INVESTCORP S.A.

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

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JUNE 30, 2009

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tel: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF INVESTCORP S.A.

We have audited the accompanying consolidated financial statements of Investcorp S.A. (the "Company") and its subsidiaries (together the "Group") which comprise the consolidated balance sheet as at 30 June 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF INVESTCORP S.A. (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 June 2009 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

7 September 2009
Manama, Kingdom of Bahrain

INVESTCORP S.A.

CONSOLIDATED BALANCE SHEET
JUNE 30, 2009

$000s	*June 30, 2009*	*June 30, 2008*	*Note*	*Page*
ASSETS				
Cash and short-term funds	404,951	193,250	6	30
Deposits with financial institutions	699,884	257,407	6	30
Positive fair value of derivatives	56,150	62,191	19	47
Receivables and prepayments	329,063	451,615	7	31
Loans and advances	223,137	335,907	8	32
Co-investments				
Hedge funds	614,481	2,020,808	9	33
Private equity	903,391	1,029,142	10	34
Real estate	283,207	337,038	11	39
Total co-investments	1,801,079	3,386,988		
Premises, equipment and other assets	31,117	29,061		
TOTAL ASSETS	3,545,381	4,716,419		
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from financial institutions	-	108,636		
Deposits from clients - short term	257,266	681,236	13	41
Negative fair value of derivatives	33,287	45,925	19	47
Unfunded deal acquisitions	-	234,321		
Payables and accrued expenses	62,985	201,226	14	42
Deposits from clients - medium term	83,212	119,607	13	41
Medium-term debt	1,635,515	1,116,395	15	42
Long-term debt	578,370	971,903	16	44
TOTAL LIABILITIES	2,650,635	3,479,249		
EQUITY				
Preference share capital	500,000	-	17	45
Ordinary shares par value	200,000	200,000	17	45
Reserves	604,995	653,971	17	45
Treasury shares	(150,507)	(177,602)		
Retained earnings other than unrealized fair value changes of private equity and real estate co-investments	23,589	542,563		
Ordinary shareholders' equity other than unrealized fair value changes, revaluation reserve and proposed dividend	678,077	1,218,932		
Proposed dividend	-	63,278		
Unrealized fair value reserve	(297,031)	(42,516)		
Revaluation surplus on premises and equipment	4,102	-		
Fair value adjustments through equity	9,598	(2,524)		
Unrealized fair value changes and revaluation reserve	(283,331)	(45,040)	18	46
TOTAL EQUITY	894,746	1,237,170		
TOTAL LIABILITIES AND EQUITY	3,545,381	4,716,419		

Rishi Kapoor
Director

Jonathan C. Minor
Director

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

INVESTCORP S.A.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2009

CONSOLIDATED STATEMENT OF INCOME

$000s	*2009*	*2008*	*Note*	*Page*
FEE INCOME				
Management fees	107,359	136,464		
Activity fees	21,715	221,483		
Performance fees	301	24,952		
Gross fee income (a)	129,375	382,899	2	20
ASSET BASED INCOME				
Private equity	12,389	20,610		
Hedge funds	(323,797)	100,508		
Real estate	20,153	26,257		
Treasury and other asset based income	78,022	73,767		
Asset based (loss) income (b)	(213,233)	221,142		
Gross operating (loss) income (a) + (b)	(83,858)	604,041		
Provisions	(22,246)	(5,410)	12	40
Interest expense	(113,292)	(158,794)		
Operating expenses	(206,322)	(269,696)	5	29
Net operating (loss) income before fair value changes of private equity and real estate co-investments	(425,718)	170,141		
Fair value changes of private equity and real estate co-investments (c)	(348,086)	(22,715)	18	46
NET (LOSS) INCOME	(773,804)	147,426		
TOTAL REVENUE (a)+(b)+(c)	(431,944)	581,326		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

$000s	*2009*	*2008*	*Note*	*Page*
NET (LOSS) INCOME (AS ABOVE)	(773,804)	147,426		
Other comprehensive income				
Revaluation surplus on premises and equipment	4,417	-	18	46
Fair value changes - cash flow hedges	12,122	(2,446)	18	46
Fair value changes - available for sale investments	-	6,573	18	46
Other comprehensive income	16,539	4,127		
TOTAL COMPREHENSIVE (LOSS) INCOME	(757,265)	151,553		

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

INVESTCORP S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

			Reserves							Fair value changes and revaluation reserve					
										Fair value changes			Revaluation reserve on premises and equipment	Total fair value changes and revaluation reserve	
$000s	**Preference share capital**	**Ordinary share capital**	**Share premium**	**Statutory reserve**	**General reserve**	**Total reserves**	**Treasury shares**	**Retained * earnings**	**Proposed dividend**	**Private equity and real estate**	**Available for sale investments**	**Cash flow hedges**			**Total equity**
Balance at June 30, 2007	**200,000**	**200,000**	**501,670**	**97,116**	**50,000**	**648,786**	**(155,564)**	**443,248**	**75,724**	**(23,677)**	**-**	**(6,651)**	**-**	**(30,328)**	**1,381,866**
Total comprehensive income	-	-	-	-	-	-	-	147,426	-	-	6,573	(2,446)	-	4,127	151,553
Transfer of realized losses to retained earnings	-	-	-	-	-	-	-	(3,876)	-	3,876	-	-	-	3,876	-
Transfer of unrealized losses to fair value changes	-	-	-	-	-	-	-	22,715		(22,715)	-	-	-	(22,715)	-
Preference shares redemption	(200,000)		-	-	-	-	14,032	(758)	-	-	-	-	-	-	(186,726)
Transfer to statutory reserve	-	-	-	2,884	-	2,884	-	(2,884)	-	-	-	-	-	-	-
Purchased during the year	-	-	-	-	-	-	(47,882)	-	-	-	-	-	-	-	(47,882)
Sold during the year	-	-	-	-	-	-	14,083	-	-	-	-	-	-	-	14,083
Gain (loss) on sale of treasury shares	-	-	2,301	-	-	2,301	(2,271)	(30)	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(75,724)	-	-	-	-	-	(75,724)
Proposed dividend	-	-	-	-	-	-	-	(63,278)	63,278	-	-	-	-	-	-
Balance at June 30, 2008	**-**	**200,000**	**503,971**	**100,000**	**50,000**	**653,971**	**(177,602)**	**542,563**	**63,278**	**(42,516)**	**6,573**	**(9,097)**	**-**	**(45,040)**	**1,237,170**
Total comprehensive loss	-	-	-	-	-	-	-	(773,804)	-	-	-	12,122	4,417	16,539	(757,265)
Transfer of realized losses to retained earnings	-	-	-	-	-	-	-	(93,571)	-	93,571	-	-	-	93,571	-
Transfer of unrealized losses to fair value changes	-	-	-	-	-	-	-	348,086	-	(348,086)	-	-	-	(348,086)	-
Depreciation transferred to retained earnings	-	-	-	-	-	-	-	315	-	-	-	-	(315)	(315)	-
Purchased during the year	-	-	-	-	-	-	(51,278)	-	-	-	-	-	-	-	(51,278)
Sold during the year	-	-	-	-	-	-	30,344	-	-	-	-	-	-	-	30,344
Loss on sale of treasury shares	-	-	(48,029)	-	-	(48,029)	48,029	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(63,278)	-	-	-	-	-	(63,278)
Preference share issuance proceeds	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000
Share issue expenses	-	-	(947)	-	-	(947)	-	-	-	-	-	-	-	-	(947)
Balance at June 30, 2009	**500,000**	**200,000**	**454,995**	**100,000**	**50,000**	**604,995**	**(150,507)**	**23,589**	**-**	**(297,031)**	**6,573**	**3,025**	**4,102**	**(283,331)**	**894,746**

* Retained earnings other than unrealized fair value changes of private equity and real estate co-investments

