EXECUTIVE SUMMARY

MARKET ENVIRONMENT

- The latter part of calendar year 2011 saw a major deterioration in the global economy, driven by a worsening Eurozone debt and banking crisis. The first six months of calendar year 2012 saw much of the Eurozone slump back into recession, and the US recovery slow noticeably. Forecasts for global growth in 2012 and 2013 are currently being downgraded by the IMF and others, with world growth estimates for 2012 of around 3.5% incorporating a wide divergence between regions. The US is set to grow by around 2.1%, but the Eurozone area may continue to contract slightly (-0.3%), with the EU overall seeing no growth. Emerging economies are expected to grow at around double the pace of OECD countries this year (5.7%) and could accelerate somewhat next year.

- The Eurozone, and the broader EU, has seen fiscal and credit tightening, a lack of economic confidence and multiple credit rating downgrades of Eurozone sovereigns and banks. The three year liquidity injection provided by the ECB in late 2011 and early 2012 had some impact but this quickly wore off. Policy initiatives appear to be having only a short term impact in ameliorating unsustainable sovereign debt challenges, exemplified by government bond yields in Spain and Italy. There are, however, some positive signals. Markets have been impressed by the pace of reform in Italy, and Spain's political stability will underpin its adjustment process. Nevertheless, the multi-year fiscal adjustment required in parts of Europe, together with bank deleveraging, is likely to contribute to weak growth and periodic financial market jitters.

- In the US, the economic recovery has clearly decelerated due to the Eurozone recession, combined with continued housing weakness and consumer deleveraging. While truck and rail volumes are reasonably robust and the auto sector is performing well, employment growth is only modest. Monetary policy remains highly accommodative but fiscal retrenchment at a state and local level is now clearly counterbalancing federal fiscal policy. Markets are already aware of the challenges that dealing with the 'fiscal cliff' will hold for the executive and legislative branches of the government following the US elections in late 2012.

- The financial market rally in early 2012 faded away, but the increased liquidity due to central bank action has increased risk appetite and the price of risk assets somewhat in recent months. Market and liquidity risks globally are seen to have fallen from the elevated levels at the end of 2011, though they remain elevated in Europe. Emerging market risks in particular are modest given other pressures, reflecting the financial strengths of key emerging markets.

- The six GCC countries are forecast to see strong GDP growth of around 5% in 2012, compared to 6.9% in 2011, underpinned by healthy oil revenues, with oil output up 5.5%, and the continuation of expansionary fiscal and accommodative monetary policies. Saudi Arabia's economy will slow slightly in 2012 to a still vigorous growth rate of 6%. The UAE and Kuwait will also see somewhat slower growth of 2.3% and 6.6% respectively.

- Oil prices have been volatile in 2012, with a wide range of forecasts reflecting the countervailing tensions of OECD economic weakness and geopolitical uncertainty. Global oil demand is however predicted to increase in 2012, with Saudi Arabia having significant spare capacity to bring into the market should geopolitical tensions cause supply bottlenecks. Over 70% of GCC oil exports now go to Japan or emerging Asian economies, rather than to the Eurozone or the US. The GCC's consolidated fiscal surplus is set to rise to 12% in 2012 before falling back to 7.4% in 2013. While breakeven oil prices remain much higher than five years ago, they are not predicted to rise significantly further in 2012.

- The overhang of geopolitical risks to markets will remain a central factor for both GCC economies and GCC investors in the coming year. Further progress on enhanced security co-operation by GCC countries and increased military spending will support economic growth, while also underlining the rationale for investment diversification. The number of Gulf HNWIs increased by 2.7% in the last year, more than double the rate in Europe. Gulf equity and credit markets have remained thin and volatile, thus underscoring the continuing need for global investment opportunities.

BUSINESS ENVIRONMENT

- The environment for our **corporate investment – North America & Europe** business has been mixed. While calendar 2011 saw the highest volume of transactions since 2008, the slowdown in the second half of 2011 carried through to 2012 with only a slight pick-up in Q2 2012. The US saw roughly double the transaction volume in Europe. The pace of exits was relatively slow and fell off in 2012. The volume of capital overhang remains elevated but has been declining. Bank financing became somewhat more available, particularly in the US. However, available leverage remains well below pre-crisis levels. Banks are not always extending maturities on existing transactions given increased regulatory and capital pressures. Financial deleveraging, especially in existing European portfolios, is expected to continue and may become increasingly important if growth slows further. Absolute return expectations continue to be lower, in line with similarly lower return expectations from public equities and bonds, compared to historical averages. Even in current economic conditions, there are middle-market companies in the US and Europe with strong market niches and the potential to out-perform the broader economy.

- Our **corporate investment – technology** business has continued to see strong M&A activity in its sector, driven by strategic buyers with substantial cash resources. US buyers have been dominant. Corporate spending on IT remains buoyant, with efficiency and regulation as powerful growth drivers. Powerful operational leverage means large IT corporates can muster the cash resources to fund acquisitions, while they will also continue to divest non-core assets. In addition, consolidation, especially in Europe's fragmented tech sector, is expected to provide a stimulus. Exits seem likely to remain concentrated on trade sales and secondaries. There are no signs of a sustained revival of the IPO market for smaller tech firms, despite several recent high profile IPOs for major tech players. Sub-sectors in which investment activity may be concentrated include software, cybersecurity, smartphones, mobility and intellectual property.

- For **corporate investment – MENA** the region continues to benefit from strong oil revenues, government expenditure in key sectors supporting nation building and continued strong demographic trends, all enhanced by a rising class of vibrant entrepreneurs. The GCC and Turkey remain compelling investment destinations. Government stimulus packages, infrastructure projects and regulatory reforms have reinvigorated various attractive sectors from basic materials and manufacturing to healthcare and education. Sectors underpinned by demographic growth including transportation and food and beverage also continue to be attractive. As lending practices become tighter and more stringent for medium-sized companies and family businesses in the GCC, however, they are increasingly inclined to seek equity funding rather than debt financing. IPO activity picked up in the GCC, with Q2 2012 witnessing the strongest quarterly IPO performance in the last two years. A strong pipeline in Saudi Arabia is expected and some more companies will come to market in Q3 and Q4 of 2012.

- Overall the environment for our **real estate investment** business has continued to improve, but with the pace of market recovery slowing in the second half of FY12. The low interest rate environment in the US has kept downward pressure on capitalization rates, which have fallen for two consecutive years for tier one property in the strongest performing markets, particularly in the office sector. The low interest rate environment should continue to positively influence cap rate levels across all property sectors in the medium term. Investors are favoring primary markets, such as New York, San Francisco, Los Angeles, and Houston/Dallas and technology markets that benefit from local concentrations of globally competitive industries, such as energy production or technology, and are showing stronger than average employment demand. REIT capital raised grew further in 2011. CMBS issuance also started to pick up, but remains at a small fraction of pre-2007 levels.

- The last 12 months represented an exceptionally challenging period for **hedge funds**, with the HFRI Fund of Funds Composite Index delivering -4.4% for this period. From the middle of calendar 2011 onwards, two factors impacted returns. Uncertainty in Europe and other geopolitical events led to significant levels of volatility, combined with low absolute returns. In addition, correlations across asset classes moved to exceptionally high levels, creating very difficult conditions in which to generate positive returns by taking long or short positions. While the extreme tail risks associated with the European debt crisis have been largely mitigated, it is expected that the environment for hedge funds will remain somewhat challenging. However, we believe that emerging managers that have the flexibility to execute on their best ideas will be in the best position to generate alpha in the current environment, resulting in a differentiation between emerging and established managers. The hedge fund industry has now surpassed previous AUM peaks. The latest estimates indicate the industry has grown above $2 trillion in assets under management. More institutional investors are making direct investments with hedge fund managers, but this trend is imposing a higher transparency burden, as well as creating fee pressures on managers.

FINANCIAL PERFORMANCE

- Investcorp's fee income in FY12 was $236.0 million, an increase of 20% from $197.4 million in FY11, as a result of a significant increase in acquisition and placement activity. Asset-based income for the period declined to $31.0 million from $216.2 million in FY11. This was primarily due to negative returns from hedge funds and lower mark to market valuations of the European corporate investment portfolio. Gross operating income in FY12 was therefore $267.1 million compared to $413.6 million in FY11, and overall net income for FY12 declined to $67.4 million compared to $140.3 million in FY11.

- Fee income in FY12 was driven by a 28% increase in activity fees to $84.2 million as a result of a significant increase in new investment and placement activity. Total deal-by-deal placement increased by 22% to $347 million from $284 million in FY11. Management fee income was slightly down at $88.1 million against $93.2 million in FY11. Performance fees increased, driven by strong underlying performance at some of the corporate investment portfolio companies.

- Gross asset-based income, including the impact of unrealized changes in fair value of corporate and real estate investments, fell to $31.0 million (FY11: $216.2 million) as asset returns declined across all three asset classes.

- Operating expenses in FY12 were 30% lower at $150.7 million (FY11: $215.2 million), due to reductions in fixed operating expenses and lower incentive compensation accruals in line with lower net income. Interest expense also fell by 15% to $47.8 million as the average level of debt continued to decline in line with Investcorp's balance sheet deleveraging plans.

- At June 30, 2012, total assets were $2.7 billion, a slight decrease from the position at June 30, 2011 reflecting lower aggregate balance sheet co-investments, which declined slightly to $1.8 billion. Co-investments as a multiple of book equity fell to 1.7x.

- We maintained comfortable levels of liquidity to meet underwriting and operational cash flow requirements. Short-term accessible liquidity was $0.6 billion at June 30, 2012 and total liquidity remained in excess of $1.0 billion, which covers the total amount of medium and long term debt repayments that fall due over the next five years. Total liabilities decreased by 5% from $1.8 billion at June 30, 2011 to $1.7 billion at June 30, 2012, primarily reflecting the redeployment of transitory client account balances early in the fiscal year.

- Capital Intelligence confirmed Investcorp's investment grade credit rating in April 2012. Moody's Investor Service affirmed Investcorp's credit rating at Ba2 in March 2012 and Fitch Ratings revised Investcorp's credit rating to BB from BB+ in February 2012. Investcorp's subsequent refinancing of upcoming debt maturities due in March and April 2013 has successfully addressed a point raised by all the rating agencies in their credit opinions.

- Net book equity at June 30, 2012 was $1.0 billion, unchanged from June 30, 2011. Book equity includes proposed appropriations for preference share dividends of $61.4 million ($120 per preference share, 12% per annum) and for ordinary share dividends of $4.7 million ($7.50 per share). Our Basel II capital adequacy ratio (CAR) at June 30, 2012 increased to 26.9% (June 30, 2011: 25.7%), reflecting primarily a decrease in risk-weighted assets. CAR is comfortably in excess of the Central Bank of Bahrain's (CBB) regulatory minimum requirement of 12%.

INVESTMENT AND REALIZATION ACTIVITY

- Given the backdrop of a slowing global economy, we continued to take a disciplined approach towards investment activity in FY12. We invested $573 million in new corporate investments including **Sur La Table, GL Education, Archway Marketing Services** and **Esmalglass Itaca**. The Investcorp Technology Partners III Fund acquired a significant minority stake in Thought Equity Motion, now rebranded **T3Media**. The Investcorp Gulf Opportunity Fund I agreed to acquire significant minority stakes in **Orka Group** and in a GCC company in transactions that are expected to close in H1 FY13. We invested an additional $43 million in several follow-on investments in the three technology funds and the Gulf Opportunity Fund. There was a follow-on investment through the Investcorp Technology Ventures I Fund in **Atrenta** and follow-on investments through the Investcorp Technology Ventures II Fund in **Kentrox Inc, Magnum Semiconductor** and **Zeta Interactive Corp**. The Investcorp Technology Partners III Fund made follow-on investments in **eviivo Limited** and **OpSec Security Group**. The Investcorp Gulf Opportunity Fund I made one follow-on investment in **Tiryaki Agro**.

- We also facilitated several add-on acquisitions for corporate investment portfolio companies including **FleetPride, IPH, Berlin Packaging** and **Skrill**.

- We deployed $184 million in ten new real estate investments. Three investments were combined and placed with clients in a Sharia-compliant **US Diversified Properties X Portfolio**, two investments were combined and placed with clients in a Sharia-compliant **Texas Apartment Portfolio**, one investment was placed with clients as the **Northern California Portfolio**, two debt investments were combined and placed with clients in the **Southland and Arundel Mezz** portfolio, and a direct bridge loan investment in **Paramount Hotel** in New York City's Times Square was replaced by the first debt investment made by our third real estate debt fund.

- We successfully exited **Accuity Inc**., a former subsidiary of SourceMedia Inc., and **Redington International Holdings Ltd.**, held by the Gulf Opportunity Fund I. In real estate we made a highly profitable sale of the **W South Beach** mezzanine loan investment, sold the remaining assets in the **Diversified II** portfolio and exited our bridge loan investment in the **Paramount Hotel** after only eight months. Distributions to Investcorp and its clients during FY12 were $649 million.

PORTFOLIO COMMENTARY

- At June 30, 2012 the carrying value of Investcorp's balance sheet co-investment in corporate investment – North America & Europe increased to $1,027.2 million (20 companies) from $944.8 million at June 30, 2011 (17 companies) primarily due to the increase in acquisition activity during the year. Corporate investment – North America & Europe represents 57.4% of total balance sheet co-investments at June 30, 2012. Only three investments exceed 10% of shareholders' equity – TelePacific and Berlin Packaging, both of which are performing well, and Archway, a new investment that includes $100 million of underwriting which will reduce once the investment is placed with clients and co-investors in the first part of FY13. The carrying value of Investcorp's balance sheet co-investment exposure in corporate investment – technology was $83.1 million at June 30, 2012. Technology Ventures Fund I and Fund II are fully invested. The $500 million Technology Partners Fund III, raised in 2008, is currently 59% deployed. The carrying value of Investcorp's balance sheet co-investment exposure in corporate investment – MENA was $24.0 million at June 30, 2012. The $929 million Gulf Opportunity Fund I has invested 60% of its available capital.

- Investcorp's co-investment in hedge funds delivered unlevered returns of -4.7% on our average gross exposure of $1.0 billion during FY12. This was a consequence of extremely uncertain and also highly volatile market conditions triggered by the European sovereign debt crisis. This performance was in line with the industry benchmark, the HFRI Fund of Funds Composite Index, which produced a return of -4.4% during the same 12-month period.

- At June 30, 2012, Investcorp's real estate co-investments totaled $154.5 million compared with $188.8 million at June 30, 2011. This represents 8.6% of total balance sheet co-investments at June 30, 2012, compared with 9.8% at June 30, 2011. Investcorp currently has 24 active real estate investment portfolios, including three debt funds. The $108 million US Mezzanine Fund I and the $176 million Investcorp Real Estate Credit Fund are both fully deployed. The third real estate debt fund had its first closing in May 2012 at $100 million.

FUNDRAISING

- Total placement and fundraising in FY12 was $1,339 million. Corporate investment deal-by-deal placement was $214 million. We raised $207 million through the placement of real estate portfolios and the first close of the new debt fund. New subscriptions into hedge funds from institutional investors were $917 million.

- Total assets under management decreased by 2.9% to $11.5 billion at June 30, 2012 from $11.8 billion at June 30, 2011. Total client assets under management decreased to $8.8 billion at June 30, 2012 from $8.9 billion at June 30, 2011 with the decline in AUM from redemptions and negative performance in hedge funds mostly offset by the new hedge fund subscriptions and the increase in real estate and corporate investment AUM from increased acquisition and placement activity.

- At June 30, 2012, hedge fund assets under management were $4.3 billion, $3.5 billion from third party clients and $0.7 billion of balance sheet co-investments. 71% of client assets under management were from US institutional investors and 29% from Gulf private and institutional investors. Assets under management with single managers stand at 38% and 56% of client hedge fund assets under management are now through customized accounts.

DISCUSSION OF RESULTS

NET INCOME

Net income consists of (i) **fee income** generated from transactional activity and managing client AUM; and (ii) **asset-based income** earned on Investcorp's corporate investment, real estate investment and hedge fund co-investments, as well as invested liquidity. Asset-based income also includes unrealized changes in fair value of corporate and real estate co-investments.

