INVESTCORP BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 (UNAUDITED)

INVESTCORP BANK B.S.C.

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Description	Page
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF INVESTCORP BANK B.S.C.	2
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET	3
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
Notes to the interim condensed Consolidated Financial Statements	
1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES	7
2. SEGMENT REPORTING	12
3. ASSETS UNDER MANAGEMENT	20
4. OPERATING EXPENSES	21
5. RECEIVABLES AND PREPAYMENTS	22
6. LOANS AND ADVANCES	23
7. CO-INVESTMENTS IN HEDGE FUNDS	24
8. CORPORATE CO-INVESTMENTS	25
9. REAL ESTATE CO-INVESTMENTS	29
10. PROVISION FOR IMPAIRMENT	30
11. DEPOSITS FROM CLIENTS	30
12. PAYABLES AND ACCRUED EXPENSES	31
13. MEDIUM-TERM DEBT	32
14. LONG-TERM DEBT	33
15. SHARE CAPITAL	34
16. CAPITAL ADEQUACY	35
17. DERIVATIVE FINANCIAL INSTRUMENTS	36
18. COMMITMENTS AND CONTINGENT LIABILITIES	39
19. FAIR VALUE OF FINANCIAL INSTRUMENTS	40
20. CYCLICALITY OF ACTIVITIES	42

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF INVESTCORP BANK B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Investcorp Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2011, comprising of the interim condensed consolidated balance sheet as at 31 December 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

12 February 2012
Manama, Kingdom of Bahrain

INVESTCORP BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2011 (UNAUDITED)

$000s	*December 31, 2011*	*June 30, 2011 (Audited)*	*Notes*	*Page*
ASSETS				
Cash and short-term funds	47,308	24,649		
Placements with financial institutions and other liquid assets	202,386	341,395		
Positive fair value of derivatives	96,666	45,033	17	38
Receivables and prepayments	252,175	300,436	5	22
Loans and advances	203,116	169,832	6	23
Co-investments				
Hedge funds	623,432	607,398	7	24
Corporate investment	1,036,192	1,121,735	8	25
Real estate investment	227,371	188,838	9	29
Total co-investments	1,886,995	1,917,971		
Premises, equipment and other assets	57,459	59,235		
TOTAL ASSETS	2,746,105	2,858,551		
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from clients - short-term	301,899	318,028	11	30
Negative fair value of derivatives	54,134	22,804	17	38
Payables and accrued expenses	64,316	202,521	12	31
Deposits from clients - medium-term	82,724	95,309	11	30
Medium-term debt	656,414	584,912	13	32
Long-term debt	597,115	574,640	14	33
TOTAL LIABILITIES	1,756,602	1,798,214		
EQUITY				
Preference share capital	511,465	511,465	15	34
Ordinary shares at par value	200,000	200,000	15	34
Reserves	235,174	242,880		
Treasury shares	(166,939)	(181,287)		
Retained earnings	187,365	181,922		
Ordinary shareholders' equity excluding proposed appropriations, unrealized fair value changes recognized directly in equity and revaluation reserve	455,600	443,515		
Proposed appropriations	-	74,682		
Unrealized fair value changes and revaluation reserve recognized directly in equity	22,438	30,675		
TOTAL EQUITY	989,503	1,060,337		
TOTAL LIABILITIES AND EQUITY	2,746,105	2,858,551		

Abdul-Rahman Salim Al-Ateeqi
Chairman

Nemir A. Kirdar
Executive Chairman & CEO

The attached notes 1 to 20 are an integral part of these interim condensed consolidated financial statements.

INVESTCORP BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2011 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

$000s	*6 months July - Dec 2011*	*6 months July - Dec 2010*	*Notes*	*Page*
FEE INCOME				
Management fees	44,238	44,760		
Activity fees	29,731	21,087		
Performance fees	8,037	5,853		
Fee income ***(a)***	82,006	71,700	2	17
ASSET BASED INCOME				
Hedge funds	(58,595)	40,607		
Corporate investment	65,449	34,373		
Real estate investment	2,153	13,534		
Treasury and other asset based income	1,504	8,459		
Asset based income ***(b)***	10,511	96,973	2	17
Gross operating income (a) + (b)	92,517	168,673	2	17
Provisions for impairment	(355)	(407)	10	30
Interest expense	(22,866)	(28,782)		
Operating expenses	(64,038)	(83,249)	4	21
NET INCOME	5,258	56,235		
Basic and fully diluted earnings per ordinary share ($)	9	88		

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

$000s	*6 months July - Dec 2011*	*6 months July - Dec 2010*	*Notes*	*Page*
NET INCOME (AS ABOVE)	5,258	56,235		
Other comprehensive income				
Fair value movements - available for sale investments	-	(1,860)		
Fair value movements - cashflow hedges	(8,122)	7,302		
Other comprehensive (loss) / income	(8,122)	5,442		
TOTAL COMPREHENSIVE (LOSS) / INCOME	(2,864)	61,677		

The attached notes 1 to 20 are an integral part of these interim condensed consolidated financial statements.

INVESTCORP BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2011 (UNAUDITED)

			Reserves							Unrealized fair value changes and revaluation reserve recognized directly in equity				
$000s	**Preference share capital**	**Ordinary share capital**	**Share premium**	**Statutory reserve**	**General reserve**	**Total reserves**	**Treasury shares**	**Retained earnings**	**Proposed appropriations**	**Available for sale investments**	**Cash flow hedges**	**Revaluation reserve on premises and equipment**	**Total**	**Total equity**
Balance at July 1, 2010	**508,678**	**200,000**	**446,243**	**100,000**	**50,000**	**596,243**	**(161,669)**	**(234,489)**	**57,374**	**6,573**	**11,679**	**9,949**	**28,201**	**994,338**
Total comprehensive income / (loss)	-	-	-	-	-	-	-	56,235	-	(1,860)	7,302	-	5,442	61,677
to retained earnings	-	-	-	-	-	-	-	430	-	-	-	(430)	(430)	-
Treasury shares purchased during the period - net	-	-	-	-	-	-	(34,971)	-	-	-	-	-	-	(34,971)
Treasury shares sold / financed during the year	-	-	-	-	-	-	8,957	-	-	-	-	-	-	8,957
Loss on sale of treasury shares	-	-	(1,294)	-	-	(1,294)	1,294	-	-	-	-	-	-	-
Approved preference share dividend paid	-	-	-	-	-	-	-	-	(57,374)	-	-	-	-	(57,374)
Vesting of preference shares during the period - net	2,823	-	-	-	-	-	-	-	-	-	-	-	-	2,823
Balance at Decemeber 31, 2010	**511,501**	**200,000**	**444,949**	**100,000**	**50,000**	**594,949**	**(186,389)**	**(177,824)**	**-**	**4,713**	**18,981**	**9,519**	**33,213**	**975,450**
Balance at July 1, 2011	**511,465**	**200,000**	**142,880**	**100,000**	**-**	**242,880**	**(181,287)**	**181,922**	**74,682**	**4,713**	**19,908**	**6,054**	**30,675**	**1,060,337**
Total comprehensive income / (loss)	-	-	-	-	-	-	-	5,258	-	-	(8,122)	-	(8,122)	(2,864)
Depreciation on revaluation reserve transferred														
to retained earnings	-	-	-	-	-	-	-	115	-	-	-	(115)	(115)	-
Treasury shares purchased during the period - net	-	-	-	-	-	-	(6,364)	-	-	-	-	-	-	(6,364)
Treasury shares sold during the year	-	-	-	-	-	-	13,006	-	-	-	-	-	-	13,006
Loss on sale of treasury shares	-	-	(7,706)	-	-	(7,706)	7,706	-	-	-	-	-	-	-
Approved appropriations paid / forfeited:														
Preference share dividend paid	-	-	-	-	-	-	-	-	(61,306)	-	-	-	-	(61,306)
Ordinary share dividend paid	-	-	-	-	-	-	-	-	(9,306)	-	-	-	-	(9,306)
Preference share dividend forfeited	-	-	-	-	-	-	-	70	(70)	-	-	-	-	-
Charitable contributions by shareholders paid	-	-	-	-	-	-	-	-	(4,000)	-	-	-	-	(4,000)
Balance at Decemeber 31, 2011	**511,465**	**200,000**	**135,174**	**100,000**	**-**	**235,174**	**(166,939)**	**187,365**	**-**	**4,713**	**11,786**	**5,939**	**22,438**	**989,503**

The attached notes 1 to 20 are an integral part of these interim condensed consolidated financial statements.

