INVESTCORP BANK B.S.C.

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

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MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Bank's management, under authorization from the Board of Directors, is responsible for establishing and maintaining adequate internal controls over financial reporting. The Group's control processes over financial reporting are designed and implemented under the supervision of the Group's Board of Directors, Executive Chairman & Chief Executive Officer, Chief Financial Officer and General Counsel to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards.

The Group's internal controls over financial reporting include policies and procedures that (a) relate to the maintenance of records in a reasonable level of detail that fairly and accurately reflect transactions pertaining to the Group's assets; (b) provide reasonable assurance that these transactions have been properly authorized; and (c) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, utilization or disposal of the Group's assets that could have a material impact on the consolidated financial statements.

The Group's Internal Audit Department has completed an assessment of the effectiveness of the Bank's internal controls during the year ended June 30, 2013. Based on this assessment, management believes that, as of June 30, 2013 and during the year then ended, the Bank's internal control systems over financial reporting are effective and that there were no material weaknesses therein. However, despite effective design, implementation and maintenance, any system of internal controls carries certain inherent limitations that may result in an inability to prevent or detect misstatements. Also, projections of the effectiveness of internal controls in the future are subject to the risk that controls may either become inadequate due to changing conditions or that compliance with policies and procedures may deteriorate.

Nemir A. Kirdar Executive Chairman & Chief Executive Officer	Rishi Kapoor Chief Financial Officer	Stephanie R. Bess General Counsel

July 29, 2013

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INVESTCORP BANK B.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Investcorp Bank B.S.C. ("the Bank") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at 30 June 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 June 2013, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

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

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 30 June 2013 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst + Young

29 July 2013
Manama, Kingdom of Bahrain

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

CONSOLIDATED STATEMENT OF INCOME

$000s	***2013***	*2012*	*Notes*	*Page*
FEE INCOME				
AUM fees	88,795	96,651		
Deal fees	240,738	139,374		
Fee income ***(a)***	329,533	236,025	2	20
ASSET BASED INCOME				
Hedge funds	25,307	(50,218)		
Corporate investment	256	59,840		
Real estate investment	125	17,270		
Treasury and other asset based income	6,556	4,156		
Asset based income ***(b)***	32,244	31,048	2	20
Gross operating income (a) + (b)	361,777	267,073	2	20
Provisions for impairment	(5,424)	(1,088)	11	36
Interest expense	(63,475)	(47,824)	2	20
Operating expenses	(187,998)	(150,749)	5	30
NET INCOME	104,880	67,412		
Basic earnings per ordinary share ($)	72	10	18	43
Fully diluted earnings per ordinary share ($)	70	10	18	43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

$000s	***2013***	*2012*	*Notes*	*Page*
NET INCOME (AS ABOVE)	104,880	67,412		
Other comprehensive income that could be recycled to statement of income				
Fair value movements - available for sale investments	(61)	(1,986)	17	42
Fair value movements - cash flow hedges	(12,536)	(15,286)	17	42
Other comprehensive loss	(12,597)	(17,272)		
TOTAL COMPREHENSIVE INCOME	92,283	50,140		

Abdul-Rahman Salim Al-Ateeqi
Chairman

Nemir A. Kirdar
Executive Chairman & CEO

The attached notes 1 to 25 are an integral part of these consolidated financial statements.

INVESTCORP BANK B.S.C.

CONSOLIDATED BALANCE SHEET
JUNE 30, 2013

$000s	*June 30, 2013*	*June 30, 2012*	*Notes*	*Page*
ASSETS				
Cash and short-term funds	101,906	156,252		
Placements with financial institutions and other liquid assets	453,105	194,567		
Positive fair value of derivatives	62,811	81,250	19	44
Receivables and prepayments	283,004	284,337	6	31
Advances	146,975	188,853	7	32
Co-investments				
Hedge funds	315,762	414,098	8	33
Corporate investment	906,609	1,221,790	9	34
Real estate investment	156,505	154,460	10	36
Total co-investments	1,378,876	1,790,348		
Premises, equipment and other assets	50,652	54,072		
TOTAL ASSETS	2,477,329	2,749,679		
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from financial institutions	23,844	10,111		
Deposits from clients - short-term	206,100	195,245	12	37
Negative fair value of derivatives	43,003	39,160	19	44
Payables and accrued expenses	148,286	214,432	13	38
Deposits from clients - medium-term	88,200	119,241	12	37
Medium-term debt	482,489	567,256	14	39
Long-term debt	419,078	560,491	15	40
TOTAL LIABILITIES	1,411,000	1,705,936		
EQUITY				
Preference share capital	511,465	511,465	16	41
Ordinary shares at par value	200,000	200,000	16	41
Reserves	229,421	233,046		
Treasury shares	(163,551)	(163,575)		
Retained earnings	213,468	183,538		
Ordinary shareholders' equity excluding proposed appropriations and unrealized fair value changes and revaluation reserve recognized directly in equity	479,338	453,009		
Proposed appropriations	75,180	66,096		
Unrealized fair value changes and revaluation reserve recognized directly in equity	346	13,173	17	42
TOTAL EQUITY	1,066,329	1,043,743		
TOTAL LIABILITIES AND EQUITY	2,477,329	2,749,679		

Abdul-Rahman Salim Al-Ateeqi
Chairman

Nemir A. Kirdar
Executive Chairman & CEO

The attached notes 1 to 25 are an integral part of these consolidated financial statements.

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

			Reserves						Unrealized fair value changes and revaluation reserve recognized directly in equity				
$000s	**Preference share capital**	**Ordinary share capital**	**Share premium**	**Statutory reserve**	**Total**	**Treasury shares**	**Retained earnings**	**Proposed appropriations**	**Available for sale investments**	**Cash flow hedges**	**Revaluation reserve on premises and equipment**	**Total**	**Total equity**
Balance at July 1, 2011	**511,465**	**200,000**	**142,880**	**100,000**	**242,880**	**(181,287)**	**181,922**	**74,682**	**4,713**	**19,908**	**6,054**	**30,675**	**1,060,337**
Total comprehensive income / (loss)	-	-	-	-	-	-	67,412	-	(1,986)	(15,286)	-	(17,272)	50,140
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	230	-	-	-	(230)	(230)	-
Treasury shares (purchased) / vested during the year - net	-	-	-	-	-	7,878	-	-	-	-	-	-	7,878
Loss on sale and vesting of treasury shares	-	-	(9,834)	-	(9,834)	9,834	-	-	-	-	-	-	-
Approved appropriations for fiscal 2011 paid / forfeited:													
Preference share dividend paid	-	-	-	-	-	-	-	(61,376)	-	-	-	-	(61,376)
Ordinary share dividend paid	-	-	-	-	-	-	-	(9,306)	-	-	-	-	(9,306)
Preference share dividend forfeited	-	-	-	-	-	-	70	-	-	-	-	-	70
Charitable contributions by shareholders paid	-	-	-	-	-	-	-	(4,000)	-	-	-	-	(4,000)
Proposed preference share dividend	-	-	-	-	-	-	(61,376)	61,376	-	-	-	-	-
Proposed ordinary share dividend	-	-	-	-	-	-	(4,720)	4,720	-	-	-	-	-
Balance at June 30, 2012	**511,465**	**200,000**	**133,046**	**100,000**	**233,046**	**(163,575)**	**183,538**	**66,096**	**2,727**	**4,622**	**5,824**	**13,173**	**1,043,743**
Total comprehensive income / (loss)	-	-	-	-	-	-	104,880	-	(61)	(12,536)	-	(12,597)	92,283
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	230	-	-	-	(230)	(230)	-
Treasury shares (purchased) / vested during the year - net	-	-	-	-	-	(3,601)	-	-	-	-	-	-	(3,601)
Loss on sale and vesting of treasury shares	-	-	(3,625)	-	(3,625)	3,625	-	-	-	-	-	-	-
Approved appropriations for fiscal 2012 paid:													
Preference share dividend	-	-	-	-	-	-	-	(61,376)	-	-	-	-	(61,376)
Ordinary share dividend	-	-	-	-	-	-	-	(4,720)	-	-	-	-	(4,720)
Proposed preference share dividend	-	-	-	-	-	-	(61,376)	61,376	-	-	-	-	-
Proposed ordinary share dividend	-	-	-	-	-	-	(9,304)	9,304	-	-	-	-	-
Proposed charitable contributions by shareholders	-	-	-	-	-	-	(4,500)	4,500	-	-	-	-	-
Balance at June 30, 2013	**511,465**	**200,000**	**129,421**	**100,000**	**229,421**	**(163,551)**	**213,468**	**75,180**	**2,666**	**(7,914)**	**5,594**	**346**	**1,066,329**

The attached notes 1 to 25 are an integral part of these consolidated financial statements.

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

$000s	*2013*	*2012*	*Notes*	*Page*
OPERATING ACTIVITIES				
Net income	104,880	67,412		
Adjustments for non-cash items in net income				
Depreciation	7,100	6,037	5	30
Provisions for impairment	5,424	1,088	11	36
Amortization of transaction costs of borrowings	7,891	7,437		
Employee share awards expense	5,826	3,265		
Net income adjusted for non-cash items	131,121	85,239		
Changes in:				
Operating capital				
Placements with financial institutions and other liquid assets (non cash equivalent)	(43,880)	10,000		
Receivables and prepayments	(2,093)	15,415	6	31
Advances	39,880	(19,425)	7	32
Deposits from clients - short-term	10,855	(122,783)	12	37
Payables and accrued expenses	(66,146)	11,911	13	38
Co-investments				
Hedge funds	98,336	193,300	8	33
Corporate investment	315,120	(102,041)	9	34
Real estate investment	(2,045)	34,378	10	36
Fair value of derivatives	(115,877)	2,140		
Other assets	(249)	(55)		
NET CASH FROM OPERATING ACTIVITIES	365,022	108,079		
FINANCING ACTIVITIES				
Deposits from financial institutions	13,733	10,111		
Deposits from clients - medium-term	(31,041)	23,932	12	37
Medium-term revolvers (repaid) drawn	(43,824)	50,346	14	39
Medium-term revolvers repaid on maturity	(107,500)	(50,000)	14	39
Medium-term debt issued (net of transaction costs)	480,079	-	14	39
Medium-term debt repaid	(417,203)	(19,000)	14	39
Long-term debt repaid	(20,000)	(57,875)	15	40
Treasury shares (purchased) sold - net	(9,427)	4,613		
Dividends paid	(66,096)	(70,612)		
Charitable contributions paid	-	(4,000)		
NET CASH USED IN FINANCING ACTIVITIES	(201,279)	(112,485)		
INVESTING ACTIVITY				
Investment in premises and equipment	(3,431)	(819)		
NET CASH USED IN INVESTING ACTIVITY	(3,431)	(819)		
Net increase (decrease) in cash and cash equivalents	160,312	(5,225)		
Cash and cash equivalents at beginning of the year	347,819	353,044		
Cash and cash equivalents at end of the year	508,131	347,819		
Cash and cash equivalents comprise:				
Cash and short-term funds	48,181	28,583		
Cash in transit	53,725	127,669		
Placements with financial institutions and other liquid assets	406,225	191,567		
	508,131	347,819		

*In addition to the above the group has $315.8 million (June 30, 2012: $414.1 million) in hedge funds and $46.9 million (June 30, 2012: $3.0 million) in placement in financial institutions which also forms a part of the Group's total liquidity.