Income ($m)	FY12	FY11	% Change B/(W)
Fee income	**236.0**	197.4	20%
Asset-based income	**31.0**	216.2	(86%)
Gross operating income	**267.1**	413.6	(35%)
Provisions	**(1.1)**	(2.1)	48%
Interest expense	**(47.8)**	(56.0)	15%
Operating expenses	**(150.7)**	(215.2)	30%
Net income	**67.4**	140.3	(52%)
Earnings per ordinary share ($)	**10**	128	(92%)

Gross operating income declined by 35% in FY12 to $267.1 million (FY11: $413.6 million). Fee income increased 20% from last year largely as a result of a significant increase in acquisition and placement activity. The decline in asset-based income stems largely from the European sovereign debt crisis, accentuated by a slowing and more recessionary economic environment, and its impact on hedge fund returns and valuations of the European corporate investment portfolio.

In line with Investcorp's deleveraging plans, interest expense fell by 15% to $47.8 million from a combination of lower levels of debt and a decline in the average cost of funds. A reduction in fixed operating expenses as well as a lower incentive compensation accrual in line with lower income led to a 30% reduction in operating expenses, down to $150.7 million (FY11: $215.2 million).

Overall net income of $67.4 million represents a respectable achievement in the face of very challenging market conditions and despite the $185.1 million adverse swing in asset-based income. It shows strong progress across the core business areas of placement and transactional activity, deleveraging of the balance sheet, and control of operating expenses.

Earnings per ordinary share decreased to $10 in FY12 from $128 in FY11.

FEE INCOME

Fee income earned in FY12 increased by 20% to $236.0 million compared to $197.4 million for FY11. As a result of increased acquisition and placement activity in corporate investments and real estate, the activity fee increased by 28% to $84.2 million. Total deal-by-deal placement increased by 22% from $284 million to $347 million. Management fees were slightly down from FY11. Performance fees increased significantly and were driven by the strong underlying performance at some of the corporate investment portfolio companies.

Summary of fees ($m)	FY12	FY11	% Change B/(W)
Management fees	**88.1**	93.2	(5%)
Activity fees	**84.2**	65.7	28%
Performance fees	**63.8**	38.5	66%
Fee income	**236.0**	197.4	20%

ASSET-BASED INCOME

Gross asset-based income, including unrealized changes in the fair value of corporate and real estate co-investments decreased by 86% to $31.0 million (FY11: $216.2 million), as returns declined across all three asset classes.

Asset-based income ($m)	**FY12**	FY11	% Change B/(W)
Corporate investment	**59.8**	121.7	(51%)
Hedge funds	**(50.2)**	39.5	>(100%)
Real estate investment	**17.3**	40.6	(57%)
Treasury and liquidity income	**4.2**	14.5	(71%)
Gross asset-based income	**31.0**	216.2	(86%)

Treasury income includes interest income earned on invested cash liquidity and the impact of hedging decisions on managing interest rate and foreign exchange risk. The decline in treasury and liquidity income reflects the year-on-year fall in average money market yields as well as lower average levels of uninvested cash liquidity following the repayment of maturing debt during the year.

The table below shows the average balance sheet co-investment yield (absolute) for each of the last six half year periods, by asset class. Corporate investment returns were slightly negative over the last six months as the negative impact of the continuing European sovereign debt crisis and the ensuing economic slowdown on the performance of some of the European portfolio companies offset gains elsewhere in the portfolio. Real estate asset yields were positive for a second consecutive year in FY12 with yields improving in the second half of the fiscal year. Hedge funds showed a modest recovery from the exceptionally difficult returns environment in the first half of the fiscal year to record a 1.2% gain in H2 FY12.

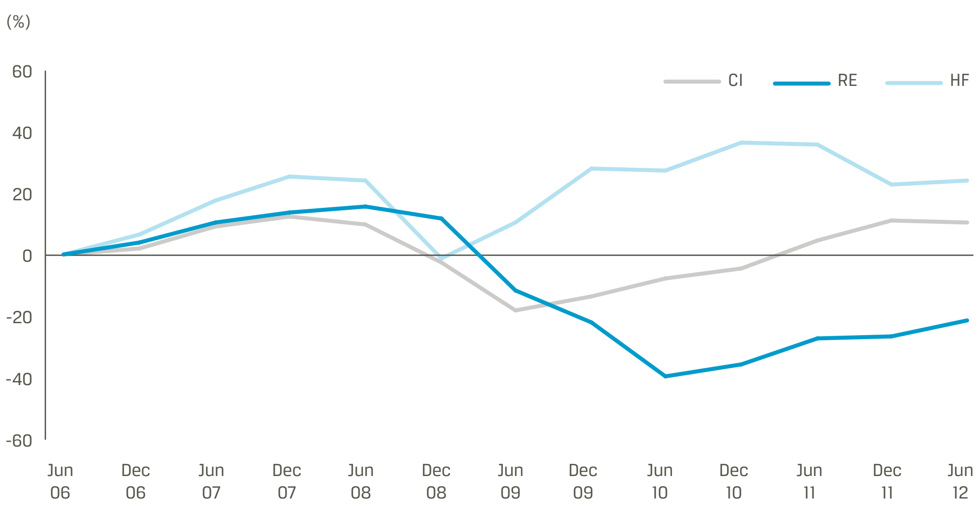
Asset yields	H1 FY10	H2 FY10	H1 FY11	H2FY11	**H1 FY12**	**H2 FY12**
Corporate investment	5.6%	7.2%	3.6%	9.5%	**6.1%**	**(0.5%)**
Real estate investment	(12.1%)	(22.5%)	6.9%	13.1%	**1.0%**	**6.8%**
Hedge funds*	15.5%	(0.4%)	7.1%	(0.3%)	**(9.6%)**	**1.2%**
Average co-investment yield**	3.8%	0.9%	3.8%	4.9%	**0.4%**	**0.9%**

* Non $ weighted, levered returns on net balance sheet co-investment.

** Includes treasury and liquidity income.

The chart below illustrates the cumulative returns for each asset class since June 2006 on a non-dollar weighted basis.

Cumulative returns since June 06



Hedge funds, with a cumulative return of 24.5% are still significantly above the low point reached in December 2008 despite the losses over the last year. The cumulative return for corporate investment of 10.9% includes a slight drop of 0.5% between December 2011 and June 2012 from the impact of the European economic slowdown on the valuations of some of the European portfolio companies offset by gains in the US-side of the portfolio. Real estate investments continued to rebound in FY12 with a cumulative loss narrowing to 21.3% compared to a cumulative loss of 27.1% at the end of FY11.

ASSET-BASED INCOME BY ASSET CLASS

The tables below summarize the primary drivers of asset-based income for corporate investment (CI), hedge funds (HF) and real estate investment (RE):

CI asset-based income KPIs ($m)	FY12	FY11	% Change B/(W)
Asset-based income	**59.8**	121.7	(51%)
Average co-investments (excluding U/W)	**1,074.6**	931.9	15%
Absolute yield for period	**5.6%**	13.1%	(7.5%)

HF asset-based income KPIs ($m)	FY12	FY11	% Change B/(W)
Asset-based income	**(50.2)**	39.5	>(100%)
Average co-investments	**599.7**	607.4	(1%)
Non $ weighted returns	**(8.5%)**	6.8%	(15.3%)

RE asset-based income KPIs ($m)	FY12	FY11	% Change B/(W)
Asset-based income	**17.3**	40.6	(57%)
Average co-investments	**217.4**	201.8	8%
Absolute yield for period	**7.9%**	20.1%	(12.2%)

INTEREST EXPENSE

Total interest expense of $47.8 million in FY12 was 15% lower than in FY11.

Interest expense ($m)	FY12	FY11	FY12 vs. FY11 H/(L)
Average short term interest-bearing liabilities	**397**	337	60
Average medium and long term interest-bearing liabilities	**1,324**	1,621	(297)
Average interest-bearing liabilities	**1,721**	1,959	(237)
Interest expense	**47.8**	56.0	(8.2)
Average cost of funding	**2.8%**	2.9%	(0.1%)

The average level of interest bearing debt continued to decline in line with Investcorp's balance sheet deleveraging plans. Investcorp's debt margins increased because of the progressive drawdown of higher-cost medium term loans but this was more than offset by lower levels of average US$ Libor and Euribor rates. The average cost of debt therefore fell slightly year on year. The combination of lower levels of debt and a decline in the average cost of funds led to a lower interest expense.

The table below breaks down the impact on interest expense from these two components.

Interest expense variance ($m)	FY12 vs. FY11 H/(L)
Due to lower average interest-bearing debt	6.8
Due to decrease in average cost of funding	1.4
Total variance	8.2

OPERATING EXPENSE

Operating expenses decreased by 30% from $215.2 million in FY11 to $150.7 million in FY12 due to a combination of reduced fixed operating expenses and lower variable compensation accruals in line with the lower net income for the year. Staff compensation represented 45% (FY11: 61%) of total operating expenses.

Other expenses comprise non-compensation personnel costs (including staff training and recruitment), professional fees paid to external advisors and service providers, travel and business development, and administration and infrastructure costs. Other expenses decreased by 2% to $83.2 million in FY12.

Opex metrics ($m)	**FY12**	FY11	Change
Staff compensation	**67.5**	130.2	(48%)
Other opex	**83.2**	85.0	(2%)
Total opex	**150.7**	215.2	(30%)
Full time employees (FTEs) at end of period	**304**	300	4
Staff compensation per FTE ('000)	**222.2**	434.0	(49%)
Other opex per FTE ('000)	**273.7**	283.2	(3%)
Total staff comp/total opex	**45%**	61%	(16%)
Opex/(net income + opex)	**69%**	61%	9%

Total expenses, as a percentage of net revenues increased from 61% in FY11 to 69% in FY12 due to the fall in revenues from asset-based income.

INCOME BY SEGMENT

The following table summarizes the revenue contribution of each business segment, showing fee income and asset-based income earned by each business unit.

	Fee income			Asset-based income			Total		
Summary by business unit ($m)	**FY12**	FY11	Change	**FY12**	FY11	Change	**FY12**	FY11	Change
Corporate investment	**183.6**	133.8	37%	**59.8**	121.7	(51%)	**243.4**	255.5	(5%)
Hedge funds	**30.5**	45.0	(32%)	**(50.2)**	39.5	>(100%)	**(19.7)**	84.4	>(100%)
Real estate investment	**21.9**	18.6	18%	**17.3**	40.6	(57%)	**39.2**	59.2	(34%)
Corporate support	**–**	–	–	**4.2**	14.5	(71%)	**4.2**	14.5	(71%)
Revenue contribution	**236.0**	197.4	20%	**31.0**	216.2	(86%)	**267.1**	413.6	(35%)
Operating expenses	**(125.3)**	(159.8)	22%	**(25.5)**	(55.4)	54%	**(150.7)**	(215.2)	30%
Interest expense	**–**	–	–	**(47.8)**	(56.0)	15%	**(47.8)**	(56.0)	15%
Provision for impairment	**–**	–	–	**(1.1)**	(2.1)	48%	**(1.1)**	(2.1)	48%
Net income	**110.7**	37.6	>100%	**(43.3)**	102.7	>(100%)	**67.4**	140.3	(52%)

Revenue contributions across both corporate investment and real estate investment remained positive during FY12, although they were lower than in FY11 due to a decline in asset-based income. Increased activity and performance fees for corporate investment and real estate investment boosted the fee revenues by 20% in FY12. Total hedge fund income in FY12 was significantly lower than in FY11, largely as a result of the negative return environment in the first half of the fiscal year.

Net fee income of $110.7 million, a key indicator of Investcorp's overall performance and health, nearly tripled compared to last year's level of $37.6 million.

BALANCE SHEET

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	FY12	FY11
Total assets	$2.7 billion	$2.9 billion
Financial leverage*	1.6x	1.7x
Liabilities/equity	1.6x	1.7x
Shareholders' book equity	$1.0 billion	$1.1 billion
Co-investments/book equity	1.7x	1.8x
Regulatory risk asset ratio (Basel II) – CAR	26.9%	25.7%
Residual maturity – medium and long term facilities	81 months	67 months

* Adjusted for transitory balances.

ASSETS

At June 30, 2012, total assets were $2.7 billion, a slight decrease from the previous fiscal year end (June 30, 2011: $2.9 billion) reflecting lower aggregate balance sheet co-investments.

Assets ($m)	FY12	FY11	Change H/(L)
Cash and equivalents	348	353	(5)
Other liquid assets*	3	13	(10)
HF co-investments	414	607	(193)
CI and RE co-investments	1,376	1,311	66
Other (working capital and fixed assets)	609	575	34
Total assets	2,750	2,859	(109)
Co-investment assets	1,790	1,918	(128)

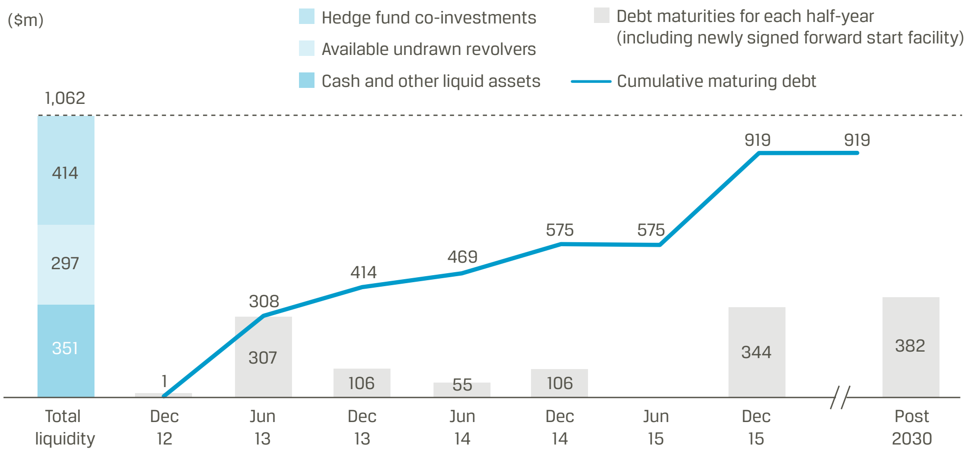
* Non cash equivalent.

Co-investments in corporate investment, hedge funds and real estate investment decreased marginally, from $1.9 billion to $1.8 billion and as a multiple of book equity fell to 1.7x. Although Investcorp will always be a significant co-investor alongside its clients in each line of business, accounting for 19% of total AUM at June 30, 2012 (June 30, 2011: 21%), a gradual reduction of co-investment levels continues to be a target over the medium-term, as part of overall de-leveraging plans.

LIQUIDITY

During FY12, Investcorp continued to maintain comfortable levels of liquidity. Short-term accessible liquidity (cash plus undrawn revolvers) at June 30, 2012 was $0.6 billion (June 30, 2011: $0.9 billion). With the addition of $0.4 billion held in hedge fund co-investments, two-thirds of which is contractually available within a three month period, total liquidity remains in excess of $1 billion. The level of total liquidity covers the total amount of medium and long term debt repayments that fall due over the next five years.

Liquidity cover



LIABILITIES

Total liabilities decreased by 5% during FY12, from $1.8 billion at June 30, 2011 to $1.7 billion at June 30, 2012, primarily reflecting the redeployment of transitory client balances early in the fiscal year.

Liabilities ($m)	FY12	FY11	Change H/(L)
Client and other deposits	**205**	318	(113)
Medium term debt and deposits	**579**	524	55
Medium term revolvers – drawn	**107**	157	(49)
Long term debt	**560**	575	(14)
Other	**254**	225	28
Total liabilities	**1,706**	1,798	(92)

Investcorp completed a new $529 million forward start loan agreement to early refinance debt maturing in March and April 2013. The financing was arranged with international and Gulf relationship banks, has a final maturity in September 2015 and consists of term loan and revolving credit tranches. The facility was structured with amortizing repayments over the next three years in order to mirror continued gradual balance sheet deleveraging while maintaining adequate operational liquidity for the bank's underwriting and placement activities.

