INVESTCORP BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Investcorp Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at December 31, 2008, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst + Young

February 11, 2009
Manama, Kingdom of Bahrain

INVESTCORP BANK B.S.C.

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2008 (UNAUDITED)

$000s	***December 31, 2008***	*(Audited) June 30, 2008*	*Note*	*Page*
ASSETS				
Cash and short-term funds	357,970	194,163	4	21
Placements with banks and other financial institutions	211,513	257,407	4	21
Positive fair value of derivatives	157,970	62,191	17	37
Receivables and prepayments	343,571	459,580	5	22
Loans and advances	180,099	341,106	6	23
Co-investments				
Hedge funds	947,504	2,020,808	7	24
Private equity	1,061,552	1,029,142	8	25
Real estate	338,594	337,038	9	30
Total co-investments	2,347,650	3,386,988		
Premises, equipment and other assets	75,844	64,892		
Total assets	3,674,617	4,766,327		
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from financial institutions	53,550	385,469		
Deposits from clients	375,584	558,019	11	31
Negative fair value of derivatives	85,908	45,925	17	37
Unfunded deal acquisitions	83,099	234,321		
Payables and accrued expenses	70,202	217,125	12	32
Medium-term debt	1,653,617	1,116,395	13	32
Long-term debt	644,461	971,903	14	34
Total liabilities	2,966,421	3,529,157		
EQUITY				
Preference share capital	26,000	-	15	35
Ordinary shares' par value	200,000	200,000	15	35
Reserves	656,345	653,971		
(Accumulated losses) retained earnings	(11,063)	500,047		
Treasury shares	(186,615)	(177,602)		
Ordinary shareholders' equity	658,667	1,176,416		
Proposed ordinary share dividend	-	63,278		
Revaluation surplus on premises and equipment	11,240	-		
Fair value adjustments through equity	12,289	(2,524)		
Total equity	708,196	1,237,170		
Total liabilities and equity	3,674,617	4,766,327		

Abdul-Rahman Salim Al-Ateeqi
Chairman

Nemir A. Kirdar
Executive Chairman & CEO

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

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2008 (UNAUDITED)

CONSOLIDATED STATEMENT OF INCOME

$000s	*Jul - Dec 2008 (6 months)*	*Jul - Dec 2007 (6 months)*	*Note*	*Page*
FEE INCOME				
Management fees	61,986	56,381		
Activity fees	26,111	73,115		
Performance fees	(2,127)	14,671		
Gross fee income (a)	85,970	144,167	2	12
Expenses attributable to fee income	(70,822)	(89,599)	2	12
NET FEE INCOME	15,148	54,568		
ASSET BASED INCOME				
Investment income				
Private equity	(95,186)	24,267		
Hedge funds	(398,099)	103,884		
Real estate	(12,910)	11,289		
Treasury and other asset based income	63,262	23,904		
Gross asset based income (b)	(442,933)	163,344	2	12
Provisions	(2,594)	-	10	31
Interest expense	(62,070)	(98,791)		
Expenses attributable to asset based income	(18,661)	(31,356)	2	12
NET ASSET BASED INCOME	(526,258)	33,197		
NET (LOSS) INCOME	(511,110)	87,765		
Ordinary shares in issue, at beginning	703,090	718,963		
Ordinary shares in issue, at end	699,668	713,286		
Weighted average ordinary shares in issue	701,420	716,203		
Basic and fully diluted (loss) earnings per ordinary share ($)	(729)	123		
TOTAL REVENUE (a) + (b)	(356,963)	307,511		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

$000s	*Jul - Dec 2008 (6 months)*	*Jul - Dec 2007 (6 months)*	*Note*	*Page*
NET (LOSS) INCOME (AS ABOVE)	(511,110)	87,765		
Other comprehensive income				
Revaluation surplus on premises and equipment	11,240	-		
Fair value movements	14,813	(1,784)		
Other comprehensive income	26,053	(1,784)		
TOTAL COMPREHENSIVE (LOSS) INCOME	(485,057)	85,981		

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

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2008 (UNAUDITED)

$000s	*Jul - Dec 2008 (6 months)*	*(Audited) Jul 2007 - Jun 2008 (12 months)*	*Jul - Dec 2007 (6 months)*
Preference shares' par value at beginning	-	200,000	200,000
Proceeds	26,000	-	-
Redeemed	-	(200,000)	(200,000)
Preference shares' par value at end	26,000	-	-
Treasury shares (preference) at beginning	-	(14,032)	(14,032)
Par value of shares cancelled on redemption	-	13,274	13,274
Transfer to retained earnings on redemption	-	758	758
Treasury shares (preference) at end	-	-	-
Preference share capital at end	26,000	-	-
Ordinary shares' par value at beginning and end	200,000	200,000	200,000
Share premium at beginning	503,971	501,670	501,670
Gain on sale of treasury shares (ordinary)	2,374	2,301	2,179
Share premium at end	506,345	503,971	503,849
Statutory reserve at beginning	100,000	97,116	97,116
Transfer from retained earnings	-	2,884	-
Statutory reserve at end	100,000	100,000	97,116
General reserve at beginning and end	50,000	50,000	50,000
Reserves	656,345	653,971	650,965
Retained earnings at beginning	500,047	419,571	419,571
Comprehensive income excluding revaluation surplus and fair value movements	(511,110)	147,426	87,765
Transfer from treasury shares (preference) on redemption	-	(758)	(758)
Loss on sale of treasury shares (ordinary)	-	(30)	(30)
Transfer to statutory reserve	-	(2,884)	-
Dividends proposed	-	(63,278)	-
(Accumulated losses) retained earnings at end	(11,063)	500,047	506,548
Treasury shares (ordinary) at beginning	(177,602)	(141,532)	(141,532)
Purchased	(17,630)	(47,882)	(32,090)
Sold	10,991	14,083	19,254
Gain on sale (net)	(2,374)	(2,271)	(2,149)
Treasury shares (ordinary) at end	(186,615)	(177,602)	(156,517)
Ordinary shareholders' equity at end	658,667	1,176,416	1,200,996
Proposed ordinary share dividend	-	63,278	-
Revaluation surplus on premises and equipment	11,240	-	-
Fair value adjustments at beginning	(2,524)	(6,651)	(6,651)
Movements	14,813	4,127	(1,784)
Fair value adjustments at end	12,289	(2,524)	(8,435)
EQUITY AT END	**708,196**	**1,237,170**	**1,192,561**

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

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2008 (UNAUDITED)

$000s	*Jul - Dec 2008 (6 months)*	*Jul - Dec 2007 (6 months)*
OPERATING ACTIVITIES		
Net (loss) income	(511,110)	87,765
Adjustments to reconcile net income to net cash:		
Depreciation	3,398	3,366
Provisions for loans and advances	2,594	-
Amortization of transaction costs of borrowings	2,350	1,863
Net (loss) income adjusted for non-cash items	(502,768)	92,994
Changes in:		
Operating capital		
Receivables and prepayments	116,009	35,127
Loans and advances	158,413	(41,994)
Deposits from clients - short-term	(159,137)	184,580
Unfunded deal acquisitions	(151,222)	-
Payables and accrued expenses	(146,923)	(152,446)
Co-investments		
Hedge funds	1,073,304	(146,233)
Private equity	(32,410)	(276,979)
Real estate	(1,556)	(99,393)
Fair value of derivatives	7,194	16,651
Other assets	397	(164)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	361,301	(387,857)
FINANCING ACTIVITIES		
Deposits from financial institutions	(331,919)	54,698
Deposits from clients - medium-term	(23,298)	(73,055)
Medium-term revolvers drawn	557,500	-
Medium-term debt issued	-	650,000
Medium-term debt repaid	(22,000)	-
Long-term debt repaid	(376,247)	(6,250)
Treasury shares purchased (ordinary) - net	(6,639)	(12,836)
Preference share capital proceeds (redemeed)	26,000	(186,726)
Dividends paid	(63,278)	(75,724)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(239,881)	350,107
INVESTMENT IN PREMISES AND EQUIPMENT	(3,507)	(2,934)
Net increase (decrease) in cash and cash equivalents	117,913	(40,684)
Cash and cash equivalents at beginning	451,570	817,782
Cash and cash equivalents at end	569,483	777,098
Cash and cash equivalents comprise:		
Cash and short-term funds	93,970	55,147
Transitory funds	264,000	-
Placements with banks and other financial institutions	211,513	721,951
	569,483	777,098

Cash and cash equivalents comprise cash and short-term funds, transitory funds, together with placements with banks and other financial institutions and government securities that have contracted maturities of less than 90 days.

