

**INVESTCORP BANK B.S.C.**

**INTERIM CONDENSED CONSOLIDATED**

**FINANCIAL  
STATEMENTS**

**DECEMBER 31, 2015 (REVIEWED)  
FISCAL YEAR 2016**

# CONTENTS

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF INVESTCORP BANK B.S.C.....	2
INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME .....	3
INTERIM CONSOLIDATED BALANCE SHEET .....	4
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	5
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS .....	6

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION .....	7
2. ASSETS UNDER MANAGEMENT .....	8
3. SEGMENT REPORTING .....	9
4. RECEIVABLES AND PREPAYMENTS .....	12
5. ADVANCES.....	12
6. UNDERWRITTEN INVESTMENTS .....	12
7. HEDGE FUNDS CO-INVESTMENTS .....	13
8. CORPORATE CO-INVESTMENTS .....	13
9. REAL ESTATE CO-INVESTMENTS .....	15
10. PROVISIONS FOR IMPAIRMENT .....	15
11. CALL ACCOUNTS.....	15
12. TERM AND INSTITUTIONAL BORROWINGS .....	16
13. PAYABLES AND ACCRUED EXPENSES .....	16
14. MEDIUM-TERM DEBT .....	17
15. LONG-TERM DEBT .....	18
16. DEFERRED FEES.....	18
17. SHARE CAPITAL AND RESERVES .....	19
18. EARNINGS PER SHARE.....	20
19. DERIVATIVE FINANCIAL INSTRUMENTS .....	20
20. COMMITMENTS AND CONTINGENT LIABILITIES .....	21
21. REGULATORY CAPITAL ADEQUACY .....	21
22. FAIR VALUE OF FINANCIAL INSTRUMENTS .....	23
23. RELATED PARTY TRANSACTIONS.....	25
24. SIGNIFICANT ACCOUNTING POLICIES .....	26
25. CYCLICALITY OF ACTIVITIES .....	27

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

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Investcorp Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2015, comprising of the interim consolidated balance sheet as at 31 December 2015 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of review***

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

### ***Conclusion***

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



9 February 2016  
Manama, Kingdom of Bahrain

## INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2015 (REVIEWED)

### INTERIM CONSOLIDATED STATEMENT OF INCOME

<i>\$000s</i>	<i>July to December 2015</i>	<i>July to December 2014</i>	<i>Notes</i>	<i>Page</i>
<b>FEE INCOME</b>				
AUM fees	48,600	54,276		
Deal fees	86,071	102,382		
<i>Fee income (a)</i>	<u>134,671</u>	<u>156,658</u>	3	9
<b>ASSET BASED INCOME</b>				
Corporate investment	40,442	654		
Hedge funds	(1,918)	(10,341)		
Real estate investment	4,551	5,614		
Treasury and other asset based income	626	1,438		
<i>Asset based income / (loss) (b)</i>	<u>43,701</u>	<u>(2,635)</u>	3	9
<b>Gross operating income (a) + (b)</b>	178,372	154,023	3	9
Provisions for impairment	(7,513)	(1,485)	10	15
Interest expense	(30,952)	(28,990)	3	9
Operating expenses	(89,007)	(78,207)	3	9
<b>NET INCOME</b>	<u>50,900</u>	<u>45,341</u>		
Basic earnings per ordinary share (\$)	<u>0.74</u>	<u>0.73</u>	18	20
Fully diluted earnings per ordinary share (\$)	<u>0.71</u>	<u>0.71</u>	18	20

### INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>\$000s</i>	<i>July to December 2015</i>	<i>July to December 2014</i>
<b>NET INCOME (AS ABOVE)</b>	<u>50,900</u>	<u>45,341</u>
Other comprehensive income that could be recycled to statement of income		
Fair value movements - cash flow hedges	2,549	(10,754)
<i>Other comprehensive income / (loss)</i>	<u>2,549</u>	<u>(10,754)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>53,449</u>	<u>34,587</u>



**H.E. Mohammed Bin Mahfoodh  
Bin Saad Al Ardhi**

**Executive Chairman**



**Anthony L. Robinson**

**Chief Financial Officer**

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

## INTERIM CONSOLIDATED BALANCE SHEET DECEMBER 31, 2015 (REVIEWED)

<i>\$000s</i>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>	Notes	Page
<b>ASSETS</b>				
Cash and short-term funds	144,025	82,665		
Placements with financial institutions and other liquid assets	154,678	256,646		
Positive fair value of derivatives	64,570	74,226	19	20
Receivables and prepayments	338,997	274,905	4	12
Advances	115,597	111,521	5	12
Underwritten investments	288,695	87,505	6	12
<u>Co-investments</u>				
Corporate investment	602,698	667,239	8	13
Hedge funds	441,768	421,056	7	13
Real estate investment	126,077	142,897	9	15
Total co-investments	1,170,543	1,231,192		
Premises, equipment and other assets	40,866	42,758		
<b>TOTAL ASSETS</b>	<b>2,317,971</b>	<b>2,161,418</b>		
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Call accounts	139,426	101,027	11	15
Term and institutional borrowings	187,190	37,679	12	16
Payables and accrued expenses	102,662	240,363	13	16
Negative fair value of derivatives	28,308	36,743	19	20
Medium-term debt	510,679	417,081	14	17
Long-term debt	368,073	346,235	15	18
Deferred fees	92,733	100,290	16	18
<b>TOTAL LIABILITIES</b>	<b>1,429,071</b>	<b>1,279,418</b>		
<b>EQUITY</b>				
Preference share capital	223,239	225,000	17	19
Ordinary shares at par value	200,000	200,000	17	19
Reserves	253,001	259,166		
Treasury shares	(99,625)	(103,566)		
Retained earnings	318,825	268,086		
<i>Ordinary shareholders' equity excluding proposed appropriations and unrealized fair value changes and revaluation reserve recognized directly in equity</i>	672,201	623,686		
Proposed appropriations	-	42,288		
Unrealized fair value changes and revaluation reserve recognized directly in equity	(6,540)	(8,974)		
<b>TOTAL EQUITY</b>	<b>888,900</b>	<b>882,000</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,317,971</b>	<b>2,161,418</b>		