CREDIT RATINGS

Below is a summary of Investcorp's public credit ratings:

Agency	Rating grade	Comment
Capital Intelligence	BBB+ Negative Outlook	Rating and outlook confirmed in Apr-12
Moody's Investors Service	Ba2 Negative Outlook	Rating and outlook unchanged in Mar-12
Fitch Ratings	BB Negative Outlook	Rating changed in Feb-12

Capital Intelligence confirmed the bank's investment grade credit rating in April 2012. Moody's affirmed Investcorp's credit rating at Ba2 in March 2012 and Fitch Ratings revised Investcorp's credit rating to BB from BB+ in February 2012. Investcorp's subsequent refinancing of upcoming debt maturities due in March and April 2013 has successfully addressed a point raised by all the rating agencies in their credit opinions. All rating agencies continue to recognize Investcorp as a strong Gulf-based alternative investment franchise maintaining adequate levels of capital with appropriate measures to mitigate risk from any regional political unrest.

BOOK EQUITY

Net book equity at June 30, 2012 was $1.0 billion, unchanged from June 30, 2011. The book equity includes proposed appropriations for preference share dividends of $61.4 million ($120 per preference share, 12% per annum) and for ordinary share dividends of $4.7 million ($7.50 per share).

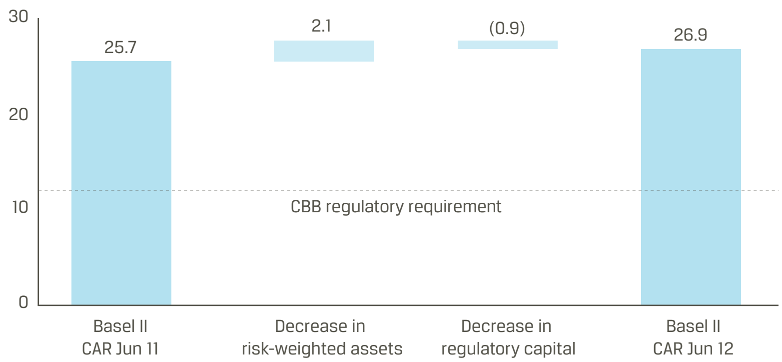
Equity ($m)	FY12	FY11	Change H/(L)
Ordinary shareholders' equity	**453**	443	10
Preference share capital	**511**	511	–
Proposed appropriations	**66**	75	(9)
Fair value and revaluation adjustments	**13**	31	(18)
Net book equity	**1,044**	1,060	(17)

REGULATORY CAPITAL UNDER BASEL II

The Basel II capital adequacy ratio (CAR) at June 30, 2012 increased to 26.9% (June 30, 2011: 25.7%), reflecting a decrease in risk-weighted assets offset partly by slightly lower regulatory capital. The reported CAR, consisting of all Tier 1 capital, is comfortably in excess of the Central Bank of Bahrain's (CBB) regulatory minimum requirement of 12%.

Regulatory capital adequacy ratio (CAR)

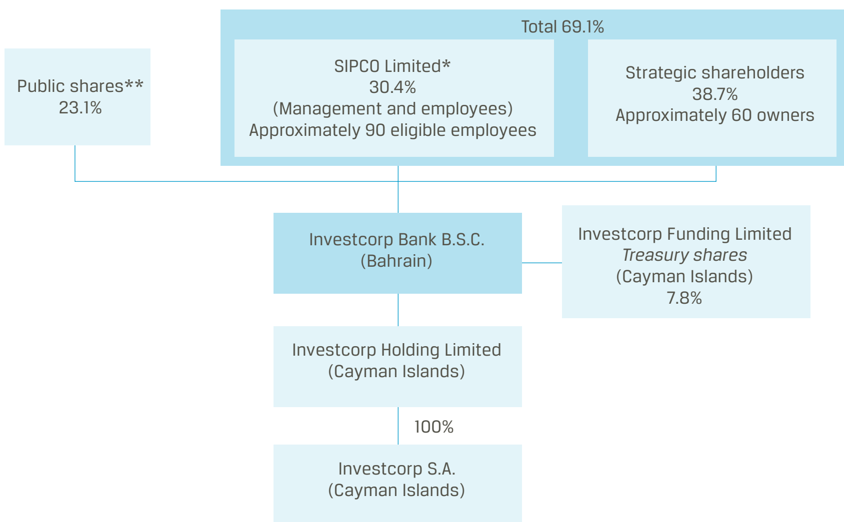
(%)



SHAREHOLDER BASE

At June 30, 2012, Investcorp remains a management controlled company, with management, in concert with strategic shareholders, controlling the voting of 69.1% of Investcorp's ordinary shares. The public float of 23.1% is split between owners holding 22.8% in ordinary shares on the Bahrain Bourse, and 0.3% of beneficial ownership through unlisted GDRs.

Ownership structure



* Includes 13.5% in shares that are held for potential future allocation to the Employee Share Ownership Plan and 2% unvested shares under the Employee Share Ownership Plan. The Group has approval from the Central Bank of Bahrain ("CBB") to hold up to 40% of shares for the Employee Share Ownership 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.

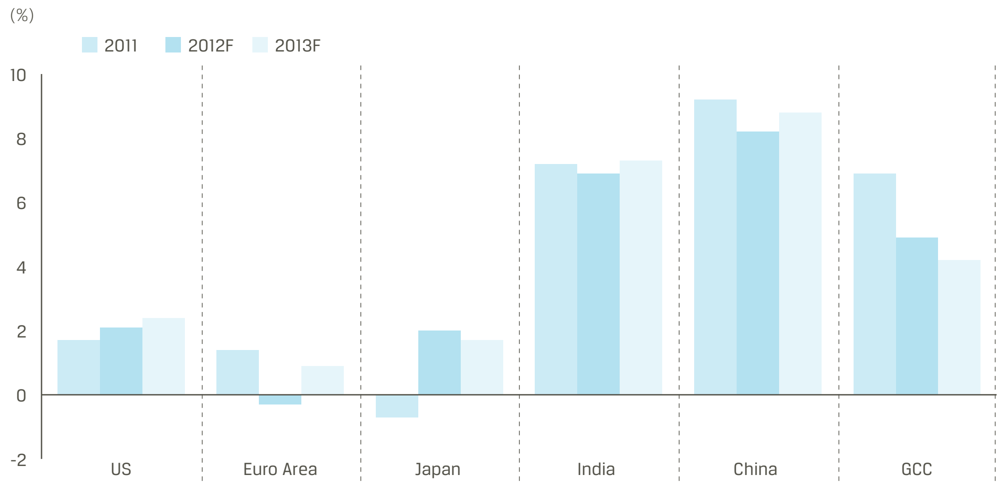
MARKET CONTEXT

The global economy

The latter part of calendar year 2011 saw a major deterioration in the global economy, driven by a worsening Eurozone debt and banking crisis. More bullish financial sentiment at the start of 2012 fizzled out quickly, with the first six months of calendar 2012 seeing much of the Eurozone slump back into recession, and the US recovery slow noticeably. June brought some progress on the EU crisis as key fiscal policy decisions were reached and further liquidity injected, but very significant risks to world growth remain in 2012 and 2013.

Forecasts for global growth in 2012 and 2013 are currently being downgraded by the IMF and others, with world growth estimates for 2012 of around 3.5% incorporating a wide divergence between regions. The US is set to grow by around 2.1%, but the Eurozone area may continue to contract slightly (-0.3%), with the EU overall seeing no growth. Global growth in 2013 has been predicted to accelerate slightly to 4.1%, but there are now significant risks to such forecasts. Estimates at this stage for US growth in 2013 vary from 1.8% to 3%, reflecting the scale of economic uncertainty.

Global GDP growth



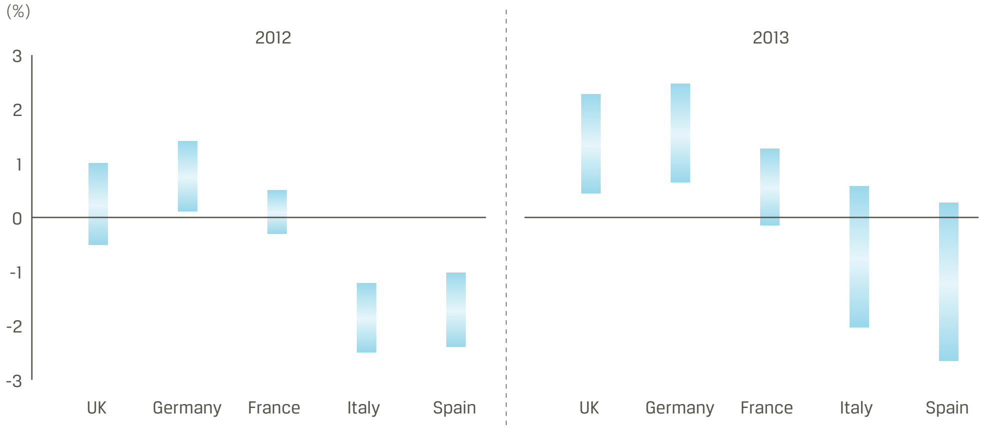
Source: IMF World Economic Outlook April 2012 & IIF Regional Overview April 2012

The world economy this year is being supported by a solid recovery in Japan, which is set to grow at 2% in 2012 after the earthquake and tsunami induced downturn in 2011.

Emerging economies are expected to grow at around double the pace of OECD countries this year (5.7%) and could accelerate somewhat next year.

The Eurozone, and the broader EU, is now back in recession as a result of fiscal and credit tightening and a lack of economic confidence, conditions mirrored by multiple credit rating downgrades of Eurozone sovereigns and banks. The three year liquidity injection provided by the ECB in late 2011 and early 2012 had some impact but this quickly wore off. The pattern of the last 12 months in Europe is that policy initiatives have only a short term impact in ameliorating unsustainable sovereign debt markets, exemplified by government bond yields in Spain and Italy. Both countries are set to see a GDP drop of close to 2% in 2012 before an expected slow recovery in 2013.

European GDP forecasts Hi/Lo



Source: The Economist poll of forecasters — June averages

The German economy performed strongly for the last half of calendar 2011, but the Eurozone downturn in the last few months has now hit its economic performance as well. The Eurozone purchasing managers index has reflected worsening conditions, with nine of the ten months to June 2012 showing contraction.

The latest EU summit in June 2012 appears so far to have had a positive impact, with more flexible help for Spain's banking sector and tentative moves towards a 'banking union'. It was viewed as a compromise between differing views about the right balance between fiscal consolidation and growth stimulating measures for austerity-weary economies. The second Greek election also appeared to bring some relief from potential contagion, although clearly a Greek Euro exit, along with the possible exit of one or two other smaller Eurozone members, is now largely priced in to market levels.

There are some positive signals in the Eurozone: the markets have been impressed by the pace of reform in Italy, and Spain's political stability will underpin its adjustment process. Nevertheless, the likelihood is that the multi-year fiscal adjustment required in parts of Europe, together with bank deleveraging, will contribute to on-going weak growth and periodic financial market turmoil.

In the US, the economic recovery has clearly decelerated, due to the Eurozone recession and the continuing impact of housing weakness and consumer deleveraging. While truck and rail volumes are reasonably robust and the auto sector is performing quite strongly, higher oil prices earlier in the year have hit US consumers and employment growth is only modest.

While monetary policy remains highly accommodative, fiscal retrenchment at a state and local level is now clearly counterbalancing federal fiscal policy. Overall, policy is on hold until the presidential elections, and markets are already aware of the challenges that dealing with the 'fiscal cliff' will then hold for the executive and legislative branches of the US government.

The financial market rally in early 2012 faded away, but the increased liquidity due to central bank action has increased risk appetite and the price of risk assets somewhat in recent months. Market and liquidity tail risks globally are seen to have fallen from the elevated levels at the end of 2011, though they remain elevated in Europe.

The sluggish global economy, and the reliance of advanced economies on exceptionally accommodative monetary policy has led to forecasts for 'risk free' yields being further lowered, with forecasts for US 10-year Treasury yields of just 1% until the end of 2013. Increased financial regulation and widespread sovereign downgrades have increased the proportion of investors with a requirement or preference for safety and liquidity however low the yield. Such low yields on risk free assets do however stimulate other investors to consider potentially less liquid, but attractively priced alternative assets with limited correlation to macro-economic conditions.

THE GULF

The six GCC countries are forecast to see strong GDP growth of around 5% in 2012 compared to 6.9% in 2011, underpinned by healthy oil revenues (with oil output up 5.5%) and the continuation of expansionary fiscal and accommodative monetary policies.

GDP growth in GCC countries

%	2011	2012F	2013F
Bahrain	2.2	3.3	4.6
Kuwait	8.2	6.6	1.8
Oman	5.4	6.4	5.7
Qatar	18.8	6.0	4.6
Saudi Arabia	6.8	6.0	4.1
UAE	4.9	2.3	2.8

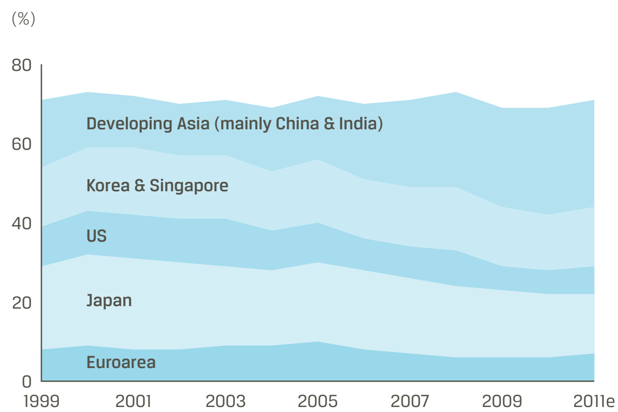
Source: IMF World Economic Outlook April 2012 & IIF Regional Overview April 2012

Saudi Arabia's economy will slow slightly in 2012 to a still vigorous 6%. The UAE and Kuwait will also see somewhat slower growth of 2.3% and 6.6% respectively. At this stage, forecasts suggest a slight slowing of overall GCC growth in 2013 to 4.2%.

Oil prices have been volatile in 2012 so far, with a wide range of forecasts reflecting the countervailing tensions of OECD economic weakness and geopolitical uncertainty. Global oil demand is however predicted to increase in 2012, with Saudi Arabia having significant spare capacity to bring into the market should the geopolitical issues cause supply bottlenecks.

Importantly, neither the Euro area nor the US are now significant in terms of GCC oil exports, over 70% of which go to Japan or emerging Asian economies.

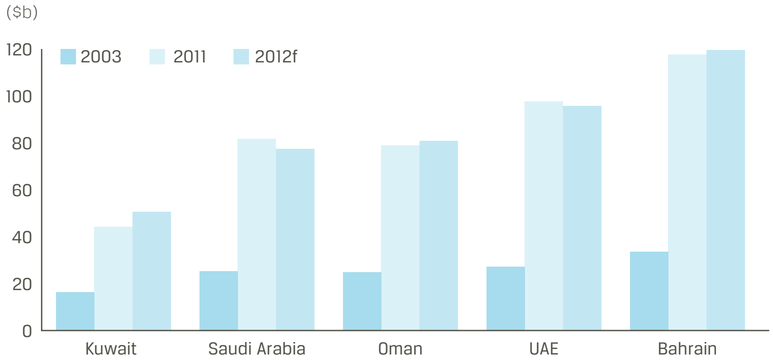
GCC exports aligning to high growth Asia



Source: IIF Regional Overview April 2012

The GCC's consolidated fiscal surplus is set to rise to 12% in 2012 before falling back to 7.4% in 2013. While breakeven oil prices remain much higher than five years ago, it is noteworthy that in 2012 they are not predicted to rise significantly further, and Saudi Arabia's breakeven price has dropped from $82/b to $79/b due to higher oil production and a small reduction in government spending, following the one-off stimulus spending in 2011.