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

(i) Incorporation

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

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

The Bank is incorporated in the Kingdom of Bahrain as a Bahraini Shareholding Company with limited liability. The Bank has a primary listing on the Bahrain Stock Exchange (“BSE”) and a secondary listing through Global Depositary Receipts (the "GDR") on the London Stock Exchange (“LSE”). Every 100 GDRs represent a beneficial interest in one underlying ordinary share of the Bank. The ultimate parent of the Group is SIPCO Holdings Limited [see Note 1.A (iii)].

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

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

The interim condensed consolidated financial statements for the period ended December 31, 2008 were authorized for issue in accordance with a resolution of the Board of Directors dated February 11, 2009.

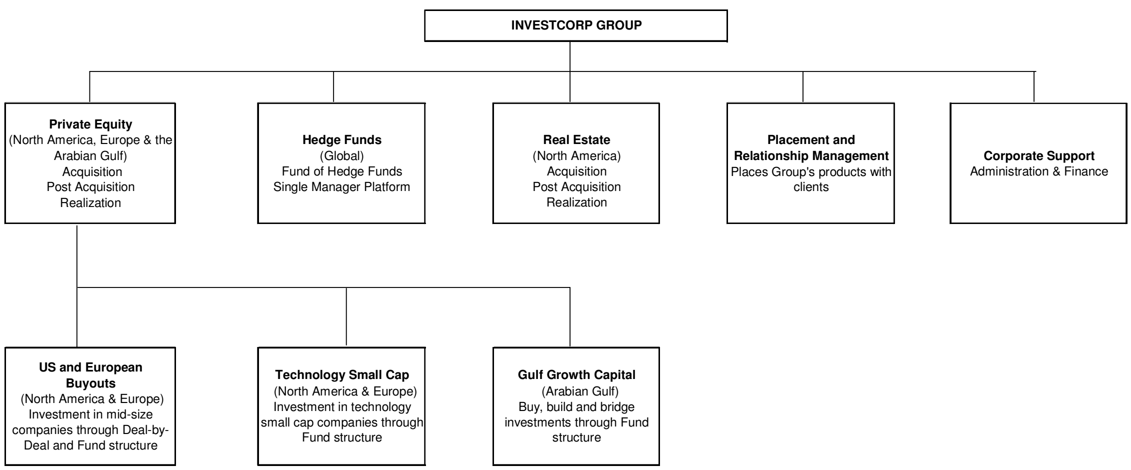
1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(ii) Activities

The Group's principal activity is providing products in three broad alternative investment asset classes to its client base and co-investing in these alongside its clients. The alternative investment asset classes in which the Group specializes are private equity, hedge funds and real estate. Within the private equity asset class the Group offers three products namely, (a) US and European Buyouts, (b) Technology Small Cap investments and (c) Gulf Growth Capital.

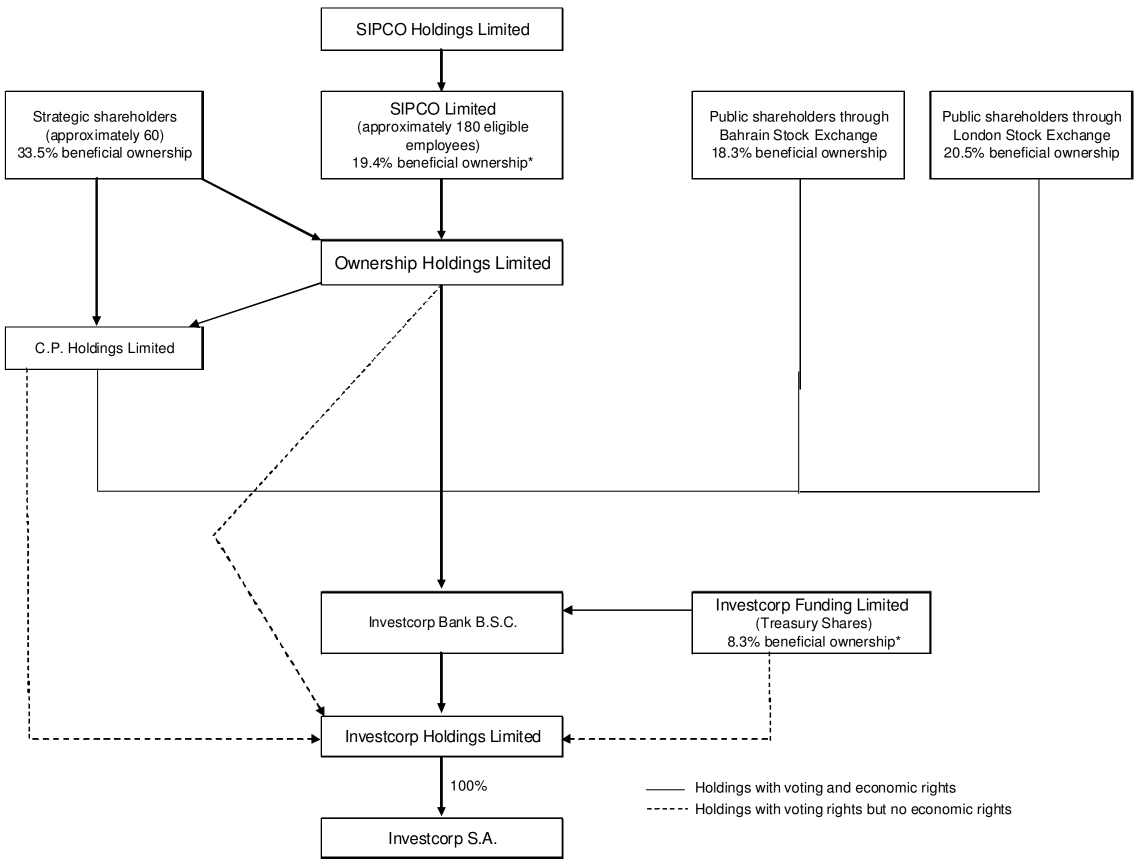
In carrying out its activities, the Group performs two principal roles (a) to act as an intermediary by bringing global alternative investment opportunities to its clients, and (b) to act as a principal investor by co-investing its balance sheet in each of its investment products alongside its clients.



1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iii) Ownership



* Includes shares that are held for future sale to management under the SIP Plan. The Group has approval from CBB to hold upto 40% shares for the SIP Plan..

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 participate in ownership of the Bank's ordinary shares. The Bank is, therefore, controlled by its employees through their beneficial ownership as a group via SHL, SIPCO, OHL and CPHL.

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iv) Subsidiary companies

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

The Bank has a 100% economic interest in Investcorp Holdings Limited ("IHL", incorporated in the Cayman Islands) through Series A 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. CPHL, OHL and Investcorp Funding Limited ("IFL") own ordinary shares of IHL in the same proportion to their shareholding of Investcorp ordinary shares. The ordinary shares and Series A preference shares of IHL carry voting rights.

