of the goodwill impairment assessment.

The movement in intangible assets is set out in the below table:

$millions	Goodwill	Management contracts	Total
Balance at July 1, 2017	49	9	**58**
Amortization during the year	-	(3)	**(3)**
Balance at June 30, 2018	49	6	**55**
Additions during the year	1	-	**1**
Amortization during the year	-	(1)	**(1)**
Balance at June 30, 2019	**50**	**5**	**55**

18. CALL ACCOUNTS

$millions	***June 30, 2019***	*June 30, 2018*
Investment holding companies accounts	156	107
Other call accounts	107	9
Total	263	116

Investment holding companies' accounts represent excess cash of the investment holding companies placed with the Bank, prior to utilization or onward distribution.

Other call accounts comprise of cash placed with the Bank, on call, for future participation in the Group's investment products.

All these balances bear interest at market rates.

19. TERM AND INSTITUTIONAL ACCOUNTS

$millions	***June 30, 2019***	*June 30, 2018*
Institutional accounts on call	131	251
Term deposits	20	49
Total	151	300

All these balances bear interest at market rates.

20. PAYABLES AND ACCRUED EXPENSES

$millions	*June 30, 2019*	*June 30, 2018*
Vendor and other payables	93	66
Accrued expenses - employee compensation	83	77
Unfunded deal acquisitions	13	71
Tax liability (see Note 8)	7	6
Accrued interest payable	6	6
Total	202	226

Accrued expenses for employee compensation include the incentive and retention component of the Group's overall employee related costs and end of service benefits payable to individuals employed by the Group in the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Qatar, and the United Arab Emirates.

Unfunded deal acquisitions represent amounts contractually payable by the Group in respect of investment acquisitions the agreements for which are signed but have not been funded as of the year end.

21. MEDIUM AND LONG-TERM DEBT

Amounts outstanding represent the drawn portion of the following medium-term revolvers and long-term funded facilities:

		June 30, 2019		June 30, 2018	
$millions	*Final Maturity*	*Facility size*	*Current outstanding*	*Facility size*	*Current outstanding*
MEDIUM-TERM DEBT					
REVOLVING CREDIT					
4-year syndicated revolving facility					
	March 2020	-	-	25	-
	March 2021	-	-	400	50
	March 2023	436	-	-	-
3-year syndicated revolving facility	December 2020	250	-	250	-
BONDS					
5-year fixed rate bonds	June 2019		-		139
TOTAL MEDIUM-TERM DEBT			-		189
LONG-TERM DEBT					
PRIVATE NOTES					
JPY 37 Billion Private Placement	March 2030		332		332
$50 Million Private Placement	July 2032		50		50
SECURED FINANCING					
Repurchase agreement	October 2030		20		20
Repurchase agreement	April 2031		22		22
Repurchase agreement	October 2031		21		-
Repurchase agreement	July 2031		21		-
TOTAL LONG-TERM DEBT			466		424
Foreign exchange translation adjustments			10		(11)
Fair value adjustments relating to interest rate hedges			45		27
Transaction costs of borrowings			(7)		(12)
TOTAL MEDIUM AND LONG-TERM DEBT			514		617

All medium-term facilities, except for the 5-year fixed rate bonds, carry floating rates of interest when drawn. Revolvers carry a fixed rate of commitment fees when undrawn. The syndicated revolving facilities and the fixed rate bonds are subject to certain customary covenants, including maintaining certain minimum levels of net worth and operating below maximum leverage ratios.

During the year, the Group has amended and extended two of the revolving credit facilities maturing in march 2020 and 2021 resulting in an increase in facility size from $425 million to $436 million and extended maturity to 2023 with an option of one year's extension.

21. MEDIUM AND LONG-TERM DEBT (CONTINUED)

Private Notes

Long-term notes issued by the Group carry fixed rates of interest and are governed by covenants contained in the relevant agreements. Such covenants include maintaining certain minimum levels of net worth and operating below a maximum leverage ratio.

Secured Financing

Secured financing relates to financing obtained under repurchase transaction arrangements entered into by the Group, with underlying assets being CLO co-investment exposures in Europe. The financings carry variable rates of interest. Each financing arrangement has a specified repurchase date at which the Group will repurchase the underlying CLO asset at a pre-determined repurchase price.

22. DEFERRED FEES

$millions	***June 30, 2019***	***June 30, 2018***
Deferred fees relating to placements	63	72
Total	63	72

Deferred fees relating to placements represent a portion of placement fees received from investors at the time of placement, the recognition of which is deferred to future periods concurrent with the services to be rendered.

During the current financial year, income recognized through amortization of deferred fees amounted to $40.6 million (2018: $42.3 million).

23. SHARE CAPITAL AND RESERVES

The Bank's share capital at year end is as follows:

	June 30, 2019			June 30, 2018		
	No. of shares	Par value $	$millions	No. of shares	Par value $	$millions
Authorized share capital						
- Ordinary shares	400,000,000	2.50	1,000	400,000,000	2.50	1,000
- Preference and other shares	1,000,000	1,000	1,000	1,000,000	1,000	1,000
			2,000			2,000
Issued share capital						
- Ordinary shares	80,000,000	2.50	200	80,000,000	2.50	200
- Preference shares	123,239	1,000	123	123,239	1,000	123
			323			323

Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules / ratios) as adopted by the Central Bank of Bahrain (see Note 28).

Statutory reserve

The Bahrain Commercial Companies Law requires the maintenance of a statutory reserve equal to 50% of the Bank's issued and paid up ordinary share capital of $200 million, which amounts to $100 million. The reserve is not available for distribution but can be utilized as stipulated by the Bahrain Commercial Companies Law.

Fair value reserve

Certain of the Group's PE, RE, ARI co-investments in equity instruments and certain CM debt instruments have been classified as FVOCI. The gains and losses arising on fair valuation of such investments is recorded in the fair value reserve account. Any gain or loss on realization of such PE, RE, ARI co-investments is recycled directly to retained earnings and any gain or loss on realization of such CM co-investments is recycled to retained earnings through profit or loss.

Treasury shares

5,603,338 (June 30, 2018: 586,343) ordinary shares were held as treasury shares, which includes 63,329 shares (June 30, 2018: 337,408 shares) that have been granted to employees as part of deferred remuneration but have not yet started vesting. 1,058,641 shares (June 30, 2018: 1,184,852 shares) that have been granted to employees and have commenced vesting, but have not fully vested as at June 30, 2019, are not counted as treasury shares.

23. SHARE CAPITAL AND RESERVES (CONTINUED)

Preference share capital

The preference shares are non-cumulative, non-convertible, non-voting, non-participating and perpetual in nature and carry a floating rate dividend, equal to the benchmark 12-month interbank rate + 9.75% per annum.

These preference shares are callable, at the Bank's option, in part or in whole at par plus dividends due up to the call date.

The payment of dividends on preference shares is subject to recommendation by the Board of Directors, and approval by the CBB and ordinary shareholders. The preference shares take priority over the Bank's ordinary shares for payment of dividends and distribution of assets in the event of a liquidation or dissolution.

24. OTHER RESERVES

Other reserves consist of cash flow hedges and the revaluation reserve of premises and equipment recognized directly in equity.

Movements relating to other reserves are set out below:

$millions	**Cash flow hedges**	**Revaluation reserve on premises and equipment**	**Total**
Balance at June 30, 2017	(11)	5	(6)
Net realized gain recycled to statement of profit or loss	(1)	-	(1)
Net unrealized gain for the year	3	-	3
Transfer of depreciation to retained earnings	-	(1)	(1)
Balance at June 30, 2018	(9)	4	(5)
Net realized loss recycled to statement of profit or loss	0	-	-
Net unrealized gain for the year	2	-	2
Transfer of depreciation to retained earnings	-	(0)	(0)
Balance at June 30, 2019	(7)	4	(3)

25. EARNINGS, BOOK VALUE AND DIVIDENDS PER SHARE

The Group's earnings per share for the year and proposed appropriations are as follows:

	2019	2018
Profit for the year ($millions)	131	125
Less : Preference shares dividend - proposed ($millions)	(16)	(22)
Profit attributable to ordinary shareholders ($millions)	115	103
Weighted average ordinary shares for basic earnings per ordinary share (millions)	76	77
Basic earnings per ordinary share - on weighted average shares ($)	1.52	1.34
Weighted average ordinary shares for fully diluted earnings per ordinary shares (millions)	78	79
Fully diluted earnings per ordinary share - on weighted average diluted shares ($)	1.47	1.30
Proposed appropriations:		
Ordinary shares dividend ($millions)	22	19
Preference shares dividend ($millions)	16	22
	38	41

The proposed ordinary share dividend is 30 cents (2018: 24 cents) per share payable only on issued shares (excluding treasury shares), that are held on the date of approval of dividend by the ordinary shareholders.

The proposed preference share dividend of $15.6 million (2018: $22.3 million) represents an annual dividend on issued preference shares.

The book value per ordinary share at the year-end date is calculated by dividing the ordinary shareholders' equity (excluding unrealized changes relating to cash flow hedges, the revaluation reserve and proposed appropriations) by the number of ordinary shares outstanding at year end (taking into account the beneficial interest of management in all acquired unvested shares issued at year end). The fully diluted book value per ordinary share is $13.26 per share (June 30, 2018: $12.13 per share).