Breakeven oil prices for GCC countries



Source: IIF Regional Overview April 2012

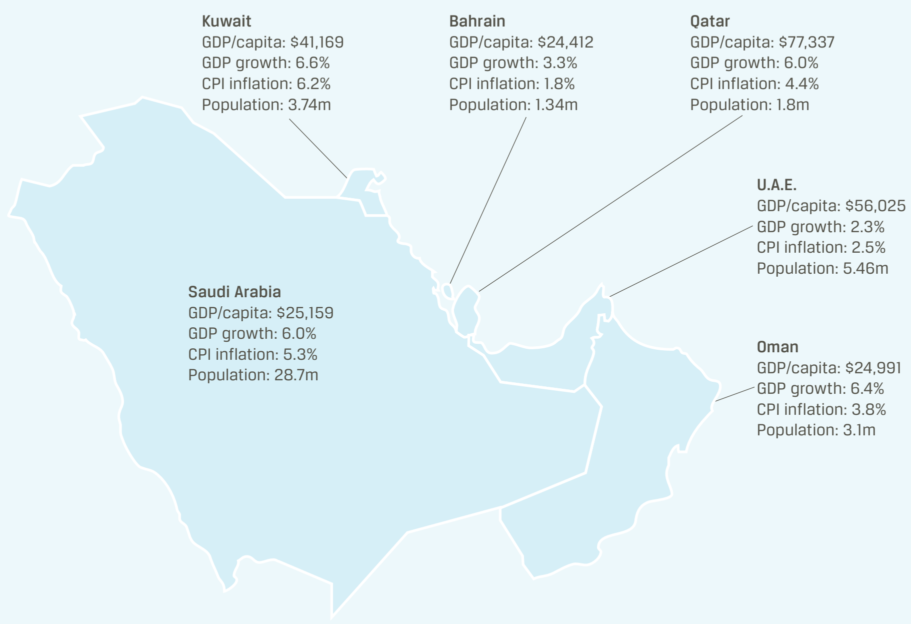
Saudi Arabia's non-oil real growth remains strong, and the substantial new supply of affordable housing coming on stream is likely to dampen the inflation pressures that have built up.

In Dubai, solid growth in trading activities, retail sales and tourism is counterbalancing weakness in construction. The banking sector's balance sheets continue to recover, and financial markets have welcomed a better delineation of sovereign and quasi sovereign borrowing. The real estate sector is now showing signs of stabilization, with supply finally becoming more limited.

Qatar's exceptionally high recent growth is set to moderate slightly in 2012 to 6%, compared to its huge growth spurt of over 18% in 2011. Growth will remain robust given the scale of gas income and the extensive infrastructure investment program.

Bahrain's GDP is forecast to increase by 3.3% in 2012, accelerating to 4.6% in 2013.

Overview of the six Gulf Cooperation Council countries for 2012F



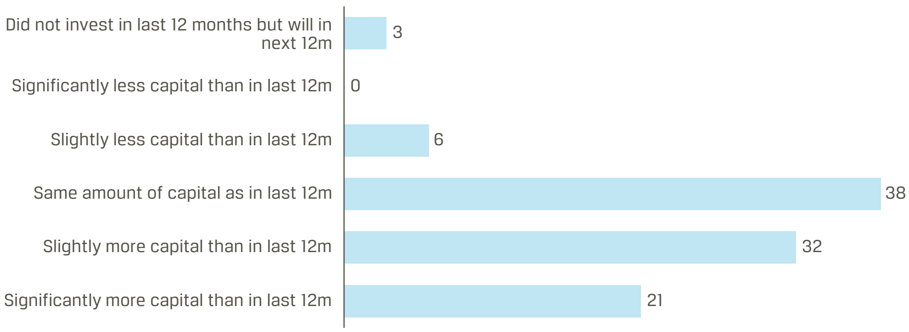
Source: Bloomberg, SWF Institute and IIF Regional Overview April 2012
All 'GDP' refers to Nominal GDP
Map not drawn to scale

Geopolitical risks to markets will remain a central factor for both GCC economies and GCC investors in the coming year. Further progress on enhanced security co-operation by GCC countries and increased military spending will support economic growth, while also underlining the rationale for investment diversification.

The number of Gulf HNWIs increased by 2.7% to around 500,000 in the last year, more than double the rate in Europe. Gulf equity and credit markets have remained thin and volatile, thus underscoring the continuing need for global investment opportunities. While the climate has been challenging for all asset classes, the outperformance of alternatives over a longer-term horizon remains a powerful argument for increased allocations to alternative investments.

Wealth managers/investors plans for alternative investments

(%)



Source: Preqin Wealth Manager Outlook: Alternative Assets H2 2012

Internationally, surveys of wealth managers' investments in alternatives suggest more than two thirds of such investors are satisfied with their performance, while 6% think alternatives' performance has exceeded their expectations. Over 50% of such investors plan to increase commitments to alternatives over the coming 12 months compared with the previous period, while only 6% plan to commit less to alternatives.

BUSINESS ENVIRONMENT

Corporate investment – North America and Europe. Challenging economic conditions and financial markets resulted in a mixed performance for the sector over the fiscal year. While calendar 2011 saw the highest number of transactions since 2008, this was marked by a slowdown in the second half of 2011 that has carried through to 2012. Although deal activity picked up in the last quarter after a very subdued Q1 2012, private equity-backed deal flow for H1 2012 stands at $104.4 billion, down 25% from H1 2011. European activity did increase in Q2 2012, but lagged the US, which, with $32.8 billion, saw roughly double the transaction volume of Europe.

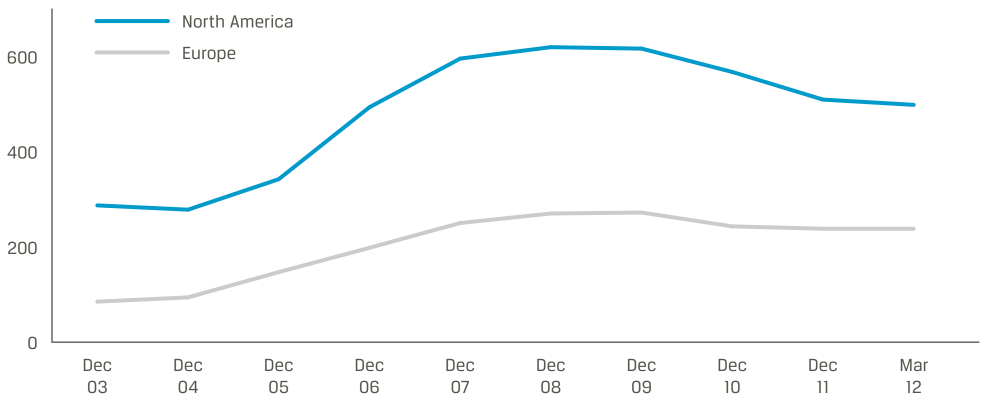
Private equity backed exits were relatively slow and fell off in the second half of FY12, due to tightened credit market conditions, unfavorable public equity markets and underlying economic uncertainty, particularly in Europe.

Private equity global fundraising also remains relatively restrained, with, for example, the $61 billion raised in Q1 2012 being in the range of quarterly fundraising over the last two years, but low compared to quarterly levels in the 2005-2008 period.

The volume of uninvested capital overhang remains elevated but has been declining moderately due in part to reduced fundraising and a steady level of investment. Over the next two years, 2007 and 2008 vintage funds will be reaching the end of their investment periods, potentially triggering a greater desire to put funds to work. The rate that capital is called down has been gradually slowing. Funds raised from 1999 to 2007 held an average of 29% in unfunded commitments at the end of their third year. For the 2008 vintage, however, that number has risen to 38%, largely attributable to the significant fundraising that occurred that year. The amount of committed capital that firms fail to allocate during their five-year investment window averages more than 10% and continues to rise, slowing the rate of investment for subsequent funds.

Private equity dry powder still elevated

($b)



Source: Preqin Deals Analyst Online Service

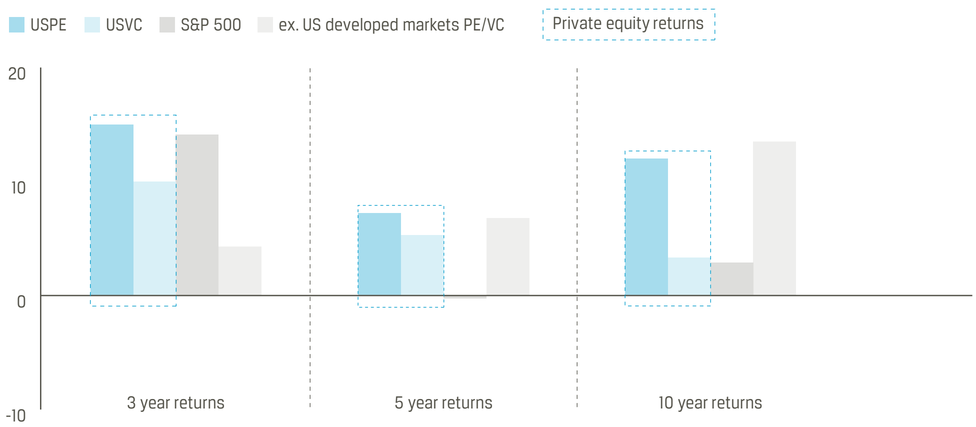
Bank financing has become somewhat more available towards the end of the fiscal year, particularly in the US. However, leverage levels are still substantially lower than pre-crisis. Banks are also reasserting their influence with financial sponsors and not always extending maturities on existing transactions for relationship reasons, given the increased regulatory and capital pressures they face. Financial deleveraging, especially in existing European portfolios, is expected to continue and may become increasingly important if growth slows further.

Absolute return expectations continue to be lower, in line with similarly lower return expectations from public equities and bonds, compared to historical averages. The long term outperformance of alternatives such as private equity is likely to attract investors, given its ability to deliver superior, non-correlated returns over the economic cycle.

Even in current economic conditions, there is a broad swathe of middle-market companies in the US and Europe with strong market niches and thus the potential to out-perform the broader economy. This is particularly true when the company is backed by an active, experienced private equity owner who has a clear strategy to create value and drive operational improvements.

Private equity outperforms public markets

(%)



Source: Cambridge Associates LLC. All data shown as of 31 December 2011 except ex-US developed markets

Corporate investment – Technology. The technology sector has continued to see strong M&A activity, driven by strategic buyers with substantial cash resources seeking to expand into new markets or acquire new technologies. US buyers have been dominant: for the 12 months to May 2012, M&A transactions in the US IT space amounted to 1,856, up 16.9% in volume from the 12 months prior. 2012 transaction value is on a par with 2011, when global technology M&A increased by 44% to $223 billion, the highest level since 2007.

Corporate spending on IT remains buoyant, with efficiency and regulation as powerful growth drivers, and the need for growth is fuelling technology M&A activity. Enterprise-focused technology conglomerates are extending their product reach and looking to fill in gaps, such as social media and mobile applications. The disruptive nature of market change means companies are willing to consider 'large bets'. Powerful operational leverage means large IT corporates can muster the cash resources to fund acquisitions, while they will also continue to divest non-core assets.

In addition, consolidation, especially in Europe's fragmented technology sector, will be a stimulus for further transactions. While multiples in certain technology verticals remain high, sellers may well become more realistic, especially as many technology venture capital and private equity funds need exits to help raise new funds. Given the lack of debt finance, those with cash, in the corporate and private equity worlds, will be better positioned. Meanwhile, smaller public companies will increasingly be open to public-to-private deals, given the lack of public market liquidity and limited capital raising options that they face. Exits in the technology space for private equity backed companies are likely to remain concentrated on trade sales and secondaries, with no signs of a sustained revival of the IPO market for smaller technology firms, despite several high profile IPOs for major technology players.

Sub-sectors in which investment activity may be concentrated include software, cybersecurity, smartphones, mobility and intellectual property.

Corporate investment – MENA. The GCC and Turkey remain compelling investment destinations with high forecasted 2012 GDP growth of 5% and 3%, respectively. Private equity investors in the region are predominantly in the phase of seeking to deploy capital selectively in non-cyclical and defensive sectors. Government stimulus packages, infrastructure projects and regulatory reforms embarked upon by various governments in the GCC have reinvigorated various sectors of interest to private equity, ranging from basic materials and manufacturing to healthcare and education. Sectors underpinned by demographic growth, including transportation and food and beverage, continue to be attractive.

The ability of private equity firms to secure acquisition financing for sizable companies has improved. Credit growth is forecasted to increase by 10% to approximately $766 billion as bank provisioning declines. According to S&P, the capitalization of GCC banks generally exceeds their international peers and they are expected to remain isolated from Euro area turmoil for the rest of 2012 and 2013. As lending practices become tighter and more stringent for medium-sized companies and family businesses in the GCC, however, they are increasingly inclined to seek equity funding rather than debt financing.

The robust macroeconomic environment in the GCC and Turkey has been conducive for private equity investors. Private equity investments by regional players in these markets increased slightly from 18 in FY11 to 21 in FY12. The majority of these investments were in the UAE, Turkey and KSA, primarily in the following key sectors: industrial manufacturing and construction, education, general services, information technology and financial services.

Meanwhile, private equity investors are also planning exits for their more mature portfolio companies. Private equity exits both to private buyers and through IPOs increased significantly from 11 in FY11 to 20 in FY12, the majority of which were in the UAE, Turkey, Kuwait, Saudi Arabia and Oman.

IPO activity picked up in the GCC in Q2 2012 witnessing the strongest quarterly IPO performance in the last two years. A total of four IPOs raised $1.1 billion on the GCC stock exchanges during the quarter compared to three IPOs which raised $340 million in Q2 2011, a 69% increase in value. A strong pipeline in Saudi Arabia is expected and more companies are expected to come to market in Q3 and Q4 of 2012.

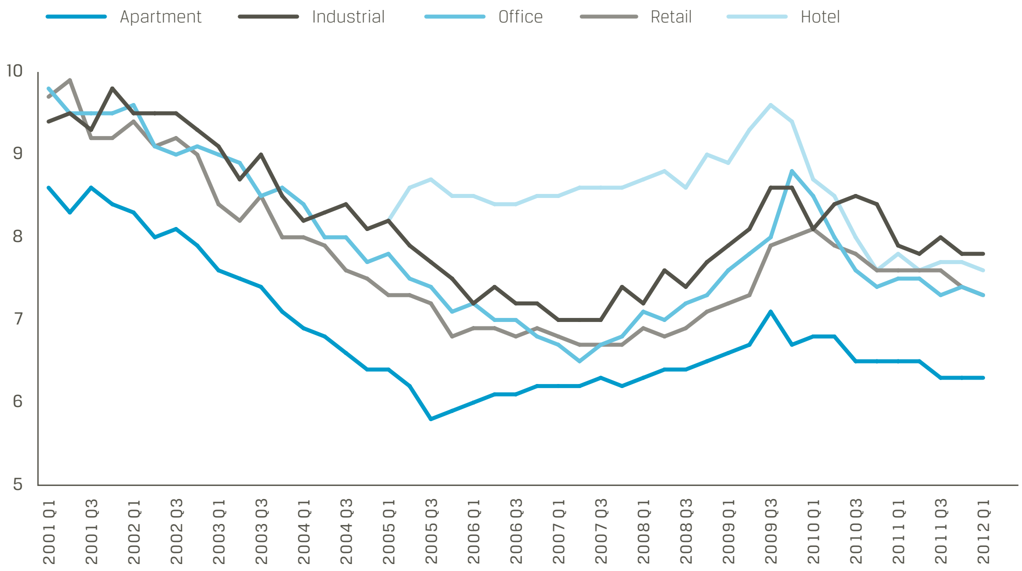
In summary, notwithstanding slowing global, and to a lesser extent regional, growth, the MENA region continues to benefit from strong oil revenues, government expenditure in key sectors supporting nation building and continued strong demographic trends, all enhanced by a rising class of vibrant entrepreneurs. Deal flow and IPO activity have picked up somewhat and this continues to create a healthy environment for strong and well capitalized corporate investment firms, like Investcorp, to continue to find attractive investment opportunities.

US real estate. Overall the US commercial real estate market has continued to improve, but with the pace of recovery slowing down in the second half of FY12. Vacancy rates have now fallen for seven consecutive quarters with modest rent growth, concentrated in Class-A properties.

Calendar 2011 saw US commercial real estate investment increasing strongly to $154 billion, the highest total since 2007, and the first half of 2012 has continued the trend. The low interest rate environment in the US has kept downward pressure on capitalization rates. Capitalization rates have fallen for two years for tier one property in the strongest performing markets, most notably in the office sector. Capitalization rates for high quality office property are now close to 2007 lows. The US Federal Reserve is expected to maintain the low interest rate environment in the medium term which should continue to positively influence capitalization rate levels across all property sectors.