INVESTCORP BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2011 (UNAUDITED)

$000s	*6 months July - December 2011*	*6 months July - December 2010*	*Notes*	*Page*
OPERATING ACTIVITIES				
Net income	5,258	56,235		
Adjustments for non-cash items in net income				
Depreciation	3,023	3,547	4	21
Provisions for impairment	355	407	10	30
Amortization of transaction costs of borrowings	3,517	3,514		
Preference shares vesting - net of forfeitures	-	2,823		
Net income adjusted for non-cash items	12,153	66,526		
Changes in:				
Operating capital				
Placements with financial institutions and other liquid assets (non cash equivalent)	10,000	(25,000)		
Receivables and prepayments	48,132	49,721	5	22
Loans and advances	(33,510)	501	6	23
Deposits from clients - short-term	(16,129)	(12,581)	11	30
Payables and accrued expenses	(138,205)	(77,445)	12	31
Co-investments				
Hedge funds	(16,034)	(64,105)	7	24
Corporate investment	85,543	42,301	8	25
Real estate investment	(38,533)	16,444	9	29
Fair value of derivatives	8,785	64,184		
Other assets	(475)	9		
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(78,273)	60,555		
FINANCING ACTIVITIES				
Deposits from clients - medium-term	(12,585)	12,318	11	30
Medium-term revolvers drawn	123,250	-		
Medium-term revolvers repaid on maturity	(50,000)	(150,000)	13	32
Medium-term revolvers repaid and available for drawdown	-	(150,000)	13	32
Medium-term debt repaid - net	-	(111,250)	13	32
Long-term debt repaid	(20,000)	(45,000)	14	33
Treasury shares sold (ordinary) - net	6,642	(26,014)		
Dividends and charitable contributions paid	(74,612)	(57,374)		
NET CASH USED IN FINANCING ACTIVITIES	(27,305)	(527,320)		
INVESTING ACTIVITY				
Investment in premises and equipment	(772)	(174)		
NET CASH USED IN INVESTING ACTIVITY	(772)	(174)		
Net decrease in cash and cash equivalents	(106,350)	(466,939)		
Cash and cash equivalents at beginning of the period	353,044	839,811		
Cash and cash equivalents at end of the period	246,694	372,872		
Cash and cash equivalents comprise:				
Cash and short-term funds	21,681	21,950		
Cash in transit	25,627	45,712		
Placements with financial institutions and other liquid assets	199,386	305,210		
	246,694	372,872		
Total accessible liquidity comprises:				
Cash and cash equivalents	246,694	372,872		
Placements with financial institutions and other liquid assets (non-cash equivalent)	3,000	88,000		
Undrawn revolvers	169,500	196,250		
Total accessible liquidity*	419,194	657,122		

* In addition to the above, the group has $ 623.4 million (December 31, 2010: $601.4 million and June 30, 2011: $607.4 million) in hedge funds, which also forms a part of the Group's total liquidity.

Additional cash flow information

$000s	*6 months July - December 2011*	*6 months July - December 2010*
Interest paid	(22,249)	(32,268)
Interest received	5,152	10,773

The attached notes 1 to 20 are an integral part of these interim condensed consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. 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 and is listed on the Bahrain Bourse. The ultimate parent of the Group is SIPCO Holdings Limited incorporated in the Cayman Islands.

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

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 issued by the Ministry of Industry and Commerce, Kingdom of Bahrain.

The interim condensed consolidated financial statements for the six month period ended December 31, 2011 were authorized for issue in accordance with a resolution of the Board of Directors dated February 12, 2012.

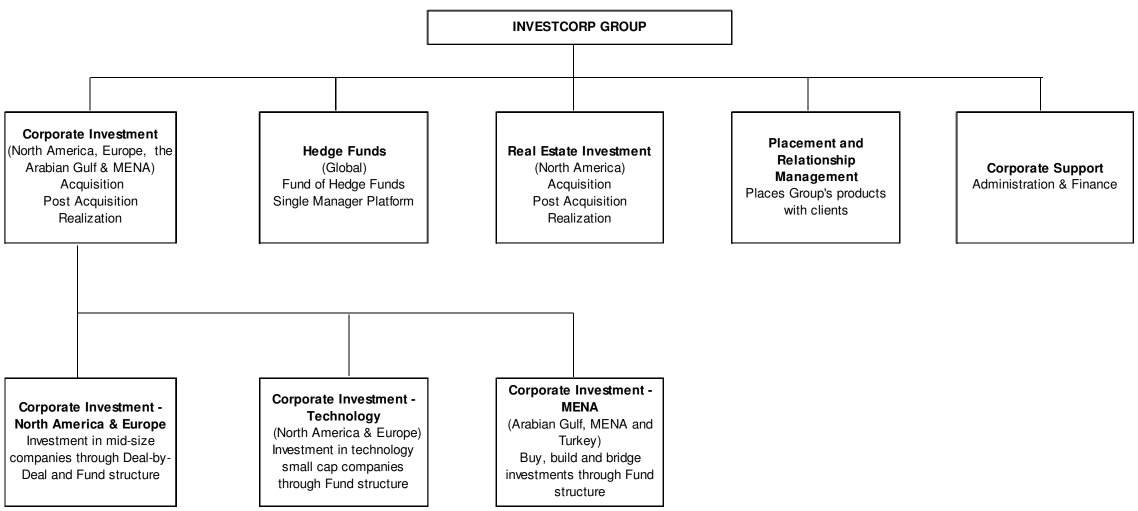
1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(ii) Activities

The Group's principal activity is providing products in three broad alternative investment asset classes to its client base and co-investing in these together with its clients. The alternative investment asset classes in which the Group specializes are corporate investment, hedge funds and real estate investment. Within the corporate investment asset class the Group offers three products namely, (a) Corporate investment–North America & Europe, (b) Corporate investment–Technology and (c) Corporate investment–MENA.

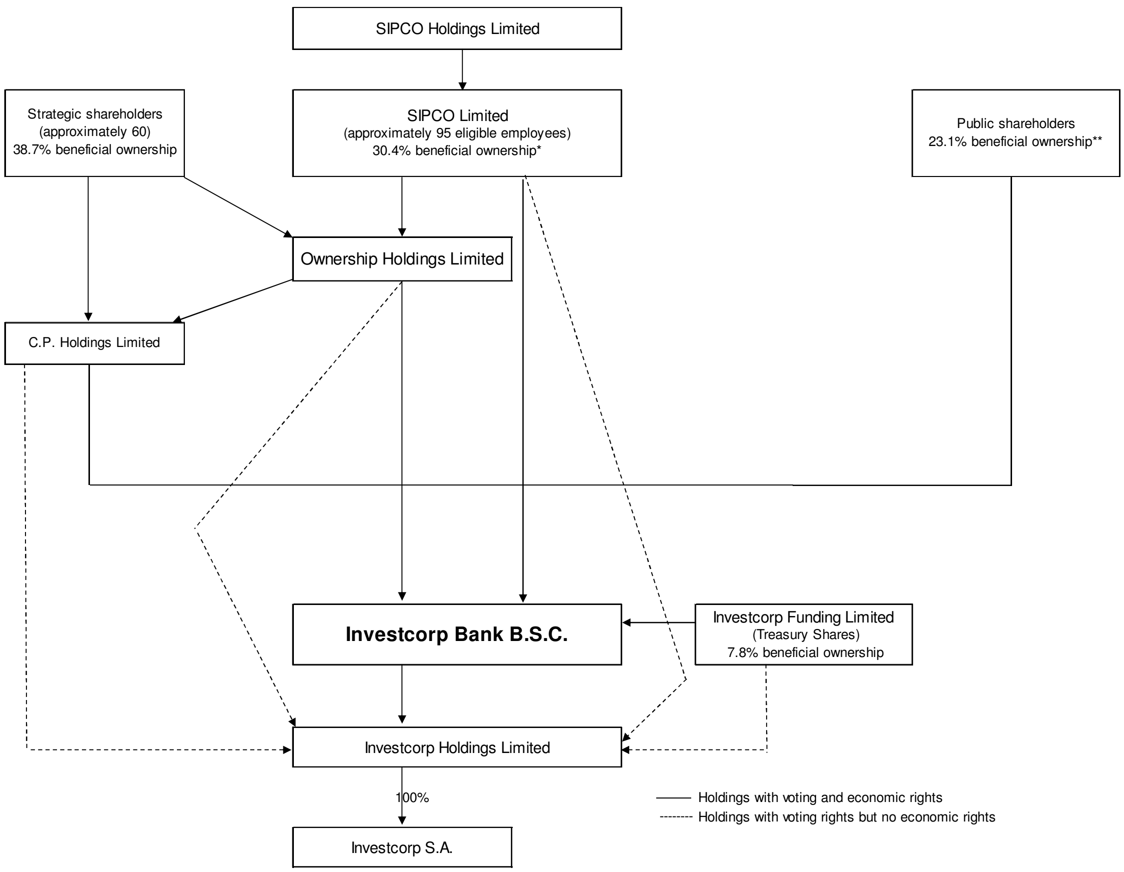
In carrying out its activities, the Group performs two principal roles (a) to act as an intermediary by bringing global alternative investment opportunities to its clients, and (b) to act as a principal investor by co-investing with its clients in each of its investment products.