Additional cash flow information		
$000s	*2013*	*2012*
Interest paid	(55,782)	(55,111)
Interest received	18,177	17,180

The attached notes 1 to 25 are an integral part of these consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

(i) Incorporation

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

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

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

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

The consolidated financial statements for the year ended June 30, 2013 were authorized for issue in accordance with a resolution of the Board of Directors dated July 29, 2013.

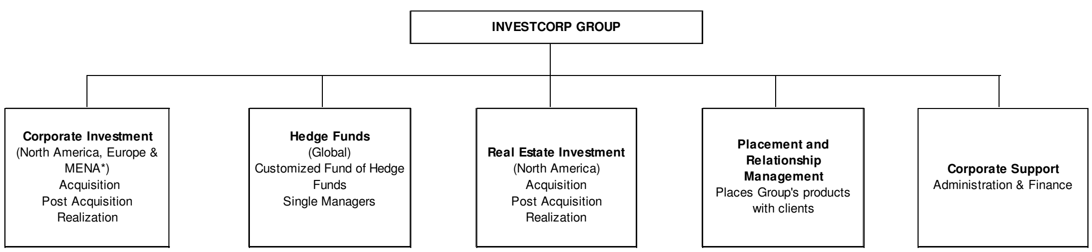
1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(ii) Activities

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

In performing its principal roles, the Group provides products in three broad alternative investment asset classes. The alternative investment asset classes in which the Group specializes are corporate investment, hedge funds and real estate investment. Each of the asset classes is comprised of its own dedicated team of investment professionals and is supported by a common placement and relationship management team and corporate support units.

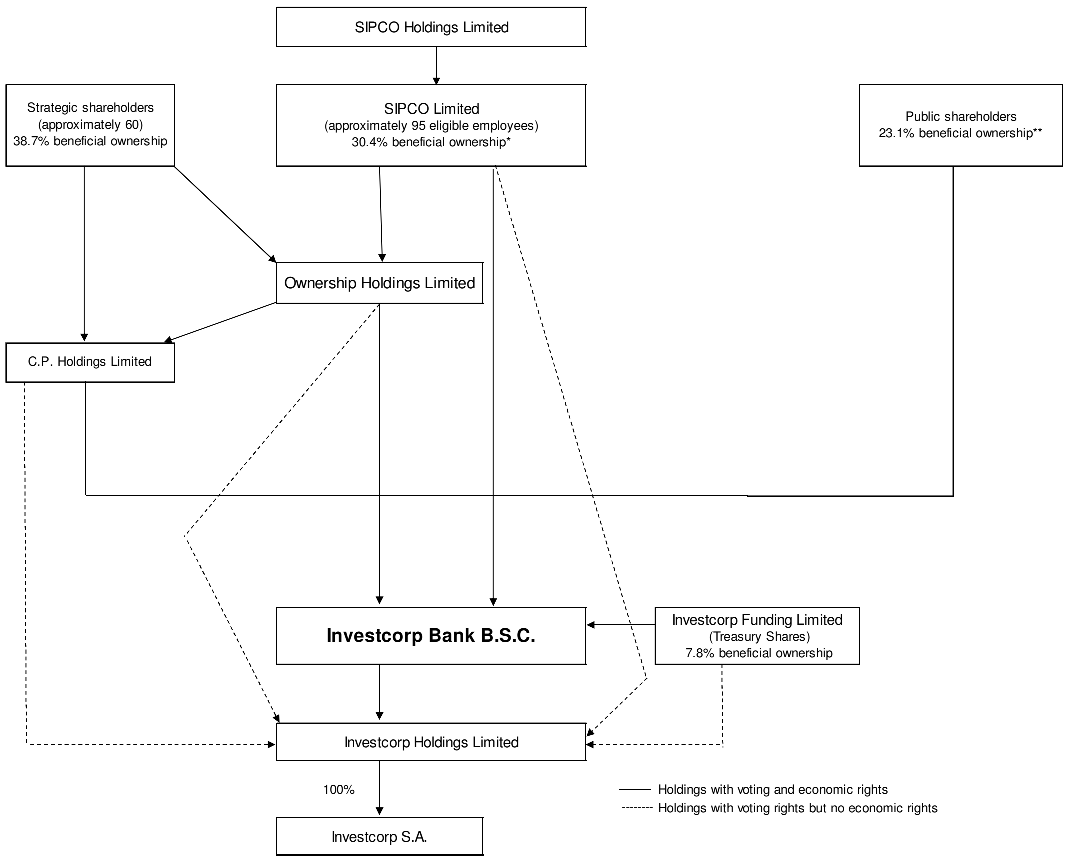


*Includes Turkey

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iii) Ownership



* Includes 8.3% in shares that are held for future grant to management and 6.4% shares granted but not acquired under the Employee Share Ownership Plan. The Bank has approval from the Central Bank of Bahrain ("CBB") to hold up to 40% of it's shares for various Employee Share Ownership Plans. On the balance sheet these shares are accounted for as the equivalent of treasury shares.
** Includes 0.3% beneficial ownership held in the form of unlisted Global Depositary Receipts.

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

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iv) Subsidiary companies

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

The Bank has a 100% economic interest in Investcorp Holdings Limited ("IHL", incorporated in the Cayman Islands) through Series A and Series B preference shares issued by IHL. These preference shares have the right to 100% of all dividends declared by IHL and 100% of IHL's net assets in the event of liquidation subject to the payment of a nominal amount in respect of IHL's ordinary shares. CPHL, OHL, SIPCO Limited and Investcorp Funding Limited ("IFL") own ordinary shares of IHL in the same proportion to their shareholding of the Bank's ordinary shares. The ordinary shares and Series A preference shares of IHL carry voting rights.

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

INVESTCORP BANK B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iv) Subsidiary companies (continued)

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

Parent	Wholly owned significant subsidiaries	Description of principal activities
Investcorp Bank B.S.C. (Bahrain)		Bahrain-based parent company of the Group
	Investcorp Holdings Limited (Cayman Islands)	Holding company that provides *force majeure* investment protection to shareholders and lenders
	→ Investcorp S.A. (Cayman Islands)	Financial holding company that is the principal operating and asset owning arm of the Group
	→ → Investcorp Capital Limited (Cayman Islands)	Company that issues the Group's long-term notes and other capital market financings
	→ → Investcorp Investment Holdings Limited (Cayman Islands)	Company through which the Group retains its equity investments across its product classes
	→ → Investcorp Management Services Limited (Cayman Islands)	Company that provides investment management and advisory to non-United States client investment holding companies for corporate and real estate investments.
	→ → Investcorp Investment Advisers Limited (Cayman Islands)	Company that provides investment management and advisory services to investment funds including hedge funds and is an SEC registered investment advisor.
	→ → Investcorp Funding Limited (Cayman Islands)	Company that provides short-term funding to investee and client investment holding companies
	→ → Investcorp Trading Limited (Cayman Islands)	Company that executes the Group's money market, foreign exchange and derivative financial contracts and invests in single manager funds
	→ → → Investcorp Equities Limited (Cayman Islands)	Company that manages the Group's excess liquidity.
	→ → Investcorp AMP Limited (Cayman Islands)	Company through which the Group co-invests in the hedge funds program (HFP)
	→ → CIP AMP Limited (Cayman Islands)	Company through which the Group co-invests in the hedge funds program (HFP)
	→ → Investcorp Financial and Investment Services S.A. (Switzerland)	Company that provides M & A consulting services for deal execution in Western Europe
	→ → Investcorp International Limited (UK)	The Group's principal operating subsidiary in the UK. A further subsidiary of which (Investcorp Securities Limited) arranges M&A transactions in the UK.
	→ → Investcorp International Holdings Inc. (USA)	The Group's holding company in the United States of America
	→ → → Investcorp International Inc. (USA)	Employs the group's United States-based employees.
	→ → → N A Investcorp LLC (USA)	Company is a SEC registered broker dealer that provides marketing services in the United States for the HFP and real estate funds and investment banking services for M&A transactions.
	→ → → Investcorp Investment Advisers LLC (USA)	Company that provides investment management and advisory services in the United States for investment funds, including hedge funds, and is an SEC registered investment advisor.
	Investcorp Saudi Arabia Financial Investments Co (Saudi Arabia)	Company that acts as principal agent of the Bank in Saudi Arabia for placements of the products offered by the Group

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"), in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB rule book (Volume 1 and applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets regulations and the rules and procedures of the Bahrain Bourse. The consolidated financial statements are prepared and presented in United States dollars, this being the functional currency of the Group, and rounded to the nearest thousands ($000s) unless otherwise stated.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and the IFRS Interpretations Committee (the 'IFRIC') interpretations that are applicable for the current fiscal year:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The adoption of the above amendments did not have any material impact on the consolidated financial position or performance of the Group.

Standards issued but not yet effective

Standards issued but not yet effective, which the Group reasonably expects to be applicable at a future date are listed below together with their effective date.

- IAS 19 Employee Benefits (Revised), 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), 1 January 2013
- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32, 1 January 2014
- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7, 1 January 2013
- IFRS 9 Financial Instruments: Classification and Measurement, 1 January 2015
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, 1 January 2013
- IFRS 11 Joint Arrangements, 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities, 1 January 2013
- IFRS 13 Fair Value Measurement, 1 January 2013

With the exception of IFRS 10, 11, 12 and IAS 28, the Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 10 replaced IAS 27 in so far as it relates to consolidated financial statements. In October 2012 the IASB announced amendments to IFRS 10 and 12. These amendments define an Investment Entity and require a parent that is an investment entity to measure its investments, in particular, subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. As currently drafted, it is expected that the Group will qualify as an Investment Entity. However, the Group has decided not to early adopt this standard.

i) Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the re-measurement at fair value of financial instruments under IAS 39 and revaluation of premises and equipment.

ii) Going concern

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

iii) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements. The use of estimates is principally limited to the determination of the fair values of Fair Value Through Profit or Loss ("FVTPL") co-investments in corporate investment and real estate investment (see Notes 9 and 10), the determination of performance fees on assets under management and impairment provisions for financial assets other than FVTPL investments (see Note 11).

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) Classification of financial assets

a) Investments

On initial investment, management decides whether an investment should be classified as held to maturity, held for trading, carried as FVTPL, or Available-For-Sale (AFS).

For those deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, the Group has the intention and ability to hold these investments to maturity.

Investments acquired with the intention of a long-term holding period, such as in corporate investment, real estate investment or hedge funds, including those over which the Group has significant influence, are classified as FVTPL investments when the following criteria are met:

1. they have readily available reliable measures of fair values; and
2. the performance of such investments is evaluated on a fair value basis in accordance with the Group's investment strategy and information is provided internally on that basis to the Group's senior management and board of directors.