Capitalization rates in US real estate

(% average quarterly)

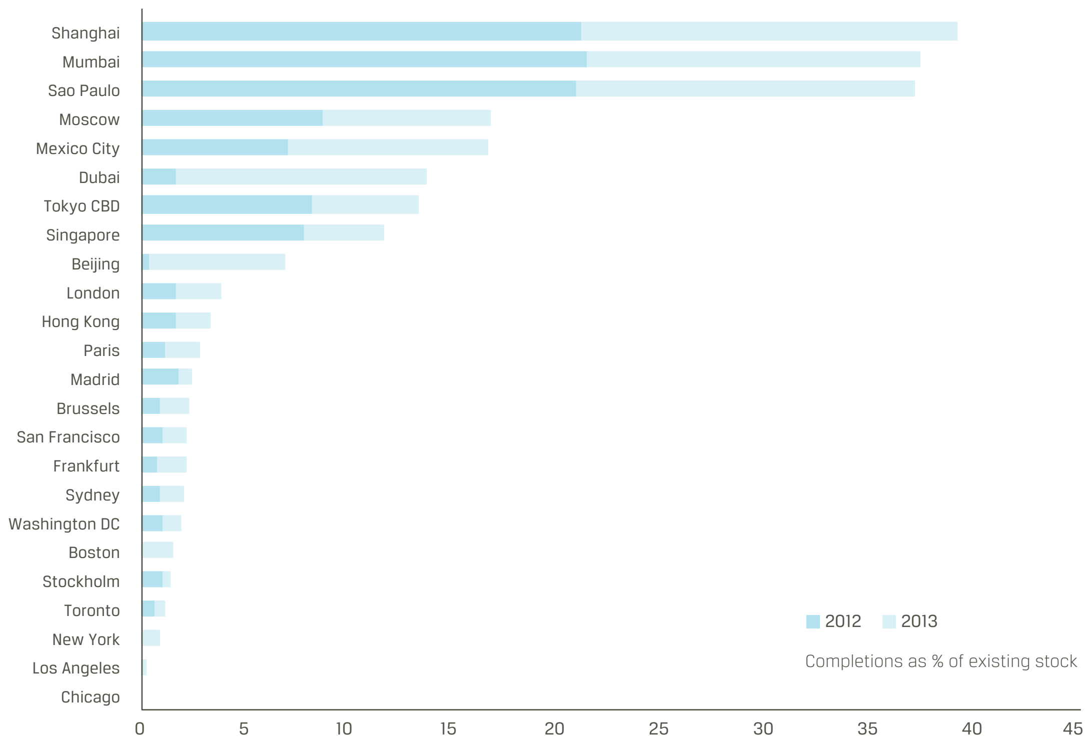


Source: Real Capital Analytics

The majority of investor interest continues to be focused on primary markets. However, of late, there has been increased interest in some secondary markets as buyers seek additional yield. Large metropolitan areas such as New York, San Francisco, Los Angeles and Houston/Dallas as well as technology markets such as Boston, Silicon Valley and the Research Triangle in North Carolina, are in demand. This is a result of stronger than average employment drivers in those markets. They are benefiting from local concentrations of globally competitive industries, for example, energy production which strongly supports the Texas marketplace or a pre-eminence in technology and related industries, which benefits areas such as San Francisco/Northern California, New York, Boston and the Research Triangle in North Carolina.

Investors are also focusing on the multi-family rental sector which is benefiting from the shift away from home ownership to renting. Home ownership in the US is at its lowest level since 1997 as potential buyers are delaying home purchases due to the uncertain economy and more stringent lending practices. Multi-family is also seen as lower risk as multiple tenants have staggered lease maturities.

US real estate underpinned by limited office supply



Source: Jones Lang LaSalle New York Capital Markets Group

REIT capital raised grew further in 2011 to $51 billion (compared with $43 billion in 2010 and just $14 billion in 2008), with the first quarter of 2012 seeing $21 billion raised. CMBS issuance has also started to pick up, but remains at a small fraction of pre-2007 levels. CMBS refinancing remains a challenge, but 2013 and 2014 have relatively low volumes to refinance before dramatically higher maturities in 2015-2017.

While debt markets have improved, the high levels of maturing real estate loans in the coming five years and the weak recovery in CMBS will provide attractive investment potential for well-financed buyers. Volatile global markets may mean that international investors continue to increase allocations to US real estate, particularly given the favorable supply/demand dynamics in major US cities compared with some potentially 'overbuilt' emerging markets.

Hedge funds. The last 12 months represented an exceptionally challenging period for the entire hedge fund industry, with the HFRI Fund of Funds Composite Index 12-month performance to June 2012 of -4.4%.

From the middle of calendar 2011 onwards, two factors negatively affected returns. First, due to uncertainty in Europe as well as other geopolitical events, the global markets experienced significant levels of volatility, combined with low absolute returns. In addition, asset class correlations moved to exceptionally high levels, creating very difficult conditions to generate positive returns by taking long or short positions. In spite of the challenging environment, certain strategies have done very well. For example, managers focusing on structured credit have been able to post excellent returns over the last 12 months.

While the tail risks associated with a European debt crisis have been largely mitigated, it is expected that the environment for hedge funds will remain somewhat challenging. However, we believe that emerging managers that are nimble and able to execute on their best ideas will be in a position to generate alpha in the current environment. Empirical evidence suggests that emerging managers outperform their established counterparts over a market cycle. The next 12 months will bring about further differentiation between these two types of managers.

We believe that the environment for seeding new hedge fund managers is exceptional. There has been an abundant supply of high quality managers seeking seed capital. The changing regulatory environment and shrinking bank balance sheets have triggered this wave and new players are emerging to take advantage of the opportunities. Where funds can be seeded and launched with an institutional backing, investors are more likely to invest.

The hedge fund industry has now surpassed previous AUM peaks. The latest estimates indicate the industry has grown above $2 trillion in assets under management. More institutional investors are making direct investments with hedge fund managers without going through an intermediary. This trend will impose a higher transparency burden, as well as create fee pressures on managers. Firms that can position themselves in line with the evolving industry trends are likely to survive and outperform the competition.

INVESTMENT ACTIVITY

We have continued to take a disciplined approach towards investment activity during FY12, against the challenging backdrop of a slowing global economy. Alternative investments continue to be able to generate alpha in a portfolio through long-term value creation. Rigorous evaluation combined with creative sourcing is more necessary than ever to find those investments with a controlled and well managed risk profile that we believe can ultimately meet the requirements of our clients for superior returns.

Corporate investment – North America & Europe. Overall, we have continued to target European and North American businesses in the middle market that have strong cash flow characteristics and are leaders in high growth sub-sectors within their industries. Specifically in Europe we have been focusing on businesses that have international growth prospects outside the Eurozone as well as on opportunities where good companies are being sold in distressed situations. In addition, we continued to look for opportunities to support growth of businesses in our current portfolio through add-on acquisitions. Generally, the macro environment makes finding opportunities more challenging. However, we believe that our sector specialization provides us with insight that enables us to define superior risk/return profiles with particular precision. We deployed $458 million in this sector during FY12.

Corporate investment – Technology. The technology investment market has been active and we have continued to look for opportunities to make control investments in profitable and growing small to medium-sized European and North American technology companies through growth buyouts, corporate carve outs or take-private transactions. We have also supported growth through acquisitions by businesses in our current portfolios and we saw a number of opportunities that fit our investment criteria although it is necessary to scrutinize opportunities carefully to identify sustainable businesses that are priced appropriately. In this sector Investcorp deployed $51 million during FY12.

Corporate investment – MENA. We continued to evaluate minority and majority investment opportunities in the MENA region, looking in particular at opportunities in Saudi Arabia, the United Arab Emirates, Kuwait and Turkey. Our long-standing Gulf regional experience provides us with an advantage in screening opportunities and mitigating risks through extended due diligence. We have in particular sought out companies with proven business models and growth prospects in defensive industries such as transportation and logistics, and basic materials. We also worked in partnership with the management teams of our portfolio companies to improve operations, raise equity and debt financing, optimize balance sheets and evaluate and execute add-on acquisitions to create value in these portfolio companies. In this sector Investcorp deployed $108 million during FY12.

Real estate investment. Transaction volume in US commercial real estate has been solid in this fiscal year. We have looked for equity and debt investments in sectors and markets in the US where we felt there were good risk-adjusted returns and we have found opportunities in both. Generally, asset prices are thought to have hit bottom in most major markets and operating fundamentals for all property types have continued to improve. We have focused on assets generating strong cash flow yields, a strategy that is well suited to the gradually stabilizing market. In equity investment, we have targeted high quality and stable assets, often in overlooked real estate markets, where these were attractively priced. In debt investment, we investigated opportunities to originate or acquire mezzanine debt and subordinated debt that could deliver attractive risk-adjusted returns and saw an increase in sellers of existing debt positions and opportunities to originate subordinated debt. Overall, in this sector Investcorp deployed $184 million of acquisition capital during FY12.

INVESTMENTS

In July 2011, we closed on the $146 million acquisition of **Sur La Table**, a leading national kitchenware retailer with locations across the United States. Sur La Table is a multi-channel retailer that has over 80 stores in the United States, but also sells through its catalog, web site and gift registry. It sells kitchenware brands and products and also provides the largest avocational culinary instruction program in the United States. This direct investment was fully placed with clients during Q2 FY12. In March 2012, we made the £48 million acquisition of **GL Education**, a leading provider of non-regulated pupil and school assessment solutions and performance management tools used by teachers and schools to measure students' core abilities, take decisions about students' learning paths and raise educational standards. This direct investment was placed with clients during Q4 FY12. In May 2012, we agreed the $146 million acquisition of **Archway Marketing Services**. Archway is North America's leading outsourcer of marketing fulfillment services, delivering point-of-purchase marketing related materials for blue-chip customers such as Pepsi, Mars, Target and AT&T. This investment will be offered to clients in H1 FY13. In June 2012, we agreed the €72 million acquisition of **Esmalglass Itaca**, a leading producer of intermediates for the global ceramic industry. Esmalglass has a presence in Spain, Brazil, China, Portugal, Italy, Russia and Indonesia and produces high quality ceramic glazes and colors as well as inkjet inks to decorate tile surfaces. The company's products are sold to 450 customers worldwide. The placement of this direct investment with clients will be concluded in H1 FY13.

In December 2011, the Investcorp Technology Partners III Fund agreed to acquire a significant minority stake in Thought Equity Motion, which recently rebranded itself as **T3Media**, the leading provider of cloud-based video management and footage licensing services, in a transaction that closed in early January 2012. Based in Denver, Colorado, T3Media provides its services to large production houses and content owners and has clients including the BBC, Paramount Pictures, Sony Pictures Entertainment, National Geographic and the NCAA. The company digitizes and hosts material such as sports, news and entertainment content for clients that was previously stored on analogue tapes, and provides a platform that enables them to access their content digitally. It also arranges for them to license the content to third parties under royalty sharing agreements. The Fund invested a total of $27.4 million, making it the largest single shareholder in T3Media.

In July 2012, the Investcorp Gulf Opportunity Fund I agreed to acquire a 30% stake in **Orka Group**, one of Turkey's leading and fastest growing menswear retailers in a transaction that is expected to close in H1 FY13. Orka Group sells its Damat, Tween and D'S Damat-branded clothing in more than 250 stores in 40 different countries worldwide, including through franchises. Also in July 2012, the Investcorp Gulf Opportunity Fund I agreed to acquire a significant minority stake in a GCC company in a transaction that is expected to close in H1 FY13.

During the year, there was one follow-on investment from Investcorp Technology Ventures I in **Atrenta**. The team also made follow-on investments in **Kentrox Inc, Magnum Semiconductor** and **Zeta Interactive Corp**. through the Investcorp Technology Ventures II Fund. There were three follow-on investments through the Investcorp Technology Partners III Fund during the year, two in **eviivo Limited** and one in **OpSec Security Group**, which included the successful completion of a tender offer to increase the Fund's overall ownership in OpSec Security Group to a controlling position of 55%.

The Investcorp Gulf Opportunity Fund I provided a follow-on investment in **Tiryaki Agro**, the leading trader and supply chain manager of agro products in Turkey.

In real estate we made ten new investments during the fiscal year. In September 2011, Investcorp made a $11.4 million investment in **The Ashford**, a garden and townhouse multi-family community of 15 residential buildings containing 221 units, located in Atlanta, Georgia. In October 2011 we made two investments. $13.1 million was invested in **Bethesda Health City**, a 133,000 square foot medical office building in Boynton Beach, Florida and $10.7 million was invested in **Park Tower**, a 120,000 square foot multi-tenant office building in Long Beach, California. All three properties were selected for their strong and stable cash flow profiles and ties to growing metropolitan communities and above-market cash yields. They were combined to form the Sharia-compliant **US Diversified Properties X Portfolio**, which saw strong demand and was fully placed with investors during Q2 FY12.

In November 2011, a $10.8 million investment was made in **Sheffield Square**, a 400 unit multi-family property in Dallas, Texas. In May 2012, we acquired for $17.5 million an interest in a portfolio of four multi-family properties in the master-planned **Copperfield** community in Houston, Texas. These were placed with clients in the Sharia-compliant **Texas Apartment Portfolio**.

In November 2011, we made a $40.1 million investment to purchase two mezzanine loans, with a scheduled maturity in July 2012, secured by the **Paramount Hotel**, a 598-room hotel located in New York City's Times Square. The investment was held on Investcorp's balance sheet. In July 2012, a syndicate led by Citigroup funded a mortgage and mezzanine debt position secured by the Paramount Hotel, which fully repaid the mezzanine debt that was held on Investcorp's balance sheet. Concurrently, in its first investment, our third real estate debt fund closed on a $30.0 million mezzanine loan as a member of the Citigroup syndicate.

In December 2011, we acquired an $8.9 million mezzanine loan secured by **Arundel Mills**, a Hilton Garden Inn/Homewood Suites branded property of 250 hotel rooms and extended stay suites in Hanover, Maryland. In January 2012, we acquired a $14.8 million mezzanine loan in **Southland Mall**, a 986,514 square foot retail mall located in South Florida. These formed a debt portfolio, **Southland and Arundel Mezz**, placed with clients in February 2012.

In February 2012, we made a $26.6 million investment in a portfolio of 14 office, industrial and retail properties in Petaluma, near San Francisco. Known as the **Northern California Portfolio**, this was placed with clients in Q4 FY12.

A number of companies in our corporate investment portfolio made add-on acquisitions to grow value as part of their investment strategies. Such add-on acquisitions enable the companies to grow revenues for example, by developing market share, by entering new markets and geographies, or by extending services or product range. Over the course of FY12 **FleetPride** made six acquisitions: Interstate Turbo Supply, McDowell Truck Parts, Fleet Brake, Trane's Diesel Service, Westpac Heavy Duty and Catoco. In October 2011, **TelePacific Communications** acquired TelWest and in November 2011, **Veritext** acquired Sarnoff Court Reporters. In December 2011, an Investcorp Gulf Opportunity Fund I portfolio company, **Gulf Cryo**, closed on the acquisition of International Industrial and Medical Liquid Gas Company in Jordan and in July 2012, it increased its stake in Shuoiba Oxygen, a supplier of industrial gases to the Kuwaiti company Equate, from 30% to 50%. In February 2012, **IPH Group** made two acquisitions in Germany, Zitech Industrietechnik and Wilhelm. In April 2012, **OpSec Security** acquired Delta Labelling Ltd. and in May 2012, **Berlin Packaging** acquired Lerman Container. In June 2012, **Ceme** agreed to acquire Maflex and **Skrill** agreed to acquire paysafecard, both with expected closings in Q1 FY13. No additional equity from Investcorp or its investors was or will be required to complete these add-on acquisitions.

REALIZATION ACTIVITY

There were a number of profitable exits during FY12. Total realization proceeds and other distributions to Investcorp and its clients were $649 million.