1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iii) Ownership



* Includes 13.7% in shares that are held for future sale to management and 3% shares allocated but not vested under the SIP Plan . The Group has approval from the Central Bank of Bahrain ("CBB") to hold up to 40% of shares for the SIP Plan. On the balance sheet these shares are accounted for as the equivalent of treasury shares.

** Includes 0.3% beneficial ownership held in the form of unlisted Global Depositary Receipts.

The Bank is controlled by Ownership Holdings Limited (‘OHL’), through its shareholding directly, and through C.P. Holdings Limited (‘CPHL’), of the issued ordinary shares of the Bank. OHL is, in turn, ultimately controlled by SIPCO Holdings Limited (‘SHL’). SIPCO Limited (‘SIPCO’), an SHL subsidiary, is the entity through which employees own beneficial interests in the Bank’s ordinary shares. The Bank is, therefore, controlled by its employees through their beneficial ownership as a group via SHL, SIPCO, OHL and CPHL.

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iv) Subsidiary companies

The interim condensed consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. A subsidiary is an entity that the Group has the power to control so as to obtain economic benefits and therefore excludes those held in a fiduciary capacity.

The Bank has a 100% economic interest in Investcorp Holdings Limited ("IHL", incorporated in the Cayman Islands) through 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, SIPCO Limited and Investcorp Funding Limited ("IFL") own ordinary shares of IHL in the same proportion to their shareholding of the Bank's ordinary shares. 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 financial holding company incorporated in Cayman Islands. 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, the Group holds at least 95% of its assets through ISA or subsidiaries that are owned directly or indirectly by ISA.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. 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)	Financial 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 investment management and advisory services to client investment holding companies for corporate and real estate investments
	Investcorp Investment Adviser Limited (Cayman Islands)	Company that provides investment management and advisory services to the hedge funds program (HFP) and is a SEC registered investment advisor
	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 and invests in single manager funds
	Investcorp Equities Limited (Cayman Islands)	Company that manages the Group's excess liquidity.
	Investcorp AMP Limited (Cayman Islands)	Company through which the Group co-invests in the hedge funds program (HFP)
	CIP AMP Limited (Cayman Islands)	Company through which the Group co-invests in the hedge funds program (HFP)
	Investcorp Financial and Investment Services S.A. (Switzerland)	Company that provides M & A advisory services for deal execution in Western Europe
	Investcorp International Limited (UK)	The Group's principal operating subsidiary in the UK. A further subsidiary of which (Investcorp Securities Limited) arranges M&A transactions in the UK.
	Investcorp International Holdings Inc. (USA)	The Group's holding company in the United States of America
	Investcorp International Inc. (USA)	Company that provides M&A advisory services for deal execution in North America
	N A Investcorp LLC (USA)	Company that provides marketing services in the United States for the HFP and is a SEC registered broker dealer
	Investcorp Investment Adviser LLC (USA)	Company that provides investment management services in the United States for the HFP and is a SEC registered investment advisor
	Investcorp Saudi Arabia Financial Investments Co (Saudi Arabia)	Company that acts as principal agent of the Bank in Saudi Arabia for placements of the products offered by the Group

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group are prepared in conformity with International Accounting Standard 34 applicable to interim financial reporting. The significant accounting policies adopted in the preparation of these interim condensed consolidated financial statements are those followed in the preparation of the audited consolidated financial statements for the year ended June 30, 2011.

The interim condensed consolidated financial statements are prepared in United States dollars, this being the functional currency of the Group, and rounded to the nearest thousands ($000s) unless otherwise stated.

2. SEGMENT REPORTING

A) ACTIVITIES

i) As an intermediary

The Group acts as an intermediary by arranging investments in, and managing such investments in, alternative investment assets for institutional and high net worth clients through operating centers in the Kingdom of Bahrain, London and New York. Fee income is earned throughout the life cycle of investments by providing these intermediary services to clients. The Group's clients are primarily based in the Arabian Gulf states. However the Group has been expanding its franchise globally, targeting institutional investors in the United States and Europe.

ii) As a principal

The Group co-invests along with clients in all the alternative investment asset products it offers to its clients. Income from these proprietary co-investments in corporate investment, hedge funds and real estate investment is classified as asset based income.

2. SEGMENT REPORTING (continued)

B) ASSET CLASSES, LINES OF BUSINESS AND REPORTING SEGMENTS

The Group classifies its reporting segments on the basis of its three product asset classes and the individual lines of business within these product asset classes that are responsible for each distinct product category.

The following table shows the relationship between the Group's reporting segments, asset classes, lines of business and products.

Reporting Segments	Asset Classes	Lines of Business (Product Categories)	Products
1)Corporate investment	1) Corporate investment	1) Corporate investment– North America & Europe	- Deal by deal offerings - Closed-end fund(s)
		2) Corporate investment– Technology	- Closed-end fund(s)
		3) Corporate investment– MENA	- Closed-end fund(s)
2) Hedge funds	2) Hedge funds	4) Hedge funds	- Fund of hedge funds - Single managers - Structured and levered products
3) Real estate investment	3) Real estate investment	5) Real estate investment	- Equity investments - Mezzanine debt investments
4) Corporate support			- Liquidity/working capital /funding

Each of the five lines of business comprises its team of investment professionals and is supported by a common placement and relationship management team. The lines of business, together with their related product offerings and the reporting segments are described in further detail below:

i) Corporate Investment–North America & Europe ("CI-NA & Europe")

The CI–NA & Europe team, based in London and New York, arranges corporate investments in mid-size companies in North America and Western Europe with a strong track record and potential for growth. These investments are placed primarily on a deal-by-deal basis with the Group's investor base in the Arabian Gulf states, and also offered through conventional fund structures to international institutional investors. The Group retains a small portion as a co-investment on its consolidated balance sheet. These investments are managed by the team on behalf of investors for value optimization until realization.

2. SEGMENT REPORTING (continued)

B) ASSET CLASSES, LINES OF BUSINESS AND REPORTING SEGMENTS (continued)

ii) ***Corporate Investment–Technology ("CI-Technology)***

The CI–Technology team, based in London and New York, arranges and manages investments in technology small cap companies in North America and Western Europe, with a high potential for growth. Given their relatively higher risk-return profile, these investments are primarily offered to clients through fund structures that ensure diversification across several investments. The Group also has co-investments alongside its clients in the technology funds.

iii) ***Corporate Investment–MENA ("CI-MENA")***

The CI–MENA team, based in Bahrain, targets buy, build ("greenfield") and bridge investment opportunities primarily in the Arabian Gulf states. The team also considers, on a selective basis, similar investment opportunities in the wider Middle East and North Africa (MENA) region, including Turkey. Given their risk-return profile, and the need for multiple follow-on rounds of funding, these investments are being offered to clients through a fund structure that ensures diversification across several investments. The Group also co-invests alongside its clients in the Fund.

iv) ***Hedge Funds ("HF")***

The HF team operating from New York and London manages Investcorp's Fund of Hedge Funds business (referred to as the Hedge Funds Program, "HFP") and Single Managers business (referred to as the Single Manager Platform, "SMP") including proprietary co-investment as well as client assets. The program aims to achieve attractive returns on a risk-adjusted basis over a medium-term period with low correlation to traditional and other alternative asset classes, through a diversified portfolio of investments in hedge funds.

v) ***Real Estate Investment ("RE")***

The RE team, based in New York, arranges investments in North American - based 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 individually with the Group's investor base in the Gulf, with the Group retaining a small portion as a co-investment on its own consolidated balance sheet. 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 balance sheet. The property investments are managed by the RE team on behalf of investors for value optimization up until realization.

vi) ***Corporate support***

Corporate support comprises the Group's administration, finance and management functions, which are collectively responsible for supporting the five lines of business through services including risk management and treasury, accounting, legal and compliance, corporate communications, back office and internal controls, technology and general administration.

2. SEGMENT REPORTING (continued)

C) REVENUE GENERATION

i) Fee income

There are several components of fees that are earned from providing intermediary services to clients and investee companies. Activity fees comprise acquisition fees earned by the Group from investee companies on new corporate investment or real estate investment acquisitions (usually as a percentage of the total purchase consideration), placement fees earned by the Group from Gulf clients at the time of placing new corporate investment or real estate 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 advisory services for ancillary transactional activity, including refinancing, recapitalizations, restructuring and disposal.