All other investments are classified as AFS.

b) Other liquid assets

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

v) Basis of consolidation

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

vi) Foreign currencies

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

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

vii) Receivables

Subscription receivables are recognized when the obligation is established, i.e., when a binding subscription agreement is signed. These are carried at cost less provision for impairment. Provisions are made against receivables as soon as they are considered doubtful.

viii) Advances

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

ix) Co-investments in hedge funds

The Group's co-investments in hedge funds are classified as FVTPL investments and are stated at fair value at the balance sheet date with all changes being recorded in the consolidated statement of income. The fair value of co-investments in hedge funds is based on underlying net asset values as explained in Note 8.

x) Co- investments in corporate investment and real estate investment

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

Certain of the Group's strategic and other investments are classified as AFS and are initially recorded at fair value including acquisition charges. The fair value for these investments is determined using valuations implied by material financing events involving third party capital providers, such as a partial disposal, additional funding, indicative bids, etc. The resulting change in value of these investments is taken to the consolidated statement of comprehensive income and recorded as a separate component of equity until they are impaired or derecognized at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Co- investments in corporate investment and real estate investment (continued)

Certain debt investments made in connection with the Group's co-investments in corporate investment and real estate investment are classified as held–to–maturity investments and are carried at amortized cost, less provision for impairment, if any.

xi) De-recognition of financial instruments

A financial asset (in whole or in part) is derecognized either when the Group has transferred substantially all the risks and rewards of ownership, or in cases when it has neither transferred nor retained substantially all the risks and rewards but it no longer has control over the asset or a proportion of the asset.

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

xii) Trade date accounting

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

xiii) Impairment and un-collectability of financial assets

An assessment is made at each balance sheet date for all financial assets other than those classified as FVTPL assets to determine whether there is objective evidence that a specific financial asset may be impaired. Judgment is made by the management in the estimation of the amount and timing of future cash flows along with making judgments about the financial situation of the underlying asset and realizable value of collateral. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, determined appropriately, is recognized in the consolidated statement of income and credited to an allowance account. In the case of AFS equity investments, such impairment is reflected directly as a write down of the financial asset.

In the case of financial assets other than AFS, the impaired financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an amount written off earlier is later recovered, the recovery is credited to the consolidated statement of income.

Impairment is determined as follows:

a) For assets carried at amortized cost, impairment is based on estimated cash flows discounted at the original effective interest rate; and

b) For AFS assets carried at fair value, impairment is the cumulative loss that has been recognized directly in equity.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xiv) Premises and equipment

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

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

All other items are recorded at cost less accumulated depreciation.

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

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

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

xv) Payables, accruals and provisions

Provision for employee benefit costs is made in accordance with contractual and statutory obligations and the terms of benefit plans approved by the Board of Directors (see Note 24).

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

xvi) Unfunded deal acquisitions

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xvii) Cash and cash equivalents

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

xviii) Borrowings

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

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

xix) Treasury shares

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

xx) Share awards

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

xxi) Dividends

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

xxii) Offsetting

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

xxiii) Derivative financial instruments

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxiii) Derivative financial instruments (continued)

Derivatives that qualify for hedge accounting under IAS 39 are classified into fair value hedges or cash flow hedges. Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Accounting treatments for both types of hedges and in the case of discontinuance of hedges are disclosed in Note 19.

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

xxiv) Income and expenses

Interest income is recognized using the effective yield of the asset and is recorded as asset based income. Investment income from all FVTPL investments is recognized on the basis of changes in fair value during the year.

Fee income is recognized when services are rendered. Performance fees are recognized when earned.

Realized capital gains or losses on investments other than FVTPL investments are taken to income at the time of derecognition.

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

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

2. SEGMENT REPORTING

As at June 30, 2013, the business segments reported are based on the two primary reporting segments into which the Group classifies its activities. This change from the basis adopted in the prior year has been made to be in conformity with management's reporting and monitoring of the Group's activities. The comparative information has also been reclassified accordingly.

A. REPORTING SEGMENTS

The Group's activities are classified into two reporting segments:

i) ***Fee Business***

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

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

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

2. SEGMENT REPORTING (continued)

B. ASSET CLASSES AND PRODUCTS

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

Asset Classes	Products
1) Corporate investment	- Deal by deal offerings - Closed-end fund(s)
2) Hedge funds	- Customized fund of hedge funds - Single managers
3) Real estate investment	- Deal by deal offerings - Closed-end fund(s)

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

i) ***Corporate Investment ("CI")***

The CI teams are based in London, New York and the Kingdom of Bahrain. The CI teams based in London and New York arrange and manage corporate investments in mid-size companies, with a strong track record and potential for growth, in North America and Western Europe. The CI team based in the Kingdom of Bahrain primarily looks at growth capital investments in the wider MENA region, including Turkey. These CI investments are placed primarily on a deal-by-deal basis with the Group's investor base in the Arabian Gulf states, and also offered through conventional fund structures where participation is extended to institutional investors. The Group retains a small portion as a co-investment on its consolidated balance sheet. These investments are managed by the team on behalf of investors for value optimization until realization.

ii) ***Hedge Funds ("HF")***

The HF team, operating from New York, manages Investcorp's Hedge Funds business comprising the customized fund of hedge fund and the single manager platform including proprietary co-investment as well as client assets. The HF business aims to achieve attractive returns on a risk-adjusted basis over a medium-term period with low correlation to traditional and other alternative asset classes, through a diversified portfolio of investments in hedge funds.

2. SEGMENT REPORTING (continued)

B. ASSET CLASSES AND PRODUCTS (continued)

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

The RE team, based in New York, arranges investments in North America-based properties with strong cash flows and/or potential for attractive capital gains over a three to five year holding period. Several properties are assembled into diversified portfolios that are then placed individually with the Group's investor base in the Gulf, with the Group retaining a small portion as a co-investment on its own consolidated balance sheet. Further, the Group also provides its investor base with mezzanine investment opportunities through fund structures, with the Group retaining a small portion as a co-investment on its own consolidated balance sheet. The property investments are managed by the RE team on behalf of investors for value optimization up until realization.

2. SEGMENT REPORTING (continued)

C. REVENUE GENERATION

i) Fee income

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

AUM fees

AUM fees consist of management and performance fees earned on hedge fund assets under management and management fees earned on CI and RE from investment holding companies, investee companies and closed-end funds.

Deal fees

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

Activity fees comprise acquisition fees earned by the Group from investee companies on new CI or RE acquisitions (usually as a percentage of the total purchase consideration), placement fees earned by the Group from clients at the time of placing a new CI or RE investment with them (usually as a percentage of the total subscription from a client), and ancillary fees that are earned from investee companies for providing advisory services for ancillary transactional activity, including refinancing, recapitalization, restructuring and disposal.

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

ii) Asset based income

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

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

2. SEGMENT REPORTING (continued)

D. SEGREGATION OF ASSETS

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

E. ALLOCATION OF EQUITY, LIABILITIES AND INTEREST EXPENSE

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

Having determined the assets directly attributable to each reporting segment, and the economic capital requirements, the Group allocates liabilities (debt funding) to each reporting segment based on the relative maturity profile of the segment's assets. All long term debt and a small proportion of drawn medium term debt, including secured loans are allocated to the Co-investment Business. Client deposits, the residual amount of medium term debt, other associated working capital and fair value of derivatives are allocated to the fee business.

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

F. ALLOCATION OF OPERATING EXPENSES

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

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2. SEGMENT REPORTING (continued)

G. STATEMENT OF INCOME AND BALANCE SHEET BY REPORTING SEGMENTS

The consolidated statements of income for the years ended June 30, 2013 and June 30, 2012 by reporting segments are as follows:

$000s	*2013*	*2012*
Fee Business		
AUM fees		
Hedge funds	35,464	31,020
Corporate investment	47,875	56,581
Real estate investment	5,456	9,050
Total AUM fees	88,795	96,651
Deal fees		
Hedge funds	6,007	(491)
Corporate investment	212,347	126,987
Real estate investment	22,384	12,878
Total deal fees	240,738	139,374
Treasury and other asset based income	6,556	4,156
Gross income attributable to fee business (a)	336,089	240,181
Provisions for impairment	(5,424)	(1,088)
Interest expense	(31,758)	(17,891)
Operating expenses attributable to fee business (b)	(175,754)	(136,838)
Net fee business income (c)	123,153	84,364
Co-Investment Business		
Asset based income		
Hedge funds	25,307	(50,218)
Corporate investment	256	59,840
Real estate investment	125	17,270
Gross income attributable to co-investment business (d)	25,688	26,892
Interest expense	(31,717)	(29,933)
Operating expenses attributable to co-investment business (e)	(12,244)	(13,911)
Net co-investment business income (f)	(18,273)	(16,952)
Net income (c) + (f)	104,880	67,412
Gross operating income (a) + (d)	361,777	267,073
Gross operating expenses (b) + (e)	(187,998)	(150,749)

2. SEGMENT REPORTING (continued)

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

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues in the year (2012: nil).

$193.4 million (2012: $84.2 million) of deal fees relates to activity fees and $47.3 million (2012: $55.2 million) represents performance fees.

Treasury and other income includes $6.1 million (2012: $3.8 million) of interest income. Further CI and RE asset based income includes $5.5 million (2012: $5.2 million) and $4.7 million (2012: $8.4 million) of interest income respectively.

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

IFRS also requires an entity to report its assets and revenues segmented by geographical regions. All significant activities of the Group are performed on an integrated, worldwide basis. The Group's clients and trading partners also operate in the international market place, and neither their domicile nor the geographical location of a transaction is necessarily related to the country in which the asset or liability underlying the transaction is located. Consequently, any geographical segmentation of revenues would be potentially misleading. As such, segmentation of revenues by region has not been presented. Notes 9 and 22 (iii) present the geographical split of assets and off-balance sheet items.

2. SEGMENT REPORTING (continued)

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

Consolidated balance sheets as at June 30, 2013 and June 30, 2012 by reporting segment are as follows:

June 30, 2013 ***$000s***	***Co-investment Business***	***Fee Business***	***Total***
Assets			
Cash and short-term funds	-	101,906	101,906
Placements with financial institutions and other liquid assets	-	453,105	453,105
Positive fair value of derivatives	-	62,811	62,811
Receivables and prepayments	17,157	265,847	283,004
Advances	-	146,975	146,975
Co-investments - retention			
Hedge funds	315,762	-	315,762
Corporate investment	873,609	-	873,609
Real estate investment	156,505	-	156,505
Co-investments - underwriting			
Corporate investment	-	33,000	33,000
Premises, equipment and other assets	-	50,652	50,652
Total assets	1,363,033	1,114,296	2,477,329
Liabilities and Equity			
Liabilities			
Deposits from financial institutions	-	23,844	23,844
Deposits from clients - short-term	-	206,100	206,100
Negative fair value of derivatives	-	43,003	43,003
Payables and accrued expenses	25,277	123,009	148,286
Deposits from clients - medium term	-	88,200	88,200
Medium-term debt	42,435	440,054	482,489
Long-term debt	419,078	-	419,078
Total liabilities	486,790	924,210	1,411,000
Total equity	876,243	190,086	1,066,329
Total liabilities and equity	1,363,033	1,114,296	2,477,329

June 30, 2012 ***$000s***	***Co-investment Business***	***Fee Business***	***Total***
Assets			
Cash and short-term funds	-	156,252	156,252
Placements with financial institutions and other liquid assets	-	194,567	194,567
Positive fair value of derivatives	-	81,250	81,250
Receivables and prepayments	49,480	234,857	284,337
Advances	-	188,853	188,853
Co-investments - retention			
Hedge funds	414,098	-	414,098
Corporate investment	1,063,984	-	1,063,984
Real estate investment	154,460	-	154,460
Co-investments - underwriting			
Corporate investment	-	157,806	157,806
Premises, equipment and other assets	-	54,072	54,072
Total assets	1,682,022	1,067,657	2,749,679
Liabilities and Equity			
Liabilities			
Deposits from financial institutions	-	10,111	10,111
Deposits from clients - short-term	-	195,245	195,245
Negative fair value of derivatives	-	39,160	39,160
Payables and accrued expenses	10,131	204,301	214,432
Deposits from clients - medium term	-	119,241	119,241
Medium-term debt	255,222	312,034	567,256
Long-term debt	560,491	-	560,491
Total liabilities	825,844	880,092	1,705,936
Total equity	856,178	187,565	1,043,743
Total liabilities and equity	1,682,022	1,067,657	2,749,679

3. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows categories of the Group's financial assets and financial liabilities at the balance sheet date.