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2009

$000s	*2009*	*2008*	*Note*	*Page*
OPERATING ACTIVITIES				
Net (loss) income	(773,804)	147,426		
Adjustments to reconcile net income to net cash:				
Fair value changes	348,086	22,715		
Depreciation	7,245	3,251	5	29
Provisions for receivables and loans and advances	22,246	5,410	12	40
Amortization of transaction costs of borrowings	4,533	4,200		
Net (loss) income adjusted for non-cash items	(391,694)	183,002		
Changes in:				
Operating capital				
Receivables and prepayments	120,044	(198,904)	7	31
Loans and advances	93,032	(197,666)	8	32
Deposits from clients - short-term	(423,970)	59,732	13	41
Unfunded deal acquisitions	(234,321)	185,406		
Payables and accrued expenses	(138,241)	(29,025)	14	42
Co-investments				
Hedge funds	1,406,327	(164,357)	9	33
Private equity	(116,059)	(293,538)	10	34
Real estate	(52,445)	24,714	11	39
Fair value of derivatives	18,342	(38,603)		
Other assets	32	213		
NET CASH FROM (USED IN) OPERATING ACTIVITIES	281,047	(469,026)		
FINANCING ACTIVITIES				
Deposits from financial institutions	(108,636)	34,239		
Deposits from clients - medium-term	(36,395)	(28,787)	13	41
Medium-term revolvers drawn	557,500	240,000	15	42
Medium-term debt issued (net of transaction costs)	-	132,127	15	42
Medium-term debt repaid	(42,000)	-	15	42
Long-term debt repaid	(407,263)	(25,620)	16	44
Treasury shares purchased (ordinary) - net	(20,934)	(33,799)	17	45
Share issue expenses	(947)	-	17	45
Preference share issuance proceeds (redemeed)	500,000	(186,726)	17	45
Dividends paid	(63,278)	(75,724)		
NET CASH FROM FINANCING ACTIVITIES	378,047	55,710		
INVESTING ACTIVITY				
Investment in premises and equipment	(4,916)	(1,446)		
Net increase (decrease) in cash and cash equivalents	654,178	(414,762)		
Cash and cash equivalents at beginning	450,657	865,419		
Cash and cash equivalents at end	1,104,835	450,657		
Cash and cash equivalents comprise:			6	30
Cash balances with banks	23,963	62,279		
Cash in transit	380,988	130,971		
Deposits with financial institutions	699,884	257,407		
	1,104,835	450,657		

Cash and cash equivalents comprise cash and short-term funds, cash in transit, together with deposits with financial institutions and government securities that have contracted maturities of less than 90 days.

Additional cash flow information

$000s	*2009*	*2008*
Interest paid	(121,670)	(164,975)
Interest received	21,498	37,179

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

(i) Incorporation

Investcorp S.A. (the "Company") is incorporated as a limited liability company in the Grand Duchy of Luxembourg and qualifies as a financial holding company. The registered office of the Company is at 6, rue Adolphe Fischer, L-1520, Luxembourg. The Company is registered with the Luxembourg Trade Register under the number B 24.708.

The Company is a holding company owning various subsidiaries (together the "Group" or "Investcorp"). The activities of the Company are substantially transacted through its subsidiaries. The ultimate parent of the Group is SIPCO Holdings Limited [see Note 1.A (iii)].

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 consolidated financial statements for the year ended June 30, 2009 were authorized for issue in accordance with a resolution of the Board of Directors dated August 18, 2009.

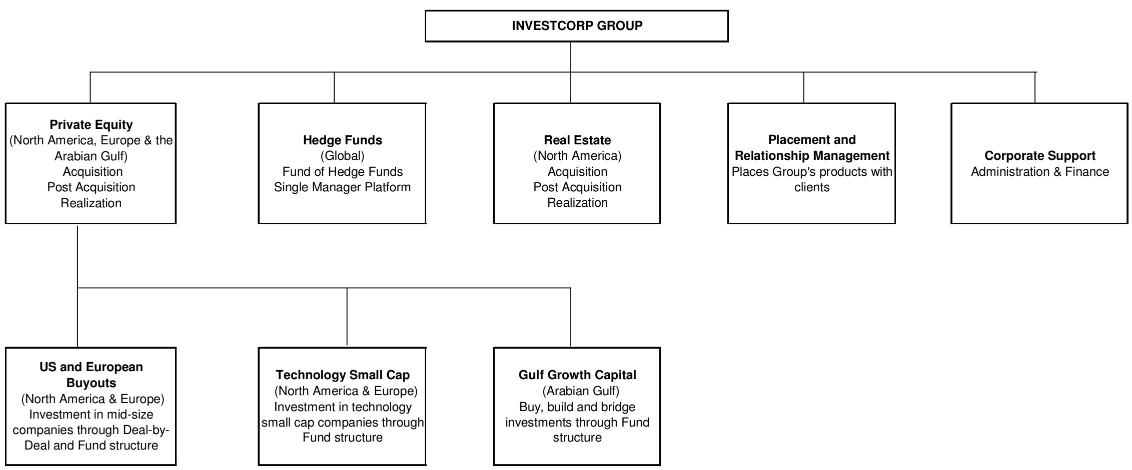
1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 together with 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.

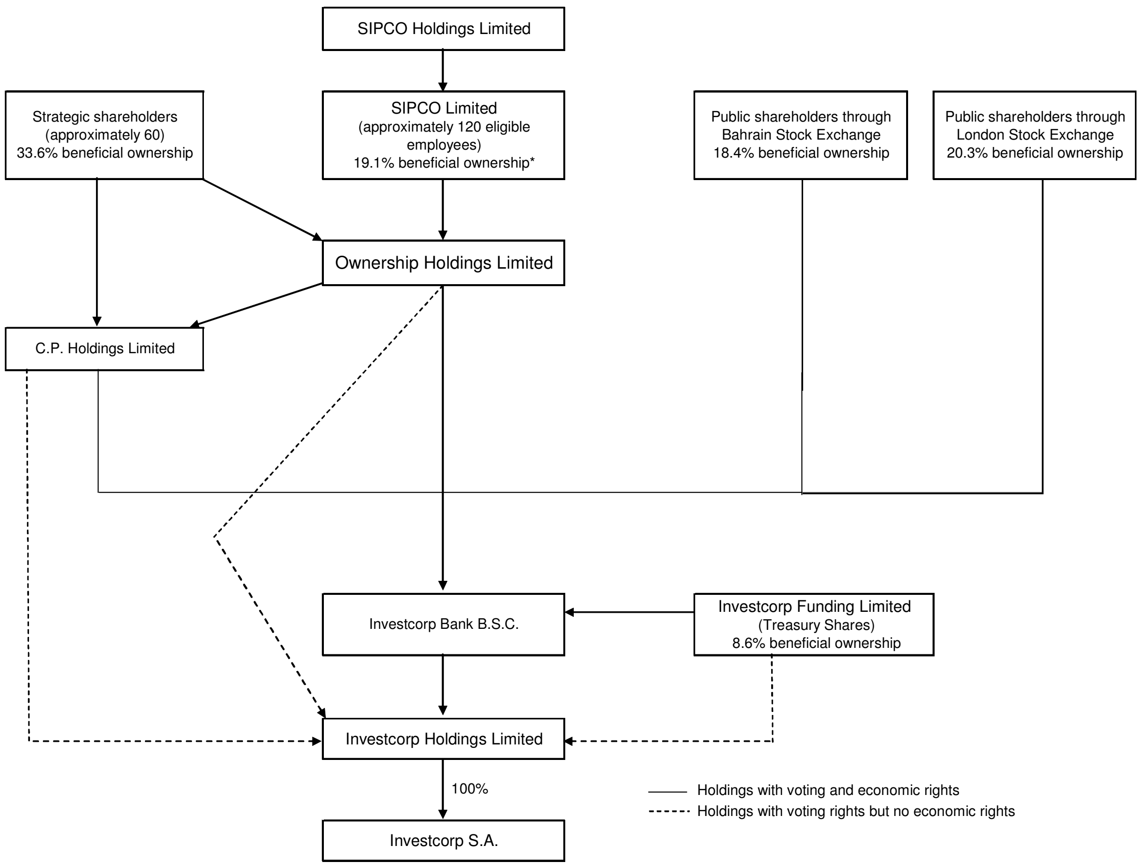
In carrying out its activities, the Group performs two principal roles (a) to act as an intermediary by bringing global alternative investment opportunities to its clients, and (b) to act as a principal investor by co-investing with its clients in each of its investment products.



1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iii) Ownership



* Includes 1.9% in shares that are held for future sale to management under the SIP Plan. The Group has approval from the Central Bank of Bahrain ("CBB") to hold upto 40% shares for the SIP Plan. On the balance sheet these shares are accounted for as equivalent of treasury shares.

The Company is wholly owned by Investcorp Holdings Limited ("IHL"), incorporated in the Cayman Islands. Investcorp Bank B.S.C. (the "Bank", or the "Parent Company"), incorporated in the Kingdom of Bahrain, is the parent company of IHL.

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 consolidated financial statements incorporate the financial statements of the Company 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 Company is the principal asset holding operating entity within the Group and consistent with covenants contained in the Group's medium and long-term debt agreements, at least 95% of the consolidated assets of the Bank are held by the Company or subsidiaries that are owned directly or indirectly by the Company.

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 consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"). The 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.

Presented below is a summary of the significant accounting policies which are consistent with those used in prior years except for the change in accounting policy as noted below.

Change in accounting policy

During the year, the Group changed its policy in respect of carrying value of premises and equipment. Certain classes of these assets have been revalued to their fair value in the year and are 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 reserve.

Early adoption of International Financial Reporting Standards

IFRS 8 (Operating Segments) and revised IAS 1 (Presentation of Financial Statements) were both issued by International Accounting Standards Board and needed to be applied for fiscal years beginning on or after January 1, 2009. The Group early adopted both these Standards during the fiscal year beginning July 1, 2007, as permitted by the Standards.