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iv) Subsidiary companies (continued)

The Group structure 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. (Luxembourg)			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
		Invifin S.A. (Luxembourg)		Company through which the Group retains its investment in debt instruments across its product classes
		Investcorp Investment Holdings Limited (Cayman Islands)		Company through which the Group retains its equity investments across its product classes
		Investcorp Management Services Limited (Cayman Islands)		Company that provides investment management and advisory services to client investment holding companies for private equity and real estate investments
		Investcorp Investment Adviser Limited (Cayman Islands)		Company that provides investment management and advisory services to the hedge funds program (HFP) and is a SEC registered investment advisor
		Investcorp Funding Limited (Cayman Islands)		Company that provides short-term funding to investee and client investment holding companies
		Investcorp Trading Limited (Cayman Islands)		Company that executes the Group's money market, foreign exchange and derivative financial contracts and invests in single manager funds
		Investcorp AMP Limited (Cayman Islands)		Company through which the Group co-invests in the hedge funds program (HFP)
		CIP AMP Limited (Cayman Islands)		Company through which the Group co-invests in the hedge funds program (HFP)
		Investcorp Financial and Investment Services S.A. (Switzerland)		Company that provides M & A advisory services for deal execution in Western Europe
		Investcorp International Limited (UK)		The Group's principal operating subsidiary in the UK, a further subsidiary of which (Investcorp Securities Limited) provides M&A advisory services in the UK
		Investcorp International Holdings Inc. (USA)		The Group's principal operating subsidiary in the United States of America
			Investcorp International Inc. (USA)	Company that provides M&A advisory services for deal execution in North America
			N A Investcorp LLC (USA)	Company that provides marketing services in the United States for the HFP and is a SEC registered broker dealer
			Investcorp Investment Adviser LLC (USA)	Company that provides investment management services in the United States for the HFP and is a SEC registered investment advisor

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group are prepared in conformity with International Accounting Standard 34 applicable to interim financial reporting. The significant accounting policies adopted in the preparation of these interim condensed consolidated financial statements are those followed in the preparation of the audited consolidated financial statements for the year ended June 30, 2008 except as mentioned in Note 1(C) below.

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

C. CHANGE IN ACCOUNTING POLICY

During the current period, the Group changed its policy in respect of carrying value of premises and equipment. These assets have been revalued to their fair value in the current period and shall be carried at their revalued amount less any accumulated depreciation and cumulative impairment losses. The revaluation surplus has been recognized in other comprehensive income and included as a separate component of equity as revaluation surplus.

2. SEGMENT REPORTING

A) ACTIVITIES

i) As an intermediary

The Group acts as an intermediary by arranging and managing alternative investment assets for institutional and high net worth clients through operating centers in the Kingdom of Bahrain, London, New York and Los Angeles. 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, however the Group has been expanding its franchise globally, targeting institutional investors in the United States and Europe.

ii) As a principal

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

2. SEGMENT REPORTING (contined)

B) ASSET CLASSES, LINES OF BUSINESS AND REPORTING SEGMENTS

The Group classifies its reporting segments on the basis of its three product asset classes and the individual lines of business within these that are responsible for each distinct product category. The following table shows the relationship between the Group's asset classes, lines of business and reporting segments.

Asset Classes	Lines of Business (Product Categories)	Products	Reporting Segments
1) Private Equity	1) US and European Buyouts	- Deal by deal offerings - Closed end fund(s)	1) Private Equity
	2) Technology Small Cap Investments	- Closed-end fund(s)	
	3) Gulf Growth Capital	- Closed-end fund(s)	
2) Hedge Funds	4) Hedge Funds	- Fund of Hedge Funds - Single Managers	2) Hedge Funds
3) Real Estate	5) Real Estate	- Equity investments - Mezzanine debt investments	3) Real Estate
		- Liquidity / Working Capital / Funding	4) Corporate Support

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

i) ***US and European Buyouts ("Buyouts")***

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

2. SEGMENT REPORTING (continued)

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

ii) ***Technology Small Cap Investments ("TSI")***

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

iii) ***Gulf Growth Capital ("GGC")***

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

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

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

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

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

vi) ***Corporate Support***

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

2. SEGMENT REPORTING (continued)

C) REVENUE GENERATION

i) Fee income

There are several components of fees that are earned from providing intermediary services to clients and investee companies. Activity fees comprise acquisition fees earned by the Group from investee companies on new private equity or real estate acquisitions (usually as a percentage of the total purchase consideration), placement fees earned by the Group from Gulf clients at the time of placing new private equity or real estate transactions 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 refinancings, recapitalizations, restructuring and disposal. Management fees are earned from client holding companies and investee companies based on investments under management and from funds based on clients' commitments or investments. Performance fees are calculated as a portion of the gain earned by clients on investments that exceed a specified hurdle rate.

ii) Asset-based income

Asset-based income for the reporting segments includes realized as well as unrealized gains and losses over previously reported values of FVTPL private equity and real estate co-investments, value appreciation on the Group's co-investment in hedge funds, cash or pay-in-kind interest from various debt investments in private equity or real estate deals and rental income distribution from real estate investments.

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

D) ALLOCATION OF OPERATING EXPENSES

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

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

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

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

2. SEGMENT REPORTING (continued)

E) SEGREGATION OF ASSETS

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

F) ALLOCATION OF EQUITY, LIABILITIES AND INTEREST EXPENSE

The Group uses a Value-at-Risk (VaR) methodology to determine the amount of economic risk capital that is needed to support each reporting segment in its business growth objectives and also in conditions of extreme stress, and allocates equity to each reporting segment on this basis. Equity is allocated to each unit based on both the current amount of capital and an ex-ante assessment, at the beginning of each fiscal year, that takes into account the current size of the business, expected growth over the medium-term and the associated equity required to support the risks within each reporting segment through the VaR methodology. Having determined the assets directly attributable to each reporting segment, and the equity requirements, the Group allocates liabilities (debt funding) to each segment based on the relative maturity profile of the segment's assets. Longer-dated liabilities are generally allocated to the private equity and real estate reporting segments, considering their medium-long term investment horizon.

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

2. SEGMENT REPORTING (continued)

G) ASSETS UNDER MANAGEMENT

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

	December 31, 2008				(Audited) June 30, 2008			
$millions	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Private Equity								
Closed-end Committed Funds								
- US and European buyouts	476	250	20	746	451	250	20	721
- Technology small cap investments	424	64	12	500	424	64	12	500
- Gulf Growth Capital	973	68	7	1,048	956	109	35	1,100
Sub total	1,873	382	39	2,294	1,831	423	67	2,321
Closed-end Invested Funds								
- Technology small cap investments	205	24	9	238	255	28	12	295
Deal-by-deal investments								
- US and European buyouts	3,010	833	469	4,312	3,148	832	555	4,535
Strategic and other investments	-	74	-	74	-	73	-	73
Total private equity	**5,088**	**1,313**	**517**	**6,918**	**5,234**	**1,356**	**634**	**7,224**
Hedge Funds								
Fund of hedge funds	1,895	569	20	2,484	3,908	1,536	228	5,672
Single managers	1,163	459	6	1,628	1,641	529	77	2,247
Total hedge funds	**3,058**	**1,028**	**26**	**4,112**	**5,549**	**2,065**	**305**	**7,919**
Real Estate								
Closed-end Committed Funds	953	152	3	1,108	953	152	3	1,108
Deal-by-deal investments	932	316	38	1,286	926	318	37	1,281
Strategic and other investments	-	5	-	5	-	5	-	5
Total real estate	**1,885**	**473**	**41**	**2,399**	**1,879**	**475**	**40**	**2,394**
Corporate Support								
Client call accounts held in trust	255	-	-	255	143	-	-	143
Total	**10,286**	**2,814**	**584**	**13,684**	**12,805**	**3,896**	**979**	**17,680**
Summary by category:								
Closed-end Committed Funds	2,826	534	42	3,402	2,784	575	70	3,429
Closed-end Invested Funds	205	24	9	238	255	28	12	295
Hedge Funds	3,058	1,028	26	4,112	5,549	2,065	305	7,919
Deal-by-deal investments	4,197	1,228	507	5,932	4,217	1,228	592	6,037
Total	**10,286**	**2,814**	**584**	**13,684**	**12,805**	**3,896**	**979**	**17,680**
Summary by segments:								
Private Equity								
- US and European buyouts	3,486	1,083	489	5,058	3,599	1,082	575	5,256
- Technology small cap investments	629	88	21	738	679	92	24	795
- Gulf Growth Capital	973	68	7	1,048	956	109	35	1,100
- Strategic and other investments	-	74	-	74	-	73	-	73
Hedge Funds	3,058	1,028	26	4,112	5,549	2,065	305	7,919
Real Estate	1,885	473	41	2,399	1,879	475	40	2,394
Corporate Support	255	-	-	255	143	-	-	143
Total	**10,286**	**2,814**	**584**	**13,684**	**12,805**	**3,896**	**979**	**17,680**

2. SEGMENT REPORTING (continued)

G) ASSETS UNDER MANAGEMENT (continued)

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

Certain of the Group's clients entered into a Trust arrangement whereby their call account balances maintained with the Bank were transferred into individual Trust Fund accounts managed by a common Trustee. These Trust Funds are invested in highly liquid assets which have a credit rating no lower than that of Investcorp and are specifically ring-fenced to meet the amounts placed in Trust. Client monies held in Trust earn the return generated from the assets of the Trust, with a guaranteed minimum return equivalent to inter-bank based market rates.