The potential dilution effect of future vesting of the unvested awards is reflected as a difference between the weighted average shares outstanding for diluted and basic earnings per share.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilizes derivative financial instruments primarily as risk management tools for hedging various statement of financial position and cash flow risks. Such derivative instruments include forwards, swaps and options in the foreign exchange and capital markets.

The Group currently applies IAS 39 for hedge accounting. The Group's criteria for a derivative financial instrument to be accounted for as a hedge include:

- the hedging instrument, the underlying hedged item, the nature of the risk being hedged and the risk management objective and strategy must be formally documented at the inception of the hedge;
- it must be clearly demonstrated that the hedge, through changes in the value of the hedging instrument, is expected to be highly effective in offsetting the changes in fair values or cash flows attributable to the hedged risk in the hedged item;
- the effectiveness of the hedge must be capable of being reliably measured; and
- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

The Group's management classifies hedges into two categories: (a) fair value hedges that hedge exposure to changes in fair value of a recognized asset or liability; and (b) cash flow hedges that hedge exposure to variability in cash flows that is attributable to a particular risk associated with either a recognized asset or liability or a forecasted transaction highly probable to occur.

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The following table illustrates the accounting treatment of fair value changes relating to various types of effective hedges:

Type of hedge	Changes in fair value of underlying hedged item relating to the hedged risk	Changes in fair value of hedging instrument
Fair value hedges	Recorded in the consolidated statement of profit or loss, and as a corresponding adjustment to the carrying value of the hedged item on the consolidated statement of financial position.	Recorded in the consolidated statement of profit or loss, with a corresponding effect on the consolidated statement of financial position under positive or negative fair value of derivatives.
Cash flow hedges	Not applicable	Recorded in equity with a corresponding effect on the consolidated statement of financial position under positive or negative fair value of derivatives. Any unrealized gains or losses previously recognized in equity are transferred to the consolidated statement of profit or loss at the time when the forecasted transaction impacts the consolidated statement of profit or loss.

Other derivatives

The Group does not actively engage in proprietary trading activities in derivatives. However, on occasion, the Group may need to undertake certain derivative transactions to mitigate economic risks under its asset-liability management and risk management guidelines that may not qualify for hedge accounting under IAS 39 (e.g. hedging of foreign currency risk on fair valued investments). Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives are taken to the consolidated statement of profit or loss.

Valuation of derivatives

The Group values the majority of its derivative financial instruments using internal models. The models use market observable inputs including interest rate curves and both forward and spot prices for currencies. Derivative assets and liabilities included in Level 2 (see Note 30) represent interest rate swaps, cross currency swaps, currency forwards and option contracts. For derivatives that are not valued using internal models, the Group's policy is to rely on third party valuations, whilst benchmarking them against observable market data.

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group's outstanding derivative financial instruments comprise the following:

Description $millions	June 30, 2019 Notional value	June 30, 2019 Positive fair value*	June 30, 2019 Negative fair value	June 30, 2018 Notional value	June 30, 2018 Positive fair value*	June 30, 2018 Negative fair value
A) HEDGING DERIVATIVES						
Currency risk being hedged using forward foreign exchange contracts						
i) Fair value hedges						
On balance sheet exposures	341	5	-	302	-	(17)
ii) Cash flow hedges						
Forecasted transactions	44	0	(0)	51	0	(0)
Coupon on long-term debt	46	1	-	48	-	(3)
Total forward foreign exchange contracts	431	6	(0)	401	0	(20)
Interest rate risk being hedged using interest rate swaps						
i) Fair value hedges - fixed rate debt	437	21	-	490	28	(2)
ii) Cash flow hedges - floating rate debt	25	-	(3)	25	-	-
Total interest rate hedging contracts	462	21	(3)	515	28	(2)
Total hedging derivatives	893	27	(3)	916	28	(22)
B) OTHER DERIVATIVES						
Interest rate swaps	200	11	(11)	623	10	(9)
Forward foreign exchange contracts	1,457	6	(9)	668	9	(3)
Currency options	-	-	-	36	0	-
Cross currency swaps	-	-	-	363	8	(5)
Total other derivatives	1,657	17	(20)	1,690	27	(17)
TOTAL - DERIVATIVE FINANCIAL INSTRUMENTS	**2,550**	**44**	**(23)**	**2,606**	**55**	**(39)**

** Net collateral received by the Group amounting to $70.1 million has been taken against the fair values above (June 30, 2018: $50.7 million).*

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity:

June 30, 2019 $millions	Notional amounts by term to maturity: Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	341	-	-	-	341
Interest rate swaps	-	-	-	437	437
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	61	29	-	-	90
Interest rate swaps	-	-	-	25	25
Other Derivatives:					
Interest rate swaps	100	50	-	50	200
Forward foreign exchange contracts	1,434	23	-	-	1,457
	1,936	102	-	512	2,550

June 30, 2018 $millions	Notional amounts by term to maturity: Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	302	-	-	-	302
Interest rate swaps	-	63	6	421	490
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	87	12	-	-	99
Interest rate swaps	-	-	-	25	25
Other Derivatives:					
Interest rate swaps	-	573	-	50	623
Forward foreign exchange contracts	620	48	-	-	668
Cross currency swaps	-	322	-	41	363
Currency options	36	-	-	-	36
	1,045	1,018	6	537	2,606

Fair value hedges

Gains arising from fair value hedges during the year ended June 30, 2019 were $28.5 million (2018: losses of $28.2 million) while the losses on the hedged items, attributable to interest rate and foreign currency risks, were $30.5 million (2018: gains of $27.3 million). These gains and losses are included in treasury and other asset based income or interest expense, as appropriate, in the consolidated statement of profit or loss. Additionally, during the current financial year, there was a loss of $1.9 million (2018: $0.9 million) on derivative instruments classified as other derivatives.

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Undiscounted cash flows for forecasted items hedged

The Group has hedged the following forecasted cash flows, which primarily relate to interest rate and foreign currency risks. The cash flows from the hedged item impact the consolidated statement of profit or loss in the following periods, assuming no adjustments are made to hedged amounts:

June 30, 2019 $millions	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk*					
Coupon on long-term debt	(6)	(6)	(48)	(72)	(132)
Operating expenses	(6)	(6)	-	-	(12)
Fee income	11	23	-	-	34
Interest rate risk*					
Interest on liabilities	(2)	(2)	(18)	(37)	(59)
	(3)	9	(66)	(109)	(169)

June 30, 2018 $millions	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk*					
Coupon on long-term debt	-	(12)	(47)	(82)	(141)
Operating expenses	(43)	(3)	-	-	(46)
Fee income	15	10	-	-	25
Interest rate risk*					
Interest on liabilities	(2)	(3)	(19)	(43)	(67)
	(30)	(8)	(66)	(125)	(229)

* These forecasted fixed coupon payments have been hedged using interest rate swap derivative contracts as disclosed earlier in this note

The ineffective portion of cash flow hedges recycled out of equity to the consolidated statement of profit or loss for the year ended June 30, 2019 was a loss of $0.1 million (2018: gain of $0.8 million).

27. COMMITMENTS AND CONTINGENT LIABILITIES

$millions	***June 30, 2019***	*June 30, 2018*
Investment commitments to funds and co-investments	64	66
Investment commitments for strategic acquisitions	78	-
Non-cancelable operating leases:		
Up to 1 year	10	6
1 year to 5 years	39	40
Over 5 years	49	63
Total non-cancelable operating leases	98	109
Guarantees and letters of credit issued to third parties	21	10

Investment commitments to funds and co-investments represent the Group's unfunded co-investment commitments to various private equity, absolute return investments and credit management investments.

Investment commitments for strategic acquisitions relates to transactions where Investcorp has entered into definitive purchase agreements to acquire 100% of Mercury Capital Advisors, a capital raising and investment advisory enterprise, and a majority stake in CM Investment Partners LLC, an investment adviser. These transactions are expected to close in the next fiscal year.

Non-cancelable operating leases relate to the Group's commitments in respect of its New York, London, Riyadh, Abu Dhabi and Singapore office premises.

Guarantees and letters of credit issued to third parties include financial guarantees provided to facilitate investee companies' on-going operations and leasing of equipment and facilities.

In addition, the Group has also issued indemnification letters and back stop guarantees in support of performance obligations of operating partners and investee companies in relation to real estate investments, which are covered under the Group's Errors and Omissions insurance policy.

The Group is engaged in litigation cases in various jurisdictions. The litigation cases involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group and accordingly no provision has been made in the consolidated financial statements.