IFRS 8 relates to disclosure of segmental information and revised IAS 1 requires certain changes in the presentation of financial statements. As such, early adoption of these standards has no impact on the Group's results for the year ended, or financial position as at, June 30, 2009.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations issued but not yet effective

Following are the relevant IFRS and IFRIC interpretations that have been issued during the year, to be applied to financial statements for financial years commencing on or after the following dates:

- IAS 23 (Revised) - Borrowing costs, 1 January 2009;
- IFRS 2 Amendment – Vesting conditions and cancellations, 1 January 2009;
- IAS 27 Amendment – Cost of an investment in a subsidiary, jointly controlled entity or associate, 1 January 2009;
- 2008 Annual Improvements to IFRS, 1 January 2009;
- IFRS 7 Amendment – Improving disclosures about financial instruments, 1 January 2009;
- IFRS 3 (Revised) – Business combinations, 1 July 2009;
- IAS 27 Amendment – Consolidated and separate financial statements, 1 July 2009;
- IAS 39 Amendment – Eligible hedged items, 1 July 2009;
- IFRIC 15 – Agreements for the construction of real estate assets, 1 January 2009;
- IFRIC 17 – Distribution of non cash asset to owners, 1 July 2009.

The directors do not anticipate that the adoption of these Standards will have a material impact on the consolidated financial statements in the period of their initial application.

i) Accounting convention in the consolidated financial statements preparation

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

ii) Going concern

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements. The use of estimates is principally limited to the determination of fair value of Fair Value Through Profit or Loss ("FVTPL") private equity and real estate investments and impairment provisions for unquoted Available-For-Sale ("AFS") investments (see Notes 10 and 11).

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

Classification of investments

On initial investment, management decides whether it should be classified as held to maturity, held for trading, carried as FVTPL, or AFS.

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

The Group classifies investments as held for trading if they are acquired primarily for the purpose of making a short-term profit.

Investments acquired with the intention of a long-term holding period, such as in private equity, real estate or hedge funds, are classified as FVTPL investments when the following criteria are met:

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

All other investments are classified as available-for-sale.

iv) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The results of all subsidiaries are included in the consolidated statement of income from the effective date of formation or acquisition. All intercompany balances, income and expenses have been eliminated on consolidation.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Foreign currencies

A foreign currency transaction is recorded in the functional currency at the rate of exchange prevailing at the value date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognized in the consolidated statement of income under treasury and other asset based income. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Non-monetary assets in foreign currencies that are stated at fair value are retranslated at exchange rates prevailing on the dates the fair values were determined.

vi) Receivables

Subscription receivables are recognized when the obligation is established, i.e., when a binding subscription agreement is signed. Provisions are made against receivables as soon as they are considered doubtful.

vii) Loans and advances

Loans and advances are stated at amortized cost, net of any impairment provisions.

viii) Co-investments in hedge funds

The Group's co-investments in hedge funds are classified as FVTPL investments and are stated at fair value at the balance sheet date with all changes being recorded in the consolidated statement of income.

The fair value of co-investments in hedge funds is based on underlying net asset values as explained in Note 9.

ix) Co- investments in private equity and real estate

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

Certain of the Group's strategic and other investments are classified as AFS and are initially recorded at cost including acquisition charges. The fair value for these investments is determined using valuations implied by material financing events involving third party capital providers, such as a partial disposal, additional funding, indicative bids, etc. In the event that such third party evidenced reliable measure of fair value is not available, the investment is stated at its previous carrying value, net of any impairment provisions. The resulting change in value of these investments is recorded as a separate component of equity until they are impaired or derecognized at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Certain debt investments out of the Group's co-investments in private equity and real estate are classified as Held–to–maturity investments and are carried at amortized cost, less provision for impairment, if any.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Derecognition of financial instruments

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

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

xi) Trade date accounting

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

xii) Impairment and un-collectibility of financial assets

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

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

Impairment is determined as follows:

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

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xiii) Premises and equipment

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

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

All other items are recorded at cost less accumulated depreciation.

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

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

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

xiv) Payables, accruals and provisions

Provision for employee benefit costs is made in accordance with contractual and statutory obligations and other benefit plans approved by the Board of Directors (see Note 25).

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

xv) Unfunded deal acquisitions

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xvi) Borrowings

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

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

xvii) Treasury shares

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

xviii) Dividends

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

xix) Offsetting

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

xx) Derivative financial instruments

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

Derivatives that qualify for hedge accounting under IAS 39 are classified into fair value hedges or cash flow hedges. Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Accounting treatments for both types of hedges and in the case of discontinuance of hedges are disclosed in Note 20.

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxi) Income and expenses

Interest income is recognized using the effective yield of the asset and is recorded as asset based income. Investment income from all FVTPL investments is recognized on the basis of changes in fair value for the year. Capital gains realized on FVTPL investments are recognized by comparing the sale price against the previously reported fair value, net of expenses and costs payable in respect of the realization.

Fee income is recognized when services are rendered. Performance fees for private equity and real estate business are recognized when earned. Performance fees for the hedge funds business is accrued on a cumulative basis using the High Watermark methodology.

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

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

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 and New York. Fee income is earned throughout the life cycle of investments by providing these intermediary services to clients. The Group's clients are primarily based in the Arabian Gulf states, however the Group has been expanding its franchise globally, targeting institutional investors in the United States and Europe.

ii) As a principal

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

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 reporting segments, asset classes, lines of business and products.

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

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

2. SEGMENT REPORTING (continued)

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

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 Arabian Gulf states, and also offered through conventional fund structures to international institutional investors. The Group retains a small portion as a co-investment on its consolidated balance sheet. These investments are managed by the team on behalf of investors for value optimization until realization.

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 states. 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.

2. SEGMENT REPORTING (continued)

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

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.

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 and unrealized fair value changes

This 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 distributions from real estate investments.

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

2. SEGMENT REPORTING (continued)

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.

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, before 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) BALANCE SHEET AND STATEMENT OF INCOME BY REPORTING SEGMENTS

Consolidated balance sheet as at June 30, 2009 and 2008 by reporting segment is as follows:

June 30, 2009 *$000s*	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Assets					
Cash and short-term funds	-	-	-	404,951	404,951
Deposits with financial institutions	-	-	-	699,884	699,884
Positive fair value of derivatives	-	-	-	56,150	56,150
Receivables and prepayments	-	-	-	329,063	329,063
Loans and advances	-	-	-	223,137	223,137
Co-investments	903,391	614,481	283,207	-	1,801,079
Premises, equipment and other assets	-	-	-	31,117	31,117
Total assets	903,391	614,481	283,207	1,744,302	3,545,381
Liabilities and Equity					
Liabilities					
Deposits from clients - short term	-	217,983	-	39,283	257,266
Negative fair value of derivatives	-	-	-	33,287	33,287
Payables and accrued expenses	11,376	1,355	20,153	30,101	62,985
Deposits from clients - medium term	-	-	-	83,212	83,212
Medium-term debt	35,098	204,433	37,580	1,358,404	1,635,515
Long-term debt	275,730	14,512	115,854	172,274	578,370
Total liabilities	322,204	438,283	173,587	1,716,561	2,650,635
Total equity	581,187	176,198	109,620	27,741	894,746
Total liabilities and equity	903,391	614,481	283,207	1,744,302	3,545,381

June 30, 2008 *$000s*	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Assets					
Cash and short-term funds	-	-	-	193,250	193,250
Deposits with financial institutions	-	-	-	257,407	257,407
Positive fair value of derivatives	-	-	-	62,191	62,191
Receivables and prepayments	-	-	-	451,615	451,615
Loans and advances		-	-	335,907	335,907
Co-investments	1,029,142	2,020,808	337,038	-	3,386,988
Premises, equipment and other assets	-	-	-	29,061	29,061
Total assets	1,029,142	2,020,808	337,038	1,329,431	4,716,419
Liabilities and Equity					
Liabilities					
Deposits from financial institutions	-	108,636	-	-	108,636
Deposits from clients - short term	-	510,484	-	170,752	681,236
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	176,770	201,226
Deposits from clients - medium term	-	64,282	-	55,325	119,607
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	1,131,461	3,479,249
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	1,329,431	4,716,419

2. SEGMENT REPORTING (continued)

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

The consolidated statements of income for the years ended June 30, 2009 and 2008 by reporting segments are as follows:

July 2008 - June 2009 *$000s*	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Fee income					
Management fees	55,799	38,714	12,846	-	107,359
Activity fees	23,322	-	(1,607)	-	21,715
Performance fees	-	(579)	880	-	301
Gross fee income (a)	79,121	38,135	12,119	-	129,375
Expenses attributable to fee income	(102,091)	(50,459)	(16,820)	-	(169,370)
Net fee income	(22,970)	(12,324)	(4,701)	-	(39,995)
Asset based income					
Interest income	229	-	2,030	17,373	19,632
Treasury and other asset based (loss) income	12,160	(323,797)	18,123	60,649	(232,865)
Fair value changes	(241,810)	-	(106,276)	-	(348,086)
Gross asset based (loss) income (b)	(229,421)	(323,797)	(86,123)	78,022	(561,319)
Provisions	-	-	-	(22,246)	(22,246)
Interest expense	(22,841)	(44,666)	(12,751)	(33,034)	(113,292)
Expenses attributable to asset based income	(12,950)	(12,355)	(4,742)	(6,905)	(36,952)
Net asset based (loss) income	(265,212)	(380,818)	(103,616)	15,837	(733,809)
Net (loss) income	(288,182)	(393,142)	(108,317)	15,837	(773,804)
Total revenue (a) + (b)	(150,300)	(285,662)	(74,004)	78,022	(431,944)