**H.E. Mohammed Bin Mahfoodh  
Bin Saad Al Ardhi**

**Executive Chairman**



**Anthony L. Robinson**

**Chief Financial Officer**

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

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2015 (REVIEWED)

\$000s	Reserves					Unrealized fair value changes and revaluation reserve recognised directly in equity							Total equity
	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	
<b>Balance at July 1, 2014</b>	391,222	200,000	115,907	100,000	215,907	(158,212)	205,288	63,289	1,485	(5,983)	5,364	866	918,360
Total comprehensive income / (loss)	-	-	-	-	-	-	45,341	-	-	(10,754)	-	(10,754)	34,587
Preference shares purchased during the period	(66,963)	-	(747)	-	(747)	-	-	-	-	-	-	-	(67,710)
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	115	-	-	-	(115)	(115)	-
Treasury shares (purchased) / vested during the period - net	-	-	-	-	-	(3,484)	-	-	-	-	-	-	(3,484)
Loss on sale / vesting of treasury shares	-	-	(3,662)	-	(3,662)	3,662	-	-	-	-	-	-	-
Approved appropriations for fiscal 2014 paid:													
Ordinary share dividend	-	-	-	-	-	-	-	(9,413)	-	-	-	-	(9,413)
Preference share dividend	-	-	-	-	-	-	-	(49,376)	-	-	-	-	(49,376)
Charitable contribution by shareholders	-	-	-	-	-	-	-	(4,500)	-	-	-	-	(4,500)
<b>Balance at December 31, 2014</b>	<b>324,259</b>	<b>200,000</b>	<b>111,498</b>	<b>100,000</b>	<b>211,498</b>	<b>(158,034)</b>	<b>250,744</b>	<b>-</b>	<b>1,485</b>	<b>(16,737)</b>	<b>5,249</b>	<b>(10,003)</b>	<b>818,464</b>
<b>Balance at July 1, 2015</b>	<b>225,000</b>	<b>200,000</b>	<b>159,166</b>	<b>100,000</b>	<b>259,166</b>	<b>(103,566)</b>	<b>268,086</b>	<b>42,288</b>	<b>2,155</b>	<b>(16,263)</b>	<b>5,134</b>	<b>(8,974)</b>	<b>882,000</b>
Total comprehensive income	-	-	-	-	-	-	50,900	-	-	2,549	-	2,549	53,449
Preference shares purchased during the period	(1,761)	-	-	-	-	-	(276)	-	-	-	-	-	(2,037)
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	115	-	-	-	(115)	(115)	-
Treasury shares sold / vested during the period - net of purchases	-	-	(289)	-	(289)	(1,935)	-	-	-	-	-	-	(2,224)
Loss on sale / vesting of treasury shares	-	-	(5,876)	-	(5,876)	5,876	-	-	-	-	-	-	-
Approved appropriations for fiscal 2015 paid:													
Ordinary share dividend	-	-	-	-	-	-	-	(10,394)	-	-	-	-	(10,394)
Preference share dividend	-	-	-	-	-	-	-	(29,394)	-	-	-	-	(29,394)
Charitable contribution by shareholders	-	-	-	-	-	-	-	(2,500)	-	-	-	-	(2,500)
<b>Balance at December 31, 2015</b>	<b>223,239</b>	<b>200,000</b>	<b>153,001</b>	<b>100,000</b>	<b>253,001</b>	<b>(99,625)</b>	<b>318,825</b>	<b>-</b>	<b>2,155</b>	<b>(13,714)</b>	<b>5,019</b>	<b>(6,540)</b>	<b>888,900</b>

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

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2015 (REVIEWED)

\$000s	July - December 2015	July - December 2014	Notes	Page
<b>OPERATING ACTIVITIES</b>				
Net income	50,900	45,341		
Adjustments for non-cash items in net income				
Depreciation	2,379	4,068		
Provisions for impairment	7,513	1,485	10	15
Amortization of transaction costs of borrowings	3,013	3,191		
Employee awards expense	9,736	4,650		
Net income adjusted for non-cash items	73,541	58,735		
<b>Changes in:</b>				
Operating capital				
Receivables and prepayments	(74,084)	(13,726)	4	12
Advances	(5,984)	9,278	5	12
Underwritten investments	(201,190)	(1,943)	6	12
Call accounts	38,399	30,425	11	15
Payables and accrued expenses	(137,893)	(5,592)	13	16
Deferred fees	(7,557)	9,158	16	18
Co-investments				
Corporate investment	64,541	186,400	8	13
Hedge funds - net of secured financing	(20,712)	27,133	7	13
Real estate investment	16,820	(2,470)	9	15
Fair value of derivatives	16,385	(57,545)		
Other assets	3	146		
<b>NET CASH (USED IN) / FROM OPERATING ACTIVITIES</b>	<b>(237,731)</b>	<b>239,999</b>		
<b>FINANCING ACTIVITIES</b>				
Term and institutional borrowings	149,511	(42,595)	12	16
Medium-term debt drawn / (repaid)	100,000	(50,164)	14	17
Treasury shares purchased - net	(7,573)	(8,134)		
Preference shares purchased - net	(2,037)	(67,710)	17	19
Dividends paid	(39,788)	(58,789)		
Charitable contributions paid	(2,500)	(4,500)		
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>197,613</b>	<b>(231,892)</b>		
<b>INVESTING ACTIVITY</b>				
Investment in premises and equipment	(490)	(1,920)		
<b>NET CASH USED IN INVESTING ACTIVITY</b>	<b>(490)</b>	<b>(1,920)</b>		
Net (decrease) / increase in cash and cash equivalents	(40,608)	6,187		
Cash and cash equivalents at beginning of the period	339,311	227,206		
Cash and cash equivalents at end of the period	298,703	233,393		
<b>Cash and cash equivalents comprise of:</b>				
Cash and short-term funds	72,758	44,120		
Cash in transit	71,267	29,750		
Placements with financial institutions and other liquid assets	154,678	159,523		
	298,703	233,393		
In addition to the above, the Group has an undrawn and available balance of \$424.9 million (June 30, 2015: \$524.8 million) from its revolving medium-term facilities.				