28. REGULATORY CAPITAL ADEQUACY

The Group applies the Basel III framework regulations, as adopted by the CBB, on a consolidated basis for Investcorp Bank B.S.C. which is the entity licensed and regulated by the CBB. Below are the disclosures required under CBB guidelines:

$millions	June 30, 2019		June 30, 2018		
	Balance as per published financial statements	Consolidated PIR data	Balance as per published financial statements	Consolidated PIR data	Reference
Assets					
Cash and short-term funds	57	57	105	105	
Placements with financial institutions and other liquid assets	333	333	266	266	
Positive fair value of derivatives	44	44	55	55	
Receivables	336	336	250	250	
Advances	82	82	92	92	
Underwritten investments	334	334	446	446	
Co-investments - retention					
Private equity investment	505	505	625	625	
Credit management investment	332	332	272	272	
Absolute return investments	112	112	189	189	
Real estate investment	68	68	76	76	
Prepayments	28	28	26	26	
Premises, equipment and other assets	37	24	36	21	
Investment in associate	38	38			
Intangible assets	55	-	55	-	
Goodwill	-	50	-	49	
*Other Intangibles***	-	18	-	21	F
Total assets	2,361	2,361	2,493	2,493	
Liabilities and Equity					
Liabilities					
Call accounts	263	263	116	116	
Term and institutional accounts	151	151	300	300	
Payables and accrued expenses	202	202	226	226	
Negative fair value of derivatives	23	23	39	39	
Medium-term and long term debt	514	514	617	617	
Deferred fees	63	63	72	72	
Total liabilities	1,216	1,216	1,370	1,370	
Equity					
Paid-in-share capital					
Of which form part of Common Equity Tier 1 (CET1)					
Ordinary share capital	200	200	200	200	A1
Treasury shares	(74)	(74)	(5)	(5)	A2
Reserves and accumulated other comprehensive income					
Of which form part of Common Equity Tier 1 (CET1)					
Statutory reserve	100	100	100	100	C1
Share premium	237	237	229	229	C2
Fair value reserve	(16)	(16)	(7)	(7)	C3
Retained earnings	409	409	322	322	B1
Current cumulative net income	131	131	125	125	B2
Proposed appropriations	38	38	41	41	B3
Cash flow hedge reserve	(7)	(7)	(9)	(9)	C4
Of which form part of Additional Tier 1 (AT1)					
Preference share capital	123	123	123	123	D
Fixed asset revaluation reserve	4	4	4	4	E
Total equity	1,145	1,145	1,123	1,123	
Total liabilities and equity	2,361	2,361	2,493	2,493	

***Regulatory adjustments on intangibles have been applied per CBB's transitional arrangements of phasing over the prescribed time period.*

28. REGULATORY CAPITAL ADEQUACY (CONTINUED)

$millions	June 30,2019		June 30,2018		
	PIR	Amounts subject To Pre-2015 Treatment	PIR	Amounts subject To Pre-2015 Treatment	Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves					
Directly issued qualifying common share capital plus related stock surplus	126		195		A1+A2
Retained earnings	578		488		B1+B2+B3
Accumulated other comprehensive income (and other reserves)	314		313		C1+C2+C3+C4
CET1 capital before regulatory adjustments	1,018		996		
Less regulatory adjustments to CET 1					
Intangibles	(13)	15	(12)	15	F
Goodwill	(50)		(49)		
Cash-flow hedge reserve	7		9		C4
Total regulatory adjustments to Common equity Tier 1	(56)		(52)		
Common Equity Tier 1 capital (CET1)	962		944		
Additional Tier 1 capital (AT1): instruments					
Directly issued qualifying Additional Tier 1 instruments	123		123		D
Additional Tier 1 capital before regulatory adjustments	123		123		
Total regulatory adjustments to Additional Tier 1 capital	-		-		
Additional Tier 1 capital (AT1)	123		123		
Tier 1 capital (T1 = CET1 + AT1)	1,085		1,067		
Tier 2 capital (T2)					
Fixed asset revaluation reserve	4		4		E
Expected credit losses on advances (see Note 16)	3		3		
Tier 2 capital before regulatory adjustments	7		7		
Total regulatory adjustments to Tier 2 capital	-		-		
Tier 2 capital (T2)	7		7		
Total capital (TC = T1 + T2)	1,092		1,074		

For the assessment of the adequacy of regulatory capital, the Group has chosen the following approaches:

- standardized approach for credit risk and market risk
- basic indicator approach for operational risk

The following table outlines the corresponding Basel III methodology by asset class

Asset class segment	Basel III Methodology June 30, 2019	Basel III risk weight
Private equity investments	Standardized approach ('STA')	150%
Real estate investments	Standardized approach ('STA')	200%
Absolute return investments	Standardized approach ('STA')	150%
Credit management investments and warehousing	Standardized approach ('STA')	100% to 1250%
PE and RE underwriting	Standardized approach ('STA')	100%
Operational risk	Basic indicator approach ('BIA')	15%

28. REGULATORY CAPITAL ADEQUACY (CONTINUED)

The table below summarizes the regulatory capital and the capital adequacy ratio calculation in line with the rules set out above. All co-investment activities are subject to a Banking Book credit risk framework, whereas foreign exchange risk comprises most of the Trading Book market risk.

$millions	*June 30, 2019*	*June 30, 2018*
Tier 1 capital	1,085	1,067
Tier 2 capital	7	7
Regulatory capital base under Basel III (TC=T1+T2)	1,092	1,074

Risk weighted exposure *$millions*	***Principal / Notional amounts*** *June 30, 2019*	***Risk weighted equivalents*** *June 30, 2019*	*Principal / Notional amounts* *June 30, 2018*	*Risk weighted equivalents* *June 30, 2018*
Credit risk				
Claims on sovereigns	26	-	1	-
Claims on banks	358	178	348	160
Claims on corporates	407	407	345	344
Co-investments (including underwriting)	1,351	1,856	1,608	2,159
Other assets	47	63	50	69
Off-balance sheet items				
Commitments and contingent liabilities	261	102	185	82
Derivative financial instruments	61	35	65	36
Credit risk weighted exposure		2,641		2,850
Market risk				
Market risk weighted exposure		1		1
Operational risk				
Operational risk weighted exposure		593		562
Total risk weighted exposure (RWE)		3,235		3,413
Tier 1 capital ratio (T1) / (RWE)		**33.5%**		**31.3%**
Capital adequacy ratio (TC) / (RWE)		**33.8%**		**31.5%**
Minimum required as per CBB regulatory guidelines under Basel III		**12.5%**		**12.5%**
Capital cushion over minimum required as per CBB guidelines		688		647

Fair value unrealized gain on fair valued investments amounting to $25.8 million (June 30, 2018: gains of $69.3 million) are reflected in retained earnings, which is part of Tier 1 Capital.

29. RISK MANAGEMENT

Risk management is an integral part of the Group's corporate decision-making process. The Financial and Risk Management Committee (FRMC) oversees the Group's risk management activities, and sets the Group's risk profile on an enterprise wide basis. The FRMC is comprised of members of senior management drawn from all key areas of the Group.

The Group's primary risk management objective is to support its business objectives with sufficient economic capital. The Group employs risk models to determine the capital needed to cover unexpected losses from investment or other risks. This capital amount is known as economic capital and differs from regulatory capital as defined by the CBB using the Basel Accord (see Note 28). The economic capital requirement for each reporting segment is determined for a one year horizon and subsequently aggregated to determine the total economic capital. This total economic capital is then stress tested under a dynamic VaR approach. The dynamic VaR is calculated by using a five-year planning horizon, a 99% one-tailed confidence level and by recognizing diversification benefits across asset classes.

In addition to determining an adequate economic capital allocation for each reporting segment, the risk management team has developed tools in conjunction with leading risk management consultants to perform detailed risk analyses that specifically address the investment risks in each individual line of business.

The principal risks associated with the Group's business, and the related risk management processes are explained below:

i) Counterparty credit risk

The Group is exposed to counterparty credit risk on its short term funds, placements, fair value of derivatives, receivables, advances, debt investments and guarantees. The Group manages counterparty credit risk by setting limits for all counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. Counterparty credit risk in respect of derivative financial instruments is limited to those with positive fair values (see Note 26). With respect to the counterparty credit risk exposure arising from other financial assets, the Group has a maximum exposure equal to the carrying value of these instruments. The Group also actively attempts to mitigate counterparty credit risks, where possible, through documented netting and margin arrangements with counterparties, under ISDA and CSA agreements.

The risk management team maintains an overall external rating-based methodology for setting Board approved counterparty limits. For rated counterparties, credit ratings from at least two rating agencies are used for developing counterparty limits. All non-rated counterparties are screened through due diligence and credit analysis prior to the assumption of credit exposures to them by Investcorp. These non-rated counterparties are categorized under the 'Standard' internal rating for financial reporting purposes.

29. RISK MANAGEMENT (CONTINUED)

i) Counterparty credit risk (continued)

The table below shows the relationship between the internal rating* and the category of the external rating grades:

Internal Rating	External Rating by S & P and Moody's
High	AAA to A
Standard	A- to B-

* The internal rating is used to determine provisions and impairments for financial reporting purposes.

Internal rating categories are summarized as follows:

High - there is a very high likelihood of the asset being recovered in full and collateral may be available.

Standard – whilst there is a high likelihood that the asset will be recovered and therefore, represents low risk to the Group, the asset may not be collateralized.

Counterparty credit risk exposure is considered as past due when payment is due according to the contractual terms but is not received. During the current and previous year, none of the advances (refer note 10) were restructured.

The table below analyses the Group's maximum counterparty credit risk exposures at year end without taking into account any credit mitigants.