July 2007 - June 2008 *$000s*	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Fee income					
Management fees	66,023	61,167	9,274	-	136,464
Activity fees	181,021	-	40,462	-	221,483
Performance fees	-	24,487	465	-	24,952
Gross fee income (a)	247,044	85,654	50,201	-	382,899
Expenses attributable to fee income	(134,369)	(61,265)	(27,777)	-	(223,411)
Net fee income	112,675	24,389	22,424	-	159,488
Asset based income					
Interest income	416	-	1,013	38,282	39,711
Treasury and other asset based income	20,194	100,508	25,244	36,587	182,533
Fair value changes	(15,587)	-	(7,128)	-	(22,715)
Gross asset based income (b)	5,023	100,508	19,129	74,869	199,529
Provisions	-	-	-	(5,410)	(5,410)
Interest expense	(38,238)	(86,875)	(18,683)	(16,100)	(159,896)
Expenses attributable to asset based income	(13,293)	(21,593)	(5,146)	(2,622)	(42,654)
Net asset based (loss) income	(46,508)	(7,960)	(4,700)	50,737	(8,431)
Net income before Group's appropriation expenses	66,167	16,429	17,724	50,737	151,057
Group's appropriation expenses	-	-	-	(3,631)	(3,631)
Net income	66,167	16,429	17,724	47,106	147,426
Total revenue (a) + (b)	252,067	186,162	69,330	74,869	582,428

2. SEGMENT REPORTING (continued)

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

Total revenue of $(150.3) million (2008: $252.1 million) from private equity asset class includes $17.0 million and $22.1 million (2008: $12.3 million and $18.8 million) relating to Technology Small Cap Investments and Gulf Growth Capital respectively. The balance relates to US and European Buyouts.

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues in the year (2008: nil). All of the Group's fee income arises from intermediary activities while the asset based income includes $19.5 million (June 30, 2008: $39.7 million) interest income from items at amortized cost and $52.6 million (June 30, 2008: $46.8 million) from items held for trading.

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

IFRS also requires an entity to report its segment assets and segment revenues along its geographical regions. All significant activities of the Group are performed on an integrated, worldwide basis. The Group's clients and trading partners also operate in the international market place, and neither their domicile nor the geographical location of a transaction is necessarily related to the country in which the asset or liability underlying the transaction is located. Consequently, any geographical segmentation of revenues would be potentially misleading. As such, segmentation of revenues by region has not been presented. Note 21 (iii) presents the geographical split of assets and off-balance sheet items.

3. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

June 30, 2009 *$000s*	*Designated as FVTPL*	*Items at amortized cost*	*AFS*	*Derivatives*	*Total*
Financial assets					
Cash and short-term funds	-	404,951	-	-	404,951
Placements with banks and other financial institutions	-	699,884	-	-	699,884
Positive fair value of derivatives	-	-	-	56,150	56,150
Receivables	-	301,563	-	-	301,563
Loans and advances	-	223,137	-	-	223,137
Co-investments					
Hedge funds	614,481	-	-	-	614,481
Private equity	867,521	-	35,870	-	903,391
Real estate					
Debt	-	44,130	-	-	44,130
Equity	239,077	-	-	-	239,077
Total financial assets	1,721,079	1,673,665	35,870	56,150	3,486,764
Non-financial assets					
Prepayments					27,500
Premises, equipment and other assets					31,117
Total assets					3,545,381
Financial liabilities					
Deposits from clients*	-	340,478	-	-	340,478
Negative fair value of derivatives	-	-	-	33,287	33,287
Payables	-	55,726	-	-	55,726
Medium term debt	-	1,635,515	-	-	1,635,515
Long term debt*	-	578,370	-	-	578,370
Total financial liabilities	-	2,610,089	-	33,287	2,643,376
Non-financial liabilities					
Deferred income					7,259
Total liabilities					2,650,635

* Adjusted for related fair value hedges (See Note 20).

June 30, 2008 *$000s*	*Designated as FVTPL*	*Items at amortized cost*	*AFS*	*Derivatives*	*Total*
Financial assets					
Cash and short-term funds	-	193,250	-	-	193,250
Placements with banks and other financial institutions	-	257,407	-	-	257,407
Positive fair value of derivatives	-	-	-	62,191	62,191
Receivables	-	426,982	-	-	426,982
Loans and advances	-	335,907	-	-	335,907
Co-investments					
Hedge funds	2,020,808	-	-	-	2,020,808
Private equity	990,806	-	38,336	-	1,029,142
Real estate					
Debt	-	15,593	-	-	15,593
Equity	321,445	-	-	-	321,445
Total financial assets	3,333,059	1,229,139	38,336	62,191	4,662,725
Non-financial assets					
Prepayments					24,633
Premises, equipment and other assets					29,061
Total assets					4,716,419
Financial liabilities					
Deposits from financial institutions	-	108,636	-	-	108,636
Deposits from clients*	-	800,843	-	-	800,843
Negative fair value of derivatives	-	-	-	45,925	45,925
Unfunded deal acquisitions		234,321	-	-	234,321
Payables	-	189,484	-	-	189,484
Medium term debt	-	1,116,395	-	-	1,116,395
Long term debt*	-	971,903	-	-	971,903
Total financial liabilities	-	3,421,582	-	45,925	3,467,507
Non-financial liabilities					
Deferred income					11,742
Total liabilities					3,479,249

* Adjusted for related fair value hedges (See Note 20).

INVESTCORP S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

4. ASSETS UNDER MANAGEMENT

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

	June 30, 2009				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	199	71	746	451	250	20	721
- Technology small cap investments	419	67	14	500	424	64	12	500
- Gulf Growth Capital	875	70	6	951	956	109	35	1,100
Sub total	1,770	336	91	2,197	1,831	423	67	2,321
Closed-end Invested Funds								
- Technology small cap investments	223	30	10	263	255	28	12	295
Deal-by-deal investments								
- US and European buyouts	2,540	714	443	3,697	3,148	832	555	4,535
Strategic and other investments	-	74	-	74	-	73	-	73
Total private equity	**4,533**	**1,154**	**544**	**6,231**	**5,234**	**1,356**	**634**	**7,224**
Hedge Funds								
Fund of hedge funds	1,946	457	3	2,406	3,908	1,536	228	5,672
Single managers	1,148	388	10	1,546	1,641	529	77	2,247
Total hedge funds	**3,094**	**845**	**13**	**3,952**	**5,549**	**2,065**	**305**	**7,919**
Real Estate								
Closed-end Committed Funds	253	27	4	284	953	152	3	1,108
Deal-by-deal investments	903	247	42	1,192	926	318	37	1,281
Strategic and other investments	-	8	-	8	-	5	-	5
Total real estate	**1,156**	**282**	**46**	**1,484**	**1,879**	**475**	**40**	**2,394**
Corporate Support								
Client call accounts held in trust	67	-	-	67	143	-	-	143
Total	**8,850**	**2,281**	**603**	**11,734**	**12,805**	**3,896**	**979**	**17,680**
Summary by category:								
Closed-end Committed Funds	2,023	363	95	2,481	2,784	575	70	3,429
Closed-end Invested Funds	223	30	10	263	255	28	12	295
Hedge Funds	3,094	845	13	3,952	5,549	2,065	305	7,919
Deal-by-deal investments	3,510	1,043	485	5,038	4,217	1,228	592	6,037
Total	**8,850**	**2,281**	**603**	**11,734**	**12,805**	**3,896**	**979**	**17,680**
Summary by segments:								
Private Equity								
- US and European buyouts	3,016	913	514	4,443	3,599	1,082	575	5,256
- Technology small cap investments	642	97	24	763	679	92	24	795
- Gulf Growth Capital	875	70	6	951	956	109	35	1,100
- Strategic and other investments	-	74	-	74	-	73	-	73
Hedge Funds	3,094	845	13	3,952	5,549	2,065	305	7,919
Real Estate	1,156	282	46	1,484	1,879	475	40	2,394
Corporate Support	67	-	-	67	143	-	-	143
Total	**8,850**	**2,281**	**603**	**11,734**	**12,805**	**3,896**	**979**	**17,680**

4. 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 a majority of the rewards on their investments, subject to normal management and performance fee arrangements. Accordingly, these assets are not included in the Group's consolidated balance sheet.