\$000s	July - December 2015	July - December 2014
Interest paid	(32,040)	(29,361)
Interest received	3,177	7,173

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

## 1. ORGANIZATION

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### (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 12411-1 issued by the Ministry of Industry and Commerce, Kingdom of Bahrain.

The interim condensed consolidated financial statements for the six month period ended December 31, 2015 were authorized for issue in accordance with a resolution of the Board of Directors dated February 9, 2016.



**2. 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 interim consolidated balance sheet date are as follows:

	December 31, 2015				June 30, 2015 (Audited)			
	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
<i>\$millions</i>								
<b>Corporate investment</b>								
<i>Closed-end invested funds</i>								
CI - NA & Europe	497	127	31	655	514	168	39	721
CI - MENA	583	65	7	655	584	61	7	652
Sub total	1,080	192	38	1,310	1,098	229	46	1,373
<i>Deal-by-deal</i>	2,684	362	393	3,439	2,576	389	350	3,315
<i>Deal-by-deal underwriting</i>	-	151	-	151	-	35	-	35
Strategic and other	-	49	-	49	-	49	-	49
<b>Total corporate investment</b>	<b>3,764</b>	<b>754</b>	<b>431</b>	<b>4,949</b>	<b>3,674</b>	<b>702</b>	<b>396</b>	<b>4,772</b>
<b>Hedge funds*</b>								
<i>Funds of hedge funds</i>	1,216	231	1	1,448	1,389	271	1	1,661
<i>Single managers</i>	1,643	134	-	1,777	2,094	97	-	2,191
<i>Special opportunities portfolios</i>	78	13	2	93	109	13	2	124
<i>Alternative beta funds</i>	-	64	-	64	-	40	-	40
<i>Advisory mandates</i>	646	-	-	646	-	-	-	-
<b>Total hedge funds</b>	<b>3,583</b>	<b>442</b>	<b>3</b>	<b>4,028</b>	<b>3,592</b>	<b>421</b>	<b>3</b>	<b>4,016</b>
<b>Real estate investment</b>								
<i>Closed-end committed funds</i>	-	-	-	-	75	25	-	100
<i>Closed-end invested funds</i>	21	11	-	32	22	18	-	40
<i>Deal-by-deal</i>	1,227	110	18	1,355	1,190	107	16	1,313
<i>Deal-by-deal underwriting</i>	-	137	-	137	-	53	-	53
<i>Strategic and other</i>	-	5	-	5	-	7	-	7
<b>Total real estate investment</b>	<b>1,248</b>	<b>263</b>	<b>18</b>	<b>1,529</b>	<b>1,287</b>	<b>210</b>	<b>16</b>	<b>1,513</b>
<b>Client call accounts held in trust</b>	150	-	-	150	324	-	-	324
<b>Total</b>	<b>8,745</b>	<b>1,459</b>	<b>452</b>	<b>10,656</b>	<b>8,877</b>	<b>1,333</b>	<b>415</b>	<b>10,625</b>
<b>Summary by products:</b>								
<i>Closed-end committed funds</i>	-	-	-	-	75	25	-	100
<i>Closed-end invested funds</i>	1,101	203	38	1,342	1,120	247	46	1,413
<i>Hedge funds</i>	3,583	442	3	4,028	3,592	421	3	4,016
<i>Deal-by-deal</i>	3,911	526	411	4,848	3,766	552	366	4,684
<i>Underwriting</i>	-	288	-	288	-	88	-	88
<i>Client monies held in trust</i>	150	-	-	150	324	-	-	324
<b>Total</b>	<b>8,745</b>	<b>1,459</b>	<b>452</b>	<b>10,656</b>	<b>8,877</b>	<b>1,333</b>	<b>415</b>	<b>10,625</b>
<b>Summary by asset classes:</b>								
<i>Corporate investment</i>	3,764	754	431	4,949	3,674	702	396	4,772
<i>Hedge funds</i>	3,583	442	3	4,028	3,592	421	3	4,016
<i>Real estate investment</i>	1,248	263	18	1,529	1,287	210	16	1,513
<i>Client call accounts held in trust</i>	150	-	-	150	324	-	-	324
<b>Total</b>	<b>8,745</b>	<b>1,459</b>	<b>452</b>	<b>10,656</b>	<b>8,877</b>	<b>1,333</b>	<b>415</b>	<b>10,625</b>

\* Stated at gross value of the underlying exposure. Also, includes \$2.7 billion (June 30, 2015: \$2.4 billion) of single manager funds (including exposure through funds of hedge funds), managed by third party managers and assets subject to a non-discretionary advisory mandate, where Investcorp receives fees calculated on the basis of AUM.

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

### 3. SEGMENT REPORTING

As at December 31, 2015, the business segments and the basis of reporting information for these segments have remained the same as for the year ended June 30, 2015.