June 30, 2019 $millions	Neither past due nor impaired (a)		Past due but not impaired (b)	Impaired (c)	Provisions (d)	Maximum credit risk (a+b+c+d)
	Stage 1		Stage 2	Stage 3		
	Credit risk rating					
	High	Standard				
Short-term funds	2	55	-	-	0	57
Placements with financial institutions and other liquid assets	176	157	-	-	0	333
Positive fair value of derivatives	20	24	-	-	-	44
Receivables	-	183	143	12	(13)	325
Advances	-	85	-	15	(18)	82
Co-investments - debt	-	333	-	-	(1)	332
Guarantees	-	21	-	-	-	21
Total	198	858	143	27	(32)	1,194

June 30, 2018 $millions	Neither past due nor impaired (a)		Past due but not impaired (b)	Impaired (c)	Provisions (d)	Maximum credit risk (a+b+c+d)
	Stage 1		Stage 2	Stage 3		
	Credit risk rating					
	High	Standard				
Short-term funds	1	104	-	-	(0)	105
Placements with financial institutions and other liquid assets	123	143	-	-	(0)	266
Positive fair value of derivatives	5	50	-	-	-	55
Receivables	-	169	68	12	(12)	237
Advances	-	95	-	12	(15)	92
Co-investments - debt	-	275	-	-	(1)	274
Guarantees	-	10	-	-	-	10
Total	129	846	68	24	(28)	1,039

29. RISK MANAGEMENT (CONTINUED)

i) Counterparty credit risk (continued)

The aging analysis of the past due but not impaired financial assets is given in the table below.

$millions	**June 30, 2019**	*June 30, 2018*
Up to 1 month	42	32
> 1 up to 3 months	15	27
> 3 up to 6 months	10	5
> 6 months	76	4
Total	**143**	**68**

The financial assets that are past due but not impaired mainly relate to subscriptions receivable from clients. These assets are over-collateralized by all other assets under management on behalf of these clients. The collateral is revalued from time to time in the same manner as the Group's exposure to investments. The fair value of collateral that the Group holds relating to financial assets that are past due but not impaired at June 30, 2019 amounts to $827.7 million (June 30, 2018: $915.8 million).

The breakdown of provisions by geographical region and industry sector is as follows:

$millions	***June 30, 2019***	***June 30, 2018***
Geographical Region		
North America	28	24
Europe	1	1
Other	3	3
Total	32	28

$millions	***June 30, 2019***	***June 30, 2018***
Industry Sector		
Banking and Finance	7	7
Consumer products	2	0
Real estate	19	18
Technology and Telecom	1	-
Healthcare	3	3
Total	32	28

29. RISK MANAGEMENT (CONTINUED)

i) Counterparty credit risk (continued)

Securitization

The Group provides fund management services to funds which invest in CLOs and funds which provide syndicated lending to a variety of institutions. The Group also acts as an originator and sponsor for certain CLO investments and co-invests through specific SPVs in the CLO investments. The CLO investments are held within a business model whose objective is to hold and sell assets in order to collect contractual cash flows on specified dates. The contractual terms give rise to variable distributions (solely payments of principal and interest) based on CLO's respective waterfall and priorities of payment. The Group manages it's risk relevant to the securitization activity in line with it's risk management policies and procedures.

The Group's exposure to CLOs is carried in the banking book. The Group's securitisation exposures through the CLOs are in the rated and unrated tranches of the notes and varies from fund to fund. The Group does not hold securitisation positions with trading intent or to hedge positions with trading intent. The Group has not established and does not manage any synthetic securitisation structures nor does it securitize revolving exposures.

Capital requirements are measured using the standardized approach in line with CBB regulatory requirements. Refer to Note 28 for risk weighting.

29. RISK MANAGEMENT (CONTINUED)

ii) Credit Risk Measurement

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, expert credit assessment and forward-looking information.

As a practical expedient, IFRS 9 provides a low credit risk ('LCR') operational simplification that if a financial instrument has low credit risk i.e. an investment grade credit rating, an entity is allowed to assume at the reporting date that no significant increase in credit risk has occurred.

The Group considers the following as LCR for the short-term liquid asset portfolio:
- Financial instruments with an external rating grade of 'investment grade'.; and/or
- Financial instruments with a tenor of one year or less.

The receivables and advances of the Group are collateralized by the underlying investments. Hence, the Group considers fair-value movements of such investments and management judgement to assess whether there has been a significant increase in credit risk for its receivables and advances portfolio.

Measurement of ECL

The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). PD represents the likelihood of a borrower defaulting on its financial obligation. EAD is based on the amounts the Group expects to be owed at the time of default. LGD represents the group's expectation of the extent of loss on the exposure.

For the short-term liquid asset portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the period of 12 months, as published by the rating agencies, after adjusting for forward-looking macro-economic information.

For receivables and advances that arise in connection with the PE asset class, PDs are derived using an internal model and adjusted for forward-looking macro-economic information. PDs for receivables and advances of the RE asset class are derived based on internal categorization of the related investment and default rates published by a reputable rating agency adjusted for forward-looking macro-economic information.

For secured assets, LGDs are determined based on factors which impact the recoveries made post default. For unsecured assets, LGDs are based on regulatory guidelines.

The Group writes-off exposures if there is no reasonable expectation of recovery, subject to the appropriate regulatory approvals.

29. RISK MANAGEMENT (CONTINUED)

iii) Funding liquidity risk

Funding liquidity risk is the risk that the Group will be unable to fund increases in assets and meet obligations when they fall due, without incurring unacceptable losses. To mitigate this risk, the Group implements a comprehensive liquidity risk management framework, which includes the use of risk limits, monitoring systems and scenario analyses that are incorporated into a contingency funding plan. The framework is consistent with regulatory requirements and is subject to Board and senior management oversight. Liquidity management aims to arrange diversified funding sources and maintain comfortable and laddered debt maturities. The Group manages assets with liquidity in mind, and it monitors liquidity on a daily basis.

The table below summarizes the maturity profile of the Group's assets and liabilities based on expected realizations.

June 30, 2019 *$millions*	*Up to 3 months*	*>3 months up to 1 year*	*Sub-Total up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Non-cash items*	*Total*
Assets								
Financial assets								
Cash and short-term funds	57	-	57	-	-	-	-	57
Placement with financial institutions and other liquid assets	323	10	333	-	-	-	-	333
Positive fair value of derivatives	5	0	5	-	1	38	-	44
Receivables	208	10	218	107	-	-	-	325
Advances	12	13	25	57	-	-	-	82
Underwritten and warehoused investments	334	-	334	-	-	-	-	334
Co-investments								
Private equity investment	-	73	73	432	-	-	-	505
Credit management investment	6	19	25	132	175	-	-	332
Absolute return investments	27	49	76	36	-	-	-	112
Real Estate Investment	-	-	-	68	-	-	-	68
Investment in associate	-	-	-	-	-	38	-	38
Total financial assets	972	174	1,146	832	176	76	-	2,230
Non-financial assets								
Prepayments	-	-	-	-	-	-	39	39
Premises, equipment and other assets	-	-	-	-	-	-	37	37
Intangibles	-	-	-	-	-	-	55	55
Total assets	972	174	1,146	832	176	76	131	2,361
Liabilities								
Financial liabilities								
Call accounts	107	-	107	156	-	-	-	263
Term and institutional accounts	52	34	86	65	-	-	-	151
Payables and accrued expenses	162	22	184	18	-	-	-	202
Negative fair value of derivatives	9	0	9	-	3	11	-	23
Medium-term and long term debt	-	-	-	(4)	84	434	-	514
Total financial liabilities	330	56	386	235	87	445	-	1,153
Non-financial liability								
Deferred fees	-	-	-	-	-	-	63	63
Total liabilities	330	56	386	235	87	445	63	1,216
Net gap	642	118	760	597	89	(369)	68	1,145
Cumulative liquidity gap	642	760	760	1,357	1,446	1,077	1,145	

29. RISK MANAGEMENT (CONTINUED)

iii) Funding liquidity risk (continued)

June 30, 2018 $millions	Up to 3 months	>3 months up to 1 year	Sub-Total up to 1 year	>1 year up to 5 years	>5 years up to 10 years	>10 years up to 20 years	Non-cash items	Total
Assets								
Financial assets								
Cash and short-term funds	105	-	105	-	-	-	-	105
Placement with financial institutions and other liquid assets	262	4	266	-	-	-	-	266
Positive fair value of derivatives	5	4	9	1	-	45	-	55
Receivables	167	2	169	68	-	-	-	237
Advances	1	17	18	74	-	-	-	92
Underwritten and warehoused investments	446	-	446	-	-	-	-	446
Co-investments								
Private equity investment	-	36	36	589	-	-	-	625
Credit management investment	5	17	22	168	82	-	-	272
Absolute return investments	67	37	104	85	-	-	-	189
Real Estate Investment	-	-	-	76	-	-	-	76
Total financial assets	1,058	117	1,175	1,061	82	45	-	2,363
Non-financial assets								
Prepayments	-	-	-	-	-	-	39	39
Premises, equipment and other assets	-	-	-	-	-	-	36	36
Intangibles	-	-	-	-	-	-	55	55
Total assets	1,058	117	1,175	1,061	82	45	130	2,493
Liabilities								
Financial liabilities								
Call accounts	9	-	9	107	-	-	-	116
Term and institutional accounts	95	76	171	129	-	-	-	300
Payables and accrued expenses	159	15	174	52	-	-	-	226
Negative fair value of derivatives	23	5	28	-	-	11	-	39
Medium-term and long term debt	41	126	167	-	42	408	-	617
Total financial liabilities	327	222	549	288	42	419	-	1,298
Non-financial liability								
Deferred fees	-	-	-	-	-	-	72	72
Total liabilities	327	222	549	288	42	419	72	1,370
Net gap	731	(105)	626	773	40	(374)	58	1,123
Cumulative liquidity gap	731	626	626	1,399	1,439	1,065	1,123	

29. RISK MANAGEMENT (CONTINUED)

iii) Funding liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group relating to its financial liabilities and derivatives upon their respective earliest contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows (i.e. nominal plus interest) determined by using the forward yield curve to calculate future floating rate cash flows for the relevant periods.