Management fees are earned from client holding companies and investee companies based on investments under management and from funds based on clients' commitments or investments. Performance fees are calculated as a portion of the gain earned by clients on investments that exceed a specified hurdle rate.

ii) Asset based income

This includes realized as well as unrealized gains and losses over previously reported values of FVTPL co-investments in corporate investment and real estate investment, value appreciation on the Group's co-investment in hedge funds, cash or pay-in-kind interest from various debt investments in corporate investment or real estate investment and rental income distributions from real estate investment.

All other income that is common to the Group (such as income arising from the deployment of the Group's excess liquidity) is treated as treasury and other asset based income and recorded under Corporate Support.

D) ALLOCATION OF OPERATING EXPENSES

Operating expenses for each reporting segment comprise the respective lines of businesses' employee compensation and benefits and costs of its technology and communications infrastructure and resources, including professional fees for external advisors, travel and business development costs and premises. These are allocated between intermediary and principal co-investing activities.

The operating expenses associated with principal co-investing activities are determined to be:

a) a fee calculated at 1.2% of average proprietary co-invested assets of each reporting segment from the Group's balance sheet, placements with banks and other financial institutions; plus
b) a 20% carry on excess asset based income, which is calculated as gross asset based income after provisions less interest expense less the 1.2% fee in (a) above.

The remaining operating expenses after allocation to principal co-investing activities represent the costs relating to intermediary activities.

2. SEGMENT REPORTING (continued)

E) SEGREGATION OF ASSETS

Assets directly attributable to the corporate investment and real estate investment reporting segments are primarily in the form of proprietary co-investments by the Group in investments arranged by the respective lines of businesses, classified as FVTPL investments in the consolidated balance sheet. Assets directly attributable to the hedge funds reporting segment are primarily in the form of the Group's proprietary co-investment in hedge funds. All other assets that are common to the Group are recorded under Corporate Support.

F) ALLOCATION OF EQUITY, LIABILITIES AND INTEREST EXPENSE

The Group uses a variety of risk based methodologies including Value-at-Risk (VaR) to determine the required amount of total economic capital that is needed to support growth objectives under normal and extreme stress conditions for each business line. Economic capital is allocated to each business line based on the current amount of capital required to cover potential losses over a one year horizon. This capital allocation is then stressed by developing a five year projection plan which takes into account the current size of the business, expected growth and the associated capital required to support the risks within each reporting segment over the five year term.

Having determined the assets directly attributable to each reporting segment, and the economic capital requirements, the Group allocates liabilities (debt funding) to each segment based on the relative maturity profile of the segment's assets. Longer-dated liabilities are generally allocated to the corporate investment and real estate investment reporting segments, considering their medium-long term investment horizon.

The allocation of liabilities determined above, in turn, drives the allocation of interest expense for each reporting segment.

2. SEGMENT REPORTING (continued)

G) BALANCE SHEET AND STATEMENT OF INCOME BY REPORTING SEGMENTS

The interim condensed consolidated statements of income for the six months ended December 31, 2011 and December 31, 2010 by reporting segments are as follows:

July 2011 - December 2011 ***$000s***	***Corporate investment***	***Hedge funds***	***Real estate investment***	***Corporate support***	***Total***
Fee income					
Management fees	27,930	11,538	4,770	-	44,238
Activity fees	25,528	(357)	4,560	-	29,731
Performance fees	931	7,551	(445)	-	8,037
Gross fee income (a)	54,389	18,732	8,885	-	82,006
Expenses attributable to fee income	(28,948)	(15,361)	(5,931)	-	(50,240)
Net fee income	25,441	3,371	2,954	-	31,766
Asset based income					
Interest income	582	-	2,279	2,117	4,978
Treasury and other asset based income (loss)	64,867	(58,595)	(126)	(613)	5,533
Gross asset based income (loss) (b)	65,449	(58,595)	2,153	1,504	10,511
Provisions for impairment	-	-	-	(355)	(355)
Interest expense	(9,698)	(6,629)	(2,004)	(4,535)	(22,866)
Expenses attributable to asset based income	(7,391)	(1,970)	(1,390)	(3,047)	(13,798)
Net asset based income (loss)	48,360	(67,194)	(1,241)	(6,433)	(26,508)
Net income / (loss)	73,801	(63,823)	1,713	(6,433)	5,258
Gross operating income (loss) (a) + (b)	119,838	(39,863)	11,038	1,504	92,517

July 2010 - December 2010 *$000s*	*Corporate investment*	*Hedge funds*	*Real estate investment*	*Corporate support*	*Total*
Fee income					
Management fees	27,638	11,913	5,209	-	44,760
Activity fees	19,069	-	2,018	-	21,087
Performance fees	1,290	4,525	38	-	5,853
Gross fee income (a)	47,997	16,438	7,265	-	71,700
Expenses attributable to fee income	(33,248)	(19,750)	(4,953)	-	(57,951)
Net fee income (loss)	14,749	(3,312)	2,312	-	13,749
Asset based income					
Interest income	1,835	-	1,061	7,280	10,176
Treasury and other asset based income	32,538	40,607	12,473	1,179	86,797
Gross asset based income (b)	34,373	40,607	13,534	8,459	96,973
Provisions for impairment	-	-	-	(407)	(407)
Interest expense	(4,082)	(4,763)	(1,134)	(18,803)	(28,782)
Expenses attributable to asset based income	(11,803)	(6,416)	(3,619)	(3,460)	(25,298)
Net asset based (loss) income	18,488	29,428	8,781	(14,211)	42,486
Net income / (loss)	33,237	26,116	11,093	(14,211)	56,235
Gross operating income (a) + (b)	82,370	57,045	20,799	8,459	168,673

2. SEGMENT REPORTING (continued)

G) BALANCE SHEET AND STATEMENT OF INCOME BY REPORTING SEGMENTS (continued)

The interim condensed consolidated balance sheets as at December 31, 2011 and June 30, 2011 by reporting segments are as follows:

December 31, 2011 *$000s*	*Corporate investment*	*Hedge funds*	*Real estate investment*	*Corporate support*	*Total*
Assets					
Cash and short-term funds	-	-	-	47,308	47,308
Placements with financial institutions and other liquid assets	-	-	-	202,386	202,386
Positive fair value of derivatives	-	-	-	96,666	96,666
Receivables and prepayments	-	-	-	252,175	252,175
Loans and advances	-	-	-	203,116	203,116
Co-investments	1,036,192	623,432	227,371	-	1,886,995
Premises, equipment and other assets	-	-	-	57,459	57,459
Total assets	1,036,192	623,432	227,371	859,110	2,746,105
Liabilities and Equity					
Liabilities					
Deposits from clients - short-term	-	120,760	-	181,139	301,899
Negative fair value of derivatives	-	-	-	54,134	54,134
Payables and accrued expenses	908	1,593	178	61,637	64,316
Deposits from clients - medium term	18,948	1,915	13,821	48,040	82,724
Medium-term debt	231,222	172,436	50,102	202,654	656,414
Long-term debt	203,518	111,613	89,291	192,693	597,115
Total liabilities	454,596	408,317	153,392	740,297	1,756,602
Total equity	581,596	215,115	73,979	118,813	989,503
Total liabilities and equity	1,036,192	623,432	227,371	859,110	2,746,105

June 30, 2011 *$000s* *(Audited)*	*Corporate investment*	*Hedge funds*	*Real estate investment*	*Corporate support*	*Total*
Assets					
Cash and short-term funds	-	-	-	24,649	24,649
Placements with financial institutions and other liquid assets	-	-	-	341,395	341,395
Positive fair value of derivatives	-	-	-	45,033	45,033
Receivables and prepayments	-	-	-	300,436	300,436
Loans and advances	-	-	-	169,832	169,832
Co-investments	1,121,735	607,398	188,838	-	1,917,971
Premises, equipment and other assets	-	-	-	59,235	59,235
Total assets	1,121,735	607,398	188,838	940,580	2,858,551
Liabilities and Equity					
Liabilities					
Deposits from clients - short-term	-	94,211	-	223,817	318,028
Negative fair value of derivatives	-	-	-	22,804	22,804
Payables and accrued expenses	18,784	5,214	4,613	173,910	202,521
Deposits from clients - medium term	22,567	2,057	4,141	66,544	95,309
Medium-term debt	177,367	248,186	39,231	120,128	584,912
Long-term debt	323,991	39,735	51,840	159,074	574,640
Total liabilities	542,709	389,403	99,825	766,277	1,798,214
Total equity	579,026	217,995	89,013	174,303	1,060,337
Total liabilities and equity	1,121,735	607,398	188,838	940,580	2,858,551

2. SEGMENT REPORTING (continued)

G) BALANCE SHEET AND STATEMENT OF INCOME BY REPORTING SEGMENTS (continued)

Total revenue of $119.8 million (2011: $82.4 million) from corporate investment asset class includes $ 10.2 million and $ 13.5 million (6 months to December 31, 2010: $20.7million and $8.6 million) relating to CI-Technology and CI-MENA respectively. The balance relates to CI-NA & Europe buyouts.