#### A. INTERIM CONSOLIDATED STATEMENT OF INCOME BY REPORTING SEGMENTS

The interim consolidated statements of income for the six months ended December 31, 2015 and December 31, 2014 by reporting segments are as follows:

<i>\$000s</i>	<i>July 2015 to December 2015</i>	<i>July 2014 to December 2014</i>
<b>FEE BUSINESS</b>		
AUM fees		
<i>Hedge funds</i>	4,947	10,287
<i>Corporate investment</i>	37,188	38,275
<i>Real estate investment</i>	6,465	5,714
Total AUM fees	48,600	54,276
Deal fees		
<i>Corporate investment</i>	55,440	83,588
<i>Real estate investment</i>	30,631	18,794
Total deal fees	86,071	102,382
Treasury and other asset based income	626	1,438
<b>Gross income attributable to fee business (a)</b>	135,297	158,096
Provisions for impairment	(7,513)	(1,485)
Interest expense	(19,366)	(15,699)
Operating expenses attributable to fee business (b)	(81,977)	(72,517)
<b>NET FEE BUSINESS INCOME (c)</b>	26,441	68,395
<b>CO-INVESTMENT BUSINESS</b>		
<b>Asset based income</b>		
<i>Corporate investment</i>	40,442	654
<i>Hedge funds</i>	(1,918)	(10,341)
<i>Real estate investment</i>	4,551	5,614
<b>Gross income attributable to co-investment business (d)</b>	43,075	(4,073)
Interest expense	(11,586)	(13,291)
Operating expenses attributable to co-investment business (e)	(7,030)	(5,690)
<b>NET CO-INVESTMENT BUSINESS INCOME/(LOSS) (f)</b>	24,459	(23,054)
<b>NET INCOME (c) + (f)</b>	50,900	45,341
<b>Gross operating income (a) + (d)</b>	178,372	154,023
<b>Gross operating expenses (b) + (e)</b>	(89,007)	(78,207)

Revenue reported above represents revenue generated from external customers. There were no inter-segmental revenues during the current period (6 months to December 31, 2014: Nil).

## 3. SEGMENT REPORTING (CONTINUED)

### B. INTERIM CONSOLIDATED BALANCE SHEET BY REPORTING SEGMENTS

The interim consolidated balance sheets as at December 31, 2015 and June 30, 2015 by reporting segment are as follows:

<i>December 31, 2015</i> <i>\$000s</i>	<i>Co-investment Business</i>	<i>Fee Business</i>	<i>Total</i>
<b>Assets</b>			
Cash and short-term funds	-	144,025	144,025
Placements with financial institutions and other liquid assets	-	154,678	154,678
Positive fair value of derivatives	-	64,570	64,570
Receivables and prepayments	46,765	292,232	338,997
Advances	-	115,597	115,597
Underwritten investments	-	288,695	288,695
<b>Co-investments</b>			
<i>Corporate investment</i>	602,698	-	602,698
<i>Hedge funds</i>	441,768	-	441,768
<i>Real estate investment</i>	126,077	-	126,077
Premises, equipment and other assets	-	40,866	40,866
<b>Total assets</b>	<b>1,217,308</b>	<b>1,100,663</b>	<b>2,317,971</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Call accounts	-	139,426	139,426
Term and institutional borrowings	-	187,190	187,190
Payables and accrued expenses	9,911	92,751	102,662
Negative fair value of derivatives	-	28,308	28,308
Medium-term debt	50,217	460,462	510,679
Long-term debt	368,073	-	368,073
Deferred fees	-	92,733	92,733
<b>Total liabilities</b>	<b>428,201</b>	<b>1,000,870</b>	<b>1,429,071</b>
<b>Total equity</b>	<b>789,107</b>	<b>99,793</b>	<b>888,900</b>
<b>Total liabilities and equity</b>	<b>1,217,308</b>	<b>1,100,663</b>	<b>2,317,971</b>

## 3. SEGMENT REPORTING (CONTINUED)

### B. INTERIM CONSOLIDATED BALANCE SHEET BY REPORTING SEGMENTS (CONTINUED)

<i>June 30, 2015</i> <i>\$000s (Audited)</i>	<i>Co-investment Business</i>	<i>Fee Business</i>	<i>Total</i>
<b>Assets</b>			
Cash and short-term funds	-	82,665	82,665
Placements with financial institutions and other liquid assets	-	256,646	256,646
Positive fair value of derivatives	-	74,226	74,226
Receivables and prepayments	8,655	266,250	274,905
Advances	-	111,521	111,521
Underwritten investments	-	87,505	87,505
<b>Co-investments</b>			
<i>Corporate investment</i>	667,239	-	667,239
<i>Hedge funds</i>	421,056	-	421,056
<i>Real estate investment</i>	142,897	-	142,897
Premises, equipment and other assets	-	42,758	42,758
<b>Total assets</b>	<b>1,239,847</b>	<b>921,571</b>	<b>2,161,418</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Call accounts	-	101,027	101,027
Term and institutional borrowings	-	37,679	37,679
Payables and accrued expenses	5,786	234,577	240,363
Negative fair value of derivatives	-	36,743	36,743
Medium-term debt	84,734	332,347	417,081
Long-term debt	346,235	-	346,235
Deferred fees	-	100,290	100,290
<b>Total liabilities</b>	<b>436,755</b>	<b>842,663</b>	<b>1,279,418</b>
<b>Total equity</b>	<b>803,092</b>	<b>78,908</b>	<b>882,000</b>
<b>Total liabilities and equity</b>	<b>1,239,847</b>	<b>921,571</b>	<b>2,161,418</b>

**4. RECEIVABLES AND PREPAYMENTS**

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
Subscriptions receivable	151,538	34,932
Receivables from investee and holding companies	102,062	92,154
Investment disposal proceeds receivable	35,811	3,390
Hedge funds related receivables	7,892	13,391
Accrued interest receivable	4,978	4,654
Prepaid expenses	49,874	43,314
Other receivables	3,374	93,997
	<b>355,529</b>	<b>285,832</b>
Provisions for impairment (see Note 10)	<b>(16,532)</b>	<b>(10,927)</b>
<b>Total</b>	<b>338,997</b>	<b>274,905</b>

**5. ADVANCES**

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
Advances to investment holding companies	81,070	78,426
Advances to employee investment programs	40,015	42,190
Advances to CI closed-end funds	11,864	8,106
Other advances	2,076	319
	<b>135,025</b>	<b>129,041</b>
Provisions for impairment (see Note 10)	<b>(19,428)</b>	<b>(17,520)</b>
<b>Total</b>	<b>115,597</b>	<b>111,521</b>

**6. UNDERWRITTEN INVESTMENTS**

The Group's underwritten investments, classified as Fair Value Through Profit or Loss ("FVTPL"), comprise the following:

<b>\$000s</b>	<b>December 31, 2015</b>				<b>June 30, 2015 (Audited)</b>			
	<b>North America</b>	<b>Europe</b>	<b>MENA*</b>	<b>Total</b>	<b>North America</b>	<b>Europe</b>	<b>MENA*</b>	<b>Total</b>
<b>Corporate investment:</b>								
Consumer Products	-	2,804	9,180	11,984	-	-	-	-
Consumer Services	23,607	-	-	23,607	1,304	-	-	1,304
Industrial Services	-	-	29,076	29,076	-	-	33,642	33,642
IT Security	-	86,721	-	86,721	-	-	-	-
<b>Total corporate investment</b>	<b>23,607</b>	<b>89,525</b>	<b>38,256</b>	<b>151,388</b>	<b>1,304</b>	<b>-</b>	<b>33,642</b>	<b>34,946</b>
<b>Real estate investment:</b>								
Core Plus	137,307	-	-	137,307	52,559	-	-	52,559
<b>Total real estate investment</b>	<b>137,307</b>	<b>-</b>	<b>-</b>	<b>137,307</b>	<b>52,559</b>	<b>-</b>	<b>-</b>	<b>52,559</b>
<b>Total underwritten investments</b>	<b>160,914</b>	<b>89,525</b>	<b>38,256</b>	<b>288,695</b>	<b>53,863</b>	<b>-</b>	<b>33,642</b>	<b>87,505</b>

\*Including Turkey

**7. HEDGE FUNDS CO-INVESTMENTS**

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

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
Customized funds of hedge funds	231,273	271,173
Single managers	134,388	96,697
Special opportunities portfolios	12,547	13,335
Alternative beta funds	63,560	39,851
<b>Total balance sheet co-investments</b>	<b>441,768</b>	<b>421,056</b>

Out of the total co-investment in hedge funds, \$38.5 million (June 30, 2015: \$51.6 million) comprise funds which are not immediately available for redemption due to the illiquid nature of the instruments held by the underlying managers.

Further, investments amounting to \$52.1 million (June 30, 2015: \$ Nil) in single manager funds represent the net asset value of the seed capital provided to the managers that is subject to a lock-up period. The residual lock-up period for such investments is 23 months.

A portion of the Group's co-investment in hedge funds is utilized to secure amounts drawn under a bi-lateral revolving facility. At December 31, 2015, \$50.2 million was the drawn balance from the bi-lateral revolving facility (June 30, 2015: \$50.2 million) (see Note 14).

**8. CORPORATE CO-INVESTMENTS**

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
CI co-investments [See Note 8 (A)]	553,380	618,292
Strategic and other investments [See Note 8 (B)]	49,318	48,947
<b>Total corporate co-investments</b>	<b>602,698</b>	<b>667,239</b>

**8. CORPORATE CO-INVESTMENTS (CONTINUED)**
**8 (A) CI CO-INVESTMENTS**

The Group's CI co-investments are classified as FVTPL investments. The carrying values of the Group's CI co-investments at December 31, 2015 and June 30, 2015 are:

\$000s	December 31, 2015				June 30, 2015 (Audited)			
	North				North			
	America	Europe	MENA*	Total	America	Europe	MENA*	Total
Consumer Products	58,119	38,595	44,653	141,367	56,345	37,816	33,154	127,315
Consumer Services	345	-	16,258	16,603	346	-	13,840	14,186
Distribution	-	-	-	-	-	4,742	-	4,742
Industrial Products	36,046	137,158	6,650	179,854	30,175	172,660	6,689	209,524
Industrial Services	25,543	18,149	11,383	55,075	52,506	24,004	11,140	87,650
Telecom	100,178	-	-	100,178	95,981	-	-	95,981
Technology								
<i>Digital Content</i>	636	-	-	636	719	32,104	-	32,823
<i>Enterprise Software</i>	19,102	8,818	-	27,920	18,548	11,676	-	30,224
<i>IT Services</i>	14,628	14,107	-	28,735	12,835	-	-	12,835
<i>Infrastructure &amp; Others</i>	-	-	3,012	3,012	-	-	3,012	3,012
<b>Total</b>	<b>254,597</b>	<b>216,827</b>	<b>81,956</b>	<b>553,380</b>	<b>267,455</b>	<b>283,002</b>	<b>67,835</b>	<b>618,292</b>

\*Including Turkey

Subsequent to the balance sheet date, the Group has signed a definitive agreement to sell Icopal, a European industrial products business, representing the second largest co-investment exposure on the balance sheet.

**8 (B) STRATEGIC AND OTHER INVESTMENTS**

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

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

These include AFS investments and debt instruments held at amortized cost, except for investments amounting to \$11.0 million (June 30, 2015: \$11.0 million).

## 9. REAL ESTATE CO-INVESTMENTS

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

Certain of the debt investments in real estate properties are carried at amortised cost amounting to \$10.8 million (June 30, 2015: \$23.4 million).

The carrying values of the Group's co-investments in real estate portfolios in the United States at December 31, 2015 and at June 30, 2015 are:

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
<b>PORTFOLIO TYPE</b>		
Core Plus	112,705	116,787
Debt	4,798	17,400
Opportunistic	1,977	2,113
Strategic and other	6,597	6,597
<b>Total</b>	<b>126,077</b>	<b>142,897</b>

## 10. PROVISIONS FOR IMPAIRMENT

Specific impairment provisions for receivables and advances are as follows:

<b>\$000s</b>	<b>At beginning</b>	<b>Charge</b>	<b>At end</b>
<b>Categories</b>			
<b>6 months to December 31, 2015</b>			
Receivables (Note 4)	10,927	5,605	16,532
Advances (Note 5)*	17,520	1,908	19,428
<b>Total</b>	<b>28,447</b>	<b>7,513</b>	<b>35,960</b>
<b>6 months to December 31, 2014</b>	<b>25,633</b>	<b>1,485</b>	<b>27,118</b>

\* Balance includes \$2 million of portfolio provisions

## 11. CALL ACCOUNTS

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
Client call accounts	39,637	13,744
Investment holding companies accounts	81,436	71,186
Discretionary and other accounts	18,353	16,097
<b>Total</b>	<b>139,426</b>	<b>101,027</b>

All these balances bear interest at market rates.