5. OPERATING EXPENSES

$000s	***2009***	*2008*
Staff compensation	119,977	170,012
Other personnel costs	16,921	18,912
Professional fees	18,280	18,438
Travel and business development	12,015	15,302
Administration and research	14,415	21,070
Technology and communication	4,572	5,190
Premises	11,463	11,415
Depreciation	7,245	3,251
Other	1,434	6,106
Total	206,322	269,696

6. LIQUIDITY

$000s	*June 30, 2009*	*June 30, 2008*
Cash balances with banks	23,963	62,279
Cash in transit	380,988	130,971
Deposits with financial institutions	699,884	257,407
Cash and cash equivalents	1,104,835	450,657
Less: medium and long-term debt maturing within three months	(142,000)	-
Net cash liquidity	962,835	450,657
Add: undrawn medium-term revolvers [see Note 15(a)]	-	732,500
Net accessible liquidity	962,835	1,183,157
Co-investments in hedge funds	571,481	2,020,808
Net liquidity	1,534,316	3,203,965

The Group maintains access to sufficient on and off-balance sheet liquidity in order to meet the 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, except for $43 million (2008: nil) which is not immediately available due to gating clauses imposed by the underlying fund managers.

Cash and short-term funds comprise the Group’s cash, balances in nostro accounts and short-term government securities. Cash in transit mainly relates to proceeds for issuance of preference shares and redemptions from hedge funds for which notices have been issued, the proceeds of which have been received subsequent to the balance sheet date.

7. RECEIVABLES AND PREPAYMENTS

$000s	***June 30, 2009***	*June 30, 2008*
Subscriptions receivable	111,116	288,234
Capital issuance proceeds receivable	110,495	-
Receivables from investee companies	76,487	104,201
Investment disposal proceeds receivable	3,188	16,271
Hedge funds related receivables	14,046	23,925
Accrued interest receivable	5,009	6,289
Prepaid expenses	27,500	24,633
Other receivables	13,129	17,461
	360,970	481,014
Provisions (see Note 12)	(31,907)	(29,399)
Total	329,063	451,615

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.

$110.5 million of receivables represents cash proceeds due from clients participating in the preference shares being issued by the Company and are short term in nature.

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.

8. LOANS AND ADVANCES

$000s	*June 30, 2009*	*June 30, 2008*
Advances to HFP Funds and Real Estate Funds	11,985	115,395
Advances to investment holding companies	129,045	152,885
Advances to Employee Investment Programs	121,604	80,776
Other advances	7,829	14,439
	270,463	363,495
Provisions (see Note 12)	(47,326)	(27,588)
Total	223,137	335,907

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

9. 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		***June 30, 2009***	*June 30, 2008*
Diversified Strategies Fund ("DSF") and parallel vehicles	A cash management substitute targeting 300-500bp spread over LIBOR	196,790	658,980
Balanced Fund ("IBF")	Flagship offering targeting a balanced exposure to the hedge funds asset class and returns of 500-700bp over LIBOR	30,415	741,515
Single Manager Platform	Investments with single managers that have been seeded on Investcorp's platform	384,615	496,709
Other Hedge Funds investments	Mix of small investments across several theme funds	2,661	123,604
Total balance sheet co-investments		614,481	2,020,808
Leverage through structured products	Non-recourse leverage provided by third parties as part of structured products around the HFP	230,308	45,155
Total gross investments		844,789	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.

10. CO-INVESTMENTS IN PRIVATE EQUITY

$000s	*June 30, 2009*	*June 30, 2008*
US and European buyouts [See Note 10 (a)]	769,392	921,821
Technology small cap investments [See Note 10 (b)]	46,194	34,208
Gulf growth capital [See Note 10 (c)]	13,696	-
Strategic and other investments [See Note 10 (d)]	74,109	73,113
Total co-investments in private equity	903,391	1,029,142

10 (a) US AND EUROPEAN BUYOUTS

The Group's US and European buyout investments are classified as FVTPL investments.

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 multiple to be used is taken from a universe of comparable publicly listed companies, recent M&A transactions involving comparable companies, and multiples implied by Discounted Cash Flow ("DCF") analysis. Management exercises its judgment in choosing the most appropriate multiple, on a consistent basis, from within the universe established above.

During the current period management has predominantly chosen DCF multiples to be the most appropriate in fair valuing the investments. Management believes that under current illiquid market conditions with few to nil M&A transactions multiples based on comparable listed companies or M&A transactions would not have been appropriate in fair valuing the investments.

10 (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 *	***June 30, 2009***	*June 30, 2008*
Vintage 1997 (1997 - 2000)	181,343	184,531
Vintage 2001 (2001 - 2004)	85,014	214,539
Vintage 2005 (2005 - 2008)	381,006	522,751
Vintage 2009 (N&W)**	122,029	-
Total	769,392	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.

** N&W was acquired in late 2008 but is shown separately in Vintage 2009.

Summary by sector and location:

	June 30, 2009			June 30, 2008		
$000s	**North America**	**Europe**	**Total**	**North America**	**Europe**	**Total**
Consumer Products	22,355	-	22,355	87,224	-	87,224
Industrial Products	38,920	313,392	352,312	45,650	278,006	323,656
Technology and Telecom	164,248	-	164,248	164,205	-	164,205
Industrial Services	80,807	52,284	133,091	146,884	70,765	217,649
Distribution	77,830	19,556	97,386	80,867	48,220	129,087
Total	384,160	385,232	769,392	524,830	396,991	921,821

10 (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 year:

$000s	*At beginning*	*Net new acquisitions*	*Fair value movements*	*Movements relating to realizations/ placements**	*Other movements ***	*At end*
June 30, 2009	921,821	146,256	(246,953)	(62,007)	10,275	769,392
June 30, 2008	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, during the current period management has predominantly chosen multiples implied by discounted cash flow analysis to be the most appropriate in fair valuing the investments. As of June 30, 2009 the fair value was $769.4 million (June 30, 2008: $921.8 million) for the Group's aggregate unquoted US and European buyout co-investment portfolio. The associated range of fair values estimated by the management for a +/- change in the implied EBITDA multiple of 0.5x was $685.1 million to $865.0 million (June 30, 2008: $828.1 million to $1,002.3 million). The Group's sensitivity to net income for any such increase or decrease in fair value is a corresponding increase of $95.6 million (June 30, 2008: $80.5 million) or decrease of $84.3 million (June 30, 2008: $93.7 million) as applicable. 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 of the range around it, given the inherent uncertainty surrounding valuations of unquoted investments.

10 (b) TECHNOLOGY SMALL CAP INVESTMENTS

Similar to US and European buyouts, the Group's technology small cap investments are classified as FVTPL investments.

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 DCF valuation methodology similar to that used for US and European buyout investments as described in Note 10 (a).

The carrying values of Group's co-investments in technology small cap deals at June 30, 2009 are:

$000s	*Communication Infrastructure*	*Wireless Data*	*Digital Content*	*Enterprise Software*	*Other*	*June 30, 2009 Total*
Technology Fund I						
North America	528	1,922	201	1,136	521	4,308
Sub-Total	528	1,922	201	1,136	521	4,308
Technology Fund II						
North America	5,563	450	3,714	2,005	-	11,732
Europe	-	-	14,343	-	-	14,343
Sub-Total	5,563	450	18,057	2,005	-	26,075
Technology Fund III						
North America	-	5,121	-	-	-	5,121
Europe	-	-	-	10,690	-	10,690
Sub-Total	-	5,121	-	10,690	-	15,811
Total	6,091	7,493	18,258	13,831	521	46,194

The carrying values of Group's co-investments in technology small cap deals at June 30, 2008 are:

$000s	*Communication Infrastructure*	*Wireless Data*	*Digital Content*	*Enterprise Software*	*Other*	*June 30, 2008 Total*
Technology Fund I						
North America	1,063	2,971	244	4,043	1,134	9,455
Sub-Total	1,063	2,971	244	4,043	1,134	9,455
Technology Fund II						
North America	7,511	1,009	3,557	2,007	-	14,084
Europe	6	-	4,270	-	-	4,276
Sub-Total	7,517	1,009	7,827	2,007	-	18,360
Technology Fund III						
Europe	-	-	-	6,393	-	6,393
Sub-Total	-	-	-	6,393	-	6,393
Total	8,580	3,980	8,071	12,443	1,134	34,208

10 (b) TECHNOLOGY SMALL CAP INVESTMENTS (continued)

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

$000s	*At beginning*	*New acquisitions*	*Fair value movements*	*Movements relating to realizations*	*Other movements **	*At end*
June 30, 2009	34,208	11,623	1,836	-	(1,473)	46,194
June 30, 2008	18,547	9,248	(1,142)	-	7,555	34,208

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

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of these investments.

10 (c) GULF GROWTH CAPITAL

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

Similar to US and European buyouts, the Group's Gulf Growth Capital investments are classified as FVTPL investments.

The fair value of unquoted Gulf Growth Capital 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 DCF valuation methodology similar to that used for US and European buyout investments as described in Note 10 (a).

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of these investments.

10 (d) STRATEGIC AND OTHER INVESTMENTS

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

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

These are primarily held as AFS investments, except for investments amounting to $38.2 million (June 30, 2008: $34.8 million) that are classified as FVTPL.