June 30, 2019 $millions	***Up to 3 months***	***>3 months up to 1 year***	***>1 year up to 5 years***	***>5 years up to 10 years***	***>10 years up to 20 years***	***Total***
Financial liabilities						
Call accounts	109	3	166	-	-	278
Term and institutional accounts	44	43	72	-	-	159
Payables and accrued expenses	162	22	18	-	-	202
Medium-term and long term debt	8	9	65	98	493	673
	323	77	321	98	493	1,312
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	1,755	40	-	-	-	1,795
Contractual amounts receivable	(1,756)	(40)	-	-	-	(1,796)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	(4)	(4)	(36)	(38)	(8)	(90)
Commitments	120	11	59	35	15	240
Guarantees	-	-	-	21	-	21
Total undiscounted financial liabilities	438	84	344	116	500	1,482

June 30, 2018 $millions	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Total*
Financial liabilities						
Call accounts	9	2	148	-	-	159
Term and institutional accounts	97	79	135	-	-	311
Payables and accrued expenses	159	15	19	-	-	193
Medium and long-term debt	52	146	66	122	426	812
	317	242	368	122	426	1,475
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	932	244	40	-	-	1,216
Contractual amounts receivable	(917)	(248)	(43)	-	-	(1,208)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	(1)	(8)	(30)	(31)	(11)	(81)
Commitments	7	46	59	48	15	175
Guarantees	-	-	-	10	-	10
Total undiscounted financial liabilities	338	276	394	149	430	1,587

29. RISK MANAGEMENT (CONTINUED)

iv) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group's policies and procedures and the broad geographical and industry spread of its activities limit its exposure to any concentration risk. Additionally management has established credit limits for geographic and counterparty exposures, which are regularly monitored.

The distribution of assets and off-balance sheet items by geographical region and industry sector is as follows:

	June 30, 2019			June 30, 2018		
$millions	***Assets exposed to credit risk***	***Off-balance sheet items exposed to credit risk***	***Total credit risk exposure***	*Assets exposed to credit risk*	*Off-balance sheet items exposed to credit risk*	*Total credit risk exposure*
Geographical Region						
North America	441	21	462	664	10	674
Europe	529	-	529	330	-	330
MENA*	195	-	195	35	-	35
Asia	8	-	8	-	-	-
Total	1,173	21	1,194	1,029	10	1,039

* including Turkey

	June 30, 2019			June 30, 2018		
$millions	***Assets exposed to credit risk***	***Off-balance sheet exposed to credit risk***	***Total credit risk exposure***	*Assets exposed to credit risk*	*Off-balance sheet exposed to credit risk*	*Total credit risk exposure*
Industry Sector						
Banking and Finance	821	-	821	776	-	776
Consumer products	35	21	56	32	-	32
Consumer services	0	-	0	67	-	67
Healthcare	75	-	75	-	-	-
Industrial /business services	31	-	31	33	10	43
Industrial products	14	-	14	42	-	42
Real estate	127	-	127	32	-	32
Technology and Telecom	43	-	43	36	-	36
Others	27	-	27	11	-	11
Total	1,173	21	1,194	1,029	10	1,039

29. RISK MANAGEMENT (CONTINUED)

v) Market price risk

The principal market related risks to which the Group is exposed are foreign currency risk, interest rate risk and equity price risk associated with its co-investments in absolute return investments, private equity investments and real estate investments, as well as on its debt financings. For the purpose of managing market price risks, the Group has established appropriate procedures and limits approved by the Board of Directors.

In addition, for internal risk assessments, the Group uses a variety of internal and external models to analyze the market price risks that may arise from adverse market movements.

Market price risk has been further detailed below under (a) foreign currency risk, (b) interest rate risk and (c) equity price risk.

v) (a)Foreign currency risk

The Group's overall policy is generally to hedge all non-US dollar denominated assets, liabilities and commitments, and a proportion of its assets denominated in US-pegged currencies, into US dollars utilizing currency risk management products. In the normal course of its business the Group utilizes forward foreign exchange contracts and other foreign exchange derivatives to manage its exposure to fluctuations in foreign exchange rates. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established exposure and Value at Risk ("VaR") risk limits.

The Group's significant net hedged and unhedged foreign currency positions are set out below.

$millions	***June 30, 2019***		*June 30, 2018*	
Long (Short)	***Net hedged exposure***	***Net unhedged exposure***	*Net hedged exposure*	*Net unhedged exposure*
Bahraini Dinar*	-	23	-	29
Saudi Riyal*	-	0	-	(0)
Euro	50	0	210	(0)
Pounds Sterling	19	0	74	0
Swiss Francs	25	(0)	(132)	0
Japanese Yen	(344)	0	(335)	0
	(250)	23	(183)	29

* Currency exchange rate currently pegged against the US Dollar.

Incidental unhedged positions are subjected to market risk calculation based on their VaR. VaR estimates the potential loss due to market movement of foreign exchange rates or volatility of those rates. Potential market movements of foreign exchange rates are derived from a study of their historical volatility. The risk methodology is based on the assumption that changes in foreign exchange rates follow a normal probability distribution over time. The characteristics of normal distribution are then used to assess portfolio risk. However, the Group's risk management team conducts back testing by comparing the daily VaR with the daily profit and loss to ensure the robustness of the VaR model.

29. RISK MANAGEMENT (CONTINUED)

v) Market price risk (continued)

v) (a) Foreign currency risk (continued)

The following table summarizes the 99% confidence level over a 1-day holding period VaR for the Group's foreign currency exposures.

$millions	*2019*	*2018*
Average FX VaR	8	44
Year end FX VaR	4	4
Maximum FX VaR	46	533
Minimum FX VaR	3	1

The foreign exchange loss recognized in the consolidated statement of profit or loss as a result of incidental unhedged positions and costs of hedging against foreign exchange risk amounts to $1.9 million (2018: $0.9 million).

v) (b) Interest rate risk

The Group closely monitors interest rate movements, and seeks to limit its exposure to such movements by managing the interest rate repricing structure of its assets and liabilities. The Group actively manages its interest rate repricing gap exposure, with a bias towards floating rates and with exposure limits that are approved by the Board of Directors. The Group does not take interest rate trading positions and all of its interest rate risk is typically in the banking book where hedge accounting applies. The Group also utilizes interest rate related derivative financial instruments to manage its exposure to fluctuations in interest rates for specific transactions or groups of transactions.

A majority of the Group's interest earning assets and interest bearing liabilities carry floating rates of interest or if they carry fixed rates they have been hedged to floating rates of interest, except for the following:

- Credit management Investments amounting to $331.9 million (June 30, 2018: 272.3 million), which earn interest at an effective rate ranging between 2.7% to 15.7% (June 30, 2018: 5.0% to 15.7%) per annum.
- Term and institutional accounts amounting to $20.2 million (June 30, 2018: $48.8 million) on which interest is paid at an effective rate of 3.4% (June 30, 2018: 3.1%) per annum.

29. RISK MANAGEMENT (CONTINUED)

v) Market price risk (continued)

v) (b)Interest rate risk (continued)

The following table depicts the sensitivity of the Group's net income to a 200 basis points change in interest rates, with all other variables held constant. The sensitivity is based on the floating rate financial assets and financial liabilities (including items hedged back to floating rate) held at the year end.

$millions	*Sensitivity to profit/ (loss) for +200 basis points*	*Sensitivity to profit/ (loss) for -200 basis points*
Currency	*June 30, 2019*	
Euro	(6)	1
Pounds Sterling	(0)	0
Japanese Yen	1	-
US Dollar	5	(3)
Others	(2)	0
Total	(2)	(2)

a) Figures in parenthesis above represent loss.
b) The downside case of -200bps impact is calculated with the assumption that the yield curve will not go below 0%

$millions	*Sensitivity to profit/ (loss) for +200 basis points*	*Sensitivity to profit/ (loss) for -200 basis points*
Currency	*June 30, 2018*	
Euro	(7)	2
Pounds Sterling	(1)	0
Japanese Yen	0	(0)
US Dollar	(3)	3
Others	(0)	1
Total	(11)	6

a) Figures in parenthesis above represent loss.
b) The downside case of -200bps impact is calculated with the assumption that the yield curve will not go below 0%

Potentially significant variances in interest rate sensitivity may exist at dates other than the year end.

29. RISK MANAGEMENT (CONTINUED)

v) Market price risk (continued)

v) (c)Equity price risk

The Group's equity price risk arises primarily from its co-investments in private equity investment, real estate investment and absolute return investments.

Co-investments in private equity investment and real estate investment

The Group manages the equity price risk of its co-investments in private equity investment and real estate investment on a portfolio basis as well as at the individual investment level.

The table below summarizes the sensitivity of the Group's co-investments in PE, RE and CM to changes in multiples / capitalization rates / discount rates/ quoted bid prices.