## 12. TERM AND INSTITUTIONAL BORROWINGS

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
Borrowings from institutions on call	153,626	616
Term borrowings	33,564	37,063
<b>Total</b>	<b>187,190</b>	<b>37,679</b>

All these balances bear interest at market rates.

## 13. PAYABLES AND ACCRUED EXPENSES

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
Accrued expenses - employee compensation	25,069	65,787
Vendor and other payables	12,992	26,829
Preference shares redemption payable	-	104,158
Unfunded deal acquisitions	54,100	32,000
Investment related payables	2,286	2,286
Accrued interest payable	8,215	9,303
<b>Total</b>	<b>102,662</b>	<b>240,363</b>

**14. MEDIUM-TERM DEBT**

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

<i>\$000s</i>	<i>Final Maturity</i>	<i>December 31, 2015</i>		<i>June 30, 2015 (Audited)</i>	
		<i>Size</i>	<i>Current outstanding</i>	<i>Size</i>	<i>Current outstanding</i>
3-year secured bi-lateral revolving facility	February 2017	175,000	50,216	175,000	50,216
5-year fixed rate bonds	November 2017	250,000	250,000	250,000	250,000
4-year syndicated revolving facility	July 2018	400,000	100,000	400,000	-
5-year fixed rate bonds	June 2019	139,249	139,249	139,249	139,249
<b>Total</b>			<b>539,465</b>		<b>439,465</b>
Foreign exchange translation adjustments			(13,476)		(4,877)
Fair value adjustments relating to interest rate hedges			(602)		(49)
Transaction costs of borrowings			(14,708)		(17,458)
<b>Total</b>			<b>510,679</b>		<b>417,081</b>

The 3-year secured bi-lateral revolving facility of \$175 million is secured, to the extent it is drawn, by an equivalent amount of the Group's co-investments in hedge funds.

All medium-term facilities, except for the 5-year fixed rate bonds, carry floating rates of interest when drawn. Revolvers carry a fixed rate of commitment fees when undrawn. The 4-year syndicated revolving facility and the 5-year fixed rate bonds are subject to certain customary covenants, including maintaining certain minimum levels of net worth and operating below a maximum leverage ratio.

**15. LONG-TERM DEBT**

<i>\$000s</i>	<i>Final Maturity</i>	<i>December 31, 2015</i>	<i>June 30, 2015 (Audited)</i>
<b><u>PRIVATE NOTES</u></b>			
JPY 37 Billion Private Placement	March 2030	332,328	332,328
\$50 Million Private Placement	July 2032	50,000	50,000
		382,328	382,328
Foreign exchange translation adjustments		(25,083)	(30,102)
Fair value adjustments relating to interest rate hedges		12,816	(3,932)
Transaction costs of borrowings		(1,988)	(2,059)
<b>Total</b>		368,073	346,235

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

**16. DEFERRED FEES**

<i>\$000s</i>	<i>December 31, 2015</i>	<i>June 30, 2015 (Audited)</i>
Deferred fees relating to placements	90,791	97,890
Deferred fees from investee companies	1,942	2,400
<b>Total</b>	92,733	100,290

**17. SHARE CAPITAL AND RESERVES**

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

	<i>December 31, 2015</i>			<i>June 30, 2015 (Audited)</i>		
	No. of shares	Par value \$	\$000	No. of shares	Par value \$	\$000
<b>Authorized share capital</b>						
- Ordinary shares	400,000,000	2.50	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
			<u>2,000,000</u>			<u>2,000,000</u>
<b>Issued share capital</b>						
- Ordinary shares	80,000,000	2.50	200,000	800,000	250	200,000
- Preference shares	223,239	1,000	223,239	225,000	1,000	225,000
			<u>423,239</u>			<u>425,000</u>

**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).

**Ordinary share capital**

On September 29, 2015 the shareholders of the Bank authorized a share split at an extraordinary general meeting pursuant to which each ordinary share, having a nominal value of US \$250 per share, was split into 100 ordinary shares, having a nominal value of US \$2.50 per share, resulting in (i) an increase in the number of the Bank's authorized ordinary shares from 4,000,000 to 400,000,000 ordinary shares and (ii) an increase in the number of the Bank's issued ordinary shares from 800,000 to 80,000,000 ordinary shares.

**Preference share capital**

1,761 preference shares have been purchased during the period ended December 31, 2015 for an aggregate purchase price of \$2.0 million, resulting in 223,239 (June 30, 2015: 225,000) issued preference shares reported as part of equity.

**18. EARNINGS PER SHARE**

The Group's basic and fully diluted earnings per share are as follows:

<i>\$000s</i>	<b>6 months July - December 2015</b>	<i>6 months July - December 2014</i>
Net income attributable to ordinary shareholders	50,900	45,341
Less : Preference shares dividend and premium - paid on redemptions	(276)	-
Net income attributable to ordinary shareholders	50,624	45,341
Weighted average ordinary shares for basic earnings per ordinary share	68,152,433	62,144,300
Basic earnings per ordinary share - on weighted average shares (\$)*	0.74	0.73
Weighted average ordinary shares for fully diluted earnings per ordinary shares	71,329,704	63,748,100
Fully diluted earnings per ordinary share - on weighted average diluted shares (\$)*	0.71	0.71

\*In line with the share split during FY16, earnings per share in the comparative period has been restated.