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues in the period (6 months to December 31, 2010: nil).

3. ASSETS UNDER MANAGEMENT

The Group's clients participate in products offered under its three alternative investment asset classes. Total assets under management ('AUM') in each of the reporting segments at the balance sheet date are as follows:

	December 31, 2011				June 30, 2011			
$millions	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Corporate Investment ("CI")								
Closed-end Committed Funds								
CI - NA & Europe	476	206	64	746	476	206	64	746
CI - Technology	424	61	15	500	424	61	15	500
CI - MENA	853	70	6	929	853	70	6	929
Sub total	1,753	337	85	2,175	1,753	337	85	2,175
Closed-end Invested Funds								
CI - Technology	213	33	10	256	214	36	10	260
Deal-by-deal investments								
CI - NA & Europe	2,016	739	310	3,065	1,988	831	323	3,142
Strategic and other investments	-	81	-	81	-	73	-	73
Total corporate investment	**3,982**	**1,190**	**405**	**5,577**	**3,955**	**1,277**	**418**	**5,650**
Hedge Funds								
Fund of hedge funds	2,366	196	2	2,564	2,648	138	4	2,790
Single managers	1,109	259	4	1,372	870	263	-	1,133
*Structured and leveraged products**	164	539	5	708	211	609	6	826
Total hedge funds	**3,639**	**994**	**11**	**4,644**	**3,729**	**1,010**	**10**	**4,749**
Real Estate Investment								
Closed-end Committed Funds	-	-	-	-	150	27	-	177
Closed-end Invested Funds	113	13	2	128	56	1	2	59
Deal-by-deal investments	774	196	28	998	756	156	29	941
Strategic and other investments	-	18	-	18	-	18	-	18
Total real estate investment	**887**	**227**	**30**	**1,144**	**962**	**202**	**31**	**1,195**
Corporate Support								
Client call accounts held in trust	240	-	-	240	241	-	-	241
Total	**8,748**	**2,411**	**446**	**11,605**	**8,887**	**2,489**	**459**	**11,835**
Summary by category:								
Closed-end Committed Funds	1,753	337	85	2,175	1,903	364	85	2,352
Closed-end Invested Funds	326	46	12	384	270	37	12	319
Hedge Funds	3,639	994	11	4,644	3,729	1,010	10	4,749
Deal-by-deal investments	3,030	1,034	338	4,402	2,985	1,078	352	4,415
Total	**8,748**	**2,411**	**446**	**11,605**	**8,887**	**2,489**	**459**	**11,835**
Summary by segments:								
Corporate investment								
CI - NA & Europe	2,492	945	374	3,811	2,464	1,037	387	3,888
CI - Technology	637	94	25	756	638	97	25	760
CI - MENA	853	70	6	929	853	70	6	929
Strategic and other investments	-	81	-	81	-	73	-	73
Hedge Funds	3,639	994	11	4,644	3,729	1,010	10	4,749
Real Estate Investment	887	227	30	1,144	962	202	31	1,195
Corporate Support	240	-	-	240	241	-	-	241
Total	**8,748**	**2,411**	**446**	**11,605**	**8,887**	**2,489**	**459**	**11,835**

** Stated at gross value of the underlying exposure, including non-recourse third party leverage.*

3. ASSETS UNDER MANAGEMENT (continued)

In the above table all hedge funds and Investcorp balance sheet co-investment amounts for corporate investment and real estate are stated at fair values while the other categories are stated at their carrying cost.

Certain of the Group's clients entered into a trust arrangement whereby their call account balances maintained with the Bank were transferred into individual trust fund accounts managed 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 on deposit with Investcorp, and are specifically ring-fenced to meet the amounts placed in trust. Client monies held in trust earn the return generated from the assets of the trust, 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 balance sheet.

4. OPERATING EXPENSES

$000s	***Jul - Dec 2011 (6 months)***	*Jul - Dec 2010 (6 months)*
Staff compensation	25,338	42,041
Other personnel costs	7,026	7,969
Professional fees	9,780	12,489
Travel and business development	4,522	3,913
Administration and research	6,011	5,947
Technology and communication	1,327	1,310
Premises	5,348	5,284
Depreciation	3,023	3,547
Other	1,663	749
Total	64,038	83,249

5. RECEIVABLES AND PREPAYMENTS

$000s	***December 31, 2011***	*(Audited) June 30, 2011*
Subscriptions receivable	77,209	106,884
Receivables from investee companies	107,099	102,417
Investment disposal proceeds receivable	26,348	58,977
Hedge funds related receivables	21,369	10,599
Accrued interest receivable	4,443	4,617
Prepaid expenses	30,774	29,681
Other receivables	28,493	30,692
	295,735	343,867
Provisions for impairment (see Note 10)	(43,560)	(43,431)
Total	252,175	300,436

Receivables arise largely from subscriptions by clients to the Group's investment products, fees earned in respect of the Group's investment management and other transactional services, interest accruals on loans and 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 a client signs a binding agreement confirming his or her 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 the underlying investment assets.

Investment disposal proceeds receivable includes proceeds due from contracted disposals of corporate investment and real estate investment. They also include redemption proceeds receivable from underlying hedge fund managers relating to the Group's co-investment in HFP through internal parallel vehicles.

Hedge funds related receivables represent amounts due from HFP funds for management and administrative services and performance fees.

Accrued interest receivable represents interest receivable on placements with banks and other financial institutions, from investee companies on investment debt and from investment holding companies on working capital advances.

6. LOANS AND ADVANCES

$000s	***December 31, 2011***	*(Audited) June 30, 2011*
Advances to HFP Funds, Real Estate Funds and Technology Funds	2,000	-
Advances to investment holding companies	127,657	114,200
Advances to Employee Investment Programs	96,292	97,617
Other advances	26,963	7,585
	252,912	219,402
Provisions for impairment (see Note 10)	(49,796)	(49,570)
Total	203,116	169,832

Loans and advances arise largely as a result of the Group extending working capital advances to investment holding companies and include advances to employees to facilitate co-investment in the Group's products.

Advances to HFP funds represent the amounts advanced to these funds to facilitate re-balancing of redemptions and subscriptions between various underlying fund managers. Advances to the real estate and technology funds represent amounts invested on behalf of the Group's clients in the acquisitions made by the funds in the interim period prior to receipt of the associated capital call from clients. These advances carry interest at market rates. In both cases the advances, in management's opinion, represent a low risk to the Group.

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 LIBOR plus margin, and are collateralized by the underlying investments, resulting in a low risk to the Group.

7. CO-INVESTMENTS IN HEDGE FUNDS

Co-investments in hedge funds, classified as FVTPL, comprise a portion of the Group's liquidity deployed alongside clients in the various fund of hedge funds and single manager hedge funds products offered by the Group, and similar internal vehicles. The Group currently manages several funds of hedge funds and structured fund products. The underlying hedge fund managers invest in a variety of liquid financial instruments, including equities, bonds, and derivatives. In addition, the Group seeds investments in several emerging hedge fund managers on its single manager platform. An emerging manager is typically one who is just starting his or her firm, but may also include an established manager at low levels of AUM.

The Group's investments in hedge funds comprise the following:

$000s		***December 31, 2011***	*(Audited) June 30, 2010*
Diversified Strategies Fund ("DSF") and parallel vehicles	A cash management substitute targeting 300-500bp spread over LIBOR	128,784	79,873
Balanced Fund ("IBF")	Flagship offering targeting a balanced exposure to the hedge funds asset class and returns of 500-700bp over LIBOR	34,183	36,562
Single Manager Platform	Investments with single managers that have been seeded on Investcorp's platform	259,653	262,849
Structured and leveraged products	Investments across structural themes funds and structured embedded leverage products	165,207	206,664
Other Hedge Funds investments	Mix of small investments across several theme funds	35,605	21,450
Total balance sheet co-investments		623,432	607,398

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

8. CORPORATE CO-INVESTMENTS

$000s	***December 31, 2011***	*(Audited) June 30, 2011*
Corporate Investment - North America & Europe [See Note 8 (a)]	862,833	944,845
Corporate Investment - Technology [See Note 8 (b)]	72,087	80,006
Corporate Investment - MENA [See Note 8 (c)]	19,892	23,711
Strategic and other investments [See Note 8 (d)]	81,380	73,173
Total corporate co-investments	1,036,192	1,121,735

8 (a) CORPORATE INVESTMENT–NORTH AMERICA & EUROPE

The Group's co-investments in CI–NA & Europe are classified as FVTPL investments.