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of these investments.

11. CO-INVESTMENTS IN REAL ESTATE

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

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

The debt investments in real estate properties are classfied as Held-to-maturity ("HTM") investments.

The carrying values of the Group's co-investments in real estate portfolios in the United States at June 30, 2009 are:

$000s PORTFOLIO TYPE	*Number of properties*	*Region* *East*	*Midwest*	*Southeast*	*Southwest*	*West*	*June 30, 2009*
Office	15	76,835	-	-	-	11,089	87,924
Hotels	15	17,685	8,828	1,718	7,168	-	35,399
Retail	34	5,231	1,407	1,125	4,687	213	12,663
Industrial	4	5,594	-	-	-	4	5,598
Core Plus Total	68	105,345	10,235	2,843	11,855	11,306	141,584
Mezzanine debt		38,630	49	48	107	522	39,356
Opportunistic	12	27,575	-	30,761	-	35,590	93,926
Strategic and other		8,341	-	-	-	-	8,341
Total	80	179,891	10,284	33,652	11,962	47,418	283,207

The carrying values of the Group's co-investments in real estate portfolios in the United States at June 30, 2008 are:

$000s PORTFOLIO TYPE	*Number of properties*	*Region* *East*	*Midwest*	*Southeast*	*Southwest*	*West*	*June 30, 2008*
Office	16	106,526	362	-	-	21,173	128,061
Hotels	15	26,146	7,471	10,434	11,934	-	55,985
Retail	34	2,710	2,364	1,200	6,727	213	13,214
Industrial	4	5,373		-	-	-	5,373
Diversified	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-
Core Plus Total	69	140,755	10,197	11,634	18,661	21,386	202,633
Mezzanine debt	n/a	13,077	182	176	394	489	14,318
Opportunistic	14	26,571	-	28,446	-	60,441	115,458
Strategic and other	n/a	4,629	-	-	-	-	4,629
Total	83	185,032	10,379	40,256	19,055	82,316	337,038

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

$000s	*At beginning*	*Net new acquisitions*	*Fair value movements*	*Movements relating to realizations / placements*	*Other movements **	*At end*
June 30, 2009	337,038	16,225	(106,276)	(13,651)	49,871	283,207
June 30, 2008	368,880	212,078	(7,128)	(262,657)	25,865	337,038

* Other movements include add-on fundings.

11. CO-INVESTMENTS IN REAL ESTATE (continued)

The associated range of fair values estimated by the management for a +/- change in capitalization rates of 1% was $180.7 million to $346.9 million (June 30, 2008: $316.9 million to $363.4 million). The Group's sensitivity in net income to any such increase or decrease in fair value is a corresponding increase of $63.7 million (June 30, 2008: $26.4 million) or decrease of $102.5 million (June 30, 2008: $20.2 million) as applicable.

12. PROVISIONS

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

$000s	***Receivables***	***Loans and advances***	***Total***
	(see Note 7)	(see Note 8)	
Balance at July 1, 2007	23,989	27,588	51,577
Charge for the year	5,410	-	5,410
Balance at June 30, 2008	29,399	27,588	56,987
Charge for the year	2,508	19,738	22,246
Balance at June 30, 2009	**31,907**	**47,326**	**79,233**

13. DEPOSITS FROM CLIENTS

$000s	***June 30, 2009***	*June 30, 2008*
SHORT-TERM:		
Call accounts	39,957	185,640
Short-term deposits	21,049	323,341
Transitory balances	196,260	172,255
Total deposits from clients - short-term	257,266	681,236
MEDIUM-TERM:		
Medium-term deposits	23,956	21,134
Investment holding companies' deposits	26,682	73,762
Discretionary and other deposits	32,574	24,711
Total deposits from clients - medium-term	83,212	119,607
Total	340,478	800,843

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 4 for future participation in the Group's investment products.

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

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

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

All deposits bear interest at market rates.

14. PAYABLES AND ACCRUED EXPENSES

$000s	***June 30, 2009***	*June 30, 2008*
Accrued expenses - employee compensation	28,638	116,962
Vendor and other trade payables	7,097	29,547
Exit escrow proceeds	8,890	26,596
Deferred income	7,259	11,742
Accrued interest payable	11,101	16,379
Total	62,985	201,226

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

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.

15. MEDIUM-TERM DEBT

The table below shows the total medium-term facilities, net of the transaction costs of borrowings, outstanding at year end.

$000s	***June 30, 2009***	*June 30, 2008*
Medium-term revolvers [See Note 15 (a)]	797,500	240,000
Medium-term debt [See Note 15 (b)]	846,500	888,500
Transaction costs of borrowings	(8,485)	(12,105)
	1,635,515	1,116,395

15 (a) MEDIUM-TERM REVOLVERS

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

		June 30, 2009			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	122,534	150,000	150,000	33,333	-
5-year Eurodollar facility	December 2011	500,000	421,027	500,000	500,000	207,500	200,000
5.5-year Eurodollar facility	July 2012	40,000	30,795	40,000	40,000	20,000	40,000
5-year Eurodollar facility	April 2013	107,500	107,500	107,500	107,500	-	-
Total		797,500	681,856	797,500	972,500	260,833	240,000

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

15 (b) MEDIUM-TERM DEBT

		June 30, 2009		June 30, 2008	
$000s	***Maturity***	***Average outstanding***	***Current outstanding***	*Average outstanding*	*Current outstanding*
5-year Eurodollar facility	June 2009	26,219	-	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		872,719	846,500	768,179	888,500

These facilities carry LIBOR-based floating rates of interest.

$120 million of the $142 million Eurodollar facility due in July 2009 was rolled over on maturity to December 2009.

16. LONG-TERM DEBT

		June 30, 2009		June 30, 2008	
$000s	*Final Maturity*	*Average outstanding*	*Current outstanding*	*Average outstanding*	*Current outstanding*
PRIVATE NOTES					
$143 Million Private Placement	October 2008	35,750	-	143,000	143,000
$55 Million Private Placement	May 2009	22,917	-	55,000	55,000
GBP 25 Million Private Placement	January 2010	12,683	2,624	32,800	26,240
$40 Million Private Placement	December 2010	29,063	21,250	40,000	40,000
$15 Million Private Placement	May 2011	6,250	-	15,000	15,000
$50 Million Private Placement	July 2011	20,833	-	50,000	50,000
GBP 20 Million Private Placement	September 2011	14,146	-	29,522	29,522
$75 Million Bi-lateral Placement	October 2011	57,813	50,000	69,962	62,500
$42 Million Private Placement	November 2011	17,500	-	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
$71.5 Million Private Placement	May 2012	61,073	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
		735,356	584,827	1,006,112	992,090
Foreign exchange translation adjustments			53,187		34,674
Fair value adjustments			(55,774)		(50,078)
Transaction costs of borrowings			(3,870)		(4,783)
Total			578,370		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.

17. SHARE CAPITAL AND RESERVES

The Company's subscribed share capital comprises 200,000 ordinary shares of $1,000 each.

Preference shares

During the year, the Group obtained regulatory approvals to raise $500 million preference share capital. At the balance sheet date, 117 Series B preference shares were issued amounting to US$117million. A further US$383 million has been reflected as preference share capital, with regulatory approval, since binding subscriptions from investors have been received prior to June 30, 2009 and subsequently related proceeds were obtained by the Group for issuance of 283,000 additional Series B and 100,000 Series C preference shares. 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 their respective first call dates and 12-months USD LIBOR + 9.75% per annum thereafter, if not called.

The payment of dividends on preference shares is subject to recommendation by the Board of Directors, and approval by the CBB and ordinary shareholders. The preference shares take priority over the Company'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 Company's option any time on or after their first call dates at par plus dividend due up to the call date. The earliest call date for Series B preference shares is June 30, 2014.

During the previous year, in accordance with the terms of issue, the Company redeemed Series A preference shares in full at their par value plus accrued dividend after obtaining necessary Board and regulatory approvals.

Legal reserve

Luxembourg companies are required to transfer to legal reserve a minimum of 5% of the unconsolidated annual net income, after deducting any losses brought forward, until the reserve equals 10% of the nominal value of the issued share capital. This reserve, up to 10% of issued capital, may not be distributed in the form of cash dividends, or otherwise, during the life of the Company.

Share premium

Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue expenses, are treated as share premium. It also includes net gains resulting from the sale of treasury shares held by the Group.

17. SHARE CAPITAL AND RESERVES (continued)

General reserve

The general reserve, established in accordance with the articles of association of the Company, is only distributable following a resolution of shareholders at a general meeting.

Treasury shares

Treasury shares represent ordinary shares held by the Company and its subsidiaries. Ordinary shares held as treasury include 15,298 shares that are held by SIPCO Limited for future sale to management under the SIP Plan.