**19. DERIVATIVE FINANCIAL INSTRUMENTS**

The table below summarizes the Group's derivative financial instruments outstanding at December 31, 2015 and June 30, 2015:

<i>\$000s</i>	<i>Description</i>	<b>December 31, 2015</b>			<b>June 30, 2015 (Audited)</b>		
		<i>Notional value</i>	<i>Positive fair value*</i>	<i>Negative fair value</i>	<i>Notional value</i>	<i>Positive fair value*</i>	<i>Negative fair value</i>
<b>A) HEDGING DERIVATIVES</b>							
<u>Currency risk being hedged using forward foreign exchange contracts</u>							
<i>i) Fair value hedges</i>							
	<i>On balance sheet exposures</i>	309,985	-	(2,146)	310,087	-	(7,511)
<i>ii) Cashflow hedges</i>							
	<i>Coupon on long-term debt</i>	50,251	-	(331)	50,327	-	(1,260)
	<b>Total forward foreign exchange contracts</b>	360,236	-	(2,477)	360,414	-	(8,771)
<u>Interest rate risk being hedged using Interest rate swaps</u>							
	<i>i) Fair value hedges - fixed rate debt</i>	710,815	29,489	(1,962)	710,598	36,935	(3,078)
	<i>ii) Cashflow hedges - floating rate debt</i>	450,000	246	(2,342)	500,000	-	(3,430)
	<b>Total interest rate hedging contracts</b>	1,160,815	29,735	(4,304)	1,210,598	36,935	(6,508)
	<b>Total - Hedging Derivatives</b>	1,521,051	29,735	(6,781)	1,571,012	36,935	(15,279)
<b>B) OTHER DERIVATIVES</b>							
	<i>Interest rate swaps</i>	329,448	12,404	(12,612)	331,003	11,553	(11,801)
	<i>Forward rate agreements</i>	425,000	-	(152)	-	-	-
	<i>Forward foreign exchange contracts</i>	650,900	3,854	(2,819)	430,185	1,807	(2,231)
	<i>Currency options</i>	2,940	12	(12)	1,500	-	(1)
	<i>Cross currency swaps</i>	390,380	18,565	(5,932)	320,361	23,931	(7,431)
	<b>Total - Other Derivatives</b>	1,798,668	34,835	(21,527)	1,083,049	37,291	(21,464)
	<b>TOTAL - DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>3,319,719</b>	<b>64,570</b>	<b>(28,308)</b>	<b>2,654,061</b>	<b>74,226</b>	<b>(36,743)</b>

\*Net collateral received by the Group amounting to \$44.7 million has been taken against the fair values above (June 30, 2015: \$24.2 million)

## 20. COMMITMENTS AND CONTINGENT LIABILITIES

<b>\$000s</b>	<b>December 31, 2015</b>	<b>June 30, 2015 (Audited)</b>
Investment commitments	21,352	36,744
Non-cancelable operating leases	17,516	20,435
Guarantees and letters of credit issued to third parties	3,500	3,616

Investment related commitments represent the Group's unfunded co-investment commitments to various corporate and real estate investment funds.

Non-cancelable operating leases relate to the Group's commitments in respect of its New York, London, and Abu Dhabi 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 III 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. Below are the disclosures required under the CBB guidelines:

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

**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. 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.

<i>\$000s</i>	<b>December 31, 2015</b>	<i>June 30, 2015 (Audited)</i>
Tier 1 capital (a)	893,752	872,943
Tier 2 capital (b)	5,019	5,134
<b>Regulatory capital base under Basel III (c) = (a) + (b)</b>	<b>898,771</b>	<b>878,077</b>

  

	<i>Principal / Notional amounts</i>	<i>Risk weighted equivalents</i>	<i>Principal / Notional amounts</i>	<i>Risk weighted equivalents</i>
<b>Risk weighted exposure \$000s</b>	<b>December 31, 2015</b>	<b>December 31, 2015</b>	<i>June 30, 2015 (Audited)</i>	<i>June 30, 2015 (Audited)</i>
<b>Credit risk</b>				
Claims on sovereigns	40,650	-	25,000	-
Claims on banks	259,408	126,980	233,466	114,058
Claims on corporates	399,628	399,628	330,097	264,250
Co-investments (including underwriting)	1,459,238	2,106,938	1,318,697	1,962,829
Other assets	63,613	90,383	157,696	182,500
<u>Off-balance sheet items</u>				
Commitments and contingent liabilities	42,065	14,941	60,895	22,345
Derivative financial instruments	85,154	49,764	92,027	53,244
Credit risk weighted exposure		2,788,634		2,599,226
<b>Market risk</b>				
Market risk weighted exposure		1,098		862
<b>Operational risk</b>				
Operational risk weighted exposure		463,705		463,705
<b>Total risk weighted exposure (d)</b>		<b>3,253,437</b>		<b>3,063,793</b>
<b>Common equity tier 1 capital ratio</b>		<b>20.4%</b>		<b>21.1%</b>
<b>Tier 1 capital ratio (a) / (d)</b>		<b>27.5%</b>		<b>28.5%</b>
<b>Total capital adequacy ratio (c) / (d)</b>		<b>27.6%</b>		<b>28.7%</b>

  

Minimum required as per CBB regulatory guidelines under Basel III	12.5%	12.5%
Capital cushion over minimum required as per CBB guidelines	508,359	510,422

Fair value unrealized gains on FVTPL investments amounting to \$39.0 million (June 30, 2015: \$92.9 million of unrealized losses) are reflected in retained earnings, which is part of Tier 1 Capital.

**22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

The fair values of the Group’s financial assets and liabilities on the interim consolidated balance sheet are not materially different from their carrying values except for certain liabilities carried at amortized cost. The fair value of medium and long-term debt amounts to \$835.2 million (June 30, 2015: \$763.0 million) as compared to carrying value of \$895.5 million (June 30, 2015: \$782.8 million). The fair value of medium and long term debt is based on inputs from third party banks and falls under Level 3 of the fair value hierarchy disclosure under IFRS 7.

During the six month period ended December 31, 2015 and the year ended June 30, 2015, there were no transfers of instruments between level 1, 2 and 3 of the fair value measurement hierarchy. Further, hedge fund exposure of \$38.5 million (June 30, 2015: \$51.6 million) is comprised of illiquid side pocket investments which are classified as level 3. The six month period fair value changes on this hedge fund exposure amounted to a loss of \$5.2 million and the net redemptions amounted to \$7.9 million (June 30: 2015: year to date loss of \$6.8 million and the net redemptions amounts to \$21.7 million).