June 30, 2019 $millions	*Factor*	*Change*	*Balance sheet exposure*	*Projected Balance sheet Exposure*		*Impact on Income*	
				For increase	For decrease	For increase	For decrease
PE co-investments	EBITDA Multiples	+/- 0.5x	478*	490	466	12	(12)
	Revenue Multiples	+/- 0.5x	8	9	7	1	(1)
				For decrease	For increase	For decrease	For increase
RE co-investments	Capitalization Rate	-/+ 1%	64*	72	56	8	(8)

June 30, 2018 $millions	*Factor*	*Change*	*Balance sheet exposure*	*Projected Balance sheet Exposure*		*Impact on Income*	
				For increase	For decrease	For increase	For decrease
PE co-investments	EBITDA Multiples	+/- 0.5x	592*	640	558	48	(34)
	Revenue Multiples	+/- 0.5x	11	12	10	1	(1)
				For decrease	For increase	For decrease	For increase
RE co-investments	Capitalization Rate	-/+ 1%	64*	73	58	9	(6)

***Includes exposures of $229m (2018: $40m) which are fair valued based on recent transaction prices or bids on which sensitivity is not applicable.**

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of strategic co-investments.

Co-investments in absolute return investments

The Group manages the market price risk in its ARI portfolio through its market risk management framework that uses the VaR technique. VaR techniques produce estimates of the potential negative change in the market value of a portfolio over a specified time horizon at given confidence levels.

The table below sets out the VaR, at a 99% confidence level and a one-month time horizon, for the Group's Absolute Return Investments exposure.

$millions	**2019**	2018
Average VaR	2	5
Year end VaR	2	3
Maximum VaR	3	6
Minimum VaR	2	3

29. RISK MANAGEMENT (CONTINUED)

vi) Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events (such as natural disasters, changes in regulation or outsourcing of operations). Investcorp includes in this definition legal risk but excludes reputational and strategic risks.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout Investcorp. The internal audit department makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios. In addition, Investcorp carries errors and omissions insurance against legal risks arising from its business activities.

As a part of Basel III compliance, Investcorp applies the Basic Indicator Approach ('BIA') to measure operational risk and also is implementing a Board of Directors approved operational risk management framework. Under the BIA approach, the operational risk charge is calculated by taking Investcorp's average gross income over the preceding two years and current financial year and multiplying it by a fixed alpha coefficient which has been set at 15 per cent in the CBB's Basel III capital adequacy framework. The operational risk management framework consists of the following: 1) "Risk Control and Self-Assessment": Self-assess operational risks by going through key business processes end-to-end, 2) Evaluate the adequacy of existing process controls, 3) Implement control modifications to reduce operational risks and determine residual risks and 4) Monitor and report operational risk events to senior management and the Board.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or 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:

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, on the basis that market participants act in their economic best interest.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group has established guidelines for the valuation of its investments which are reviewed by the Board of Directors and abides by guidelines issued under IFRS on valuation of investments and guidelines recommended by the International Private Equity and Venture Capital Association. The Group performs valuations of its corporate and real estate investments on a quarterly basis. The business support teams work along with deal teams to prepare valuation packages in accordance with the valuation guidelines of the Group. The valuation packages are then presented to the Valuation Committee which is comprised of senior members of the Finance team and investing lines of business. The Valuation Committee has the final responsibility of reviewing and approving the fair value of all investments.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value adjustments arise from re-measurement of liabilities which are hedged, investments and derivatives. Nonetheless the actual amount that is realized in a future transaction may differ from the current estimate of fair value, given the inherent uncertainty surrounding valuations of unquoted investments.

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values except for certain assets and liabilities carried at amortized cost. The fair value of CLO co-investments carried at amortized cost amounts to $189.3 million (June 30, 2018: $212.0 million) as compared to the carrying value of $183.2 million (June 30, 2018: $207.0 million). The fair value of CLO co-investments is based on inputs from independent third parties including broker quotes and Markit and falls under Level 3 of the fair value hierarchy disclosure. The fair value of medium and long term debt amounts to $431.0 million (June 30, 2018: $567.9 million) as compared to the carrying value of $513.7 million (June 30, 2018: $617.3 million). The fair value of medium and long term debt is based on inputs from third party banks and falls under Level 3 of the fair value hierarchy described below.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

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

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

During the current financial year, there was no transfer from level 3 to level 1 (2018: nil) under co-investments in private equity investments. Under absolute return investments, an exposure of $8.0 million (June 30, 2018: $9.0 million) is comprised of illiquid side pocket investments which are classified as Level 3. The year to date fair value changes on this ARI exposure amounts to a gain of $0.2 million (June 30, 2018: gain of $1.0 million) and the net redemptions amount to $0.7 million (June 30, 2018: $10.7 million).

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of financial assets that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques which are explained in Notes 12, 13, 14, 15 and 26 to the financial statements.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

June 30, 2019 $millions	Level 1	Level 2	Level 3	Total
Financial assets				
Positive fair value of derivatives	-	44	-	44
Co-investments				
Private equity investment	5	-	500	505
Credit management investment	-	-	149	149
Absolute return investments	-	104	8	112
Real estate investment	-	-	68	68
Investment in an associate*	-	-	38	38
Underwritten and warehoused investments**	-	-	334	334
Total financial assets	5	148	1,097	1,250
Financial liabilities				
Negative fair value of derivatives	-	23	-	23
Total financial liabilities	-	23	-	23

* The effect on consolidated statement of profit or loss due to change in multiple by 0.5x on Investment in an associate will be US$ 1.1 million.

** Underwritten investments amounting to $408 million were placed with the clients during the year. Fair value gain of $3.1 million was recognized on underwritten investments during the year.

June 30, 2018 $millions	Level 1	Level 2	Level 3	Total
Financial assets				
Positive fair value of derivatives	-	55	-	55
Co-investments				
Private equity investment	6	-	619	625
Credit management investment	-	-	65	65
Absolute return investments	-	180	9	189
Real estate investment	-	-	74	74
Underwritten and warehoused investments**	-	-	446	446
Total financial assets	6	235	1,213	1,454
Financial liabilities				
Negative fair value of derivatives	-	39	-	39
Total financial liabilities	-	39	-	39

** Underwritten investments amounting to $460.4 million were placed with the clients and transferred to co-investments during the year. No fair value gain/ loss was recognized on underwritten investments during the year.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A reconciliation of the opening and closing amounts of Level 3 co-investment in private equity investment, real estate investment, credit management investment and investment in an associate is given below:

June 30, 2019 $millions	At beginning	Net new acquisitions*	Fair value movements**	Movements relating to realizations	Other movements***	At end
PE co-investments	619	106	9	(236)	2	500
ICM co-investments	65	97	(7)	(5)	(1)	149
RE co-investments	74	24	(4)	(25)	(1)	68
Investment in an associate	-	32	5	0	1	38
Total	**758**	**259**	**3**	**(266)**	**1**	**755**

*Includes an investment in PE of $38 million that has been transferred from underwriting to co-investment.

**Includes $9.4 million fair value loss on FVOCI investments and unrealized fair value loss of $21.4 million on FVTPL investments.

***Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees and transfer from level 3 to level 1 on listing of an unquoted investment.

June 30, 2018 $millions	At beginning	Net new acquisitions	Fair value movements*	Movements relating to realizations	Other movements**	At end
PE co-investments	512	39	56	(135)	147	619
ICM co-investments	-	48	-	(1)	18	65
RE co-investments	75	25	(2)	(22)	(2)	74
Total	**587**	**112**	**54**	**(158)**	**163**	**758**

*Includes $5.3 million fair value loss on FVOCI investments and unrealized fair value gain of $25.3 million on FVTPL investments.

**Other movements include add-on funding, foreign currency translation adjustments and deferred remuneration awards to employees. For ICM Co-investments, it also includes investments amounting to $120.2 million which were transferred from amortized cost to FVOCI investments during the year.

31. EMPLOYEE COMPENSATION

Investcorp has a clear and well-defined “pay for risk-adjusted long-term performance” philosophy that pervades its culture and motivates its employees to target delivery of consistent top-quartile performance. This philosophy is exhibited in Investcorp’s remuneration programs and it is reflected in its annual remuneration decisions.

The remuneration that is paid to Investcorp’s employees is divided into two fundamental components: (i) fixed remuneration, i.e., salary and benefits, and (ii) variable remuneration.

Variable remuneration, comprised of cash and awards under deferred remuneration programs, is remuneration that varies from year to year and the amount of which is dependent upon (i) the financial performance of Investcorp as a whole, (ii) the risk-adjusted performance of each employee’s respective line of business and (iii) the performance of the individual employee.

Investcorp extensively utilizes deferred remuneration programs as part of employees’ remuneration. These programs are comprised of investment carried interest and co-investment programs and share-linked programs as described briefly below.

31. EMPLOYEE COMPENSATION (CONTINUED)

Programs for Investment Profit Participation

The Group's investment professionals in its private equity investment, real estate investment and placement and relationship management lines of business participate in investment carried interest programs, whereby a certain variable portion of exit proceeds due to investors from realization of their investments is shared with these professionals, provided certain pre-established minimum client return hurdles are satisfied. Netting mechanisms are used so that returns from investments that perform well are netted against other investments in which losses are sustained. Since this carry is awarded up front at the time of acquisition it has no significant value at the time of the award.