In November 2011, Investcorp sold **Accuity Inc**, a former subsidiary of SourceMedia Inc (formerly Thomson Media), to Reed Elsevier, for an enterprise value of $530 million. This successful partial exit returned $360 million in gross proceeds. Investcorp acquired Accuity as part of SourceMedia from The Thomson Corporation in November 2004 and subsequently spun off Accuity to become a stand-alone business providing global payment routing data, anti-money laundering screening data and software and professional services. Our investors continue to own their interests in SourceMedia, a leading business-to-business provider of multimedia information to the banking, financial services and related technology markets.

In January 2012, we closed the sale of the **W South Beach Mezzanine Loan**. In May 2010, we made an investment of $20.7 million to acquire certain discounted mezzanine loan interests in **W South Beach**, a first-class condominium hotel development on a prime oceanfront site in Miami. Investcorp and co-investors had developed this hotel in 2004 and successfully realized the investment in September 2007, returning all original invested capital plus a profit to investors. In 2010 we saw an opportunity to restructure the debt and to purchase the mezzanine debt at a significant discount. This created a new opportunity for our investors and the debt investment was placed with investors. The sale, 18 months later, resulted in a significant overall investor return over this holding period. Investcorp continues to hold its interest in the C Mortgage Note acquired at the same time which was retained on the balance sheet. In March 2012, the **Diversified II** portfolio was closed out with the successful sale of its remaining assets in Colorado.

In December 2011, an agreement was signed for the sale of the 26% stake in **Redington International Holdings Ltd.**, the leading distributor of IT and telecom products in the Middle East, Africa and Turkey, held by the Gulf Opportunity Fund I. The deal closed successfully in February 2012. The stake, which the Fund acquired in 2008 for $65 million, was sold to Redington India for a total consideration of $114.5 million and marked the first exit by the Gulf Opportunity Fund I.

As part of our strategy to manage certain challenged pre-2008 real estate investments and provide them with stable capital structures to preserve value as far as possible, we concluded two refinancings. The Investcorp Real Estate Credit Fund completed a foreclosure of its mezzanine loan interest in the Wyndham Highgate hotel portfolio and the portfolio was subsequently refinanced allowing an early repatriation of a portion of investor equity. Ownership of three investments, where it did not make economic sense to restructure, was transferred to lenders through foreclosure.

PORTFOLIO COMMENTARY

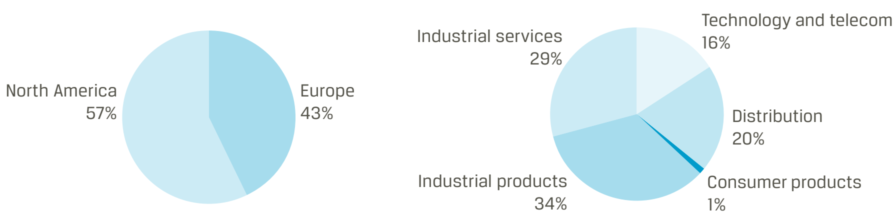
CORPORATE INVESTMENT

Corporate investment – North America & Europe. At June 30, 2012 the carrying value of Investcorp's balance sheet co-investment in corporate investment – North America & Europe was $1,027.2 million (20 companies) compared with $944.8 million at June 30, 2011 (17 companies). The total co-investment amount represents 57.4% of total balance sheet co-investments at June 30, 2012, compared with 49.3% as at June 30, 2011. Please refer to the table in Note 9(a) of the consolidated financial statements of Investcorp Bank B.S.C., which summarizes the June 30, 2012 and June 30, 2011 carrying values by vintage years.

The portfolio is balanced between North America and Europe and is well diversified by sector.

Corporate investment – North America & Europe portfolio

At June 30, 2012



Only three investments represent more than 10% of shareholders' equity at June 30, 2012. The investment in Archway includes underwriting of $100.0 million which will reduce once the investment is placed with clients and co-investors in the first part of FY13.

Portfolio company	Carrying value June 30, 2012 ($m)	% of total portfolio	% of total S/H equity
TelePacific	165.6	16%	16%
Berlin Packaging	117.1	11%	11%
Archway	115.2	11%	11%
Three largest co-investments	397.9	39%	38%
Remaining co-investments	629.3	61%	60%
Total	**1,027.2**	**100%**	**98%**

While our US portfolio continued to mostly outperform, some of our European portfolio companies understandably faced challenging conditions given the economic headwinds in Europe. Aggregate EBITDA for the portfolio at June 30, 2012 was approximately $1.1 billion, an increase of 8% over the June 2011 figure on a constant currency basis. These numbers do not include the three most recent acquisitions, GL Education, Archway and Esmalglass, whose combined EBITDA as of June 2012 is close to $100 million. Ten portfolio companies (excluding the three new acquisitions) experienced year-on-year EBITDA growth with seven companies growing greater than 10% compared to last year. Seven companies experienced slight EBITDA declines in the mid- to low single digits. Portfolio company leverage is low and the average debt across the portfolio is relatively modest at 4.5x EBITDA, with only three companies levered above 5x EBITDA.

More detailed information on all companies in the North American and European corporate investment portfolio can be found in the Portfolio Review section. Overall, we believe the portfolio continues to be well positioned and that our portfolio companies have performed relatively well during this challenging period as a result of the active management characteristic of our value enhancement driven approach to corporate investing.

Corporate investment – Technology. The carrying value of Investcorp's balance sheet co-investment exposure in this sector was $83.1 million at June 30, 2012.

Corporate investment – technology funds	Fund I	Fund II	Fund III
Fund size	$230 million	$300 million	$500 million
Vintage year	2001	2005	2008
Percentage of commitments drawn	100%	99%	59%
Investcorp co-investment	$43 million	$24 million	$61 million
Number of investments	24	12	7
Number of exits*	22	7	0
Returned capital	$206 million	$42 million	$0 million
DPI (distributions over paid-in capital)	**90%**	**14%**	**0%**

* Includes partial exits/write offs.

In corporate investment – Technology, Investcorp's clients are offered participation on a portfolio basis through dedicated technology funds in which Investcorp is a co-investor as well as, in some situations, on a deal-by-deal basis. Investcorp has raised three funds. The $230 million Investcorp Technology Ventures Fund I was raised in 2001. It is fully invested and in the final stages of being harvested. The $300 million Investcorp Technology Ventures Fund II was raised in 2005 and is fully invested, with $297 million deployed and $3 million held in reserve for follow on investments to support the existing portfolio companies. The $500 million Investcorp Technology Partners Fund III was raised in 2008 and is currently 59% deployed.

Corporate investment – MENA. The carrying value of Investcorp's balance sheet co-investment exposure in this sector at June 30, 2012, was $24.0 million.

In corporate investment – MENA, Investcorp's clients participate on a portfolio basis through a dedicated fund in which Investcorp is a co-investor. The Investcorp Gulf Opportunity Fund I has $929 million in capital commitments. With 60% of its available capital invested, it is in the advantageous position of having dry powder at a time when MENA markets are demonstrating their relative resilience and providing a pipeline of attractive investment opportunities.

HEDGE FUNDS

Performance

During FY12, Investcorp's hedge funds co-investment portfolio delivered unlevered returns of -4.7%. This was in line with the industry benchmark, the HFRI Fund of Funds Composite Index, which produced a return of -4.4% during the same period.

Hedge funds faced a very challenging and volatile market environment throughout the fiscal year. In the first half, lack of agreement among political parties in the US on a deficit reduction plan contributed towards the downgrade of US government debt by credit rating agency Standard & Poor's. Simultaneously, the spread of the European crisis from smaller, peripheral countries to much larger economies led to an abrupt change in the markets. Aggressive ECB action subsequently mitigated the tail risk of a disorderly breakdown in Europe. However concerns about European sovereign credit persisted throughout the year. Central bank actions caused short term interest rates and long term interest rates to trend lower but had little impact on growth prospects. While unemployment rates declined slightly in the US, they continued to be at record levels in the Eurozone. Overall, the global economy showed signs of a slow-down.

Against this backdrop, many hedge fund strategies struggled to generate returns. Distressed and Event Driven managers in particular were significantly impacted. Portfolio Insurance managers helped control the downside, but also muted overall returns during positive months.

During this difficult environment for hedge funds, Investcorp's single manager platform outperformed the benchmark by +3.6% with a notable performance by a manager that focuses on corporate credit and structured finance.

Liquidity

Investcorp's hedge funds co-investment portfolio is constructed so that a significant part of it is available for monetization in a three to six-month window.

Time period	Cumulative % available for monetization
Within 1 month	28%
Within 3 months	67%
Within 6 months	76%
Within 12 months	92%
Over 12 months	100%

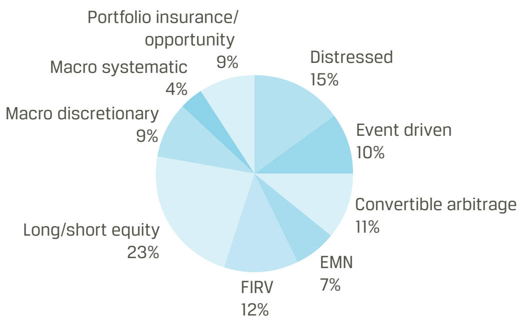
Client portfolios are also constructed with similar guidelines so that during a stressed period, the liquidity needs of clients and Investcorp are both satisfied. At June 30, 2012, approximately 67% of Investcorp's hedge funds co-investment was contractually available for monetization within a three-month window. The high availability of liquidity from our hedge funds co-investments is integral to Investcorp's overall liquidity contingency planning. A large portion of the co-investment portfolio is invested through separate accounts, that, in turn, reduces gating risk.

Portfolio exposures

Investcorp's balance sheet hedge funds co-investment is invested in several external hedge fund managers, including six managers on Investcorp's single manager platform. Total gross exposure was approximately $711 million at June 30, 2012, of which $254 million was invested in the six single managers. $297 million of the gross investment was financed through non-recourse notes, giving a net balance sheet investment at June 30, 2012 of $414 million. While Investcorp's exposure is directed through several different vehicles, the portfolio is managed on a look-through basis at the strategy level, in order to keep the portfolio's risk-return profile and tactical asset allocations consistent with the views of the investment team. Investcorp adopts a top-down view of the investment strategies when designing its hedge fund portfolio.

Strategy allocations of Investcorp's HF portfolio

At June 30, 2012



During FY12, Investcorp undertook a widespread repositioning across portfolios. This was achieved through selection of managers who did not run sizeable market exposures and also by implementing appropriate hedges through Portfolio Insurance and Opportunistic strategies. In doing so, the portfolio's aggregate allocation to the two strategies increased from 2.6% in the beginning of FY12 to a peak level in December, before dropping to the current level of 8.5%. Distressed and Convertible Arbitrage allocations were lowered during the year, whereas allocations to Fixed Income and Macro managers were increased.

Portfolio outlook and positioning

We continue to remain modestly positive on Macro strategies. While tail risks have been contained, underlying issues in Europe have still not been resolved. These could lead to a potential for large shocks to global asset prices, which might benefit Macro strategies. The outlook for Relative Value strategies, namely Convertible Arbitrage, Fixed Income and Equity Market Neutral, has improved. We remain neutral on Hedge Equity, Distressed and Event Driven strategies. While US growth has been steady and corporate earnings and valuations are healthy, we are mindful that these trends can reverse abruptly due to exogenous shocks. Furthermore, the US has a looming 'fiscal cliff' in 2013 when the existing, or a new, administration will need to deal with significant fiscal austerity. As a result, we continued to maintain a prudent allocation to Portfolio Insurance/Opportunistic managers. Overall, we prefer lower beta strategies where improvement in spreads, valuations and stock selection alpha is resulting in better returns – both absolute and risk-adjusted.

Strategy	Outlook
Macro	Modestly positive
Relative Value	Modestly positive
Fixed Income Relative Value	Modestly positive
Equity Market Neutral	Modestly positive
Portfolio Insurance	Modestly positive
Hedge Equities	Neutral
Event Driven	Neutral
Distressed	Neutral

REAL ESTATE INVESTMENT

At June 30, 2012, Investcorp's real estate balance sheet co-investments totaled $154.5 million compared with $188.8 million at June 30, 2011. This consisted of $111.1 million of marked-to-market equity investments and $43.4 million of debt investments, held at net amortized cost inclusive of any provisions for impairment. The total real estate co-investment amount represents 8.6% of total balance sheet co-investments at June 30, 2012, compared with 9.8% at June 30, 2011.

Carrying values for Investcorp's real estate co-investment by vintage year are shown below. Carrying values reflect some stabilization in real estate valuations as well as the impact of exits during the period. The decline in carrying value of vintage FY11 co-investments is due to completion of placement during FY12 of a couple of portfolios that were acquired in late FY11.

Investcorp co-investments by year ($m)	Carrying values as of June 30, 2012	Carrying values as of June 30, 2011	Change H/(L)
Vintage FY03	–	1.1	(1.1)
Vintage FY05	1.7	7.5	(5.8)
Vintage FY06	20.3	25.8	(5.4)
Vintage FY07	31.4	40.4	(9.0)
Vintage FY08	31.5	32.7	(1.2)
Vintage FY10	1.1	1.1	0.0
Vintage FY11	10.8	32.3	(21.5)
Vintage FY12	3.1	–	3.1
Others	54.5	48.0	6.5
Total	154.5	188.8	(34.4)

Overall, valuations on the portfolio have stabilized as the economy and operating fundamentals have improved. During the year, valuation mark downs on the legacy (pre-2008) portfolio were limited to a small number of cases and were asset specific in nature.

Investcorp currently has 24 active real estate investment portfolios, including its three debt funds. At June 30, 2012, 13 of these were on or ahead of plan. The remaining 11 pre-2008 portfolios, rated behind plan, are generally those holding hotel, condominium developments and offices in regions where the economic environment has generally slowed. Overall, the strategy for these portfolios is to position them for medium to long term ownership in stable capital structures with modest or no additional capital investment requirements. As of June 30, 2012, the carrying value of the investments on or ahead of plan is $86.8 million and the carrying value of the behind plan investments is $67.6 million.

The five largest co-investments, each of which is approximately 1% of total shareholders' equity, are Best Western Hotel, W South Beach (the residual C-Note), Investcorp Real Estate Credit Fund I (IRECF), Diversified VII and Bravern.

Portfolio company	Carrying value, as at June 30, 2012 ($m)	% of total portfolio	% of total S/H equity
Best Western	14.3	9%	1%
W South Beach	14.2	9%	1%
IRECF	14.1	9%	1%
Diversified VII	13.1	9%	1%
Bravern	10.6	7%	1%
Five largest co-investments	66.5	43%	6%
Remaining co-investments	88.0	57%	8%
Total	**154.5**	**100%**	**15%**

Overall, Investcorp has concentrated on preserving and/or regenerating value in current real estate assets through aggressive management and strategic capital investment. Our attention remains on optimizing cash flow and capital reserve management, tenant retention and expense reduction programs to sustain or improve operating performance.

In addition to the deal-by-deal offering of equity and debt investments in US commercial real estate, Investcorp's clients have the opportunity to make debt investments through a fund format. We have raised three funds to invest in and originate commercial real estate debt, in which Investcorp is a co-investor. The $108 million US Mezzanine Fund I, created in FY07, is fully deployed. The $176 million Investcorp Real Estate Credit Fund, created in FY08, is also fully deployed. The third real estate debt fund had its first close in May 2012 at $100 million.

Investcorp has continued to focus on income-producing commercial real estate with a broad diversification across US regions and property sectors and no meaningful exposure to the US 'for sale' residential housing sector.