Unrealized fair value changes and reserves

This consists of (i) unrealized fair value of FVTPL private equity and real estate co-investments transferred from retained earnings, (ii) fair value changes for AFS investments recognized directly in equity (iii) fair value changes of cash flow hedges recognized directly in equity and (iv) revaluation reserve of premises and equipment recognized directly in equity.

As of June 30, 2009 the Group had an accumulated deficit, including unrealized fair value changes of private equity and real estate co-investments, of $273.4 million (June 30, 2008: retained earnings of $500 million).

18. UNREALIZED FAIR VALUE CHANGES AND REVALUATION RESERVES

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

	Fair value changes and revaluation reserve						
	FVTPL Investments			Available			
$000s	Private equity	Real estate	Sub-Total	for sale investments	Cash flow hedges	Revaluation reserve	Total
Balance at June 30, 2007	(29,750)	6,073	(23,677)	-	(6,651)	-	(30,328)
Net realized loss recycled to statement of income	-	-	-	-	736	-	736
Net unrealized (losses) gains for the year	(15,587)	(7,128)	(22,715)	6,573	(3,182)	-	(19,324)
Transfer of realized losses to retained earnings	4,234	(358)	3,876	-	-	-	3,876
Balance at June 30, 2008	(41,103)	(1,413)	(42,516)	6,573	(9,097)	-	(45,040)
Net realized loss recycled to statement of income	-	-	-	-	6,563	-	6,563
Net unrealized (losses) gains for the year	(241,810)	(106,276)	(348,086)	-	5,559	4,417	(338,110)
Transfer of realized losses and depreciation to retained earnings	89,844	3,727	93,571	-	-	(315)	93,256
Balance at June 30, 2009	(193,069)	(103,962)	(297,031)	6,573	3,025	4,102	(283,331)

Refer to Note 19 for fair valuation of cash flow hedges.

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

Other derivatives

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

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

Hedged item	2009			2008		
Description / *$000s*	*Notional value*	*Positive fair value*	*Negative fair value*	*Notional value*	*Positive fair value*	*Negative fair value*
A) HEDGING DERIVATIVES						
Currency risk being hedged using forward foreign exchange contracts						
i) Fair value hedges						
On balance sheet exposures						
Euro	-	-	-	432,762	2,443	(6,367)
Pounds Sterling	-	-	-	116,150	998	(590)
Japanese Yen	436,444	6,383	(145)	29,475	19	(1,427)
ii) Cashflow hedges						
Forecasted transactions	-	-	-	49,131	277	(723)
Coupon on long-term debt	78,934	1,336	-	83,272	85	(3,868)
Total forward foreign exchange contracts	515,378	7,719	(145)	710,790	3,822	(12,975)
Interest rate risk being hedged using Interest rate swaps						
i) Fair value hedges - fixed rate debt	553,732	13,753	(431)	737,347	13,545	(5,829)
ii) Cashflow hedges - floating rate debt	250,000	-	(1,405)	500,000	-	(5,310)
Total interest rate hedging contracts	803,732	13,753	(1,836)	1,237,347	13,545	(11,139)
Currency and Interest rate risk being hedged using cross currency swaps						
i) Fair value hedges	-	-	-	311,905	37,557	-
Total currency and interest rate hedging contracts	-	-	-	311,905	37,557	-
Total – Hedging Derivatives	1,319,110	21,472	(1,981)	2,260,042	54,924	(24,114)
B) DERIVATIVES ON BEHALF OF CLIENTS						
Forward foreign exchange contracts	216,788	3,683	(3,854)	390,251	1,609	(1,609)
Total - Derivatives on behalf of clients	216,788	3,683	(3,854)	390,251	1,609	(1,609)
C) OTHER DERIVATIVES						
Interest rate swaps	384,750	15,877	(17,367)	500,000	-	(6,520)
Interest rate caps	601,000	-	-	1,000,000	18	-
Forward foreign exchange contracts	695,992	10,502	(10,052)	975,434	5,630	(13,672)
Currency option	2,251	33	(33)	2,251	10	(10)
Equity options	100,000	4,583	-	-	-	-
Total – Other Derivatives	1,783,993	30,995	(27,452)	2,477,685	5,658	(20,202)
TOTAL – DERIVATIVE FINANCIAL INSTRUMENTS	**3,319,891**	**56,150**	**(33,287)**	**5,127,978**	**62,191**	**(45,925)**

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity at June 30, 2009:

	Notional amounts by term to maturity				
June 30, 2009 $000s	***Up to 3 months***	***>3 months up to 1 year***	***>1 year up to 5 years***	***Over 5 years***	***Total***
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	226,617	209,827	-	-	436,444
Interest rate swaps	-	5,572	110,195	437,965	553,732
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	78,934	-	-	-	78,934
Interest rate swaps	250,000	-	-	-	250,000
Derivates on behalf of clients					
Forward foreign exchange contracts	164,764	865	51,159	-	216,788
Other Derivatives:					
Interest rate swaps	-	-	334,750	50,000	384,750
Interest rate caps	601,000	-	-	-	601,000
Forward foreign exchange contracts	572,077	3,392	120,523	-	695,992
Currency option	-	-	2,251	-	2,251
Equity options	-	100,000	-	-	100,000
	1,893,392	319,656	618,878	487,965	3,319,891

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity at June 30, 2008:

	Notional amounts by term to maturity				
June 30, 2008 $000s	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	317,181	261,206	-	-	578,387
Interest rate swaps	-	75,084	204,848	457,415	737,347
Cross currency swaps	-	-	-	311,905	311,905
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	132,403	-	-	-	132,403
Interest rate swaps	250,000	250,000	-	-	500,000
Derivates on behalf of clients					
Forward foreign exchange contracts	320,317	25,838	44,096	-	390,251
Other derivatives:					
Interest rate swaps	-	-	500,000	-	500,000
Interest rate caps	-	399,000	601,000	-	1,000,000
Forward foreign exchange contracts	975,434	-	-	-	975,434
Currency option	-	-	2,251	-	2,251
	1,995,335	1,011,128	1,352,195	769,320	5,127,978

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedges

Gains arising from fair value hedges during the year ended June 30, 2009 were $8.4 million (June 30, 2008: $10.3 million) while the losses on the hedged items, attributable to interest rate and foreign currency risks, were $9.7 million (June 30, 2008: $9.8 million). These gains and losses are included in interest expense or treasury and other asset based income as appropriate in the consolidated statement of income.

Undiscounted cash flows for forecasted items hedged

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

June 30, 2009 $000s	***Up to 3 months***	***>3 months up to 1 year***	***>1 year up to 5 years***	***Over 5 years***	***Total***
Currency risk					
Coupon on long-term debt	(6,744)	(6,744)	(53,953)	(215,811)	(283,252)
Interest rate risk					
Interest on medium term debt	(1,125)	-	-	-	(1,125)
	(7,869)	(6,744)	(53,953)	(215,811)	(284,377)

June 30, 2008 $000s	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk					
Forecasted transactions	49,131	-	-	-	49,131
Coupon on long-term debt	(8,784)	(12,924)	(61,652)	(208,140)	(291,500)
Interest rate risk					
Interest on medium term debt	(1,881)	(10,980)	(22,187)	-	(35,048)
	38,466	(23,904)	(83,839)	(208,140)	(277,417)

The ineffective portion of cash flow hedges recycled out of equity to the consolidated statement of income for the year ended June 30, 2009 was $6.6 million (June 30, 2008: $0.7 million).

20. COMMITMENTS AND CONTINGENT LIABILITIES

$000s	***June 30, 2009***	*June 30, 2008*
Investment commitment issued for pending acquisitions (net)	-	104,818
Investment commitments to closed-end committed funds	173,782	482,396
Other investment commitments	6,750	9,513
Total investment commitments	180,532	596,727
Non-cancelable operating leases	72,854	85,116
Guarantees and letters of credit issued to third parties	175,530	187,964

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.

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 $85.3 million (June 30, 2008: $85.5 million) relate to supporting performance obligations of operating partners and investee companies.

In addition to the above, the Group acts as a guarantor of last resort to facilitate third party financing for various employee investment programs (see Note 23). Eligible employees, in their individual capacities, are provided financing from third-party lenders on a selective basis and subject to certain risk-based criteria, determined by the lenders, for their participation in the investment programs. At the balance sheet date, eligible employees have drawn down $16.4 million (June 2008: $13 million) out of a maximum $75 million (June 30, 2008: $75 million) available under this facility. 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 minimal risk to the Group.

The analysis of contractual maturities for commitments and contingent liabilities has been disclosed in note 21 (ii).

21. RISK MANAGEMENT

Risk management is an integral part of the Group's corporate decision-making process. The Financial and Risk Management Committee (FRMC), the Group's primary risk management decision-making body, comprising members of senior management drawn from all key areas of the Group, guides and assists with overall management of the Group's risk profile on an enterprise wide basis.