The fair values of financial assets that are traded in active markets are based on quoted market prices or dealer price quotations.

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

<i>December 31, 2015</i> <i>\$000s</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Financial assets</b>				
Positive fair value of derivatives	-	64,570	-	64,570
<u>Co-investments</u>				
Corporate investment	9,045	-	570,858	579,903
Hedge funds	-	403,219	38,549	441,768
Real estate investment	-	-	115,305	115,305
<b>Total financial assets</b>	<b>9,045</b>	<b>467,789</b>	<b>724,712</b>	<b>1,201,546</b>
<b>Financial liabilities</b>				
Negative fair value of derivatives	-	28,308	-	28,308
<b>Total financial liabilities</b>	<b>-</b>	<b>28,308</b>	<b>-</b>	<b>28,308</b>



**22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

<b>June 30, 2015</b> <b>\$000s (Audited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Positive fair value of derivatives	-	74,226	-	74,226
<b>Co-investments</b>				
Corporate investment	17,960	-	626,855	644,815
Hedge funds	-	369,450	51,606	421,056
Real estate investment	-	-	119,523	119,523
<b>Total financial assets</b>	<b>17,960</b>	<b>443,676</b>	<b>797,984</b>	<b>1,259,620</b>
<b>Financial liabilities</b>				
Negative fair value of derivatives	-	36,743	-	36,743
<b>Total financial liabilities</b>	<b>-</b>	<b>36,743</b>	<b>-</b>	<b>36,743</b>

A reconciliation of the opening and closing amounts of Level 3 co-investment in corporate investment and real estate investment is given below:

<b>December 31, 2015</b> <b>\$000s</b>	<b>At beginning</b>	<b>Net new acquisitions</b>	<b>Fair value movements</b>	<b>Movements relating to realizations</b>	<b>Other movements*</b>	<b>At end</b>
CI co-investments	626,855	24,556	38,905	(104,750)	(14,708)	570,858
RE co-investments	119,523	14,971	(2,382)	(13,639)	(3,168)	115,305
<b>Total</b>	<b>746,378</b>	<b>39,527</b>	<b>36,523</b>	<b>(118,389)</b>	<b>(17,876)</b>	<b>686,163</b>
*Other movements include add-on funding and foreign currency translation adjustments						
<b>June 30, 2015</b> <b>\$000s</b> <b>(Audited)</b>	<b>At beginning</b>	<b>Net new acquisitions</b>	<b>Fair value movements*</b>	<b>Movements relating to realizations</b>	<b>Other movements**</b>	<b>At end</b>
CI co-investments	884,830	29,528	44,241	(244,274)	(87,470)	626,855
RE co-investments	103,288	33,785	(3,030)	(13,702)	(818)	119,523
<b>Total</b>	<b>988,118</b>	<b>63,313</b>	<b>41,211</b>	<b>(257,976)</b>	<b>(88,288)</b>	<b>746,378</b>
*Includes \$0.7 million fair value gain in available for sale investments						
**Other movements include add-on funding and foreign currency translation adjustments						

**22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

<b>December 31, 2015</b>		<b>Factor</b>	<b>Change</b>	<b>Balance sheet exposure</b>	<b>Projected Balance sheet Exposure</b>		<b>Impact on Income</b>	
<b>\$000s</b>					For increase	For decrease	For increase	For decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	544,971	592,618	497,414	47,646	(47,558)	
	Revenue Multiples	+/- 0.5x	-	-	-	-	-	
	Quoted bid price	+/- 1%	9,045	9,135	8,955	90	(90)	
RE co-investments	Capitalization Rate	-/+ 1%	115,305	142,140	95,466	26,835	(19,839)	

  

<b>June 30, 2015</b>		<b>Factor</b>	<b>Change</b>	<b>Balance sheet exposure</b>	<b>Projected Balance sheet Exposure</b>		<b>Impact on Income</b>	
<b>\$000s (Audited)</b>					For increase	For decrease	For increase	For decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	600,044	678,269	521,947	78,225	(78,097)	
	Revenue Multiples	+/- 0.5x	288	416	160	128	(128)	
	Quoted bid price	+/- 1%	17,960	18,140	17,780	180	(180)	
RE co-investments	Capitalization Rate	-/+ 1%	119,523	151,681	94,604	32,158	(24,919)	

**23. 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 SIPCO Limited.

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

Although these companies are 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.

**23. RELATED PARTY TRANSACTIONS (CONTINUED)**

The income earned and expenses incurred in connection with related party transactions included in these interim condensed consolidated financial statements are as follows:

<b>\$000s</b>		<b>July 2015 - December 2015</b>	<b>July 2014 - December 2014</b>
AUM fees	Investee and investment holding companies	33,000	37,156
Deal fees	Investee and investment holding companies	61,366	67,226
Asset based income	Investee companies	10,001	10,677
Provisions for impairment	Employee investment programs	910	-
Interest expense	Client companies	12	-

The balances with related parties included in these interim condensed consolidated financial statements are as follows:

<b>\$000s</b>	<b>December 31, 2015</b>			<b>June 30, 2015 (Audited)</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Off- balance sheet</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Off- balance sheet</b>
<b>Outstanding balances</b>						
Strategic shareholders	6,333	8,340	-	4,825	16,540	-
Investee companies	40,132	-	-	41,186	-	-
Investment holding companies	137,515	82,015	19,986	126,283	71,620	35,082
Client fund companies associated with the HFP	7,780	-	-	13,279	-	-
Directors and senior management	2,003	-	-	1,148	572	-
	<b>193,763</b>	<b>90,355</b>	<b>19,986</b>	<b>186,721</b>	<b>88,732</b>	<b>35,082</b>

**24. 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 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.

The significant accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those followed in the preparation of the audited consolidated financial statements for the year ended June 30, 2015 which included the early adoption of 'IFRS 15 Revenue from Contracts with Customers' ("IFRS 15").

## 25. CYCLICALITY OF ACTIVITIES

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