REAL ESTATE PORTFOLIO

Investcorp co-investment by year ($m)	Properties (original/ current)	Sector	Geographic location*
Commercial IV	12/2	Office	E
Diversified V	5/1	Office	E
Vintage FY05			
Commercial V	3/1	Retail	SE
Retail III	8/8	Retail	MW
Retail IV	29/23	Retail	SW
Opportunity II	3/1	Opportunistic	W
Opportunity III	3/2	Opportunistic	E
Vintage FY06			
Diversified VI	2/2	Retail/Hotel	SE/SW/MW
Diversified VII	4/4	Industrial/Office/Hotel	E/MW
Hotel	9/9	Hotel	E/SE/SW/MW
Bravern	1/1	Opportunistic	W
Vintage FY07			
Diversified VIII	5/4	Office/Hotel	W/SW/MW/SE
Weststate	1/1	Opportunistic	W
Best Western	1/1	Hotel	E
Vintage FY08			
Retail V	1/1	Retail	SW
Vintage FY10			
Commercial VI	3/3	Retail & Office	E/SE/SW
Diversified IX	2/2	Office/Hotel	W
Vintage FY11			
Diversified X	3/3	Residential/Office/Medical	SE/W
Northern California	14/14	Diversified	W
Southland & Arundel Mezz	0/0	Retail/Hotel	SE/E
Texas Apartment	5/5	Residential	SW
Vintage FY12			
Total	**88**		

* W = West, E = East, SW = Southwest, SE = Southeast, MW = Midwest

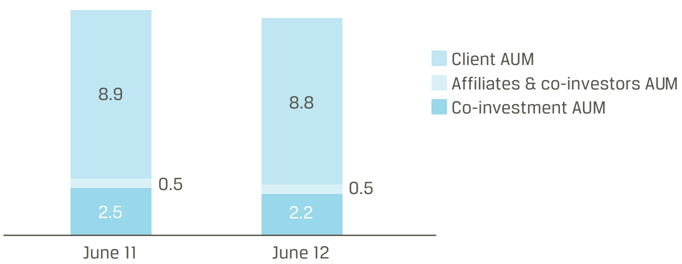
FUNDRAISING

ASSETS UNDER MANAGEMENT

Total assets under management decreased by 2.9% to $11.5 billion at June 30, 2012 from $11.8 billion at June 30, 2011.

Total AUM

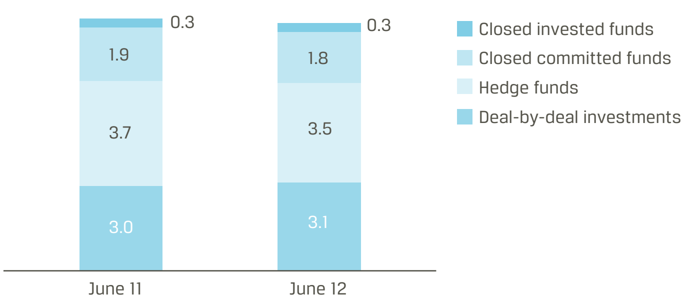
($b)



Total client assets under management decreased to $8.8 billion at June 30, 2012 from $8.9 billion at June 30, 2011 with new subscriptions net of redemptions and negative performance in hedge funds mostly offset by the increase in real estate and corporate investment AUM from the increased acquisition and placement activity over the last year.

Total client AUM

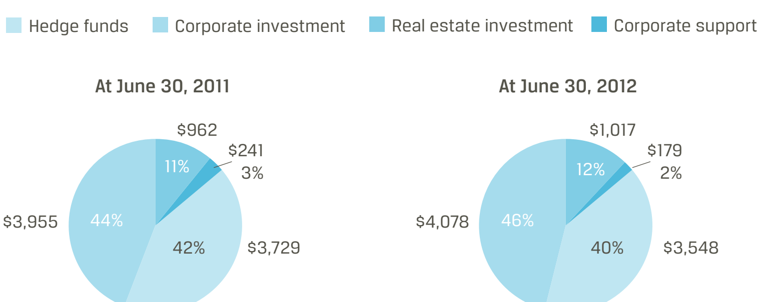
($b)



Corporate investment and hedge funds continue to be the dominant components of client assets under management. Corporate investment represents 46% of client assets under management and hedge funds 40% of client assets under management. Corporate investment's share increased from 44% last year while hedge funds' share decreased from 42%.

Client AUM

($m)



Key AUM and fundraising performance indicators (by asset class)

Corporate investment:

($m)	FY12	FY11	% Change B/(W)
Client AUM			
Closed-end committed funds	**1,753**	1,753	0%
Deal-by-deal investments	**2,112**	1,988	6%
Closed-end invested funds	**213**	214	(1%)
Total client AUM – at period end	**4,078**	3,995	3%
Average client AUM	**4,017**	4,256	(6%)
Equity deployed*	**471**	228	>100%
Deal-by-deal placement	**214**	143	49%

* FY11 includes Sur La Table as it was signed in June 2011. Archway and Esmalglass included in FY12 as they were signed in May 2012 and June 2012 respectively.

Hedge funds:

($m)	FY12	FY11	% Change B/(W)
Client AUM			
Fund of funds	**219**	604	(64%)
Customized accounts	**1,979**	2,255	(12%)
Single managers	**1,351**	870	55%
Total client AUM – at period end	**3,549**	3,729	(5%)
Average total client AUM	**3,716**	3,862	(4%)
Fundraising	**917**	550	67%

Real estate investment:

($m)	FY12	FY11	% Change B/(W)
Client AUM			
Closed funds (mezzanine)	**173**	206	(16%)
Deal-by-deal investments	**844**	756	12%
Total client AUM – at period end	**1,017**	962	6%
Average client AUM	**952**	1,037	(9%)
Capital deployed	**184**	76	>100%
Deal-by-deal placement	**132**	58	>100%

CLIENT PLACEMENT

We continued to provide alternative investment products and solutions to clients through our range of corporate investment, real estate investment and hedge fund products. These are placed predominantly with private and institutional investors in the six GCC countries, but also with a number of international institutions. In particular, we market our hedge fund products to US institutions.

FY12 saw strong fundraising and we raised a total of $1,339 million in the year. Corporate investment deal-by-deal placement was $214 million. Real estate raised $207 million through the placement of real estate portfolios and the first close of the new debt fund. New subscriptions into hedge funds from institutional investors were $917 million.

We successfully closed placement on eight deal-by-deal offerings this year. We have now fully placed 15 deal-by-deal offerings in the post crisis period since the beginning of FY10.

We continued to provide our hallmark high touch service to our Gulf clients. Our history, commitment and track record in the region means we are particularly trusted by Gulf investors to provide them with unique and non-traditional investment opportunities and services and also to ensure that those investment opportunities are suitable for their risk-return preferences.

CLOSED-END FUNDS

Investcorp's third real estate debt fund, established to invest in and originate commercial real estate debt, had its first close in May 2012 at $100 million. It received commitments from several large European and US institutional investors, including Akard Street Partners, an investment partnership operated by Hunt Realty Investments, Inc. with substantial funding from the Teacher Retirement System of Texas, as well as from a significant UK-based pension scheme.

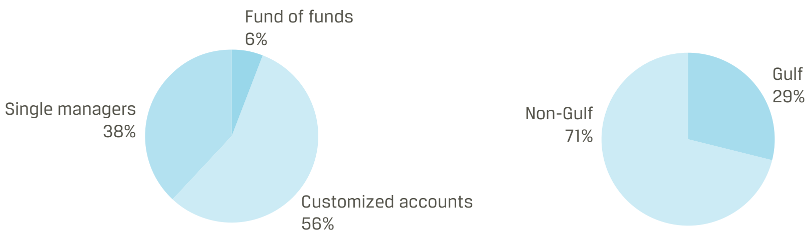
The foregoing information about closed-end funds is being provided to satisfy the requirements of the Central Bank of Bahrain. The provision of the foregoing information does not constitute an offer to sell or a solicitation of an offer to buy securities in the United States or any other jurisdiction. Interests in the foregoing funds have not been registered under the US Securities Act of 1933, as amended, or any US state securities laws, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

OPEN-END HEDGE FUNDS

At June 30, 2012, hedge fund assets under management were $4.3 billion. $3.5 billion were client assets and $0.7 billion were co-investments.

Hedge fund assets by product and region

At June 30, 2012



71% of client assets were from US institutional investors and 29% from Gulf private and institutional investors. 56% of client hedge fund assets are invested through customized accounts. The percentage of assets in fund of fund products continues to decrease, from 16% to 6%. Assets with single managers increased and stand at 38%, reflecting an increasing trend towards this product. Customized accounts and single managers are an important component of our strategy to grow hedge fund assets under management.

At June 30, 2012, approximately 90% of hedge fund assets under management were managed for a range of institutional clients including pension funds, insurance companies, endowments and foundations, and fund of hedge funds. This high level of institutional clients provides a more stable AUM base that tends to be sticky through market cycles.

PORTFOLIO REVIEW: CORPORATE INVESTMENT – NORTH AMERICA & EUROPE

Esmalglass is one of five global producers serving the global ceramics intermediate products industry. Established in 1978 in Villareal, Spain, Esmalglass produces ceramic glazes (vitreous layers applied to the surface of tiles); ceramic colors (compounds used to color the body or the surface of tiles); and inkjet inks (an innovative and rapidly growing technology to decorate tile surfaces).

The company has a strong market position in all segments of the growing ceramics intermediate products industry, with a particular stronghold in colors, the highest value-added product segment. Esmalglass serves more than 450 customers in 69 countries worldwide, complementing its highest quality product offering with customer-oriented service and renowned technical assistance. The company generates more than half of its sales from emerging market economies including Brazil (25% of 2011 sales), the Middle East (10% of 2011 sales) and China (5% of 2011 sales). Its global activities are supported by three manufacturing plants in Spain and Brazil and mixing plants in Portugal, Italy, Russia and Indonesia. The acquisition closed in July 2012.

Archway is North America's leading outsourcer of marketing fulfillment services. Headquartered in Minnesota, Archway distributes and fulfills point-of-purchase marketing-related materials for customers with broadly distributed locations in a manner that provides significant efficiencies for its customers with high volumes of critical point-of-purchase, not-for-sale marketing materials.

Archway's customers (such as Target, AT&T, Pepsi and Pfizer) are diverse and blue chip, and span ten different end-markets including retail, consumer products, technology and communications, food and beverage, fast food restaurants, pharmaceutical, and prepaid cards. With 24 locations across 13 metropolitan areas, Archway is North America's only scale player in the highly fragmented, $2-3 billion outsourced marketing fulfillment industry. The company offers three core services, distribution/fulfillment of not-for-sale marketing materials (65% of revenues), transportation management services (23%) and materials management services (12%). The acquisition closed in July 2012.

GL Education is the leading UK provider of non-regulated pupil and school assessment solutions for primary and secondary schools. Headquartered in London, UK and founded in 1981, the company provides assessment products and services used by teachers to measure students' core abilities and to take critical decisions upon the direction and nature of their learning path. The group comprises two business units, GL Assessment and GL Performance, which, together, deliver to more than 15,000 schools the tools they require to raise standards in children's education.

GL Assessment focuses on providing a complete picture of a pupil's abilities, motivations, strengths, anxieties, school-based relationships and future learning behaviors via its cognitive ability, subject/curriculum based and psychological assessment products. GL Performance complements the group's assessment solutions offering, supporting schools in their performance management through the provision of resources such as school self-evaluation and stakeholder surveys, data interpretation and analysis services, and other professional development support. The acquisition closed in March 2012.

Sur La Table is a specialty retailer of culinary merchandise and a leading provider of non-degree culinary courses in North America. Offering a broad selection of the best culinary brands and an assortment of innovative kitchenware products, Sur La Table operates 92 stores across the United States with a widely distributed catalog and a premium online platform. The company provides items for cooking and entertaining and has a knowledgeable staff that provides high level service in its stores. Sur La Table also offers cooking classes at 30 of its stores to over 100,000 customers annually, which builds customer relationships and solidifies its reputation as an authority in the kitchenware segment.

The last decade has seen an explosion in the amount of media programming dedicated to cooking as consumers have shown a keen interest in cooking and entertaining at home. Celebrity chefs and other cooking media have generated significant awareness of cooking and reinforced mainstream interest. As a result of these trends and the continued shift away from department stores to specialty stores, the $3 billion US specialty kitchenware industry is expected to outpace the broader $14 billion US kitchenware market and grow at 3%-6% per annum over the next four years. This is driven by the cooking enthusiast who tends to be a more affluent consumer and represents the majority of the kitchenware spend in the US. Sur La Table will continue to target this highly desirable customer base with the expectation of continuing to benefit from these trends.

Sur La Table has built a multi-channel business in which each channel is profitable on a standalone basis. Plans for growth include the addition of stores in existing and new markets; the expansion of the direct sales channel; growing the newly re-launched gift registry; continuing refinement of the operating model as the company leverages its established infrastructure; driving same-store sales via proven initiatives; and expansion of the ever-evolving culinary program. The acquisition closed in July 2011.

Veritext is a leading national provider of deposition and litigation support services to law firms, Fortune 500 corporations and regulatory agencies in the United States. It operates in the stable and growing legal services industry through 30 locations across six geographic regions in the largest legal markets in the United States. The company's core product is the conversion of a witness or expert's spoken testimony under oath into a certified written transcript. This is a critical service for a lawyer or general counsel and is used to build the fact base of a case. Veritext's services can be used by both the plaintiffs and defendants in nearly every litigation proceeding. The company also provides other value-added services that capture additional information during the deposition and allow clients to manage the information more efficiently.

Since acquisition, the senior management team has been strengthened with the appointment of a new Chief Executive Officer, Bob Cullen, who has subsequently recruited a talented, experienced and high caliber team. Since December 2010, the company has completed three accretive acquisitions, realizing synergies, gaining market share in new geographies and adding talented management and sales personnel. The most recent investment in Sarnoff Court Reporters, a traditional court reporting firm focused on high-end litigation, has already proven to be a very attractive and strategic acquisition, moving Veritext to be the number one competitor in its industry's two largest markets of New York and California. In calendar year 2012 momentum is expected to continue by focusing on growing the sales force, gaining market share and expanding national footprint. The acquisition closed in July 2010.

N&W is the only pan-European manufacturer of beverage and snack food vending machines. It offers a full product range in a market otherwise composed of smaller, regional participants. N&W is over four times larger than its nearest competitor, and operates three state-of-the-art production facilities in Italy and China.

After strong performance in 2010, which continued into the first half of 2011, there has been a slowdown in demand across all geographies and product categories, triggered by the uncertainty around Europe's debt crisis. Vending operators turned their attention to refurbishing - rather than replacing - existing vending machines. Gross margins in 2011 came under pressure as the customer mix shifted towards key accounts, commanding higher discounts and more complex products.

In January 2012, the company's CEO retired and was replaced by the existing CFO. The hand-over of responsibilities was effected in an expedited manner and completed during the first quarter. The retiring CEO continues to be involved in the company as Chairman, facilitating expansion in core international markets. The newly appointed CEO has successfully reorganized the top management structure and will now focus on reinforcing international management to support international growth strategy. He has also further reorganized internal reporting and functional management lines.

Phase two of the manufacturing optimization program is currently being implemented, and is expected to drive further operational efficiency measures such as pricing optimization, product range rationalization and increased low cost country sourcing for pre-assembly activities. In addition, management is looking at an international expansion strategy that will focus on Germany, the UK, Eastern Europe, South America and Asia.

N&W has a leadership position in its market and demand for new machines in the core European markets is expected to rebound when vending operators regain confidence. The acquisition closed in November 2008.

CEME is a leading manufacturer of fluid control components for household and industrial appliances such as espresso machines, steam ironing systems and gas boilers. Its main clients are well-established European manufacturers, but it is diversifying its customer base by expanding its distribution network in China, the Far East and North America.

In 2011, the company benefited from positive end-market dynamics such as strong espresso/capsule growth and generally good retail performance by coffee and steam appliances in most European countries, as well as from an increasing demand from the US and emerging markets. Two thirds of the company's top line growth came from key customer projects outperforming expectations. In 2012 however, the company has experienced mixed end market dynamics in Europe with weaker retail performance of small appliances, although coffee makers and steam stations continued to perform strongly in most countries.

In June 2012, Ceme agreed to acquire a small supplier, Maflex, for €1 million, which closed in mid-August. Maflex performs the automated insertion of electrical components into the bobbins used in the manufacturing of Ceme's oscillating piston pumps for coffee machines. This acquisition will give Ceme increased control over all the steps required for the manufacture of these pumps.

The company expects medium-term growth trends in its end markets to remain strong, as espresso and pad-filter machines take share from traditional filter coffee machines, and steam generators take share from traditional irons. In addition, projects with key customers are expected to support top line development for the future. The acquisition closed in July 2008.