Programs for Investment Participation

Investment professionals and relationship managers also participate in a co-investment program pursuant to which they acquire an interest in the Investcorp Group's investments that they manage at the Investcorp Group's Consolidated Statement of Financial Position carrying value, thereby resulting in no gain or loss to Investcorp except for any potential impairment losses on the financing provided.

Under certain legacy co-investment programs, the Group provided financing at market rates to or on behalf of eligible employees, to invest in these programs on a levered basis. The permissible levels of leverage varied on a product to product and program to program basis. The aggregate remaining amount of such financing provided to or on behalf of employees as of June 30, 2019 is $15.9 million (June 30, 2018: $16.0 million).

A portion of the deferred remuneration awarded to eligible employees is also in the form of co-investment exposures. These awards have different vesting conditions and are not transferable. An expense charge of $12.9 million (2018: $11.1 million) was taken by the Group based on management's best estimate of the likely vesting of the awards.

Employee Share-Linked Plans

SHL sponsors various employee share-linked plans under which a portion of the deferred remuneration awarded to eligible employees is in the form of SIPCO shares or phantom SIPCO shares or performance-linked SIPCO share based awards that represent a beneficial interest in the ordinary shares of the Bank. These SIPCO awards have different vesting periods and are not transferable.

SIPCO shares or phantom SIPCO shares or performance-linked SIPCO share based awards are granted to the employees at their fair value on the grant date. The fair value of SIPCO shares for purposes of the plans is estimated considering their non-transferability and the indirect nature of the underlying beneficial ownership. The value of SIPCO shares granted during the year is $20.1 million (2018: $22.9 million). The start and end date of the vesting period for each grant varies from plan to plan and is based on continued employment (unless employment is terminated due to death, disability or retirement) as well as satisfaction of certain performance conditions. The determination of the amount of expense to be recognized as compensation expense in any year is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

31. EMPLOYEE COMPENSATION (CONTINUED)

Employee Share-Linked Plans (continued)

An expense charge of $12.8 million (2018: $12.5 million) was taken by the Group based on management's best estimate of the number of shares that are likely to vest. The grant date value of shares vested during the year amounted to $19.0 million (2018: $16.0 million). The details of shares granted, vested and forfeited during the year are as follows:

Number of shares	***2019***	*2018*
Granted during the year	1,768,622	2,171,182
Vested during the year	1,794,959	1,806,674
Forfeited during the year	219,785	272,746

32. RELATED PARTY TRANSACTIONS

For the Group, related parties include its investee companies, companies that hold clients' investments (investment holding companies), client fund companies associated with ARI, and SIPCO Limited.

It also includes major shareholders, directors and senior management of the Bank, their immediate families and entities controlled, jointly controlled or significantly influenced by such parties. Income is earned or expense is incurred in the Group's transactions with such related parties in the ordinary course of business. The Group's management approves the terms and conditions of all related party transactions.

Although these companies are classified as related parties, the Group administers and manages the companies that hold clients' investments on a fiduciary basis on behalf of its clients who are third parties and are the beneficiaries of a majority of the economic interest from the underlying investments of these companies. As a result, the true nature of the Group's transactions with these companies is effectively at commercial terms as specified under pre-determined management agreements.

In addition to the compensation and benefits to employees disclosed in Note 31, the income earned and expenses incurred in connection with related party transactions included in these consolidated financial statements are as follows:

$millions		***June 30, 2019***	***June 30, 2018***
AUM fees	Investee and investment holding companies	134	128
Deal fees	Investee and investment holding companies	149	100
Asset based income	Investee companies	32	33
Provisions for impairment	Employee investment programs	(0)	(0)
Interest expense	Investment holding companies	(4)	(3)
Operating expenses	Directors' remuneration	(1)	(2)
Operating expenses	Professional fees	(2)	(1)

Of the staff compensation for the year set out in Note 31 and assets noted above, $70.4 million (2018: $71.8 million) is attributable to senior management. Of the above mentioned remuneration of senior management, $49.6 million (2018: $49.7 million) is in the form of salaries and other short term benefits.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the compensation and benefits to employees disclosed in Note 31, the balances with related parties included in these consolidated financial statements are as follows:

	June 30, 2019			June 30, 2018		
$millions	***Assets***	***Liabilities***	***Off-balance sheet***	***Assets***	***Liabilities***	***Off-balance sheet***
Outstanding balances						
Co-investments	1,012	-	-	1,156	-	-
Underwritten and warehoused investments	334	-	-	446	-	-
Investment in an associate	38	-	-	-	-	-
Strategic shareholders	9	12	-	8	12	-
Investee companies	59	2	21	51	-	10
Investment holding companies	100	117	64	107	138	29
Institutional accounts on call	-	131	-	-	251	-
Fund companies associated with the ARI	10	-	-	34	-	-
Directors and senior management	0	8	-	-	10	-
	1,562	270	85	1,802	411	39

33. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"), in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB rule book (Volume 1 and applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets regulations and the rules and procedures of the Bahrain Bourse.

The consolidated financial statements are prepared and presented in United States dollars, this being the functional currency of the Group, and rounded to the nearest millions ($millions) unless otherwise stated. Certain prior year balances have been reclassified to conform to the current year presentation.

The significant accounting policies adopted in the preparation of these consolidated financial statements are the same as those followed in the preparation of the audited consolidated financial statements for the year ended June 30, 2018.

New standards, amendments and interpretations issued but not yet effective

- IFRS 16 Leases: effective for periods beginning on or after 1 January 2019;
- IAS 19 Employee Benefits (amendments) (effective for annual periods beginning on or after 1 January 2019); and
- Annual Improvements Cycle 2015-2017 (effective for annual periods beginning on or after 1 January 2019)

The Group's management is currently evaluating the impact of the above standard and amendments on the consolidated financial statements.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the re-measurement at fair value of financial instruments under IFRS 9 and revaluation of premises and equipment.

ii) Going concern

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

iii) Basis of consolidation

The consolidated financial statements are comprised of the financial statements of the Bank and its subsidiaries. A subsidiary is an entity which is controlled by the Group. Control is achieved when the Group is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect these returns through its power over the entity. The Group consolidates its subsidiaries excluding entities which meet the below criteria:

a) Where there are contractual or other restrictions imposed on the Group's ability to appoint the majority of the Board of Directors, or

b) Where a majority of the economic risk and reward accrues to third parties other than the Group, or

c) Where the exception to consolidate subsidiaries of an Investment entity is applied, as defined in IFRS 10.

The Group qualifies as an investment entity as defined under IFRS 10, and as such, measures its investments in accordance with the requirements set out in the standard.

The results of all subsidiaries are included in the consolidated statement of profit or loss from the effective date of formation or acquisition. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. All intercompany balances, income and expenses have been eliminated on consolidation.

iv) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements. The use of estimates is principally limited to:

a) The determination of the fair values of FVTPL co-investments in private equity investments and real estate investments (see Notes 12 and 15), the determination of performance fees on assets under management, impairment provisions for financial assets other than FVTPL investments and FVOCI equity investments (see Note 16) and allocation of placement fee to the performance obligations as described later.

b) The determination of cash flows which is the basis for performing the assessment of solely payments of principal and interest test on CLO co-investments which are being carried as debt instruments at amortized cost (see Note 13).

In the process of applying the Group's accounting policies, management has made judgments covered in the following section, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements.

vi) Trade date accounting

Purchases and sales of financial assets that require delivery of the assets within a timeframe generally established by regulation or convention in the market place are recognized using the "trade date" accounting basis (i.e. the date that the entity commits to purchase or sell the asset).

vii) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis.

viii) Foreign currencies

A foreign currency transaction is recorded in the functional currency at the rate of exchange prevailing at the value date of the transaction. Monetary assets and liabilities in foreign currencies that are held at the Statement of Financial Position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on retranslation are recognized in the consolidated statement of profit or loss under treasury and other asset based income.

Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Non-monetary assets in foreign currencies that are stated at fair value are retranslated at exchange rates prevailing on the dates the fair values were determined. Gains and losses on fair valuation of FVTPL investments are taken to the consolidated statement of profit or loss.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

viii) Foreign currencies (continued)

Foreign currency differences arising from the translation of investments in respect of which an election has been made to present subsequent changes in FVOCI are recognized in the consolidated statement of other comprehensive income.

ix) Income

Interest income is recognized using the effective yield of the asset and is recorded as asset based income. Asset based income from all FVTPL investments is recognized on the basis of realized and unrealized changes in fair value as at the end of the reporting period.

Fee income is recognized when services are rendered. Performance fees are recognized when earned. Performance fees are calculated based on the underlying agreements and assuming all investments will be sold at their fair values at the reporting date. The actual amount of performance fees received will depend on cash realizations of these investments and the valuations may change in the next financial year.

Realized capital gains or losses on FVOCI equity investments are taken to retained earnings at the time of derecognition of the investment.

Revenue from contracts with customers

Placement fees are charged when an underwritten investment is placed with investors. Following the early adoption of IFRS 15, the Group has identified the performance obligations arising from its contracts with investors with whom the investments are placed. The portion of the fee relating to such performance obligations is deferred and recognized over the investment period.