June 30, 2013 *$000s*	*Designated as FVTPL*	*Items at amortized cost*	*AFS*	*Derivatives*	*Total*
Financial assets					
Cash and short-term funds	-	101,906	-	-	101,906
Placements with financial institutions and other liquid assets	-	453,105	-	-	453,105
Positive fair value of derivatives	-	-	-	62,811	62,811
Receivables	-	251,067	-	-	251,067
Advances	-	146,975	-	-	146,975
Co-investments					
Hedge funds	315,762	-	-	-	315,762
Corporate investment	873,604	16,982	16,023	-	906,609
Real estate investment					
Debt	-	36,424	-	-	36,424
Equity	120,081	-	-	-	120,081
Total financial assets	1,309,447	1,006,459	16,023	62,811	2,394,740
Non-financial assets					
Prepayments					31,937
Premises, equipment and other assets					50,652
Total assets					2,477,329
Financial liabilities					
Deposits from financial institutions	-	23,844	-	-	23,844
Deposits from clients*	-	294,300	-	-	294,300
Negative fair value of derivatives	-	-	-	43,003	43,003
Payables and accrued expenses	-	142,354	-	-	142,354
Medium term debt*	-	482,489	-	-	482,489
Long term debt*	-	419,078	-	-	419,078
Total financial liabilities	-	1,362,065	-	43,003	1,405,068
Non-financial liabilities					
Deferred income					5,932
Total liabilities					1,411,000

* Adjusted for related fair value hedges.

June 30, 2012 *$000s*	*Designated as FVTPL*	*Items at amortized cost*	*AFS*	*Derivatives*	*Total*
Financial assets					
Cash and short-term funds	-	156,252	-	-	156,252
Placements with financial institutions and other liquid assets	3,000	191,567	-	-	194,567
Positive fair value of derivatives	-	-	-	81,250	81,250
Receivables	-	241,766	-	-	241,766
Advances	-	188,853	-	-	188,853
Co-investments					
Hedge funds	414,098	-	-	-	414,098
Corporate investment	1,149,345	56,851	15,594	-	1,221,790
Real estate investment					
Debt	-	43,444	-	-	43,444
Equity	111,016	-	-	-	111,016
Total financial assets	1,677,459	878,733	15,594	81,250	2,653,036
Non-financial assets					
Prepayments					42,571
Premises, equipment and other assets					54,072
Total assets					2,749,679
Financial liabilities					
Deposits from financial institutions	-	10,111	-	-	10,111
Deposits from clients*	-	314,486	-	-	314,486
Negative fair value of derivatives	-	-	-	39,160	39,160
Payables and accrued expenses	-	208,015	-	-	208,015
Medium term debt	-	567,256	-	-	567,256
Long term debt*	-	560,491	-	-	560,491
Total financial liabilities	-	1,660,359	-	39,160	1,699,519
Non-financial liabilities					
Deferred income					6,417
Total liabilities					1,705,936

* Adjusted for related fair value hedges.

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4. ASSETS UNDER MANAGEMENT

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

$millions	June 30, 2013 Clients	June 30, 2013 Investcorp	June 30, 2013 Affiliates and co-investors	June 30, 2013 Total	June 30, 2012 Clients	June 30, 2012 Investcorp	June 30, 2012 Affiliates and co-investors	June 30, 2012 Total
Corporate investments								
Closed-end committed funds								
CI - NA & Europe	899	279	68	1,246	900	267	79	1,246
CI - MENA	-	-	-	-	853	70	6	929
Sub total	899	279	68	1,246	1,753	337	85	2,175
Closed-end invested funds								
CI - NA & Europe	159	33	7	199	213	31	10	254
CI - MENA	523	52	4	579	-	-	-	-
Sub total	682	85	11	778	213	31	10	254
Deal-by-deal investments	1,904	520	198	2,622	2,112	876	319	3,307
Strategic and other investments	-	70	-	70	-	88	-	88
Total corporate investments	**3,485**	**954**	**277**	**4,716**	**4,078**	**1,332**	**414**	**5,824**
Hedge funds*								
Customized fund of hedge funds	2,127	269	-	2,396	2,197	457	5	2,659
Single managers	1,564	189	1	1,754	1,351	254	4	1,609
Total hedge funds	**3,691**	**458**	**1**	**4,150**	**3,548**	**711**	**9**	**4,268**
Real estate investments								
Closed-end committed funds	75	25	-	100	75	25	-	100
Closed-end invested funds	98	26	2	126	98	15	2	115
Deal-by-deal investments	971	110	26	1,107	844	124	28	996
Strategic and other investments	-	9	-	9	-	8	-	8
Total real estate investments	**1,144**	**170**	**28**	**1,342**	**1,017**	**172**	**30**	**1,219**
Client call accounts held in trust	288	-	-	288	179	-	-	179
Total	**8,608**	**1,582**	**306**	**10,496**	**8,822**	**2,215**	**453**	**11,490**
Summary by products:								
Closed-end committed funds	974	304	68	1,346	1,828	362	85	2,275
Closed-end invested funds	780	111	13	904	311	46	12	369
Hedge funds	3,691	458	1	4,150	3,548	711	9	4,268
Deal-by-deal investments	2,875	709	224	3,808	2,956	1,096	347	4,399
Client call accounts held in trust	288	-	-	288	179	-	-	179
Total	**8,608**	**1,582**	**306**	**10,496**	**8,822**	**2,215**	**453**	**11,490**
Summary by asset classes:								
Corporate Investment	3,485	954	277	4,716	4,078	1,332	414	5,824
Hedge Funds	3,691	458	1	4,150	3,548	711	9	4,268
Real estate Investments	1,144	170	28	1,342	1,017	172	30	1,219
Client call accounts held in trust	288	-	-	288	179	-	-	179
Total	**8,608**	**1,582**	**306**	**10,496**	**8,822**	**2,215**	**453**	**11,490**

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

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

4. ASSETS UNDER MANAGEMENT (continued)

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

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

5. OPERATING EXPENSES

$000s	***2013***	*2012*
Staff compensation & benefits	102,779	72,519
Other personnel & compensation charges	17,804	9,655
Professional fees	21,406	23,383
Travel and business development	9,739	9,095
Administration and research	11,909	14,460
Technology and communication	2,970	2,984
Premises	10,846	10,509
Depreciation	7,100	6,037
Other	3,445	2,107
Total	187,998	150,749

6. RECEIVABLES AND PREPAYMENTS

$000s	*June 30, 2013*	*June 30, 2012*
Subscriptions receivable	4,074	44,363
Receivables from investee and holding companies	151,249	148,822
Investment disposal proceeds receivable	71,342	6,910
Hedge funds related receivables	19,986	29,491
Accrued interest receivable	3,710	4,912
Prepaid expenses	31,937	42,571
Other receivables	11,118	14,254
	293,416	291,323
Provisions for impairment (see Notes 11 & 22(i))	(10,412)	(6,986)
Total	283,004	284,337

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

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

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

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

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

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

7. ADVANCES

$000s	***June 30, 2013***	*June 30, 2012*
Advances to CI closed-end funds	8,750	11,939
Advances to investment holding companies	68,137	79,835
Advances to employee investment programs	74,051	94,667
Other advances	9,887	14,264
	160,825	200,705
Provisions for impairment (see Notes 11 & 22(i))	(13,850)	(11,852)
Total	146,975	188,853

Advances arise largely as a result of the Group extending working capital advances to investment holding companies and include advances for employee investment programs.

Advances to the CI closed-end funds represent amounts invested on behalf of the Group's clients in the acquisitions and expenses of the funds in the interim period prior to receipt of the associated capital call from clients. These advances carry interest at market rates. The advances, in management's opinion, represent a low risk to the Group.

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

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

8. HEDGE FUNDS CO-INVESTMENTS

The Group's co-investments in hedge funds, classified as FVTPL, comprise the following:

$000s	***June 30, 2013***	*June 30, 2012*
Customized fund of hedge funds	209,268	246,474
Single managers	106,494	167,624
Total balance sheet co-investments	315,762	414,098

Out of the total co-investment in hedge funds, $87.9 million (June 30, 2012: $29.0 million) comprise funds which are not immediately available for redemption due to liquidity nature of the instruments held by the underlying managers, although this is still considered as part of the total liquidity in accordance with loan covenants.

A portion of the Group's co-investment in hedge funds is utilized to secure a structured revolving facility. At June 30, 2013, $6.5 million (June 30, 2012: $50.3 million) was the drawn balance from this facility (see note 14).

9. CORPORATE CO-INVESTMENTS

$000s	*June 30, 2013*	*June 30, 2012*
CI co-investments [See Note 9 (a)]	836,441	1,134,229
Strategic and other investments [See Note 9 (b)]	70,168	87,561
Total corporate co-investments	906,609	1,221,790

9 (a) CI CO-INVESTMENTS

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

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

The carrying values of the Group's CI co-investments at June 30, 2013 and June 30, 2012 are:

	June 30, 2013				June 30, 2012			
$000s	North America	Europe	MENA*	Total	North America	Europe	MENA*	Total
Consumer Products	14,065	15,509	21,903	51,477	12,656	-	17,440	30,096
Consumer Services	-	-	44,110	44,110	-	-	-	-
Distribution	62,815	5,231	6,533	74,579	164,769	39,394	6,537	210,700
Industrial Products	-	264,371	-	264,371	-	344,005	-	344,005
Industrial Services	95,929	66,164	4,881	166,974	238,338	62,231	-	300,569
Telecom	113,013	-	-	113,013	165,601	-	-	165,601
Technology								
Digital Content	6,373	43,634	-	50,007	6,525	18,704	-	25,229
Enterprise Software	7,229	19,086	-	26,315	7,663	16,841	-	24,504
IT Services	11,608	-	-	11,608	-	-	-	-
Wireless Data	33,734	-	-	33,734	29,347	-	-	29,347
Infrastructure & Others	253	-	-	253	4,178	-	-	4,178
Total	345,019	413,995	77,427	836,441	629,077	481,175	23,977	1,134,229

*Including Turkey

9. CORPORATE CO-INVESTMENTS (continued)

9 (b) STRATEGIC AND OTHER INVESTMENTS

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

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

These are held as AFS investments and debt instruments at amortized cost, except for investments amounting to $37.2 million (June 30, 2012: $36.3 million) that are classified as FVTPL, of which $26.2 million (June 30, 2012: $25.3 million) was valued based on information provided by the investment manager.

10. REAL ESTATE CO-INVESTMENTS

The Group's co-investments in real estate are mainly classified as FVTPL investments. Those investments that are developed and leased out are fair valued based on the estimated future cash flows from the underlying real estate assets and using prevailing capitalization rates for similar properties in the same geographical area, or DCF analysis.

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

Certain of the debt investments in real estate properties are classfied as held-to-maturity ("HTM") investments amounting to $36.4 million (June 30, 2012: $43.4 million).