The fair value of unquoted CI–NA and Europe 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, in which event 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 the 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 third-party recent measure of specific fair value for an individual investment is not available, the fair value is determined by the following valuation techniques 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 to be 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.

8. CORPORATE CO-INVESTMENTS (continued)

8 (a) CORPORATE INVESTMENT – NORTH AMERICA & EUROPE (continued)

The carrying values of the Group's co-investments in CI-NA & Europe are:

$000s VINTAGE *	***December 31, 2011***	*(Audited) June 30, 2011*
Vintage 1997 (1997 - 2000)	182,431	182,040
Vintage 2001 (2001 - 2004)	11,851	43,901
Vintage 2005 (2005 - 2008)	503,962	508,105
Vintage 2009 (2009 - 2012)	164,589	210,799
Total	862,833	944,845

* Each vintage covers a period of four calendar years starting that year, for example, vintage 1997 covers deals acquired between 1997 and 2000.

Summary by sector and location:

	December 31, 2011			(Audited) June 30, 2011		
$000s	**North America**	**Europe**	**Total**	**North America**	**Europe**	**Total**
Consumer Products	12,477	-	12,477	47,743	-	47,743
Industrial Products	-	346,300	346,300	-	381,465	381,465
Technology and Telecom	182,616	-	182,616	182,225	-	182,225
Industrial Services	112,166	40,345	152,511	138,593	44,638	183,231
Distribution	137,327	31,602	168,929	126,801	23,380	150,181
Total	444,586	418,247	862,833	495,362	449,483	944,845

8. CORPORATE CO-INVESTMENTS (continued)

8 (b) CORPORATE INVESTMENT–TECHNOLOGY

Similar to CI–NA & Europe, the Group's co-investments in CI–Technology are classified as FVTPL investments.

The fair value of unquoted co-investments in CI–Technology is determined primarily through valuations implied by material financing events for the specific investment in question that involves third party capital providers and valuation techniques using a multiples-based approach applied to the most recent and relevant operating performance metric of the underlying company, typically EBITDA and sometimes sales. In cases where these are not applicable, the Group uses a DCF valuation methodology similar to that used for CI–NA & Europe co-investments as described in Note 8 (a).

The carrying values of Group's co-investments in CI–Technology deals are:

$000s	*Communication Infrastructure*	*Wireless Data*	*Digital Content*	*Enterprise Software*	*Other*	*December 31, 2011 Total*
Technology Fund I						
North America	762	1,472	54	1,475	165	3,928
Sub-Total	762	1,472	54	1,475	165	3,928
Technology Fund II						
North America	3,614	128	5,956	1,633	-	11,331
Europe	-	-	18,660	-	-	18,660
Sub-Total	3,614	128	24,616	1,633	-	29,991
Technology Fund III						
North America	-	20,541	-	4,574	-	25,115
Europe	-	-	-	13,053	-	13,053
Sub-Total	-	20,541	-	17,627	-	38,168
Total	4,376	22,141	24,670	20,735	165	72,087

$000s	*Communication Infrastructure*	*Wireless Data*	*Digital Content*	*Enterprise Software*	*Other*	*(Audited) June 30, 2011 Total*
Technology Fund I						
North America	921	1,015	54	1,475	194	3,659
Sub-Total	921	1,015	54	1,475	194	3,659
Technology Fund II						
North America	5,165	448	5,622	1,632	-	12,867
Europe	-	-	19,315	-	-	19,315
Sub-Total	5,165	448	24,937	1,632	-	32,182
Technology Fund III						
North America	-	16,624	-	4,209	-	20,833
Europe	-	-	-	13,145	-	13,145
Sub-Total	-	16,624	-	17,354	-	33,978
Direct Co-Investment						
Europe	-	-	10,187	-	-	10,187
Sub-Total	-	-	10,187	-	-	10,187
Total	6,086	18,087	35,178	20,461	194	80,006

8. CORPORATE CO-INVESTMENTS (continued)

8 (c) CORPORATE INVESTMENT –MENA

This represents the Group's co-investments through Gulf Opportunity Fund I ('Fund').

The tables below show the carrying values of Gulf Opportunity Fund I investments as at December 31, 2011 and June 30, 2011:

$000s	Industry			
	Distribution	*Industrial Products*	*Consumer Products*	*December 31, 2011 Total*
Gulf Opportunity Fund I				
Kingdom of Saudi Arabia	-	-	8,174	**8,174**
UAE	-	-	-	**-**
Kuwait	5,514	-	-	**5,514**
Turkey	-	-	6,204	**6,204**
Total	**5,514**	**-**	**14,378**	**19,892**

$000s	Industry			
	Distribution	*Industrial Products*	*Consumer Products*	*June 30, 2011 Total*
Gulf Opportunity Fund I				
Kingdom of Saudi Arabia	-	-	8,196	**8,196**
UAE	-	6,975	-	**6,975**
Kuwait	4,720	-	-	**4,720**
Turkey	-	-	3,820	**3,820**
Total	**4,720**	**6,975**	**12,016**	**23,711**

Similar to CI–NA & Europe, the co-investments in CI–MENA are classified as FVTPL investments.

The fair value of unquoted co-investments in CI–MENA is determined primarily through valuations implied by material financing events for the specific investment in question that involves third party capital providers. In cases where these are not applicable, the Group uses an EBITDA multiples based valuation methodology.

8 (d) STRATEGIC AND OTHER INVESTMENTS

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

1. Investments made for strategic reasons;
2. Investments made for relationship reasons e.g. an opportunity introduced by an employee or a counterparty relationship; and
3. Instruments obtained on disposal of exited corporate investments and real estate deals or portfolios.

These are held as AFS investments and debt instruments at amortized cost, except for investments amounting to $44.7 million (June 30, 2011: $35.9 million) that are classified as FVTPL.

9. REAL ESTATE CO-INVESTMENTS

The Group's co-investments in real estate investment are mainly classified as FVTPL investments. 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.

The debt investments in real estate properties are classfied as held-to-maturity ("HTM") investments amounting to $91.2 million (June 30, 2011 $35.4 million).

The carrying values of the Group's co-investments in real estate investment portfolios in the United States are:

$000s PORTFOLIO TYPE	*Number of properties*	*Region* East	*Midwest*	*Southeast*	*Southwest*	*West*	*December 31, 2011 Total*
Office	10	13,882	-	6,249	-	13,883	34,014
Hotels	16	15,017	3,480	3,047	3,560	3,011	28,115
Retail	36	-	1,226	3,912	5,853	-	10,991
Industrial	4	5,025	-	-	-	2	5,027
Residential	2	-	-	5,413	10,209	-	15,622
Core Plus Total	68	33,924	4,706	18,621	19,622	16,896	93,769
Debt		61,966	408	12,036	107	129	74,646
Opportunistic	5	9,223	-	11,186	-	20,205	40,614
Strategic and other		18,342	-	-	-	-	18,342
Total	73	123,455	5,114	41,843	19,729	37,230	227,371

$000s PORTFOLIO TYPE	*Number of properties*	*Region* East	*Midwest*	*Southeast*	*Southwest*	*West*	*(Audited) June 30, 2011 Total*
Office	9	31,388	-	-	-	12,707	44,095
Hotels	16	16,447	3,963	3,462	5,133	8,106	37,111
Retail	36	-	1,187	6,960	7,655	-	15,802
Industrial	4	5,162	-	-	-	2	5,164
Core Plus Total	65	52,997	5,150	10,422	12,788	20,815	102,172
Mezzanine debt		14,986	396	12,019	107	129	27,637
Opportunistic	7	19,281	-	9,643	-	21,763	50,687
Strategic and other		8,342	-	-	-	-	8,342
Total	72	95,606	5,546	32,084	12,895	42,707	188,838

10. PROVISION FOR IMPAIRMENT

Specific provisions for receivables, and loans and advances are as follows:

$000s *6 months to December 31, 2011* **Categories**	*At beginning*	*Charge*	*Write offs*	*At end*
Receivables	43,431	129	-	43,560
Loans and advances	49,570	226	-	49,796
Total	93,001	355	-	93,356
6 months to December 31, 2010	90,902	407	(3,486)	87,823

11. DEPOSITS FROM CLIENTS

$000s	***December 31, 2011***	*(Audited) June 30, 2011*
SHORT-TERM:		
Call accounts	210,112	162,922
Short-term deposits	5,987	5,987
Transitory balances	85,800	149,119
Total deposits from clients - short-term	301,899	318,028
MEDIUM-TERM:		
Medium-term deposits	4,786	18,598
Investment holding companies' deposits	59,221	59,540
Discretionary and other deposits	18,717	17,171
Total deposits from clients - medium-term	82,724	95,309
Total	384,623	413,337

Contractual deposits from clients that mature within one year from the balance sheet date are classified under short-term deposits, while those with maturity greater than one year are grouped under medium-term deposits.