All of these clients' assets (including affiliates and co-investors) are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn 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.

The table below shows the Group's total revenues by product categories for the six months ended December 31, 2008 and 2007.

$000s	*Jul - Dec 2008 (6 months)*	*Jul - Dec 2007 (6 months)*
Total revenue		
US and European Buyouts	(59,806)	91,472
Technology Small Cap Investments	5,835	4,867
Gulf Growth Capital	16,119	3,740
Total Private Equity	(37,852)	100,079
Hedge Funds	(374,491)	147,683
Real Estate	(7,882)	35,845
Corporate Support	63,262	23,904
Total	(356,963)	307,511

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues in the current and comparative periods.

2. SEGMENT REPORTING (continued)

The interim condensed consolidated statements of income for the six months ended December 31, 2008 and 2007 by reporting segments are as follows:

July 2008 - December 2008 ***$000s***	***Private Equity***	***Hedge Funds***	***Real Estate***	***Corporate Support***	***Total***
Fee income					
Management fees	30,388	26,033	5,565	-	61,986
Activity fees	26,946	-	(835)	-	26,111
Performance fees	-	(2,425)	298	-	(2,127)
Gross fee income	57,334	23,608	5,028	-	85,970
Expenses attributable to fee income	(46,733)	(18,442)	(5,647)	-	(70,822)
Net fee income	10,601	5,166	(619)	-	15,148
Asset based income					
Interest income	-	-	379	11,235	11,614
Other asset based income	(95,186)	(398,099)	(13,289)	52,027	(454,547)
Gross asset based income	(95,186)	(398,099)	(12,910)	63,262	(442,933)
Provisions	-	-	-	(2,594)	(2,594)
Interest expense	(9,688)	(34,061)	(5,500)	(12,821)	(62,070)
Expenses attributable to asset based income	(6,779)	(7,010)	(2,579)	(2,293)	(18,661)
Net asset based income	(111,653)	(439,170)	(20,989)	45,554	(526,258)
Net (loss) income	(101,052)	(434,004)	(21,608)	45,554	(511,110)

July 2007 - December 2007 *$000s*	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Fee income					
Management fees	23,000	29,184	4,197	-	56,381
Activity fees	52,812	-	20,303	-	73,115
Performance fees	-	14,615	56	-	14,671
Gross fee income	75,812	43,799	24,556	-	144,167
Expenses attributable to fee income	(43,948)	(32,674)	(12,977)	-	(89,599)
Net fee income	31,864	11,125	11,579	-	54,568
Asset based income					
Interest income	-	-	1,288	19,349	20,637
Other asset based income	24,267	103,884	10,001	4,555	142,707
Gross asset based income	24,267	103,884	11,289	23,904	163,344
Interest expense	(12,802)	(50,497)	(10,289)	(25,203)	(98,791)
Expenses attributable to asset based income	(7,870)	(14,022)	(3,094)	(6,370)	(31,356)
Net asset based income	3,595	39,365	(2,094)	(7,669)	33,197
Net income	35,459	50,490	9,485	(7,669)	87,765

2. SEGMENT REPORTING (continued)

The interim condensed consolidated balance sheet as at December 31, 2008 and June 30, 2008 by reporting segments is as follows:

December 31, 2008 $000s	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Assets					
Cash and short-term funds	-	-	-	357,970	357,970
Placements with banks and other financial institutions	-	-	-	211,513	211,513
Positive fair value of derivatives	-	-	-	157,970	157,970
Receivables and prepayments	-	-	-	343,571	343,571
Loans and advances		-	-	180,099	180,099
Co-investments	1,061,552	947,504	338,594	-	2,347,650
Premises, equipment and other assets	-	-	-	75,844	75,844
Total assets	1,061,552	947,504	338,594	1,326,967	3,674,617
Liabilities and Equity					
Liabilities					
Deposits from financial institutions	-	52,988	-	562	53,550
Deposits from clients	-	169,409	-	206,175	375,584
Negative fair value of derivatives	-	-	-	85,908	85,908
Unfunded deal acquisitions	-	-	83,099	-	83,099
Payables and accrued expenses	29,707	3,419	2,265	34,811	70,202
Medium-term debt	354,790	504,491	157,933	636,403	1,653,617
Long-term debt	226,731	82,702	32,157	302,871	644,461
Total liabilities	611,228	813,009	275,454	1,266,730	2,966,421
Equity					
Preference share capital	16,533	4,937	2,319	2,211	26,000
Ordinary shareholders' equity	433,791	129,558	60,821	34,497	658,667
Revaluation surplus on premises and equipment	-	-	-	11,240	11,240
Fair value adjustments through equity	-	-	-	12,289	12,289
Total equity	450,324	134,495	63,140	60,237	708,196
Total liabilities and equity	1,061,552	947,504	338,594	1,326,967	3,674,617

June 30, 2008 (Audited) $000s	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Assets					
Cash and short-term funds	-	-	-	194,163	194,163
Placements with banks and other financial institutions	-	-	-	257,407	257,407
Positive fair value of derivatives	-	-	-	62,191	62,191
Receivables and prepayments	-	-	-	459,580	459,580
Loans and advances	-	-	-	341,106	341,106
Co-investments	1,029,142	2,020,808	337,038	-	3,386,988
Premises, equipment and other assets	-	-	-	64,892	64,892
Total assets	1,029,142	2,020,808	337,038	1,379,339	4,766,327
Liabilities and Equity					
Liabilities					
Deposits from financial institutions	-	381,614	-	3,855	385,469
Deposits from clients	-	301,788	-	256,231	558,019
Negative fair value of derivatives	-	-	-	45,925	45,925
Unfunded deal acquisitions	111,363	-	122,958	-	234,321
Payables and accrued expenses	18,049	4,118	2,289	192,669	217,125
Medium-term debt	75,681	969,429	34,447	36,838	1,116,395
Long-term debt	181,249	71,759	73,044	645,851	971,903
Total liabilities	386,342	1,728,708	232,738	1,181,369	3,529,157
Total equity	642,800	292,100	104,300	197,970	1,237,170
Total liabilities and equity	1,029,142	2,020,808	337,038	1,379,339	4,766,327

3. OPERATING EXPENSES

Operating expenses include staff costs, benefits and other operating expenses such as premises, technology and communications infrastructure, travel and professional fees paid to third party advisors. The Group's total operating expenses comprise the following:

$000s	***Jul - Dec 2008 (6 months)***	*Jul - Dec 2007 (6 months)*
Staff compensation	37,864	75,491
Other personnel costs	8,589	8,196
Professional fees	11,860	7,274
Travel and business development	6,854	7,168
Administration and research	8,591	10,383
Technology and communication	2,717	2,536
Premises	5,914	5,582
Depreciation	3,398	3,366
Other	3,696	959
Total	89,483	120,955

4. LIQUIDITY

$000s	***December 31, 2008***	***(Audited) June 30, 2008***
Cash and short-term funds	93,970	63,192
Transitory funds	264,000	130,971
Placements with banks and other financial institutions	211,513	257,407
Cash and cash equivalents	569,483	451,570
Less: medium and long-term debt maturing within three months	-	-
Net cash liquidity	569,483	451,570
Add: undrawn medium-term revolvers [see Note 13(a)]	-	807,500
Net accessible liquidity	569,483	1,259,070
Co-investments in hedge funds (see Note 7)	947,504	2,020,808
Net liquidity	1,516,987	3,279,878

The Group maintains access to sufficient on and off-balance sheet liquidity in order to meet the refinancing of maturing debt and to ensure sufficient cash is available to fund private equity and real estate acquisitions, prior to syndication to clients.