The carrying values of the Group's co-investments in real estate portfolios in the United States at June 30, 2013 and at June 30, 2012 are:

$000s

PORTFOLIO TYPE	*June 30, 2013*	*June 30, 2012*
Core Plus	91,180	83,438
Debt	29,424	26,927
Opportunistic	26,484	35,878
Strategic and other	9,417	8,217
Total	156,505	154,460

11. PROVISIONS FOR IMPAIRMENT

Specific impairment provisions for receivables and advances are as follows:

$000s
12 months to June 30, 2013

Categories	*At beginning*	*Charge*	*Written-off*	*At end*
Receivables (Note 6 & 22(i))	6,986	3,426	-	10,412
Advances (Note 7 & 22(i))	11,852	1,998	-	13,850
Total	18,838	5,424	-	24,262
12 months to June 30, 2012	93,001	1,088	(75,251)	18,838

12. DEPOSITS FROM CLIENTS

$000s	***June 30, 2013***	*June 30, 2012*
SHORT-TERM:		
Call accounts	126,633	191,207
Short-term deposits	55,512	4,038
Transitory balances	23,955	-
Total deposits from clients - short-term	206,100	195,245
MEDIUM-TERM:		
Medium-term deposits	32	37,438
Investment holding companies' deposits	77,174	66,605
Discretionary and other deposits	10,994	15,198
Total deposits from clients - medium-term	88,200	119,241
Total	294,300	314,486

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

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

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

Investment holding companies' deposits represent excess cash deposited by the investment holding companies in the interim period prior to utilization or onward distribution.

Discretionary and other deposits represent deposits held on behalf of various affiliates, including strategic shareholders and employees.

All deposits bear interest at market rates.

13. PAYABLES AND ACCRUED EXPENSES

$000s	***June 30, 2013***	*June 30, 2012*
Accrued expenses - employee compensation	40,801	16,785
Vendor and other trade payables	34,036	31,342
Unfunded deal acquisitions	52,838	153,104
Investment related payables	3,860	3,658
Deferred income	5,932	6,417
Accrued interest payable	10,819	3,126
Total	148,286	214,432

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

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

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

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

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14. MEDIUM-TERM DEBT

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

			June 30, 2013				June 30, 2012			
$000s	***Final Maturity***	***Tranche Type***	***Size***	***Available***	***Average utilization***	***Current outstanding***	*Size*	*Available*	*Average utilization*	*Current outstanding*
5-year Eurodollar facility	December 2011	*Revolver*	-	-	-	-	-		115,164	-
5-year floating rate medium-term note	June 2012	*Funded*	-	-	-	-	-		18,429	-
3-year multi-currency facility	March 2013	*Funded*	-	-	135,449	-	281,703	281,703	281,703	281,703
3-year multi-currency facility	March 2013	*Revolver*	-	-	7,729	-	292,750	292,750	55,737	-
5-year Eurodollar facility	April 2013	*Revolver*	-	-	36,919	-	107,500	107,500	107,500	107,500
5-year Eurodollar facility	April 2013	*Funded*	-	-	78,330	-	135,500	135,500	135,500	135,500
2-year structured facility	February 2014	*Revolver*	55,000	55,000	7,116	6,522	55,000	55,000	12,598	50,346
3-year multi-currency facility	September 2015	*Funded*	251,713	251,713	79,859	251,713	296,133	-	-	-
3-year multi-currency facility	September 2015	*Revolver*	197,937	197,937	-	-	232,867	-	-	-
5-year fixed rate bonds	November 2017	*Funded*	250,000	250,000	165,753	250,000	-	-	-	-
Total				754,650	511,155	508,235		872,453	726,631	575,049
Foreign exchange translation adjustments						(684)				(2,747)
Fair value adjustments relating to interest rate swap hedges						(5,993)				-
Transaction costs of borrowings						(19,069)				(5,046)
						482,489				567,256

All medium-term facilities, except for the 5 year fixed rate bonds, carry LIBOR-based floating rates of interest when drawn. Revolvers carry a fixed rate of commitment fees when undrawn. The 3-year multi-currency amortizing facility and the 5 year fixed rate bonds are subject to certain customary covenants, including maintaining certain minimum levels of net worth and liquidity ratio and operating below a maximum leverage ratio.

The 2-year structured revolving facility of $55 million (June 30, 2012: $55 million) is secured, to the extent it is drawn, by an equivalent amount of the Group's co-investments in hedge funds.

The $529 million, 3 year multi-currency facility became fully available for draw down in March 2013. The facility has contractual amortizations in September 2013 of 15%, a further 20% in September 2014 and final maturity in September 2015 of the remaining 65% balance. The first amortizing repayment contractually due in September 2013 of $79 million, 15% of the facility, was prepaid from surplus liquidity in June 2013.

15. LONG-TERM DEBT

		June 30, 2013		June 30, 2012	
$000s	***Final Maturity***	***Average outstanding***	***Current outstanding***	*Average outstanding*	*Current outstanding*
PRIVATE NOTES					
$20 Million Private Placement	November 2011	-	-	6,776	-
$20 Million Private Placement	April 2012	-	-	19,945	-
$71.5 Million Private Placement	May 2012	-	-	17,826	-
$75 Million Bi-lateral Placement	March 2013	2,981	-	20,000	20,000
$35 Million Private Placement	December 2013	26,250	26,250	26,250	26,250
JPY 37 Billion Private Placement	March 2030	332,328	332,328	332,328	332,328
$50 Million Private Placement	July 2032	50,000	50,000	50,000	50,000
		411,559	408,578	473,125	428,578
Foreign exchange translation adjustments			41,409		133,604
Fair value adjustments relating to interest rate swap hedges			(28,367)		1,131
Transaction costs of borrowings			(2,542)		(2,822)
Total			419,078		560,491

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

16. SHARE CAPITAL AND RESERVES

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

	June 30, 2013			June 30, 2012		
	No. of shares	Par value $	$000	No. of shares	Par value $	$000
Authorized share capital						
- Ordinary shares	4,000,000	250	1,000,000	4,000,000	250	1,000,000
- Preference and other shares	1,000,000	1,000	1,000,000	1,000,000	1,000	1,000,000
			2,000,000			2,000,000
Issued share capital						
- Ordinary shares	800,000	250	200,000	800,000	250	200,000
- Preference shares	515,132	1,000	515,132	515,132	1,000	515,132
			715,132			715,132

Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ ratios) as adopted by the Central Bank of Bahrain (see Note 21).

Preference share capital

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

These preference shares are callable in part or in whole at the Bank's option any time on or after their first call dates at par plus dividend due up to the call date. The first call dates for these preference shares are 5 years from the date of their issuances.

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

Statutory reserve

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

Treasury shares

179,702 (June 30 2012: 170,698) ordinary shares were held as treasury shares and includes 50,932 shares (June 30, 2012: 87,936 shares) that have been granted to employees as part of deferred incentive compensation but have not started vesting yet. 18,070 shares (June 30, 2012: 16,000 shares) that have been granted to employees and have commenced vesting, but have not vested as at June 30, 2013, are not counted as treasury shares (see Note 24).

17. UNREALIZED FAIR VALUE CHANGES AND REVALUATION RESERVE RECOGNIZED DIRECTLY IN EQUITY

This consists of unrealized fair value changes of AFS investments, cash flow hedges and revaluation reserve of premises and equipment recognized directly in equity.

Movements in fair value changes relating to AFS investments, cash flow hedges and revaluation reserve are set out below:

$000s	Available for sale investments	Cash flow hedges	Revaluation reserve	Total
Balance at June 30, 2011	4,713	19,908	6,054	30,675
Net realized gain recycled to statement of income	-	(792)	-	(792)
Net unrealized losses for the year	(1,986)	(14,494)	-	(16,480)
Transfer of depreciation to retained earnings	-	-	(230)	(230)
Balance at June 30, 2012	2,727	4,622	5,824	13,173
Net realized gain recycled to statement of income	-	(297)	-	(297)
Net unrealized losses for the year	(61)	(12,239)	-	(12,300)
Transfer of depreciation to retained earnings	-	-	(230)	(230)
Balance at June 30, 2013	2,666	(7,914)	5,594	346

See Note 19 for fair valuation of cash flow hedges.

18. EARNINGS, BOOK VALUE AND DIVIDENDS PER SHARE

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

$000s	*2013*	*2012*
Net income	104,880	67,412
Less : Proposed preference shares dividend	(61,376)	(61,376)
Net income attributable to ordinary shareholders	43,504	6,036
Weighted average ordinary shares	607,154	603,714
Basic earnings per ordinary share - on weighted average shares *($)*	72	10
Weighted average diluted ordinary shares	624,606	619,714
Fully diluted earnings per ordinary share - on weighted average diluted shares *($)*	70	10
Proposed appropriations:		
Ordinary shares dividend	9,304	4,720
Preference shares dividend	61,376	61,376
Charitable contributions by shareholders	4,500	-
	75,180	66,096

The proposed ordinary share dividend is $15.00 (June 30, 2012: $7.50) per share payable only on issued shares, excluding treasury shares (other than shares acquired by the employees but not vested) that are held on the record date.

The proposed preference share dividend of $120 (2012: $120) per share represents an annual dividend on issued preference shares, excluding the preference shares allocated to employees that have been forfeited, at the rate of 12%.

The book value per ordinary share at the balance sheet date is calculated by dividing the ordinary shareholders' equity, excluding unrealized changes relating to AFS co-investments, cash flow hedges, the revaluation reserve and proposed appropriations, by the number of ordinary shares outstanding at year end, taking into account all acquired and unvested shares issued at year end. The book value per ordinary share is $772.75 per share (June 30, 2012: $719.86 per share).

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group's criteria for a derivative financial instrument to be accounted for as a hedge include:

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

Other derivatives

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

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below summarizes the Group's derivative financial instruments outstanding at June 30, 2013 and June 30, 2012:

	June 30, 2013			June 30, 2012		
$000s / *Description*	*Notional value*	*Positive fair value*	*Negative fair value**	*Notional value*	*Positive fair value**	*Negative fair value*
A) HEDGING DERIVATIVES						
Currency risk being hedged using forward foreign exchange contracts						
i) Fair value hedges						
On balance sheet exposures	396,123	316	(8,387)	455,855	19,603	(85)
ii) Cash flow hedges						
Forecasted transactions	-	-	-	2,578	50	-
Coupon on long-term debt	74,156	-	(3,412)	84,674	3,573	-
Total forward foreign exchange contracts	470,279	316	(11,799)	543,107	23,226	(85)
Interest rate risk being hedged using Interest rate swaps						
i) Fair value hedges - fixed rate debt	751,973	47,692	(11,595)	550,585	37,790	-
ii) Cash flow hedges - floating rate debt	75,000	342	(7,274)	650,000	-	(16,938)
Total interest rate hedging contracts	826,973	48,034	(18,869)	1,200,585	37,790	(16,938)
Total – Hedging Derivatives	1,297,252	48,350	(30,668)	1,743,692	61,016	(17,023)
B) DERIVATIVES ON BEHALF OF CLIENTS						
Forward foreign exchange contracts	-	-	-	27,698	1,650	(1,690)
Total - Derivatives on behalf of clients	-	-	-	27,698	1,650	(1,690)
C) OTHER DERIVATIVES						
Interest rate swaps	330,925	9,986	(10,068)	50,000	15,327	(15,328)
Forward foreign exchange contracts	500,350	4,474	(1,637)	374,701	2,988	(4,586)
Currency options	2,251	1	(1)	2,251	20	(20)
Cross currency swaps	52,332	-	(598)	250,680	249	(513)
Interest rate options	250,000	-	(31)	-	-	-
Total – Other Derivatives	1,135,858	14,461	(12,335)	677,632	18,584	(20,447)
TOTAL - DERIVATIVE FINANCIAL INSTRUMENTS	**2,433,110**	**62,811**	**(43,003)**	**2,449,022**	**81,250**	**(39,160)**