Call accounts comprise amounts left on deposit by clients and deposits by the trust with the Bank for future participation in the Group's investment products.

Transitory balances comprise subscription amounts paid in by clients towards participation in specific investment products currently being placed by the Group. These also include investment realization proceeds held on behalf of investment holding companies by the Group in the interim period prior to distribution to or withdrawal by clients.

Investment holding companies' deposits represent excess cash deposited by the investment holding companies in the interim period prior to utilization or onward distribution. Discretionary and other deposits represent deposits held on behalf of various affiliates, including strategic shareholders and employees.

All deposits bear interest at market rates.

12. PAYABLES AND ACCRUED EXPENSES

$000s	***December 31, 2011***	*(Audited) June 30, 2011*
Accrued expenses - employee compensation	4,981	74,700
Vendor and other trade payables	38,056	35,744
Unfunded deal acquisitions	-	73,009
Investment related payables	4,440	3,658
Deferred income	5,809	4,997
Accrued interest payable	11,030	10,413
Total	64,316	202,521

Accrued expenses for employee compensation include the incentive and retention component of the Group's overall employee related costs.

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

Investment related payables represent amounts contractually due in respect of exit proceeds that are held as escrows and reserves pending onward distribution.

Deferred income represents amounts received by the Group from its investment activities, the recognition of which is deferred to future periods concurrent with the services to be rendered.

13. MEDIUM-TERM DEBT

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

			December 31, 2011			(Audited) June 30, 2011		
$000s	**Maturity**	**Tranche Type**	**Size**	**Average utilization**	**Current outstanding**	Size	Average utilization	Current outstanding
5-year Eurodollar facility	July 2010	*Revolver*	-	-	-	150,000	11,507	-
5-year Eurodollar facility	July 2010	*Funded*	-	-	-	150,000	11,507	-
5-year Eurodollar facility	September 2010	*Funded*	-	-	-	50,000	10,685	-
5-year Eurodollar facility	December 2011	*Revolver*	500,000	229,076	-	500,000	423,906	50,000
5.5-year Eurodollar facility	December 2011	*Revolver*	40,000	-	-	40,000	33,096	-
5-year Floating rate medium-term note	June 2012	*Funded*	19,000	19,000	19,000	19,000	19,000	19,000
3-year Multi-currency facility	March 2013	*Revolver*	292,750	25,806	123,250	292,750	-	-
3-year Multi-currency facility	March 2013	*Funded*	281,703	281,703	281,703	281,703	271,028	281,703
5-year Eurodollar facility	April 2013	*Revolver*	107,500	107,500	107,500	107,500	107,500	107,500
5-year Eurodollar facility	April 2013	*Funded*	135,500	135,500	135,500	135,500	135,500	135,500
Total			1,376,453	798,585	666,953	1,726,453	1,023,729	593,703
Foreign exchange translation adjustments					(1,748)			3,328
Transaction costs of borrowings					(8,791)			(12,119)
					656,414			584,912

All medium-term facilities carry LIBOR-based floating rates of interest when drawn. Revolvers carry a fixed rate of commitment fees when undrawn. The 3-year Multi-currency facility due March 2013 is subject to certain customary covenants, including maintaining certain minimum levels of net worth and liquidity, and operating below a maximum leverage ratio.

14. LONG-TERM DEBT

		December 31, 2011		(Audited) June 30, 2011	
$000s	***Final Maturity***	***Average outstanding***	***Current outstanding***	*Average outstanding*	*Current outstanding*
PRIVATE NOTES					
$40 Million Private Placement	December 2010	-	-	13,933	-
$20 Million Private Placement	November 2011	13,444	-	20,000	20,000
$20 Million Private Placement	April 2012	20,000	20,000	20,000	20,000
$71.5 Million Private Placement	May 2012	17,875	17,875	33,595	17,875
$75 Million Bi-lateral Placement	March 2013	20,000	20,000	21,151	20,000
$35 Million Private Placement	December 2013	26,250	26,250	26,250	26,250
JPY 37 Billion Private Placement	March 2030	332,328	332,328	332,328	332,328
$50 Million Private Placement	July 2032	50,000	50,000	50,000	50,000
		479,897	466,453	517,257	486,453
Foreign exchange translation adjustments			145,637		128,501
Fair value adjustments			(11,978)		(37,128)
Transaction costs of borrowings			(2,997)		(3,186)
Total			597,115		574,640

Long-term debt issuances by the Group predominantly 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 liquidity coverage, and operating below a maximum leverage ratio.

15. SHARE CAPITAL

The Bank's share capital at the balance sheet date is as follows:

	December 31, 2011			(Audited) June 30, 2011		
	No. of shares	Par value $	$000	No. of shares	Par value $	$000
Authorized share capital						
- Ordinary shares	4,000,000	250	1,000,000	4,000,000	250	1,000,000
- Preference and other shares	1,000,000	1,000	1,000,000	1,000,000	1,000	1,000,000
			2,000,000			2,000,000
Issued share capital						
- Ordinary shares	800,000	250	200,000	800,000	250	200,000
- Preference shares	515,132	1,000	515,132	515,132	1,000	515,132
			715,132			715,132

Preference share capital

The preference shares are non-cumulative, non-convertible, non-voting, non-participating and perpetual in nature and carry a dividend of 12% per annum up to their respective first call dates and 12-months USD LIBOR + 9.75% per annum thereafter, if not called.

The preference shares are callable at the Bank's option any time on or after their first call dates at par plus dividend due up to the call date. The earliest call date for these preference shares is June 30, 2014.

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.

3,667 preference shares allocated to employees have been forfeited during the last financial year and carried as treasury shares by the Group, resulting in 511,465 net issued preference shares reported as part of equity.

16. CAPITAL ADEQUACY

The Group applies the Basel II framework regulations, as adopted by the CBB, on a consolidated basis to Investcorp Bank B.S.C. which is the entity licensed and regulated by CBB.

For the measurement of risk weighted exposures, the Group has chosen:

- standardized approach for credit risk of all exposures
- the VaR model for market risk
- basic indicator approach for operational risk.

The table below summarizes the regulatory capital and the risk asset ratio calculation in line with the rules set out above. Following CBB guidelines, 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.

$000s	December 31, 2011	(Audited) June 30, 2011
Gross Tier 1 capital	979,451	1,049,570
Less: regulatory deductions	(83,161)	(22,195)
Tier 1 capital - net (a)	896,290	1,027,375
Gross Tier 2 capital	10,052	10,767
Less: regulatory deductions	(10,052)	(10,767)
Tier 2 capital - net (b)	-	-
Regulatory capital base under Basel II (a) + (b)	896,290	1,027,375

Risk weighted exposure *$000s*	**Principal / Notional amounts** *December 31, 2011*	**Risk weighted equivalents** *December 31, 2011*	*Principal / Notional amounts (Audited) June 30, 2011*	*Risk weighted equivalents (Audited) June 30, 2011*
Credit risk				
Claims on sovereigns	67	-	67	-
Claims on non-central government public sector entities	8,958	-	8,487	-
Claims on banks	171,052	35,110	247,722	50,444
Claims on corporates	467,194	411,068	532,370	436,370
Co-investments (including hedge funds)	1,886,995	2,675,504	1,917,971	2,842,177
Other assets	72,116	72,116	75,070	75,070
Off-balance sheet items				
Commitments and contingent liabilities	481,492	261,067	377,647	183,133
Derivative financial instruments	3,000,214	56,897	2,592,464	19,952
Credit risk weighted exposure		3,511,762		3,607,146
Market risk				
Market risk weighted exposure		736		7,904
Operational risk				
Operational risk weighted exposure		386,890		386,890
Total risk weighted exposure ***(b)***		3,899,388		4,001,940
Risk asset ratio ***(a)/(b)***		**23.0%**		**25.7%**
Minimum required as per CBB regulatory guidelines under Basel II		**12.0%**		**12.0%**
Capital cushion over minimum required as per CBB guidelines		428,363		547,142

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

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.

17. 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 income, and as a corresponding adjustment to the carrying value of the hedged item on the consolidated balance sheet.	Recorded in the consolidated statement of income, with a corresponding effect on the consolidated balance sheet under positive or negative fair value of derivatives.
Cash flow hedges	Not applicable	Recorded in equity with a corresponding effect on the consolidated balance sheet under positive or negative fair value of derivatives. Any unrealized gains or losses previously recognized in equity are transferred to the consolidated statement of income at the time when the forecasted transaction impacts the consolidated statement of income.