Accessible liquidity therefore includes both invested amounts that can be realized for cash at very short notice, and undrawn committed medium-term revolvers that can be drawn at short notice and that are not repayable for at least three months from the draw down date.

If required, managed redemptions from the Group's co-investment in hedge funds provide a large source of additional back up liquidity.

Cash and short-term funds comprise the Group's cash balances in nostro accounts and short-term government securities. Transitory funds mainly relate to payments made by clients for subscriptions receivable that have not been credited to the Group's nostro account yet, and redemptions from hedge funds for which notices have been issued, the proceeds of which have been received subsequent to the balance sheet date.

5. RECEIVABLES AND PREPAYMENTS

$000s	***December 31, 2008***	*(Audited) June 30, 2008*
Subscriptions receivable	206,185	288,234
Receivables from investee companies	76,687	104,257
Investment disposal proceeds receivable	11,770	16,271
Hedge funds related receivables	19,067	25,529
Accrued interest receivable	8,866	7,035
Prepaid expenses	29,638	28,144
Other receivables	20,757	19,509
	372,970	488,979
Provisions (see Note 10)	(29,399)	(29,399)
Total	343,571	459,580

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

Subscriptions receivable represents amounts due from clients for participation in the Group's US and European buyouts and real estate investment products. These arise in the normal course of the Group's placement activities and are recorded when a client signs a binding agreement confirming his participation in an investment offering. These are typically collected over the short-term, and, in the interim period prior to receipt of cash, are collateralized by the underlying investment assets.

Investment disposal proceeds receivable includes proceeds due from contracted disposals of private equity and real estate investments.

Hedge funds related receivables represent amounts due from HFP funds for management and administrative services and performance fees. They also include redemption proceeds receivable from underlying hedge fund managers relating to the Group's co-investment in HFP through internal parallel vehicles.

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

6. LOANS AND ADVANCES

$000s	***December 31, 2008***	*(Audited) June 30, 2008*
Advances to HFP Funds and Real Estate Funds	-	115,395
Advances to investment holding companies	113,735	152,885
Advances to Employee Investment Programs	80,696	80,776
Other advances	15,850	19,638
	210,281	368,694
Provisions (see Note 10)	(30,182)	(27,588)
Total	180,099	341,106

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

Advances to HFP funds represent the amounts advanced to these funds to facilitate re-balancing of redemptions and subscriptions between various underlying fund managers. Advances to the Real Estate Funds represent amounts invested on behalf of the Group's clients in the acquisitions made by the Funds in the interim period prior to receipt of the associated capital call. These advances carry interest at market rates. In both cases, the advances are secured by the underlying investments in the associated fund(s), and hence 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 prevailing market rates, and are collateralized by the underlying investments, resulting in a low risk to the Group.

7. CO-INVESTMENTS IN HEDGE FUNDS

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

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

$000s		***December 31, 2008***	*(Audited) June 30, 2008*
Diversified Strategies Fund ("DSF") and parallel vehicles	A cash management substitute targeting 300-500bp spread over LIBOR	333,366	658,980
Balanced Fund ("IBF")	Flagship offering targeting a balanced exposure to the hedge funds asset class and returns of 500-700bp over LIBOR	73,737	741,515
Single Manager Platform	Investments with single managers that have been seeded on Investcorp's platform	441,461	496,709
Other Hedge Funds investments	Mix of small investments across several theme funds	98,940	123,604
Total balance sheet co-investments		947,504	2,020,808
Leverage through structured products	Non-recourse leverage provided by third parties as part of structured products around the HFP	80,453	45,155
Total gross investments		1,027,957	2,065,963

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

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

8. CO-INVESTMENTS IN PRIVATE EQUITY

$000s	***December 31, 2008***	*(Audited) June 30, 2008*
US and European buyouts [See Note 8 (a)]	944,575	921,821
Technology small cap investments [See Note 8 (b)]	39,108	34,208
Gulf growth capital [See Note 8 (c)]	4,196	-
Strategic and other investments [See Note 8 (d)]	73,673	73,113
Total co-investments in private equity	1,061,552	1,029,142

8 (a) US AND EUROPEAN BUYOUTS

The Group's US and European buyout investments are classified as FVTPL investments. These are initially recognized at acquisition cost (being the initial fair value) and are re-measured to fair value at each reporting date. Unrealized gains and losses arising from the re-measurement to fair value of FVTPL investments are reported in the interim condensed consolidated statement of income for the period.

The fair value of unquoted US and European buyout investments is determined wherever possible using valuations implied by material financing events for the specific investment in question that involves 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 wherein the fair value would be established with reference to the range of bids received and based on management's assessment of the most likely realization value within the range. Another example of a material event would be where an arm's length financing transaction has occurred recently that is (a) material in nature, (b) involves third parties, and (c) attaches an implicit value to the company. In the event that such third-party evidenced recent measure of specific fair value for an individual investment is not available, the fair value is determined by following valuation techniques using a multiples-based approach applied to the most recent and relevant operating performance metric of the underlying company, typically EBITDA and sometimes Sales. The choice of the appropriate 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 Flows ("DCF"). Management exercises its judgment in choosing the most appropriate multiple, on a consistent basis, from within the universe established above.

During the current period management has predominantly chosen the multiples implied by discounted cash flow analysis to be the most appropriate in fair valuing the investments. Management believes that under the current illiquid market conditions with few to nil M&A transactions, the traditionally used multiples based comparable listed companies or M&A transactions would not have been appropriate in fair valuing the investments.

8 (a) US AND EUROPEAN BUY-OUTS (continued)

The carrying values of the Group's co-investments in US and European buyout deals are:

$000s VINTAGE * / INVESTMENT	Year Acquired	Sector	Location	December 31, 2008	(Audited) June 30, 2008
Vintage 1997 (1997 - 2000)				**170,757**	**184,531**
Vintage 2001 (2001 - 2004)				**172,462**	**214,539**
Vintage 2005 (2005 - 2008)				**422,918**	**522,751**
Vintage 2009 (2009 - 2012)				**178,438**	**-**
N&W	2008	Industrial Products	Europe	178,438	-
Total				**944,575**	**921,821**

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

Summary by sector and location:

	December 31, 2008			(Audited) June 30, 2008		
$000s	**North America**	**Europe**	**Total**	**North America**	**Europe**	**Total**
Consumer Products	67,676	-	67,676	87,224	-	87,224
Industrial Products	44,033	393,704	437,737	45,650	278,006	323,656
Technology and Telecom	159,401	-	159,401	164,205	-	164,205
Industrial Services	123,970	54,903	178,873	146,884	70,765	217,649
Distribution	91,027	9,861	100,888	80,867	48,220	129,087
Total	486,107	458,468	944,575	524,830	396,991	921,821

8 (a) US AND EUROPEAN BUY-OUTS (continued)

The table below highlights the different components of changes in carrying value of co-investments in US and European buyout deals during the period:

$000s	*At beginning*	*Net new acquisitions*	*Fair value movements*	*Movements relating to realizations/ placements**	*Other movements ***	*At end*
6 months to December 31, 2008						
Unrealized investments	921,821	162,312	(114,493)	(11,284)	(13,781)	944,575
Total	921,821	162,312	(114,493)	(11,284)	(13,781)	944,575
12 months to June 30, 2008 (Audited)						
Realized investments	38,640	-	840	(31,947)	(7,533)	-
Unrealized investments	668,314	254,644	(29,864)	(34,808)	63,535	921,821
Total	706,954	254,644	(29,024)	(66,755)	56,002	921,821

* Movements relating to placements refer to deals acquired in prior years.