** Collateral funded by the Group amounting to $9.5 million has been taken against the underlying derivatives negative fair values. Collateral with the Group of $39.3 million as of June 30, 2012 was offset against the underlying derivatives positive fair value.*

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity at June 30, 2013:

June 30, 2013 $000s	Notional amounts by term to maturity Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	396,123	-	-	-	396,123
Interest rate swaps	-	27,488	255,732	468,753	751,973
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	74,156	-	-	-	74,156
Interest rate swaps	-	-	50,000	25,000	75,000
Other Derivatives:					
Interest rate swaps	-	280,925	-	50,000	330,925
Forward foreign exchange contracts	500,350	-	-	-	500,350
Currency options	-	2,251	-	-	2,251
Cross currency swaps	-	-	52,332	-	52,332
Interest rate options	-	-	250,000	-	250,000
	970,629	310,664	608,064	543,753	2,433,110

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity at June 30, 2012:

June 30, 2012 $000s	Notional amounts by term to maturity Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	198,700	257,155	-	-	455,855
Interest rate swaps	-	-	34,696	515,889	550,585
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	-	84,674	-	-	84,674
Interest rate swaps	400,000	100,000	-	150,000	650,000
Forecasted transactions	2,578	-	-	-	2,578
Derivatives on behalf of clients:					
Forward foreign exchange contracts	3,253	24,445	-	-	27,698
Other Derivatives:					
Interest rate swaps	-	-	-	50,000	50,000
Forward foreign exchange contracts	352,653	22,048	-	-	374,701
Currency options	-	-	2,251	-	2,251
Cross currency swaps	-	-	250,680	-	250,680
	957,184	488,322	287,627	715,889	2,449,022

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedges

Losses arising from fair value hedges during the year ended June 30, 2013 were $ 22.1 million (2012: gains of $20.7 million) while the gains on the hedged items, attributable to interest rate and foreign currency risks, were $24.7 million (2012: losses of $23.0 million). These gains and losses are included in interest expense or treasury and other asset based income, as appropriate, in the consolidated statement of income.

Undiscounted cash flows for forecasted items hedged

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

June 30, 2013 *$000s*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk					
Coupon on long-term debt	(6,540)	(6,540)	(52,323)	(156,970)	(222,373)
Interest rate risk					
Fixed coupon on long-term debt *	(2,020)	(2,020)	(16,160)	(58,580)	(78,780)
	(8,560)	(8,560)	(68,483)	(215,550)	(301,153)

June 30, 2012 *$000s*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk					
Coupon on long-term debt	(8,154)	(8,154)	(65,231)	(212,001)	(293,540)
Interest rate risk					
Fixed coupon on long-term debt *	(2,020)	(2,020)	(16,160)	(62,620)	(82,820)
	(10,174)	(10,174)	(81,391)	(274,621)	(376,360)

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

The ineffective portion of cash flow hedges recycled out of equity to the consolidated statement of income for the year ended June 30, 2013 was $0.3 million (June 30, 2012: $1.5 million).

20. COMMITMENTS AND CONTINGENT LIABILITIES

$000s	***June 30, 2013***	*June 30, 2012*
Investment commitments to closed-end funds	42,713	146,843
Other investment commitments	34,370	2,860
Total investment commitments	77,083	149,703
Non-cancelable operating leases	45,520	49,591
Guarantees and letters of credit issued to third parties	53,766	63,993

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

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

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

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

The Group is engaged in litigation cases in various jurisdictions. The litigation cases involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group.

21. REGULATORY CAPITAL ADEQUACY

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

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

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

The following table outlines the corresponding Basel II Risk Weights by Asset class

Asset class segment	Basel II Methodology June 30, 2013	Basel II risk weight June 30, 2013
Corporate Investments	Standardized approach ('STA')	150%
Real Estate	Standardized approach ('STA')	200%
Hedge Funds	Standardized approach ('STA')	150%
CI and RE underwriting	Standardized approach ('STA')	100%
Operational risk	Basic indicator approach ('BIA')	15%

21. REGULATORY CAPITAL ADEQUACY (continued)

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

$000s	*June 30, 2013*	*June 30, 2012*
Gross Tier 1 capital	1,058,069	1,035,192
Less: regulatory deductions	-	(44,367)
Tier 1 capital - net (a)	1,058,069	990,825
Gross Tier 2 capital	8,260	8,551
Less: regulatory deductions	(5,288)	(8,551)
Tier 2 capital - net (b)	2,972	-
Regulatory capital base under Basel II (c) = (a) + (b)	1,061,041	990,825

Risk weighted exposure *$000s*	***Principal / Notional amounts*** *June 30, 2013*	***Risk weighted equivalents*** *June 30, 2013*	*Principal / Notional amounts* *June 30, 2012*	*Risk weighted equivalents* *June 30, 2012*
Credit risk				
Claims on sovereigns	67	-	67	-
Claims on non-central government public sector entities	-	-	8,375	-
Claims on banks	401,193	80,239	262,562	53,412
Claims on corporates	541,642	416,782	494,060	422,244
Co-investments (including hedge funds)	1,378,876	2,065,887	1,790,348	2,540,593
Other assets	57,779	57,779	68,201	68,201
Off-balance sheet items				
Commitments and contingent liabilities	176,369	93,353	263,287	152,377
Derivative financial instruments	2,433,110	37,286	2,449,022	57,256
Credit risk weighted exposure		2,751,326		3,294,083
Market risk				
Market risk weighted exposure		244		1,738
Operational risk				
Operational risk weighted exposure		388,308		392,601
Total risk weighted exposure *(d)*		3,139,878		3,688,422
Risk asset ratio *(c) / (d)*		**33.8%**		**26.9%**
Minimum required as per CBB regulatory guidelines under Basel II		**12.0%**		**12.0%**
Capital cushion over minimum required as per CBB guidelines		684,256		548,214

Fair value unrealized losses amounting to $77.6 million (June 30, 2012: $54.1 million gain) are included in Tier 1 and Tier 2 capital.

22. RISK MANAGEMENT

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

The Group's primary risk management objective is to support its business objectives with sufficient economic capital. The Group employs risk models to determine the capital needed to cover unexpected losses from investment or other risks. This capital amount is known as economic capital and differs from regulatory capital as defined by the CBB using the Basel Accord (see Note 21). The economic capital requirement for each reporting segment is determined for a one year horizon and subsequently aggregated to determine the economic capital cushion. This cushion is then stress tested under a dynamic VaR approach. The dynamic VaR is calculated by using a five-year planning horizon, a 99% one-tailed confidence level and by recognizing diversification benefits across asset classes.

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

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

i) Counterparty credit risk

The Group is exposed to counterparty credit risk on its short term funds, placements, fair value of derivatives, receivables, advances, debt investments and guarantees. The Group manages counterparty credit risk by setting limits for all counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. Counterparty credit risk in respect of derivative financial instruments is limited to those with positive fair values (see Note 19). With respect to the counterparty credit risk exposure arising from other financial assets, the Group has a maximum exposure equal to the carrying value of these instruments. The Group also actively attempts to mitigate counterparty credit risks through documented netting and margin arrangements with counterparties, where possible, via ISDA and CSA agreements.

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

22. RISK MANAGEMENT (continued)

i) Counterparty credit risk (continued)

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

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

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

Internal rating categories are summarized as follows:

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

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

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

The table below analyses the Group's maximum counterparty credit risk exposures at the balance sheet date without taking into account any credit enhancements.

June 30, 2013 $000s	Neither past due nor impaired (a)		Past due but not impaired (b)	Impaired* (c)	Provisions (d)	Maximum credit risk (a+b+c+d)	Average balance
	Credit risk rating						
	High	Standard					
Short-term funds	101,804	-	-	-	-	101,804	70,463
Placements with financial institutions and other liquid assets	411,876	41,229	-	-	-	453,105	287,417
Positive fair value of derivatives	36,427	26,384	-	-	-	62,811	65,381
Receivables	-	246,993	4,074	10,412	(10,412)	251,067	212,894
Advances	-	148,975	-	11,850	(13,850)	146,975	106,853
Co-investments - debt	-	53,406	-	-	-	53,406	76,851
Guarantees	-	53,766	-	-	-	53,766	58,880
Total	550,107	570,753	4,074	22,262	(24,262)	1,122,934	

June 30, 2012 $000s	Neither past due nor impaired (a)		Past due but not impaired (b)	Impaired* (c)	Provisions (d)	Maximum credit risk (a+b+c+d)	Average balance
	Credit risk rating						
	High	Standard					
Short-term funds	154,695	1,467	-	-	-	156,162	48,396
Placements with financial institutions and other liquid assets	165,187	29,380	-	-	-	194,567	287,213
Positive fair value of derivatives	54,006	27,244	-	-	-	81,250	70,473
Receivables	-	218,957	22,809	6,986	(6,986)	241,766	210,722
Advances	-	188,853	-	11,852	(11,852)	188,853	122,051
Co-investments - debt	-	100,295	-	-	-	100,295	86,622
Guarantees	-	63,993	-	-	-	63,993	105,354
Total	373,888	630,189	22,809	18,838	(18,838)	1,026,886	

* Fair value of collaterals relating to impaired exposures is nil (June 30, 2012: nil).

22. RISK MANAGEMENT (continued)

i) Counterparty credit risk (continued)

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

$000s	June 30, 2013	June 30, 2012
Up to 1 month	456	2,261
> 1 up to 3 months	632	6,251
> 3 up to 6 months	2,598	2,947
> 6 months up to 1 year	388	51
Over 1 year	-	11,299
Total	**4,074**	**22,809**

The financial assets that are past due but not impaired mainly relate to subscriptions receivable from clients. These assets are over-collateralized by all other assets under management on behalf of these clients. The collateral is revalued from time to time in the same manner as the Group's exposure to investments. The fair value of collateral that the Group holds relating to financial assets that are past due but not impaired at June 30, 2013 amounts to $68.7 million (June 30, 2012: $403 million).