Other derivatives

The Group does not actively engage in proprietary trading activities in derivatives. However, on occasions, 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 FVTPL investments). Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives are taken to the consolidated statement of income.

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below summarizes the Group's derivative financial instruments outstanding at December 31, 2011 and June 30, 2011:

$000s Description	December 31, 2011 Notional value	Positive fair value*	Negative fair value	(Audited) June 30, 2011 Notional value	Positive fair value*	Negative fair value
A) HEDGING DERIVATIVES						
Currency risk being hedged using forward foreign exchange contracts						
i) Fair value hedges						
On balance sheet exposures	509,282	-	(8,127)	440,377	4,081	(48)
ii) Cashflow hedges						
Coupon on long-term debt	92,920	2	(1,414)	92,570	863	-
Total forward foreign exchange contracts	602,202	2	(9,541)	532,947	4,944	(48)
Interest rate risk being hedged using Interest rate swaps						
i) Fair value hedges - fixed rate debt	581,303	54,700	-	563,062	23,440	-
ii) Cashflow hedges - floating rate debt	725,000	972	(18,956)	500,000	-	(1,503)
Total interest rate hedging contracts	1,306,303	55,672	(18,956)	1,063,062	23,440	(1,503)
Total – Hedging Derivatives	1,908,505	55,674	(28,497)	1,596,009	28,384	(1,551)
B) DERIVATIVES ON BEHALF OF CLIENTS						
Forward foreign exchange contracts	7,729	9	(47)	32,007	1,507	(1,526)
Total - Derivatives on behalf of clients	7,729	9	(47)	32,007	1,507	(1,526)
C) OTHER DERIVATIVES						
Interest rate swaps	350,000	15,749	(16,032)	350,000	11,645	(12,412)
Forward foreign exchange contracts	376,022	9,627	(9,521)	346,359	2,830	(3,787)
Currency options	2,251	37	(37)	2,251	15	(15)
Cross currency swaps	355,707	15,570	-	265,838	652	(3,513)
Total – Other Derivatives	1,083,980	40,983	(25,590)	964,448	15,142	(19,727)
TOTAL - DERIVATIVE FINANCIAL INSTRUMENTS	**3,000,214**	**96,666**	**(54,134)**	**2,592,464**	**45,033**	**(22,804)**

** Collateral amounting to $13.8 million (June 30, 2011 : $20.8 million) has been offset against the underlying derivatives positive fair value.*

18. COMMITMENTS AND CONTINGENT LIABILITIES

$000s	***December 31, 2011***	*(Audited) June 30, 2011*
Investment commitments to closed-end funds	153,515	169,911
Other investment commitments	3,213	3,213
Total investment commitments	156,728	173,124
Non-cancelable operating leases	53,236	57,809
Guarantees and letters of credit issued to third parties	63,993	13,993

Investment related commitments include future funding of acquisitions that were contracted but not funded at the balance sheet date, and the Group's unfunded co-investment commitments to various corporate investment and real estate investment funds.

Non-cancelable operating leases relate to the Group's commitments in respect of its New York and London 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. These mainly relate to real estate investment and amount to $207.5 million (June 30, 2011: $132.7 million).

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.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 to fair value of investments, liabilities and derivatives.

The fair values of the Group's financial assets and liabilities on the consolidated balance sheet are not materially different to their carrying value except for fixed rate liabilities effectively carried at amortized cost. The fair value of medium and long term debt amounts to $1,051.8 million (June 30, 2011: $1,016.3 million) as compared to carrying value of $1,253.5 million (June 30, 2011: $1,159.6 million).

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

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

Level 2: input other than quoted prices included within level 1 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 (unobservable inputs).

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

December 31, 2011 ***$000s***	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets				
Placements with financial institutions and other liquid assets	-	45,697	-	45,697
Positive fair value of derivatives	-	96,666	-	96,666
Co-investments				
Hedge funds	-	623,432	-	623,432
Corporate investment	2,088	-	1,007,469	1,009,557
Real estate investment	-	-	136,214	136,214
Total financial assets	2,088	765,795	1,143,683	1,911,566
Financial liabilities				
Negative fair value of derivatives	-	54,134	-	54,134
Total financial liabilities	-	54,134	-	54,134

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

June 30, 2011 (Audited) *$000s*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Placements with financial institutions and other liquid assets	-	128,000	-	128,000
Positive fair value of derivatives	-	45,033	-	45,033
Co-investments				
Hedge funds	-	607,398	-	607,398
Corporate investment	3,571	-	1,080,661	1,084,232
Real estate investment	-	-	153,392	153,392
Total financial assets	3,571	780,431	1,234,053	2,018,055
Financial liabilities				
Negative fair value of derivatives	-	22,804	-	22,804
Total financial liabilities	-	22,804	-	22,804

During the period, there have been no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

A reconciliation of the opening and closing amounts of financial assets (including those measured using Level 1 input and assets at amortized cost) is given below:

December 31, 2011 *$000s*	*At beginning*	*Net new acquisitions*	*Fair value movements*	*Movements relating to realizations*	*Other movements***	*At end*
CI - NA & Europe						
Level 3	938,345	-	32,795	(67,181)	(47,626)	856,333
Others	6,500	-	-	-	-	6,500
Sub-total	**944,845**	**-**	**32,795**	**(67,181)**	**(47,626)**	**862,833**
CI - Technology						
Level 3	66,248	-	4,742	-	(992)	69,998
Others	13,758	-	(1,486)	(10,187)	4	2,089
Sub-total	**80,006**	**-**	**3,256**	**(10,187)**	**(988)**	**72,087**
CI - MENA						
Level 3	23,711	-	3,156	(6,975)	-	19,892
Others	-	-	-	-	-	-
Sub-total	**23,711**	**-**	**3,156**	**(6,975)**	**-**	**19,892**
Strategic investments and other						
Level 3	52,357	-	8,889	-	-	61,246
Others	20,816	-	(682)	-	-	20,134
Sub-total	**73,173**	**-**	**8,207**	**-**	**-**	**81,380**
Real Estate Investment						
Level 3	153,392	26,977	(6,560)	(37,595)	-	136,214
Others	35,446	48,285	-	(2,574)	10,000	91,157
Sub-total	**188,838**	**75,262**	**(6,560)**	**(40,169)**	**10,000**	**227,371**
Total	**1,310,573**	**75,262**	**40,854**	**(124,512)**	**(38,614)**	**1,263,563**

****Other movements include add-on funding and foreign currency translation adjustments**

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

June 30, 2011 $000s (Audited)	*At beginning*	*Net new acquisitions*	*Fair value movements**	*Movements relating to realizations*	*Other movements***	*At end*
CI - NA & Europe						
Level 3	889,953	47,928	97,014	(208,562)	112,012	938,345
Others	-	6,500	-	-	-	6,500
Sub-total	**889,953**	**54,428**	**97,014**	**(208,562)**	**112,012**	**944,845**
CI - Technology						
Level 3	45,288	3,016	13,745	-	4,199	66,248
Others	26,823	-	(765)	(15,722)	3,422	13,758
Sub-total	**72,111**	**3,016**	**12,980**	**(15,722)**	**7,621**	**80,006**
CI - MENA						
Level 3	18,112	3,820	589	-	1,190	23,711
Others	-	-	-	-	-	-
Sub-total	**18,112**	**3,820**	**589**	**-**	**1,190**	**23,711**
Strategic investments and other						
Level 3	53,083	1,000	292	(2,969)	951	52,357
Others	19,506	-	-	-	1,310	20,816
Sub-total	**72,589**	**1,000**	**292**	**(2,969)**	**2,261**	**73,173**
Real Estate Investment						
Level 3	170,586	32,292	(7,287)	(43,134)	935	153,392
Others	46,191	-	-	(15,745)	5,000	35,446
Sub-total	**216,777**	**32,292**	**(7,287)**	**(58,879)**	**5,935**	**188,838**
Total	**1,269,542**	**94,556**	**103,588**	**(286,132)**	**129,019**	**1,310,573**

*** Includes $1.9 million fair value movement in available for sale investments.**
****Other movements include add-on funding and foreign currency translation adjustments**

20. CYCLICALITY OF ACTIVITIES

The Group's income is comprised predominantly of revenues generated from direct investment and advisory services relating to investment activities. The main components of this revenue arise during the acquisition, placement and exit processes of corporate and real estate investments which may not be earned evenly during the fiscal period. Furthermore, the value development cycle for a given investment usually occurs over a longer time period and the revenues generated from that process are not spread evenly over the period. Consequently, the short-term operating result may not necessarily be indicative of the long-term operating result.