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

As indicated earlier, the Group’s management uses its best judgment in determining fair values for unquoted buyout investments. Nonetheless, the actual amount that is realized in a future realization transaction may differ from the current estimate of fair value and may still be outside management’s estimates, given the inherent uncertainty surrounding valuations of unquoted investments in private companies.

8 (b) TECHNOLOGY SMALL CAP INVESTMENTS

Similar to US and European buyouts, the Group's technology small cap investments are classified as FVTPL investments. These are initially recognized at cost (being the initial fair value) and are re-measured to fair value at each reporting date. Unrealized gains and losses arising from the re-measurement to fair value of FVTPL investments are reported in the interim condensed consolidated statement of income for the period.

The fair value of unquoted technology small cap investments is determined primarily through valuations implied by material financing events for the specific investment in question that involves third party capital providers. In cases where these are not applicable, the Group uses a discounted cash flow-based valuation methodology similar to that used for US and European buyout investments as described in Note 8 (a).

The carrying values of Group's co-investments in technology small cap investments are:

$000s	Communication Infrastructure	Wireless Data	Digital Content	Enterprise Software	Other	December 31, 2008 Total	(Audited) June 30, 2008 Total
Technology Fund I							
North America	964	1,828	244	1,136	930	5,102	9,455
Sub-Total	964	1,828	244	1,136	930	5,102	9,455
Technology Fund II							
North America	5,390	627	3,567	1,890	-	11,474	14,084
Europe	-	-	7,566	-	-	7,566	4,276
Sub-Total	5,390	627	11,133	1,890	-	19,040	18,360
Technology Fund III							
North America	-	5,121	-	-	-	5,121	-
Europe	-	-	-	9,845	-	9,845	6,393
Sub-Total	-	5,121	-	9,845	-	14,966	6,393
Total	6,354	7,576	11,377	12,871	930	39,108	34,208

The table below highlights the different components of changes in carrying value of co-investments in technology small cap investments during the period:

$000s	At beginning	New acquisitions	Fair value movements	Movements relating to realizations	Other movements *	At end
6 months to December 31, 2008	34,208	12,144	(1,492)	(2,970)	(2,782)	39,108
12 months to June 30, 2008 (Audited)	18,547	9,248	(1,142)	-	7,555	34,208

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

8 (c) GULF GROWTH CAPITAL

During the period, the Gulf Opportunity Fund acquired a significant minority interest in Redington, a telecom and technology company. As at the balance sheet date, the Group has exposure of $4.2 million to this investment through the Fund.

8 (d) STRATEGIC AND OTHER INVESTMENTS

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

1. Investments made for strategic reasons
2. Investments made for relationship reasons eg. an opportunity introduced by an employee or a counterparty relationship
3. Instruments obtained on disposal of exited private equity and real estate deals or portfolios.

These are primarily held as AFS investments, except for investments amounting to $34.5 million (June 30, 2008: $34.8 million) that are classified as FVTPL.

9. CO-INVESTMENTS IN REAL ESTATE

The Group's real estate investments are classified as FVTPL investments. These are initially recognized at cost (being the initial fair value) and are re-measured to fair value at each reporting date. Unrealized gains and losses arising from the re-measurement to fair value of FVTPL investments are reported in the interim condensed consolidated statement of income for the period. Those investments that are developed and leased out are fair valued based on estimated future cash flows from the underlying real estate assets and using prevailing capitalization rates for similar properties in the same geographical area. The capitalization rates used in determining the fair values of developed and leased out assets range from 7.7% to 10% (June 30, 2008: 7.3% to 8.4%).

Opportunistic investments that involve an element of development are generally valued based on third party led financing events. Investments in the debt or mezzanine tranches of real estate properties are classfied as Held-to-maturity ("HTM") investments and carried at their amortized cost, less provisions for impairment, if any.

The Group considers these fair values to be based on market observable inputs as each of the above metrics could be traced to a set of market observable data.

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

$000s	*Number of*	*Region*					*December 31,*	*(Audited)*
PORTFOLIO TYPE	*properties*	*East*	*Midwest*	*Southeast*	*Southwest*	*West*	*2008*	*June 30, 2008*
Office	15	104,372	-	-	-	19,394	123,766	128,061
Hotels	15	38,765	12,647	1,676	9,605	-	62,693	55,985
Retail	34	4,419	1,710	1,217	5,140	213	12,699	13,214
Industrial	4	4,729	-	-	-	-	4,729	5,373
Core Plus Total	68	152,285	14,357	2,893	14,745	19,607	203,887	202,633
Mezzanine debt	n/a	16,457	183	178	398	946	18,162	14,318
Opportunistic	14	23,393	-	27,041	-	61,339	111,773	115,458
Strategic and other	n/a	4,772	-	-	-	-	4,772	4,629
Total	82	196,907	14,540	30,112	15,143	81,892	338,594	337,038

The table below highlights the different components of changes in carrying value of co-investments in real estate portfolios during the period:

$000s	*At beginning*	*Net new acquisitions*	*Fair value movements*	*Movements relating to realizations / placements*	*Other movements **	*At end*
6 months to December 31, 2008	337,038	3,844	(23,375)	(7,938)	29,025	338,594
12 months to June 30, 2008 (Audited)	368,880	212,078	(7,963)	(261,822)	25,865	337,038

* Other movements include add-on fundings.

10. PROVISIONS

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

$000s *Jul-Dec 2008 (6 months)*			
Categories	***At beginning***	***Charge***	***At end***
Receivables	29,399	-	29,399
Loans and advances	27,588	2,594	30,182
Total	56,987	2,594	59,581
Jul-Dec 2007 (6 months)	51,577	-	51,577

11. DEPOSITS FROM CLIENTS

$000s	***December 31, 2008***	*(Audited) June 30, 2008*
SHORT-TERM:		
Call accounts	90,421	185,640
Short-term deposits	2,858	80,517
Transitory balances	185,996	172,255
Total deposits from clients - short-term	279,275	438,412
MEDIUM-TERM:		
Medium-term deposits	26,209	21,134
Investment holding companies' deposits	25,286	73,762
Discretionary and other deposits	44,814	24,711
Total deposits from clients - medium-term	96,309	119,607
Total	375,584	558,019

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

Call accounts comprise amounts left on deposit by clients that are not subject to the Trust arrangement described in Note 2 (G) 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. Given their transitory nature, the Group does not take these balances into consideration for its overall liquidity and funding profile.

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

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

All deposits bear interest at market rates.

12. PAYABLES AND ACCRUED EXPENSES

$000s	*December 31, 2008*	*(Audited) June 30, 2008*
Accrued expenses - employee compensation	5,526	116,962
Vendor and other trade payables	32,424	42,346
Exit escrow proceeds	9,421	26,596
Deferred income	9,304	11,742
Accrued interest payable	13,527	19,479
Total	70,202	217,125

Accrued expenses for employee compensation include the variable component of the Group's overall employee related costs, which is performance related.

Exit escrow proceeds represent amounts received from exits completed at the balance sheet date that are pending onward distribution.

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

13. MEDIUM-TERM DEBT

The table below shows the total medium-term debt, net of transaction costs of borrowings, outstanding at December 31, 2008 and June 30, 2008.