Investcorp has reviewed and analyzed the terms of the contracts that it has entered into with its investors arising from the placement of its investments. Based on this review, the Group has determined the following two types of performance obligations that Investcorp is expected to satisfy:

i. services provided by Investcorp during the year from purchase to the placement of the investment with investors, including deal identification, funding, underwriting, maintaining a placement infrastructure, preparing the marketing materials for each deal etc; and

ii. services provided over the period of the investment as agreed with the investor at the time of placement.

Investcorp has allocated the placement fee to each of the above performance obligations. The Group completes all of its performance obligations described in (i) above before placing an investment with its investors. Accordingly, the fee relating to this performance obligation is recognized upfront upon placement of the investment with investors. This portion of the placement fee is included as part of deal fees

A portion of the placement fee represents the amount received upfront for the performance obligation described in (ii) above. Accordingly, this component of the placement fee is deferred and recognized over time, as AUM fees, over the period of managing the investment.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Expenses

Interest on borrowings represents funding cost and is calculated using the effective interest rate method, adjusted for gains or losses on related cash flow hedges.

xi) Taxation of foreign operations

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on income from foreign subsidiaries is provided for in accordance with the fiscal regulations of the countries in which the respective Group entities operate.

Deferred taxation is provided for using the liability method on all temporary differences calculated at the rate at which it is expected to be payable. Deferred tax assets are only recognized if recovery is probable.

xii) Cash and cash equivalents

Cash and cash equivalents comprise cash and short term funds, cash in transit, other liquid funds and placements with financial institutions that are readily convertible into cash and are subject to insignificant risk of changes in value with an original maturity of three months or less.

xiii) Receivables

Subscription receivables are recognized when the obligation is established, i.e., when a binding subscription agreement is signed. These are carried at cost less provision for impairment.

xiv) Advances

Advances are stated at amortized cost, net of any impairment provisions.

xv) Classification of financial assets

(a) Investments

The group classifies the financial assets into various categories as set out in Note 5.

On initial investment, a debt investment is measured at amortized cost if the financial asset is held to collect contractual cash flows over the life of the asset and if those cash flows comprise solely of principal repayments and interest on the principal amount outstanding.

The Group also classifies strategic investments, certain real estate legacy investment portfolios, certain credit management investments and ARI investments as FVOCI investments.

All other investments including those over which the Group has significant influence are classified as FVTPL.

(b) Other liquid assets

Other liquid assets, which form part of “placements with financial institutions and other liquid assets”, are recorded at amortized cost less any impairment in value other than those assets which contain embedded derivatives requiring either separation of the embedded derivative or classification of the entire instrument as FVTPL assets. The management has designated such assets as FVTPL assets.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xvi) Co- investments in private equity investment and real estate investment

The Group's co-investments in private equity investment and real estate investment are primarily classified as FVTPL investments. These investments are initially recorded at acquisition cost (being the initial fair value) and are re-measured to fair value at each reporting date, with resulting unrealized gains or losses being recorded as fair value changes in the consolidated statement of profit or loss. Consequently, there are no impairment provisions for such investments.

The Group's strategic and certain other equity investments are classified as FVOCI investments and are initially recorded at fair value. These investments are then re-measured to fair value at each reporting date and any resulting change in value of these investments is taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported in equity is transferred to retained earnings.

Certain debt investments made in connection with the Group's co-investments in private equity investment and real estate investment are carried at amortized cost, less provision for impairment, if any.

xvii) Co- investments in credit management investment

The Group's co-investments in credit management in US and any new exposure acquired during the year are classified as FVOCI debt investments. All other credit management co-investment exposures are carried at amortised cost less any impairment provision. Interest income on amortized cost instruments is recognized using the effective interest rate ("EIR").

FVOCI debt investments are initially recorded at fair value. Any subsequent fair value changes on such investments will be recognized directly in equity and any impairment in the carrying value will be recognized in the consolidated statement of profit or loss. At the time of derecognition, any cumulative gain or loss previously reported in equity is transferred to retained earnings through profit or loss.

xviii) Co-investments in absolute return investments

The Group's co-investments in absolute return investments are classified as FVTPL and FVOCI investments and are stated at fair value at the reporting date. The fair value changes in FVTPL investments are recorded in the consolidated statement of profit or loss.

The fair value changes in the FVOCI investments are taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported is transferred to retained earnings.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xix) Impairment and un-collectability of financial assets

The Group recognizes loss allowances in the consolidated statement of profit or loss for expected credit losses (ECL) on financial assets excluding investments classified as FVTPL and equity investments classified as FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

1. debt investment securities that are determined to have low credit risk at the reporting date; and
2. other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

For the purposes of calculation of ECL, the Group categorizes such financial assets into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 – Performing: when such financial assets are first recognized, the Group recognizes an allowance based up to 12- month ECL.

Stage 2 – Significant increase in credit risk: when such financial assets shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.

Stage 3 – Impaired: the Group recognizes the lifetime ECL for such financial assets.

xx) De-recognition of financial instruments

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, any cumulative gain/ loss recognized in the consolidated statement of other comprehensive income in respect of equity investments designated at FVOCI is transferred directly to retained earnings.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

xxi) Derivative financial instruments

Derivatives are stated at fair value determined by using prevailing market rates or internal pricing models.

Derivatives that qualify for hedge accounting are classified into fair value hedges or cash flow hedges. Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Accounting treatments for both types of hedges and in the case of discontinuance of hedges are disclosed in Note 26.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxi) Derivative financial instruments (continued)

For derivatives that do not qualify for hedge accounting, any gain or loss arising from changes in their fair value is taken to the consolidated statement of profit or loss.

xxii) Premises and equipment

Premises and equipment substantially comprise land, buildings and related leasehold improvements used by the Group as office premises.

The Bank carries its building on freehold land and certain operating assets at revalued amounts, being the fair value of the assets at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying value. Any revaluation surplus is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized directly in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve. A transfer from the asset revaluation reserve to retained earnings is made for any difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost of the asset.

All other items are recorded at cost less accumulated depreciation.

Premises and equipment are depreciated on a straight line basis over their estimated useful lives which are as follows:

Buildings on freehold land	25 years
Leasehold and building improvements	10 - 15 years
Operating assets	3 - 23 years

The above useful lives of the assets and methods of depreciation are reviewed and adjusted, if appropriate, at least at each financial year end.

xxiii) Intangible assets

Intangible assets comprise management contracts and goodwill recognized on the acquisition of the credit management business. Management contracts have a useful life of 5 years from the date of the acquisition and are amortized accordingly.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxiii) Intangible assets (continued)

The Group tests goodwill for impairment annually. For other intangible assets, the Group reviews the carrying amounts to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and if any, impairment loss is charged to the consolidated statement of profit or loss for the period.

xxiv) Payables, accruals and provisions

Provision for employee benefit costs is made in accordance with contractual and statutory obligations and the terms of benefit plans approved by the Board of Directors (see Note 31).

Provisions are made when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

xxv) Unfunded deal acquisitions

Unfunded deal acquisitions represent amounts contractually payable by the Group in respect of investment acquisitions the agreements for which are signed, but have not been funded, as of the reporting date.

xxvi) Borrowings

Borrowings, represented by medium-term revolvers, medium-term debt and long-term debt, are initially recognized at the fair value of consideration received and subsequently adjusted for the impact of effective fair value hedges.

Transaction costs relating to borrowings are initially capitalized and deducted from the borrowings and subsequently recognized as interest expense over the expected life of these borrowings.

xxvii) Treasury shares

Treasury shares are stated at acquisition cost and are shown as a deduction to equity. Any surplus arising from the subsequent sale of treasury shares at a price greater than cost is treated as non-distributable and included in a share premium reserve under equity. Any deficit arising from the subsequent sale of treasury shares at a price lower than cost is charged first against any previously established reserve from past transactions in treasury shares, and where such reserve is insufficient, then any difference is charged to retained earnings.

xxviii) Share awards

Share awards to employees are accounted and expense recognized over the vesting period. The determination of the amount to be recognized is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

33. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxix) Dividends

Proposed dividends are disclosed as appropriations within equity until the time they are approved by the shareholders. On approval by shareholders, these are transferred to liabilities.

34. POST BALANCE SHEET EVENTS

During fiscal year 2019, the Group decided to re-align its structure in Bahrain taking into account the evolution of the CBB's regulatory framework for wholesale banks and investment firms, as well as the development of Investcorp's business model. With the approval of shareholders and the CBB, the Group (i) incorporated a category 1 investment business firm in Bahrain called Investcorp Financial Services BSC (c) ("IFS"), and (ii) engaged with clients, strategic partners and other stakeholders to transition it's regulated marketing, placement and MENA private equity investment advisory and asset management services to IFS.

Subsequent, to the year end, the Group has completed the process of transitioning the regulated marketing, placements and MENA private equity investment advisory and asset management services to IFS. The Group is now in the final stages of working with the CBB and the local Ministry of Industry, Commerce and Tourism to finalize the conversion of the parent company, being Investcorp Bank BSC, from a wholesale bank into a holding company. The CBB has issued a non-objection letter supporting this process. The holding company will continue to be listed on the Bahrain Bourse while the investment business firm will continue to serve its customers in the same manner as the Group has historically done. Other Investcorp group entities will continue to be subject to local regulatory oversight in all of the countries in which they conduct regulated activities.