The breakdown of provisions being carried against advances and receivables by geographical region and industry sector is as follows:

$000s	June 30, 2013	June 30, 2012
Geographical region		
North America	22,506	17,082
Europe	1,581	1,581
Other	175	175
Total	**24,262**	**18,838**

$000s	June 30, 2013	June 30, 2012
Industry sector		
Banking and finance	1,985	1,986
Consumer products	56	56
Distribution	1,686	1,604
Industrial products	70	70
Industrial services	995	-
Real estate	17,238	14,929
Technology and telecom	2,057	18
Others	175	175
Total	**24,262**	**18,838**

22. RISK MANAGEMENT (continued)

ii) Funding liquidity risk

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

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

June 30, 2013 *$000s*	*Up to 3 months*	*>3 months up to 1 year*	*Sub-Total up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Over 20 years*	*Total*
Assets								
Cash and short-term funds	101,906	-	101,906	-	-	-	-	101,906
Placement with financial institutions and other liquid assets	453,105	-	453,105	-	-	-	-	453,105
Positive fair value of derivatives	4,790	519	5,309	141	577	56,784	-	62,811
Receivables and prepayments	106,041	36,892	142,933	140,071	-	-	-	283,004
Advances	1,553	21,366	22,919	124,056	-	-	-	146,975
Co-investments								
Hedge funds	214,023	23,272	237,295	78,467	-	-	-	315,762
Corporate investment	33,000	105,482	138,482	768,127	-	-	-	906,609
Real estate investment	-	39,559	39,559	116,946	-	-	-	156,505
Premises, equipment and other assets	471	-	471	16,431	25,534	8,216	-	50,652
Total assets	914,889	227,090	1,141,979	1,244,239	26,111	65,000	-	2,477,329
Liabilities								
Deposits from financial institutions	-	13,021	13,021	10,823	-	-	-	23,844
Deposits from clients - short term	200,588	5,512	206,100	-	-	-	-	206,100
Negative fair value of derivatives	18,810	67	18,877	11,831	-	12,295	-	43,003
Payables and accrued expenses	120,521	21,849	142,370	5,916	-	-	-	148,286
Deposits from clients - medium term	-	-	-	88,200	-	-	-	88,200
Medium-term debt	10,000	14,408	24,408	458,081	-	-	-	482,489
Long-term debt	-	25,956	25,956	-	-	393,122	-	419,078
Total liabilities	349,919	80,813	430,732	574,851	-	405,417	-	1,411,000
Net gap	564,970	146,277	711,247	669,388	26,111	(340,417)	-	
Cumulative liquidity gap	564,970	711,247	711,247	1,380,635	1,406,746	1,066,329	1,066,329	

June 30, 2012 *$000s*	*Up to 3 months*	*>3 months up to 1 year*	*Sub-Total up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Over 20 years*	*Total*
Assets								
Cash and short-term funds	156,252	-	156,252	-	-	-	-	156,252
Placement with financial institutions and other liquid assets	191,567	3,000	194,567	-	-	-	-	194,567
Positive fair value of derivatives	7,455	11,322	18,777	1,352	588	44,970	15,563	81,250
Receivables and prepayments	95,979	31,124	127,103	157,234	-	-	-	284,337
Advances	9,963	40,907	50,870	137,983	-	-	-	188,853
Co-investments								
Hedge funds	277,690	104,009	381,699	32,399	-	-	-	414,098
Corporate investment	197,757	178,868	376,625	845,165	-	-	-	1,221,790
Real estate investment	4,477	25,625	30,102	124,358	-	-	-	154,460
Premises, equipment and other assets	222	-	222	16,672	28,962	8,216	-	54,072
Total assets	941,362	394,855	1,336,217	1,315,163	29,550	53,186	15,563	2,749,679
Liabilities								
Deposits from financial institutions	10,111	-	10,111	-	-	-	-	10,111
Deposits from clients - short term	195,245	-	195,245	-	-	-	-	195,245
Negative fair value of derivatives	3,004	3,850	6,854	514	-	12,529	19,263	39,160
Payables and accrued expenses	181,181	26,856	208,037	6,395	-	-	-	214,432
Deposits from clients - medium term	-	-	-	119,241	-	-	-	119,241
Medium-term debt*	-	12,705	12,705	554,551	-	-	-	567,256
Long-term debt	-	19,404	19,404	26,038	-	466,873	48,176	560,491
Total liabilities	389,541	62,815	452,356	706,739	-	479,402	67,439	1,705,936
Net gap	551,821	332,040	883,861	608,424	29,550	(426,216)	(51,876)	
Cumulative liquidity gap	551,821	883,861	883,861	1,492,285	1,521,835	1,095,619	1,043,743	

* Does not take in to account the $297.4 million undrawn revolvers, of which $292.8 million was to be repaid in March 2013 on maturity. Further, the medium term debt maturities takes into account the impact of the forward start facility that the Group has signed amounting to $504 million. Please see Note 14 for details.

22. RISK MANAGEMENT (continued)

ii) Funding liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group relating to its financial liabilities and derivatives upon their respective earliest contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows (i.e. nominal plus interest) determined by using the forward yield curve for the relevant periods. However, the Group manages the inherent funding liquidity risk based on future cash flows discounted to present values.

June 30, 2013 *$000s*	*Up to* *3 months*	*>3 months* *up to 1 year*	*>1 year* *up to 5 years*	*>5 years* *up to 10 years*	*>10 years* *up to 20 years*	*Over* *20 years*	*Total*
Financial liabilities							
Deposits from financial institutions	-	13,488	11,923	-	-	-	25,411
Deposits from clients	201,149	5,803	88,805	-	-	-	295,757
Payables and accrued expenses	120,521	21,849	5,916	-	-	-	148,286
Medium-term debt	10,051	44,323	593,533	-	-	-	647,907
Long-term debt	8,560	35,884	68,483	85,604	553,683	-	752,214
	340,281	121,347	768,660	85,604	553,683	-	1,869,575
Derivatives:							
Contracts settled on a gross basis:							
Contractual amounts payable	969,211	154	53,173	-	-	-	1,022,538
Contractual amounts receivable	(950,297)	(288)	(53,292)	-	-	-	(1,003,877)
Contracts settled on a net basis:							
Contractual amounts payable (receivable)	1,763	(9,095)	(19,798)	(13,149)	11,064	-	(29,215)
Commitments	35,798	36,583	39,810	10,412	-	-	122,603
Guarantees	53,766	-	-	-	-		53,766
Total undiscounted financial liabilities	450,522	148,701	788,553	82,867	564,747	-	2,035,390

June 30, 2012 *$000s*	*Up to* *3 months*	*>3 months* *up to 1 year*	*>1 year* *up to 5 years*	*>5 years* *up to 10 years*	*>10 years* *up to 20 years*	*Over* *20 years*	*Total*
Financial liabilities							
Deposits from financial institutions	10,137	-	-	-	-	-	10,137
Deposits from clients	195,607	657	120,514	-	-	-	316,778
Payables and accrued expenses	181,181	26,856	6,395	-	-	-	214,432
Medium-term debt*	2,276	34,856	596,226	-	-	-	633,358
Long-term debt	10,254	33,016	108,707	101,739	636,798	52,020	942,534
	399,455	95,385	831,842	101,739	636,798	52,020	2,117,239
Derivatives:							
Contracts settled on a gross basis:							
Contractual amounts payable	559,637	387,110	256,406	-	-	-	1,203,153
Contractual amounts receivable	(567,521)	(400,372)	(253,475)	-	-	-	(1,221,368)
Contracts settled on a net basis:							
Contractual amounts payable (receivable)	(3,921)	(3,509)	(29,773)	(25,400)	(3,813)	(119)	(66,535)
Commitments	1,900	35,642	150,291	11,461	-	-	199,294
Guarantees	63,993	-	-	-	-	-	63,993
Total undiscounted financial liabilities	453,543	114,256	955,291	87,800	632,985	51,901	2,295,776

* Does not take in to account the $297.4 million undrawn revolvers, of which $292.8 million was to be repaid in March 2013 on maturity. Further the medium term debt maturities take into account the impact of the forward start facility that the Group has signed amounting to $504 million.

22. RISK MANAGEMENT (continued)

iii) Concentration risk

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

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

	June 30, 2013			June 30, 2012		
$000s	Assets exposed to credit risk	Off-balance sheet items exposed to credit risk	Total credit risk exposure	Assets exposed to credit risk	Off-balance sheet items exposed to credit risk	Total credit risk exposure
Geographical Region						
North America	817,979	53,766	871,745	698,258	63,993	762,251
Europe	175,158	-	175,158	252,368	-	252,368
Middle East	76,031	-	76,031	12,236	-	12,236
Other	-	-	-	31	-	31
Total	1,069,168	53,766	1,122,934	962,893	63,993	1,026,886

	June 30, 2013			June 30, 2012		
$000s	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure
Industry Sector						
Banking and Finance	775,644	116	775,760	506,250	116	506,366
Consumer products	35,123	150	35,273	52,749	377	53,126
Consumer services	17,051	-	17,051	68,742	-	68,742
Distribution	10,152	-	10,152	30,536	-	30,536
Industrial products	69,355	-	69,355	117,089	-	117,089
Real estate	88,481	53,500	141,981	134,079	53,500	187,579
Technology and Telecom	60,474	-	60,474	44,461	-	44,461
Others	12,888	-	12,888	8,987	10,000	18,987
Total	1,069,168	53,766	1,122,934	962,893	63,993	1,026,886

22. RISK MANAGEMENT (continued)

iv) Market price risk

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

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

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

iv) (a) Foreign currency risk

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

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

$000s	**June 30, 2013**		*June 30, 2012*	
Long (Short)	**Net hedged exposure**	**Net unhedged exposure**	*Net hedged exposure*	*Net unhedged exposure*
Bahraini Dinar*	-	39,762	-	39,774
Saudi Riyal*	-	14,742	-	98
Euro	134,292	31	367,331	356
Pounds Sterling	17,673	2	58,168	122
Japanese Yen	(331,075)	185	(467,559)	521
	(179,110)	54,722	(42,060)	40,871

* Currency exchange rate currently pegged against the US Dollar.

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

22. RISK MANAGEMENT (continued)

iv) Market price risk (continued)

iv) (a) Foreign currency risk (continued)

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

$000s	2013	2012
Average FX VaR	7	6
Year end FX VaR	4	11
Maximum FX VaR	28	28
Minimum FX VaR	1	1

iv) (b) Interest rate risk

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

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

- Investments amounting to $35.4 million (June 30, 2012: $51.1 million), which earn interest at an effective rate approximating 11.9% (June 30, 2012: 11.6%) per annum.
- Deposits from clients amounting to $55.5 million (June 30, 2012: $37.7 million) on which interest is paid at an effective rate of 5.1% (June 30, 2012: 4.7%) per annum.

22. RISK MANAGEMENT (continued)

iv) Market price risk (continued)

iv) (b) Interest rate risk (continued)

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

$000s	Sensitivity to net income for +200 basis points	Sensitivity to net income for -200 basis points
Currency	June 30, 2013	
Euro	(6,843)	394
Pounds Sterling	(781)	195
Japanese Yen	643	(89)
US Dollar	(4,178)	1,548
Others	(125)	24
Total	(11,284)	2,072

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

$000s	Sensitivity to net income for +200 basis points	Sensitivity to net income for -200 basis points
Currency	June 30, 2012	
Euro	(7,691)	1,864
Pounds Sterling	(1,333)	432
Japanese Yen	880	(167)
US Dollar	(8,207)	3,187
Others	155	(3)
Total	(16,196)	5,313

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

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

22. RISK MANAGEMENT (continued)

iv) Market price risk (continued)

iv) (c) Equity price risk

The Group's equity price risk arises primarily from its co-investments in hedge funds, corporate investment and real estate investment.

Co-investments in corporate investment and real estate investment

The Group manages the equity price risk of its co-investments in corporate investment and real estate investment on a portfolio basis as well as at the individual investment level, where an independent risk analysis is conducted at the pre-acquisition stage.

The table below summarizes the sensitivity of the Group's co-investments in CI and RE co-investments (see Note 23) to changes in multiples / discount rates / quoted bid prices.