$000s	*December 31, 2008*	*(Audited) June 30, 2008*
Medium-term revolvers [See Note 13 (a)]	797,500	240,000
Medium-term debt [See Note 13 (b)]	866,500	888,500
Transaction costs of borrowings	(10,383)	(12,105)
	1,653,617	1,116,395

13 (a) MEDIUM-TERM REVOLVERS

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

		December 31, 2008			(Audited) June 30, 2008		
$000s	***Maturity***	***Size***	***Average Utilization***	***Current outstanding***	*Size*	*Average Utilization*	*Current outstanding*
5-year Structured facility	October 2008	-	-	-	175,000	-	-
5-year Eurodollar facility	July 2010	150,000	95,516	150,000	150,000	33,333	-
5-year Eurodollar facility	December 2011	500,000	343,342	500,000	500,000	207,500	200,000
5.5-year Eurodollar facility	July 2012	40,000	21,739	40,000	40,000	20,000	40,000
5-year Structured facility	February 2013	-	-	-	75,000	-	-
5-year Structured facility	April 2013	107,500	107,500	107,500	107,500	-	-
Total		797,500	568,097	797,500	1,047,500	260,833	240,000

These facilities carry LIBOR-based floating rates of interest when drawn and fixed rate of commitment fees when undrawn.

13 (b) MEDIUM-TERM DEBT

		December 31, 2008		(Audited) June 30, 2008	
$000s	***Maturity***	***Average outstanding***	***Current outstanding***	*Average outstanding*	*Current outstanding*
5-year Asian banks' facility	June 2009	32,554	20,000	42,000	42,000
5-year Eurodollar facility	July 2009	142,000	142,000	142,000	142,000
5-year Eurodollar facility	December 2009	350,000	350,000	350,000	350,000
5-year Eurodollar facility	July 2010	150,000	150,000	150,000	150,000
5-year Eurodollar facility	September 2010	50,000	50,000	50,000	50,000
5-year Floating rate medium-term note	June 2012	19,000	19,000	19,000	19,000
5-year Eurodollar facility	April 2013	135,500	135,500	15,179	135,500
Total		879,054	866,500	768,179	888,500

These facilities carry LIBOR-based floating rates of interest.

14. LONG-TERM DEBT

		December 31, 2008		(Audited) June 30, 2008	
$000s	*Final Maturity*	*Average outstanding*	*Current outstanding*	*Average outstanding*	*Current outstanding*
PRIVATE NOTES					
$143 Million Private Placement	October 2008	86,876	-	143,000	143,000
$55 Million Private Placement	May 2009	50,860	-	55,000	55,000
GBP 25 Million Private Placement	January 2010	25,224	5,248	32,800	26,240
$40 Million Private Placement	December 2010	39,093	21,250	40,000	40,000
$15 Million Private Placement	May 2011	13,871	-	15,000	15,000
$50 Million Private Placement	July 2011	46,237	-	50,000	50,000
GBP 20 Million Private Placement	September 2011	29,165	22,142	29,522	29,522
$75 Million Private Placement	October 2011	60,249	56,250	69,962	62,500
$42 Million Private Placement	November 2011	37,258	-	42,000	42,000
$20 Million Private Placement	November 2011	20,000	20,000	20,000	20,000
$20 Million Private Placement	April 2012	20,000	20,000	20,000	20,000
$71.5Million Private Placement	May 2012	70,635	53,625	71,500	71,500
$35 Million Private Placement	December 2013	35,000	35,000	35,000	35,000
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
		916,796	615,843	1,006,112	992,090
Foreign exchange translation adjustments		-	75,516	-	34,674
Fair value adjustments		-	(42,743)	-	(50,078)
Transaction costs of borrowings		-	(4,155)	-	(4,783)
Total		916,796	644,461	1,006,112	971,903

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

15. SHARE CAPITAL

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

	December 31, 2008			*(Audited) June 30, 2008*		
	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 shares	200,000	1,000	200,000	200,000	1,000	200,000
- Other			300,000			300,000
			1,500,000			1,500,000
Issued share capital						
- Ordinary shares	800,000	250	200,000	800,000	250	200,000
			200,000			200,000

At the balance sheet date, the Group has obtained regulatory approvals to raise preference share capital by issuing upto 550,000 preference shares. As of December 31, 2008, US$ 26 million has been reflected as preference share capital since legally binding signed subscription agreements and related proceeds were obtained by the Group from third party investors. However, share certificates for these subscriptions will be issued following the completion of relevant legal formalities.

These preference shares are non-cumulative, non-convertible, non-voting, non-participating and perpetual in nature and carry a dividend of 12% per annum upto March 31, 2014 and 12-months USD LIBOR + 9.75% per annum thereafter, if not redeemed.

The payment of dividends on preference shares is subject to recommendation by the Board of Directors, and approval of 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.

The preference shares are callable at the Bank's option any time on or after March 31, 2014 at par plus dividend due up to the redemption date.

16. CAPITAL ADEQUACY

The CBB issued directives to banks licensed in Bahrain to implement the Basel II framework beginning January 1, 2008. The Group applies the Basel II framework regulations on a consolidated basis to Investcorp Bank B.S.C. which is the entity licensed and regulated by CBB.

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

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

The risk asset ratio calculation in accordance with capital adequacy guidelines established for the global banking industry under the Basel II framework and CBB's rulebook for Bahrain licensed banks is provided in the table below:

$000s	**December 31, 2008**	(Audited) June 30, 2008
Tier 1 capital as per balance sheet	708,196	1,237,170
Tier 1 regulatory adjustments	(62,969)	-
Regulatory Tier 1 capital	645,227	1,237,170
Tier 2 capital	-	-
Regulatory capital base under Basel II (a)	645,227	1,237,170

Risk weighted exposure *$000s*	**Principal / Notional amounts** December 31, 2008	**Risk weighted equivalents** December 31, 2008	**Principal / Notional amounts** (Audited) June 30, 2008	**Risk weighted equivalents** (Audited) June 30, 2008
Credit risk				
Claims on sovereign	27,811	-	20,030	-
Claims on non-central government public sector entities	13,550	-	25,242	-
Claims on banks	561,095	113,719	453,913	90,783
Claims on corporates	411,768	411,768	714,946	714,946
Co-investments (excluding hedge funds)	-	-	1,366,180	2,085,575
Co-investments (including hedge funds)	2,347,650	3,427,718	-	-
Other assets	77,778	77,638	74,875	74,771
Off-balance sheet items				
Commitments and contingent liabilities	615,420	333,076	888,416	843,529
Derivative financial instruments	3,650,171	30,693	5,127,978	17,996
Credit risk weighted exposure		4,394,612		3,827,600
Market risk				
Market risk weighted exposure (excluding hedge funds)		2,342		-
Market risk weighted exposure (including hedge funds)		-		2,359,868
Operational risk				
Operational risk weighted exposure		546,597		546,597
Total risk weighted exposure ***(b)***		4,943,551		6,734,065
Risk asset ratio ***(a)/(b)***		**13.1%**		**18.4%**
Minimum required as per CBB regulatory guidelines under Basel II		**12.0%**		**12.0%**

17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments:

(i) whose value changes in response to the change in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or similar variable (sometimes called the "underlying");

(ii) that require little or no initial net investment relative to other types of contracts that have a similar response to changes in market conditions, and

(iii) that are settled at a future date.

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 value of the hedging instrument, is expected to be highly effective in offsetting the changes in fair values or cash flows attributable to the hedged risk in the hedged item;
- the effectiveness of the hedge must be capable of being reliably measured; and
- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

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

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting or is revoked. At that point in time, for cash flow hedges any cumulative gain or loss on the hedging instrument recognized in equity is retained there until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the interim condensed consolidated statement of income. In the case of fair value hedges of interest-bearing financial instruments, the cumulative fair value adjustment recorded as an adjustment to the carrying value of the hedged item is amortized over the remaining term to maturity, starting from the point in time that the hedge is terminated.

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group undertakes transactions in derivative financial instruments under the following categories:

Effective hedges associated with co-investments

These are derivative contracts undertaken by the Group to hedge foreign exchange risk on co-investments (designated as fair value hedges). The Group also hedges forecasted placement income (designated as cash flow hedges) that would be received when certain co-investments currently underwritten are placed with the Group's clients. The cash flows related to the hedged forecasted placement income are generally expected to occur over a period of six months from the date of taking on the hedge.