Asiakastieto is the leader in the Finnish credit information market and is the dominant personal credit information database owner with approximately 74% market share. Asiakastieto's business is rooted in databases, which consolidate data gathered over decades from many sources to create Finland's most comprehensive historical business and credit information database and the country's only personal credit information database. Customers include financial institutions, telecom operators, consumer credit companies, wholesalers, retailers and debt collection agencies.

Asiakastieto's growth strategy is based on leveraging its leading market position, its well established customer relationships, its resilient cash flow characteristics and its experienced management team to drive growth both in its core risk management and credit information services market, as well as in adjacent market segments. Key value creation initiatives include the improvement of sales force effectiveness and on-going investment in new product development. In addition, Asiakastieto's new CEO, who replaced the retiring CEO in January 2012, is focusing on reorganizing the Business Information, Consumer Information and Consumer Management areas. A dedicated team is looking after the top seven accounts to facilitate close customer interaction in an effort to better understand customers' needs and thereby improve future new services and product solutions.

Asiakastieto is also working to counter recent changes to market conditions, such as price pressure from increased competition. It is also working to improve competitiveness by increasing the proportion of value-added products, rather than relying on pure transactional data to drive sustained sales growth. The acquisition closed in May 2008.

Randall-Reilly is a leading diversified business-to-business media and data company focused on the trucking, infrastructure-oriented construction and industrial end markets in the United States. Its products include B2B trade publications - primarily qualified circulation titles that rank first or second in their sector - live events and trade shows, recruitment products and indoor advertising displays. In addition, its Equipment Data Associates (EDA) business is an industry-leading collector and aggregator of industrial equipment purchase data that provides subscription-based sales lead generation and market intelligence products to the industrial equipment markets.

Randall-Reilly's end markets continue to show signs of economic recovery as trucking and infrastructure related construction remain a central and necessary component to the US economy. There has been an increase in truck orders and freight, as well as significant driver turnover and an aging demographic of drivers. Consequently, the primary source of growth for the company has been Randall-Reilly's truck driver recruiting division as fleets continue to advertise aggressively to hire drivers. The company continues to invest in digest books and online recruiting websites, with exclusive rights in four of the top five trucking rest stop chains. Along with the need for new truck drivers, the trucking industry is transforming overall and there is an increased need for new innovative digital talent. Randall-Reilly is therefore focused on making digital marketing services an integral part of all its products.

Randall-Reilly also continues to put significant resources into growing the data business and launching ancillary products for EDA that provide enhanced equipment ownership and risk data. The company expects this effort to entrench EDA with its customers and to drive revenue growth in calendar 2012 and beyond. The acquisition closed in February 2008.

Berlin Packaging is a leading supplier of rigid packaging in the United States. From strategic locations throughout the US, the company supplies plastic, glass and metal containers, closures and dispensing systems to customers in the food and beverage, personal care, and healthcare end markets. Through its design division, Studio 111, Berlin also provides value-added services such as packaging design and consulting services, acting as a 'one-stop-shop' for all the packaging requirements of many customers.

Berlin has a leading market position, strong management team, compelling value proposition to customers, growth-oriented culture and attractive industry structure. Sales levels continue to gain momentum as Berlin continues to realize benefits from its prospecting efforts. The company benefits from limited customer, product and geographic concentration, attractive free cash flow characteristics and 'best-in-class' operations and infrastructure. The company also continues to gain market share within its existing markets through new customer wins and increased penetration of existing customers, by growing the presence of the company's catalog business and Studio 111, as well as through add-on acquisitions.

In May 2012, Berlin completed the acquisition of Lerman Container. This is the company's third strategic acquisition since 2010, expanding its team of packaging solution experts and its presence in the Northeast US. This acquisition is expected to increase the scale of Berlin's enterprise, add personal care and pharmaceutical packaging expertise, and enable the company's suppliers to reach new customers and continue to grow sales.

The management team has been strengthened with a new head of supply chain and the team continues to focus on margin improvement initiatives, tight cost controls, and synergies from the All-Pak and Continental acquisitions. Berlin remains well positioned for continued strong performance through growth, both organic and through acquisition, continued margin management, sales force training, and on-going cost control. The acquisition closed in August 2007.

Icopal is the leading European manufacturer and provider of roofing products and installation services and has 30 manufacturing sites and 85 offices throughout Europe and North America. Icopal's products are used for waterproofing, building membranes, pitched roofing and roofing accessories, and by specialized contracting services within flat roofing.

Icopal's business strategy is focused on developing and consolidating its market position in existing markets, complementing its product offering and further expanding in Eastern Europe. In addition, management is preparing for a strong rebound when demand recovers, drawing upon an institutionalized 'fill-the-gap' planning process that has identified more than 200 growth initiatives. These include setting up an in-house manufacturing capacity for breather membranes and the continued development of green waterproofing solutions, ultimately ensuring continued above-market performance.

After a positive 2010 and the first half of 2011, the second half of 2011 saw a slowdown in volume due to the effects of an uncertain market environment in Europe, which has delayed a broad based market recovery in the construction industry. Icopal had a good start to 2012 but has seen softer volumes in the second quarter due to continued uncertainty in Europe. On a positive note, raw material prices have started to come down.

Over the past three years, management has made four acquisitions including a leading Austrian-Hungarian bitumen membrane producer Villas, and a German high-end synthetic player, Wolfin, which have strengthened Icopal's position within the European membrane industry. Management priorities for the future include improving margins through the Procurement Business Intelligence System (IProBis), which is a fully automated module that analyzes spending levels across all geographies and based on that, facilitates real time pricing guidance through the system. Management has also created a new function to ensure a coordinated 'go to market' approach for new product introductions. In addition, Icopal is looking to expand into markets beyond Europe such as Brazil, Turkey and southeast Europe to drive growth. The acquisition closed in July 2007.

Armacell is a major supplier of engineered foams and expanded rubber products used in construction, industrial, sports, leisure and recreation, automotive, packaging and a wide range of custom applications. It is the undisputed global market leader in elastomeric insulation foams. Based in Germany, it has a network of 18 manufacturing facilities in 12 countries.

Armacell has undergone a significant business transformation, forming two divisions, Global Insulation and Technical Foam, and adding significant talent, including a new top management team. It has also rationalized its manufacturing footprint. The company is now positioning itself to leverage its economies of scale and scope, to develop and execute global programs and to respond to local market needs.

While industry activity levels in Armacell's traditional markets generally showed improvements in 2011, clear divergences were seen by segment and geography. Management implemented a number of sales initiatives, both geographic and product focused. Armacell has also increased its penetration of emerging markets, including new capacity in India and a joint venture with Zamil Industrial in Saudi Arabia. Armacell expects to see above-market growth with these initiatives, supported by R&D and product development in markets such as industrial, marine and petrochemical.

Since the second half of 2010, the company has seen strong inflationary pressure on raw material prices. To mitigate margin pressure from this, management has been increasing prices as well as introducing a program to reduce costs and complexity. This has started to show benefits in the last six months. The acquisition closed in January 2007.

FleetPride Corporation is the largest independent distributor of aftermarket heavy duty truck and trailer parts in the United States. It has 220 distribution branches in 40 states that carry a full-line of nationally-recognized, brand name parts, as well as an assortment of exclusive-brand parts. FleetPride offers in-house remanufactured products and provides truck and trailer repair services at many locations.

In the two and a half years since the new CEO and CFO were appointed, a number of operational initiatives have been put in place that have improved profitability and generated cash flow. Significantly, management has centralized supply chain management and established a national pricing department to change the national pricing model and better control margins. As a result of the pricing initiative launched in 2010, FleetPride has grown point of sales gross profit margins by over 100 basis points.

During 2011, FleetPride completed six acquisitions, adding $54 million in aggregate sales and $6 million in run-rate EBITDA. In the first six months of 2012, FleetPride acquired four companies, the largest being Catco Parts & Services, adding $67 million in sales and $7.5 million of EBITDA. In addition, the company is currently in discussions to close four more deals in the latter half of 2012. The company also successfully completed a refinancing in December 2011 and secured additional financing of $60 million in May 2012 to finance the most recent acquisitions.

FleetPride will continue to focus on expanding market coverage, pursuing additional strategic acquisitions, developing its national accounts and private brand growth plans. It will also continue to rationalize pricing policies and seek to improve purchasing and sourcing strategies. The company will also work to continue to strengthen its organizational structure. The acquisition closed in June 2006.

IPH Group, the holding company of Anfidis Networks and Orexad, which was formed through the merger of Orefi and AD Industrie, is the largest distributor of industrial supplies in France. IPH Group has a presence in all regions of France, and has 239 branches across Europe, including 54 acquired in 2007 from Anjac, the third largest competitor in the French market.

Despite the uncertainties surrounding the European macro-environment, the impact on the core business has been relatively negligible to date. IPH Group continues to leverage its market leading position and best-in-class key account organization by taking share from competitors and winning large contracts. In February 2012, the company acquired Zitec Industrietechnik and Wilhelm Jung, both German leading players in power transmission, positioning IPH among the top three distributors in Germany, Europe's largest market for industrial supply. The company now generates over a third of its EBITDA outside of France. Management is dedicating significant resources to ensure a smooth integration of the acquisitions, transferring best practices and capturing synergies.

IPH Group is also continuing its strategy of improving gross margins by focusing on pricing and procurement initiatives and further improving the penetration of its own label brand. The acquisition closed in June 2006.

Autodistribution is the leading independent distributor of auto and truck spare parts in France, and is the largest independent auto parts distributor in Europe. The company supplies products to an affiliated network of 2,200 garages and 400 body repair shops, as well as to truck repair shops and truck carriers and fleet managers.

Autodistribution has experienced softness in some of its end markets, which has put pressure on volumes. This has been mitigated by improved pricing and a positive sales mix effect. Management continues to focus on implementing a profit improvement plan, defined in early 2010, targeting €30 million of cumulative improvements by the end of calendar 2013. Current performance is on track. Initiatives include rationalization of the regional organization, turnaround of the loss making subsidiaries, productivity improvements, reengineering the cost structure, improvements in transportation and logistics costs, and gross margin increases.

The management team has recently been strengthened and is carefully monitoring its international presence while restoring the company's price competitiveness. The company is in the process of reviewing a potential add-on acquisition in France that would be expected to improve Autodistribution's footprint in the marketplace and bring significant synergies. The acquisition closed in March 2006.

CCC Information Services is the US market leader in automotive insurance claims software and information solutions. It provides 'mission critical' information and software solutions to parties involved in the automotive insurance claims process. CCC's products are sold on a subscription or transaction basis under multi-year contracts, resulting in a recurring and highly predictable revenue stream.

As transaction volumes in the industry have been relatively stable, growth has needed to come from market share gains by winning customers on the autobody side and insurance side, or from new product introductions. With many key customer renewals completed, CCC is now focused on future organic growth, with a particular emphasis on new product introductions. The introduction of a new shop management solution for the autobody shop business, CCC One, in calendar year 2010 started to show benefits in 2011 and further new product introductions are expected to drive meaningful uplift.

In 2011, CCC began to make significant investments in product development. It hired a new Chief Technology Officer to upgrade and improve the new product development effort and technology processes. It has expanded R&D spend on new product introductions and launched a wholly-owned subsidiary in China to develop a new product suite based on CCC technology using local development and sales teams. These efforts are expected to provide the company with a much improved growth story over the coming years. In addition to growing organically, management continues to pursue potential add-on opportunities to expand into new end markets and countries. The acquisition closed in February 2006.

Polyconcept is the world's largest supplier of promotional products, created by the combination of Polyconcept, Europe's leading generalist supplier of wearable and non-wearable promotional products, and Global Promo Group Inc., the number two non-wearable promotional product supplier in the US.

In April 2011, Polyconcept North America acquired Trimark Sportswear Group a leading Canadian apparel supplier, marking the fourth acquisition since Polyconcept's establishment in 2005 and its first move into the promotional apparel category.

With the addition of Trimark, Polyconcept became Canada's largest supplier of both apparel and hard goods under four industry leading brands (Leed's, Bullet Line, JournalBooks, and Trimark).

Performance continues to vary by geography. The macro environment in Europe remains uncertain while performance in the US has been protected by a better sales mix on higher margin products. Additionally, as the US apparel segment represents one of the largest organic growth opportunities for the company, Polyconcept has begun to roll-out a US apparel initiative, Trimark Powered by Leed's. Polyconcept recently conducted a European strategic review of the business and has implemented a change in management. The former Vice Chairman and CEO of PCNA and prior owner of Leed's, has become the new Chairman and CEO of the company. The management team is now more compact and experienced.

Polyconcept benefits from leading market positions in Europe and the US, strong and resilient cash flow generation and a strong liquidity position. It continues to gain market share by improving the positioning of individual companies within their markets using separate 'value' and 'premium' products and services, expanding or tailoring product offerings, and by taking advantage of weak competition. The acquisition closed in June 2005.

SourceMedia is a leading business-to-business provider of multimedia information to professionals in the banking, financial services and related technology markets. SourceMedia has a distinguished portfolio of products, including some of the longest-running titles in American business publishing, such as *American Banker, The Bond Buyer*, and *Financial Planning*. SourceMedia also offers subscription data, software tools, directories, conferences, and trade shows.

In November 2004, Investcorp acquired Accuity along with SourceMedia from The Thomson Corporation and subsequently spun off Accuity to become a stand-alone business. In November 2011, Investcorp agreed to sell Accuity to Reed Elsevier for an enterprise value of $530 million. As part of this transaction, SourceMedia was able to sever all remaining ties with Accuity and refinance the company's existing credit facility while maintaining appropriate financial flexibility. The corporate logo was also rebranded to symbolize SourceMedia's emergence as a diversified, digitally-focused media company.

Although conditions in SourceMedia's financial services end markets remain challenging, there have been improvements in certain segments, particularly *Investment Advisor, Professional Services* and *Financial Planning*. The company has continued to shift from traditional advertising-based print publishing to a community and content-focused enterprise that will deliver products to its customers in both print and electronic formats, and has had some success in introducing new products and revenue streams. While SourceMedia's market position and brand awareness remain strong, the company will continue to transition to and accelerate the subscription side of the business and prioritize digital product development. The acquisition closed in November 2004.

TelePacific is a facility based Competitive Local Exchange Carrier (CLEC) providing telecommunications services to small and medium sized businesses in California and Nevada in the USA. TelePacific is the leading CLEC and the largest alternative telecommunications provider to AT&T and Verizon in its market.

Despite the lagging economic recovery in TelePacific's markets, which has slowed new customer growth and reduced telecommunication usage by existing customers, the company has been successful in growing revenue and is performing very strongly relative to its peer group.

In calendar 2011, TelePacific closed on three add-on acquisitions, broadening its product options, building scale and reducing its cost structure. All of these transactions were financed through a combination of cash on hand and additional debt. TelePacific reduced its industry-leading customer churn rates through superior customer care initiatives and maintained strong profit margins. The company has also implemented the conversion of Verizon lines formerly under a special access contract to lower-cost UNE (regulated pricing) lines. These new contracts are expected to save approximately $11 million per year of costs.

TelePacific also made a significant investment in the rollout of Ethernet-over-Copper (EoC), which provides customers with high bandwidth products in a more cost effective way. Approximately 40% of TelePacific's new customers are being installed on this higher margin EoC platform, driving margin expansion in calendar 2012. Overall, the company has improved its competitive position over the last year through new technological platforms in order to provide higher bandwidth more cheaply.

TelePacific also broadened its product offering with products such as data centers and hosted VoIP, deepened its presence in existing markets and entered a new geographic market with attractive growth and profitability characteristics. TelePacific's outlook remains positive as it has positioned itself to compete and succeed in its market. The acquisition closed in April 2000.

Stratus Technologies is a global solutions provider focused exclusively on helping its customers achieve and sustain the availability of information systems that support their critical business processes. Based upon its 30 years of expertise in server and services technology for continuous availability, Stratus is a trusted solutions provider to customers in manufacturing, life sciences, telecommunications, financial services, public safety, transportation and logistics, and other industries. The acquisition closed in February 1999.