June 30, 2013 *$000s*	*Factor*	*Change*	*Balance sheet exposure*	*Projected Balance sheet Exposure*		*Impact on Income*	
				For increase	For decrease	For increase	For decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	692,360	775,221	608,986	82,861	(83,374)
	Revenue Multiples	+/- 0.5x	112,188	115,390	109,728	3,202	(2,460)
	Quoted bid price	+/- 1%	31,893	32,212	31,574	319	(319)
Real estate co-investments	Capitalization Rate	+/- 1%	120,081	137,066	95,200	16,985	(24,881)
June 30, 2012 *$000s*	*Factor*	*Change*	*Balance sheet exposure*	*Projected Balance sheet Exposure*		*Impact on Income*	
				For increase	For decrease	For increase	For decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	1,006,019	1,086,918	913,401	80,899	(92,618)
	Revenue Multiples	+/- 0.5x	76,815	84,537	69,093	7,722	(7,722)
	Quoted bid price	+/- 1%	6,258	6,321	6,195	63	(63)
Real estate co-investments	Capitalization Rate	+/- 1%	111,016	149,277	76,103	38,261	(34,913)

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

Co-investments in hedge funds

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

The table below sets out the VaR, at a 99% confidence level and a one-month time horizon, for the Group's hedge funds exposure, which has significantly reduced over the financial year ended June 30, 2013.

$000s	**2013**	2012
Average VaR	23,005	37,154
Year end VaR	19,326	31,060
Maximum VaR	27,467	41,598
Minimum VaR	19,326	31,060

22. RISK MANAGEMENT (continued)

v) Operational risk

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

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout Investcorp. Internal audit makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios. In addition, Investcorp takes out insurance against legal risks arising from 'Errors and Omissions' on the part of officers of Investcorp.

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

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The fair values of the Group's financial assets and liabilities on the consolidated balance sheet are not materially different to their carrying value except for certain liabilities carried at amortized cost. The fair value of medium and long term debt amounts to $768.0 million (June 30, 2012: $813.0 million) as compared to carrying value of $923.2 million (June 30, 2012: $1,135.6 million).

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

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

Level 2: input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

During the current financial year there was a transfer of $25.6 million (2012: nil) from level 3 to level 1 under corporate investment. This represents the listing on a stock exchange of a previously unquoted investment. Further, hedge funds exposure of $87.9 million (June 30, 2012: nil) comprised of illiquid side pocket investments was classified as level 3 during the current financial year. The year to date fair value changes on this hedge funds exposure amounts to a gain of $5.8 million.

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

June 30, 2013 *$000s*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Positive fair value of derivatives	-	62,811	-	62,811
Co-investments				
Hedge funds	-	227,827	87,935	315,762
Corporate investments	31,893	-	857,734	889,627
Real estate investments	-	-	120,081	120,081
Total financial assets	31,893	290,638	1,065,750	1,388,281
Financial liabilities				
Negative fair value of derivatives	-	43,003	-	43,003
Total financial liabilities	-	43,003	-	43,003

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

June 30, 2012 *$000s*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Placements with financial institutions and other liquid assets	-	3,000	-	3,000
Positive fair value of derivatives	-	81,250	-	81,250
Co-investments				
Hedge funds	-	414,098	-	414,098
Corporate investments	6,258	-	1,158,681	1,164,939
Real estate investments	-	-	111,016	111,016
Total financial assets	6,258	498,348	1,269,697	1,774,303
Financial liabilities				
Negative fair value of derivatives	-	39,160	-	39,160
Total financial liabilities	-	39,160	-	39,160

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A reconciliation of the opening and closing amounts of co-investment in corporate investment and real estate investment (including those measured using Level 1 input and assets at amortized cost) is given below:

June 30, 2013 *$000s*	*At beginning*	*Net new acquisitions*	*Fair value movements**	*Movements relating to realizations / placements*	*Other movements***	*At end*
CI co-investments						
Level 3	1,106,811	96,186	(27,667)	(362,572)	(8,210)	804,548
Others	27,418	-	15,075	(32,470)	21,870	31,893
Sub-total	**1,134,229**	**96,186**	**(12,592)**	**(395,042)**	**13,660**	**836,441**
CI - Strategic investments and other						
Level 3	51,870	-	14,562	(13,675)	429	53,186
Others	35,691	-	-	(18,709)	-	16,982
Sub-total	**87,561**	**-**	**14,562**	**(32,384)**	**429**	**70,168**
RE co-investments						
Level 3	111,016	7,448	(13,774)	(11,095)	26,486	120,081
Others	43,444	5,685	-	(12,720)	15	36,424
Sub-total	**154,460**	**13,133**	**(13,774)**	**(23,815)**	**26,501**	**156,505**
Total	**1,376,250**	**109,319**	**(11,804)**	**(451,241)**	**40,590**	**1,063,114**

*** Includes $61 thousand fair value loss in available for sale investments.**
****Other movements include add-on funding and foreign currency translation adjustments**

June 30, 2012 *$000s*	*At beginning*	*Net new acquisitions*	*Fair value movements**	*Movements relating to realizations / placements*	*Other movements***	*At end*
CI co-investments						
Level 3	1,028,304	188,567	21,329	(74,296)	(57,093)	1,106,811
Others	20,258	16,132	(2,563)	(10,187)	3,778	27,418
Sub-total	**1,048,562**	**204,699**	**18,766**	**(84,483)**	**(53,315)**	**1,134,229**
CI - Strategic investments and other						
Level 3	52,357	-	(1,583)		1,096	51,870
Others	20,816	-	-	-	14,875	35,691
Sub-total	**73,173**	**-**	**(1,583)**	**-**	**15,971**	**87,561**
RE co-investments						
Level 3	153,392	2,894	(3,455)	(41,815)	-	111,016
Others	35,446	7,729	-	(5,671)	5,940	43,444
Sub-total	**188,838**	**10,623**	**(3,455)**	**(47,486)**	**5,940**	**154,460**
Total	**1,310,573**	**215,322**	**13,728**	**(131,969)**	**(31,404)**	**1,376,250**

*** Includes $2 million fair value loss in available for sale investments.**
****Other movements include add-on funding and foreign currency translation adjustments**

All the fair value movements noted above relate to financial assets based on Level 3, except for $15.1 million gain (2012: $2.6 million loss) for movements relating to Level 1 assets of CI Co-investments.

24. EMPLOYEE COMPENSATION

In designing its employee compensation plans, Investcorp's primary objective is to provide employees with a secure compensation platform upon which they are encouraged to pursue outstanding returns and to reward them based on their results in line with the interests of clients and shareholders. This is achieved through a combination of cash salaries, variable bonuses dependent upon Group, unit and individual performance, and participation in various long-term employee investment and ownership programs described below.

Salaries are determined and revised based on competitive market conditions, while the aggregate Group bonus is determined based on gross income before bonuses for the year such that the aggregate executive compensation, including salaries and bonuses, is maintained at a target ratio of total income consistent with industry benchmarks.

Similar to most other investment institutions, the overall compensation paid to Investcorp's executives is highly correlated with Investcorp's net income.

Consistent with established practice amongst investment institutions specializing in alternative asset classes, the Group's senior professional staff participates in various investment programs that align their interests with those of clients and shareholders.

The benefit of these investment programs arises from participation in the returns generated by the underlying investments. There are broadly three such programs, as described below.

Programs for Investment Profit Participation

The Group's investment professionals in its corporate investment, real estate investment and placement and relationship management lines of business participate in "carry-based" programs, whereby a certain variable portion of exit proceeds due to investors from realization of their investments is shared with these professionals, provided certain pre-established minimum return hurdles are exceeded. Since this carry is awarded upfront at the time of acquisition it has no significant value at the time of the award.

24. EMPLOYEE COMPENSATION (continued)

Programs for Investment Participation

The Group's professional staff are also offered the opportunity to co-invest alongside clients in the Group's investment products that they manage, including products offered by the corporate investment, real estate investment and the hedge funds lines of business. Employees co-invest in the underlying investments at the Group's cost basis, thereby resulting in no gain or loss to the Group. Employees may also invest in other lines of business as long as they meet the accredited/sophisticated investor criteria imposed by the regulatory authorities in the country in which their office is located.

The Group provides financing at market rates to or on behalf of eligible employees, to invest in these programs on a levered basis. The permissible levels of leverage varied on a product to product and program to program basis. The aggregate remaining amount of such financing provided to or on behalf of employees as of June 30, 2013 is $74.1 million (June 30, 2012: $94.7 million).

Employees Share Ownership Plans

SIPCO Holdings Limited ("SHL") sponsors various employee share ownership plans under which eligible employees have previously received, and currently receive, a portion of their annual performance-based incentive compensation in the form of SIPCO shares that represent a beneficial interest in the ordinary shares of the Bank. These SIPCO shares have different vesting periods and are not transferable.

SIPCO shares are granted to the employees at their fair value on the grant date. The fair value of SIPCO shares for purposes of the plan is estimated considering their non-transferability and the indirect nature of the underlying beneficial ownership. The value of SIPCO shares granted during the year is $2.3 million (2012: $13.9 million). The start and end date of the vesting period for each grant varies from plan to plan and is based on continued employment as well as satisfaction of certain performance conditions. The determination of the amount of expense to be recognized as compensation expense in any year is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

An income statement charge of $5.8 million (2012: $3.3 million) was taken by the Group based on management's best estimate of the number of shares that are likely to vest. The grant date value of shares vested during the year amounted to $12.8 million (US$8.4 million). The details of shares granted, vested and forfeited during the year are as follows:

Number of shares	**2013**	**2012**
Granted during the year	3,126	19,950
Vested during the year	(23,958)	(17,459)
Forfeited during the year	(14,101)	(9,792)

25. RELATED PARTY TRANSACTIONS

For the Group, related parties include its investee companies, companies that hold clients' investments (clients' investment holding companies), client fund companies associated with hedge funds and the parent company through which the employees invest in beneficial ownership of the Bank's ordinary shares.

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

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

In addition to the compensation and benefits to employees disclosed in Note 24, the income earned and expenses incurred in connection with related party transactions included in these consolidated financial statements are as follows:

$000s		**2013**	*2012*
AUM fees	Investee companies	13,658	19,154
	Client companies	41,007	53,250
	Client companies associated with the HF	37,743	34,151
Deal fees	Investee companies	82,512	45,726
	Client companies	47,379	55,202
Asset based income	Investee companies	19,092	32,867
	Client companies	1,732	1,835
Interest expense	Client companies	(132)	407
Provisions for impairment	Employee investment programs	(1,522)	(156)

25. RELATED PARTY TRANSACTIONS (continued)

Of the staff compensation for the year set out in Note 5, $50.8 million (2012: $24.9 million) is attributable to senior management (including an employee who is also a director). Of the above mentioned remuneration of senior management, $38.4 million (June 30, 2012: $21.6 million) is short term in nature.

In addition to the compensation and benefits to employees disclosed in Note 24, the balances with related parties included in these consolidated financial statements are as follows:

	June 30, 2013			*June 30, 2012*		
$000s	***Assets***	***Liabilities***	***Off-balance sheet***	*Assets*	*Liabilities*	*Off-balance sheet*
Outstanding balances						
Strategic shareholders	4,825	14,227	-	4,806	12,507	-
Investee companies	81,496	-	-	99,595	-	-
Investment holding companies	145,990	89,139	42,713	153,741	66,610	146,843
Client fund companies associated with the HFP	64,874	-	-	29,491	-	-
Directors and senior management	1,105	448	-	1,096	630	-
	298,290	103,814	42,713	288,729	79,747	146,843

The Group has also entered into management agreements with the strategic partners to manage these investments and consequently it shares a portion of the risks and rewards from the underlying investments. Income and expenses arising from these arrangements are included under client companies in the table on the previous page, to the extent they result from transactions with related parties.