Effective hedges associated with floating rate medium-term debt

These are derivative contracts undertaken by the Group to hedge the cash flows relating to future coupons on floating rate medium-term debt (designated as cash flow hedges of forecasted transactions). The cash flows related to the hedged future coupons occur in quarterly or semi-annual installments on payment of the coupons.

Effective hedges associated with fixed-rate long-term debt and deposits from clients

These include interest rate derivatives, typically fixed to floating-rate interest rate swaps and cross currency swaps (designated as fair value hedges) and interest rate caps (designated as cash flow hedges) undertaken by the Group to hedge interest rate exposure to fixed-rate long-term debt and deposits from clients.

The Group also hedges the foreign exchange risk on long-term debt and deposits from clients denominated in foreign currency (designated as fair value hedges) and future interest coupons to be made on such debt and deposits (designated as cash flow hedges), through forward foreign exchange contracts. The cash flows related to the future hedged coupons occur in quarterly or semi-annual installments on payment of the coupons.

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 hedge economic risks under its asset-liability management and risk management guidelines that may not qualify for hedge accounting under IAS 39. Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives are taken to the interim condensed consolidated statement of income.

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below summarizes the Group's derivative financial instruments outstanding at December 31, 2008:

$000s					
A) HEDGING DERIVATIVES					
Hedged item		**Hedging instrument**			
Description	***Type of hedge***	***Description***	***Notional value***	***Positive fair value***	***Negative fair value***
Risk being hedged: Currency					
Deposits from clients	Fair value	Forward foreign exchange contracts	30,029	2,433	-
Long-term debt	Fair value	Forward foreign exchange contracts	28,260	-	(1,496)
Co-investments	Fair value	Forward foreign exchange contracts	522,169	3,652	(29,006)
Forecasted transactions	Cash flow	Forward foreign exchange contracts	29,065	715	(1,011)
Coupon on long-term debt	Cash flow	Forward foreign exchange contracts	76,971	10,833	(1)
Total forward foreign exchange contracts			686,495	17,634	(31,514)
Risk being hedged: Interest rate					
Deposits from clients	Fair value	Interest rate swaps	2,264	200	-
Long-term debt	Fair value	Interest rate swaps	572,036	26,092	-
Medium-term debt	Cash flow	Interest rate swaps	250,000	-	(4,348)
Total interest rate hedging contracts			824,300	26,292	(4,348)
Risk being hedged: Currency and Interest rate					
Long-term debt	Fair value	Cross currency swaps	339,742	67,910	-
Total currency and interest rate hedging contracts			339,742	67,910	-
Total – Hedging Derivatives			1,850,537	111,836	(35,862)
B) DERIVATIVES ON BEHALF OF CLIENTS					
Forward foreign exchange contracts			625,644	14,915	(13,928)
Total - Derivatives on behalf of clients			625,644	14,915	(13,928)
C) OTHER DERIVATIVES					
Interest rate swaps			550,000	31,131	(35,460)
Interest rate caps			611,000	-	-
Forward foreign exchange contracts			10,739	-	(570)
Currency option			2,251	88	(88)
Total – Other Derivatives			1,173,990	31,219	(36,118)
TOTAL – DERIVATIVE FINANCIAL INSTRUMENTS			**3,650,171**	**157,970**	**(85,908)**

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below summarizes the Group's derivative financial instruments outstanding at June 30, 2008:

$000s					
A) HEDGING DERIVATIVES					
Hedged item		**Hedging instrument**			
Description	*Type of hedge*	*Description*	*Notional value*	*Positive fair value*	*Negative fair value*
Risk being hedged: Currency					
Deposits from clients	Fair value	Forward foreign exchange contracts	505,054	2,830	(8,011)
Long-term debt	Fair value	Forward foreign exchange contracts	73,333	630	(373)
Co-investments	Fair value	Forward foreign exchange contracts	975,434	5,630	(13,672)
Forecasted transactions	Cash flow	Forward foreign exchange contracts	49,131	277	(723)
Coupon on long-term debt	Cash flow	Forward foreign exchange contracts	83,272	85	(3,868)
Total forward foreign exchange contracts			1,686,224	9,452	(26,647)
Risk being hedged: Interest rate					
Deposits from clients	Fair value	Interest rate swaps	75,084	214	(11)
Long-term debt	Fair value	Interest rate swaps	662,263	13,331	(5,818)
Medium-term debt	Cash flow	Interest rate swaps	500,000	-	(5,310)
Total interest rate hedging contracts			1,237,347	13,545	(11,139)
Risk being hedged: Currency and Interest rate					
Long-term debt	Fair value	Cross currency swaps	311,905	37,557	-
Total currency and interest rate hedging contracts			311,905	37,557	-
Total – Hedging Derivatives			3,235,476	60,554	(37,786)
B) DERIVATIVES ON BEHALF OF CLIENTS (FULLY MATCHED)					
Forward foreign exchange contracts			390,251	1,609	(1,609)
Total - Derivatives on behalf of clients			390,251	1,609	(1,609)
C) OTHER DERIVATIVES					
Interest rate swaps			500,000	-	(6,520)
Interest rate caps			1,000,000	18	-
Currency option			2,251	10	(10)
Total – Other Derivatives			1,502,251	28	(6,530)
TOTAL – DERIVATIVE FINANCIAL INSTRUMENTS			**5,127,978**	**62,191**	**(45,925)**

18. COMMITMENTS AND CONTINGENT LIABILITIES

$000s	***December 31, 2008***	*(Audited) June 30, 2008*
Investment commitment issued for pending acquisitions (net)	-	104,818
Investment commitments to closed-end committed funds	310,801	482,396
Other investment commitments	8,780	9,513
Total investment commitments	319,581	596,727
Non-cancelable operating leases	73,606	85,116
Capital expenditure commitments	20	20
Guarantees and letters of credit issued to third parties	198,840	187,964
Capital guarantees	5,875	5,876

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

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

Capital expenditure commitments relate to the Group's contracted but unbilled amounts in respect of various system upgrades.

Guarantees and letters of credit issued to third parties primarily relate to real estate investments. They include backstop guarantees provided in support of performance obligations of investee companies and to facilitate investee companies' on-going operations and leasing of equipment and facilities.

Guarantees amounting to $117.3 million (June 30, 2008: $85.5 million) relate to supporting performance obligations of operating partners and investee companies.

Capital guarantees have been issued by the Group for providing principal protection on a distinct class of shares issued in connection with the Investcorp Balanced Fund, a product of HFP. These guarantees expire without any cost to the Group at the earliest of (i) cumulative returns to investors since inception exceeding 15% at any time; (ii) the investor redeeming his shares at any time prior to seven years; and (iii) seven years from the issue date of the guarantee. The Group has instituted appropriate risk management mechanisms to actively monitor and manage the risk arising from these capital guarantees, using option-pricing models prescribed by the Basel guidelines and the local regulators for measuring market risk. Based on these value-at-risk models, the Group does not carry any significant risk exposure as a result of these capital guarantees at the balance sheet date.

In addition to the above, the Group acts as a guarantor of last resort to facilitate third party financing for various employee investment programs. Eligible employees, in their individual capacities, are provided financing from third-party lenders on a selective basis and subject to some risk-based criteria, determined by the lenders, for their participation in the investment programs. At the balance sheet date, eligible employees have drawn down $17.5 million (June 30, 2008: $13 million) out of a maximum $75 million (June 30, 2008: $75 million) available under this facility.

18. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

These loans to employees are fully secured by (i) a pledge of all securities representing their investments in the program; and (ii) assignment of all other rights, claims and interests in connection therewith. As such this guarantee represents a low risk to the Group.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value adjustments arise from re-measurement to fair value of investments and derivatives.

Fair value of the Group's financial assets and liabilities on the interim condensed consolidated balance sheet are not materially different to their carrying value.

20. CYCLICALITY OF ACTIVITIES

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