The Group's primary risk management objective is to support its business objectives with sufficient risk capital. The Group employs risk models to determine the capital needed to cover unexpected loss from investment or other risks. This capital amount is known as economic capital and differs from regulatory capital. The economic capital requirement for each reporting segment is determined using a dynamic VaR approach. For this purpose dynamic VaR is calculated by using a five-year planning horizon, 99% one tailed confidence level and by recognizing diversification benefits across asset classes. In addition to the dynamic VaR approach, the risk management team has developed sophisticated tools in conjunction with leading risk management consultants to perform detailed risk analyses that specifically address the investment risks in each individual line of business.

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

(i) Credit risk

The Group is exposed to credit risk on its short term funds, placements, fair value of derivatives, receivables, loans and advances, debt investments and guarantees. The Group manages credit risk by setting limits for all counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. Credit risk in respect of derivative financial instruments is limited to those with positive fair values (see Note 20). With respect to the credit risk exposure arising from other financial assets the Group has a maximum exposure equal to the carrying value of these instruments. The Group also actively attempts to mitigate credit risks through documented netting arrangements with counterparties where possible.

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

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

Internal rating categories are summarized as follows:

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

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

21. RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Credit risk exposure is considered as past due when payment is due according to the contractual terms but is not received.

Short term funds, placements and derivatives are only with those counterparties that meet the minimum standard external rating and hence carry a minimal credit risk. The table below analyses the Group's other credit risk exposures at the balance sheet date without taking into account any collateral or credit enhancements.

June 30, 2009 $000s	***Neither past due nor impaired (a)***		***Past due but not impaired (b)***	***Impaired* (c)***	***Provisions (d)***	***Maximum credit risk (a+b+c+d)***	***Average balance***
	Credit risk rating						
	High	**Standard**					
Short-term funds	404,951	-	-	-	-	404,951	164,711
Deposits with financial institutions	699,884	-	-	-	-	699,884	332,529
Positive fair value of derivatives	-	56,150	-	-	-	56,150	21,711
Receivables	-	189,605	111,116	32,749	(31,907)	301,563	271,228
Loans and advances	-	196,779	-	73,684	(47,326)	223,137	113,664
Co-investments - debt	-	44,130	-	-	-	44,130	31,350
Guarantees	-	191,930	-	-	-	191,930	202,325
Total	1,104,835	678,594	111,116	106,433	(79,233)	1,921,745	

June 30, 2008 $000s	*Neither past due nor impaired (a)*		*Past due but not impaired (b)*	*Impaired* (c)*	*Provisions (d)*	*Maximum credit risk (a+b+c+d)*	*Average balance*
	Credit risk rating						
	High	Standard					
Short-term funds	193,231	-	-	-	-	193,231	101,041
Deposits with financial institutions	257,407	-	-	-	-	257,407	418,155
Positive fair value of derivatives	62,191	-	-	-	-	62,191	57,631
Receivables	197,886	-	225,868	32,627	(29,399)	426,982	305,914
Loans and advances	315,628	-	-	47,867	(27,588)	335,907	208,386
Co-investments - debt	15,593	-	-	-	-	15,593	10,187
Guarantees	200,964	-	-	-	-	200,964	125,988
Total	1,242,900	-	225,868	80,494	(56,987)	1,492,275	

* Fair value of collaterals relating to impaired exposures is nil (June 30, 2008: $2.2 million).

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

$000s	***June 30, 2009***	*June 30, 2008*
Upto 1 month	4,808	53,839
> 1 upto 3 months	2,611	102,063
> 3 upto 6 months	553	29,369
> 6 months upto 1 year	3,783	31,211
Over 1 year	99,361	9,386
Total	**111,116**	**225,868**

The financial assets that are past due but not impaired mainly relate to subscriptions receivable from clients. These assets are over-collateralized by all other assets under management on behalf of these clients. The collateral is revalued from time to time in the same manner as the Group's exposure to investments. The fair value of collateral that the Group holds relating to financial assets that are past due but not impaired at June 30, 2009 amounts to $763 million (June 30, 2008: $224 million).

21. RISK MANAGEMENT (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To mitigate this risk, management has arranged diversified funding sources and maintained long-dated maturities of liabilities. The Group manages assets with liquidity in mind, and monitors liquidity on a daily basis (see Note 6).

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

June 30, 2009 *$000s*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Over 20 years*	*Total*
Assets							
Cash and short-term funds	404,951	-	-	-	-	-	404,951
Deposits with financial institutions	699,884	-	-	-	-	-	699,884
Positive fair value of derivatives	4,436	8,301	8,797	1,233	868	32,515	56,150
Receivables and prepayments	112,221	47,594	169,248	-	-	-	329,063
Loans and advances	12,340	23,073	187,724	-	-	-	223,137
Co-investments in hedge funds	69,685	391,412	141,513	11,871	-	-	614,481
Private equity co-investments	-	18,424	860,808	24,159	-	-	903,391
Real estate co-investments	-	38,414	244,793	-	-	-	283,207
Premises, equipment and other assets	142	-	22,304	8,671	-	-	31,117
Total assets	1,303,659	527,218	1,635,187	45,934	868	32,515	3,545,381
Liabilities							
Deposits from clients - short term	257,266	-	-	-	-	-	257,266
Negative fair value of derivatives	11,771	170	13,389	-	-	7,957	33,287
Payables and accrued expenses	11,794	51,191	-	-	-	-	62,985
Deposits from clients - medium term	-	-	83,212	-	-	-	83,212
Medium-term debt	22,000	470,000	1,143,515	-	-	-	1,635,515
Long-term debt	-	40,392	161,017	-	-	376,961	578,370
Total liabilities	302,831	561,753	1,401,133	-	-	384,918	2,650,635
Net gap	1,000,828	(34,535)	234,054	45,934	868	(352,403)	
Cumulative liquidity gap	1,000,828	966,293	1,200,347	1,246,281	1,247,149	894,746	

June 30, 2008 *$000s*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Over 20 years*	*Total*
Assets							
Cash and short-term funds	193,250	-	-	-	-	-	193,250
Placements with banks and other financial institutions	257,407	-	-	-	-	-	257,407
Positive fair value of derivatives	7,618	3,452	5,396	-	-	45,725	62,191
Receivables and prepayments	399,271	43,453	8,891	-	-	-	451,615
Loans and advances	154,558	31,927	149,422	-	-	-	335,907
Co-investments in hedge funds	500,856	1,280,508	233,620	5,221	603	-	2,020,808
Private equity co-investments	157,218	-	871,924	-	-	-	1,029,142
Real estate co-investments	70,916	46,792	219,330	-	-	-	337,038
Premises, equipment and other assets	174	-	15,610	-	13,277	-	29,061
Total assets	1,741,268	1,406,132	1,504,193	5,221	13,880	45,725	4,716,419
Liabilities							
Deposits from financial institutions	108,636	-	-	-	-	-	108,636
Deposits from clients - short term	681,236	-	-	-	-	-	681,236
Negative fair value of derivatives	18,372	10,947	11,358	-	-	5,248	45,925
Unfunded deal acquisitions	234,321	-	-	-	-	-	234,321
Payables and accrued expenses	67,911	120,014	13,301	-	-	-	201,226
Deposits from clients - medium term	-	-	119,607	-	-	-	119,607
Medium-term debt	-	61,250	1,055,145	-	-	-	1,116,395
Long-term debt	-	209,796	382,908	33,853	-	345,346	971,903
Total liabilities	1,110,476	402,007	1,582,319	33,853	-	350,594	3,479,249
Net gap	630,792	1,004,125	(78,126)	(28,632)	13,880	(304,869)	
Cumulative liquidity gap	630,792	1,634,917	1,556,791	1,528,159	1,542,039	1,237,170	

21. RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

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

June 30, 2009 *$000s*	*Up to 3 months*	*>3 months upto 1 year*	*>1 year upto 5 years*	*>5 years upto 10 years*	*>10 years upto 20 years*	*Over 20 years*	*Total*
Financial liabilities							
Deposits from clients	239,868	79,320	22,243	-	-	-	341,431
Payables and accrued expenses	11,794	51,191	-	-	-	-	62,985
Medium-term debt	25,360	481,188	1,172,015	-	-	-	1,678,563
Long-term debt	2,532	65,930	247,631	87,641	175,282	463,005	1,042,021
	279,554	677,629	1,441,889	87,641	175,282	463,005	3,125,000
Derivatives:							
Contracts settled on a gross basis:							
Contractual amounts payable	1,026,484	214,177	164,208	-	-	-	1,404,869
Contractual amounts receivable	(1,020,109)	(217,524)	(174,443)	-	-	-	(1,412,076)
Contracts settled on a net basis:							
Contractual amounts payable (receivable)	(208)	5,537	18,737	9,885	(9,764)	(512)	23,675
Commitments	1,717	44,376	173,450	33,843	-	-	253,386
Guarantees	162,882	19,048	10,000	-	-	-	191,930
Total undiscounted financial liabilities	450,320	743,243	1,633,841	131,369	165,518	462,493	3,586,784

June 30, 2008 *$000s*	*Up to 3 months*	*>3 months upto 1 year*	*>1 year upto 5 years*	*>5 years upto 10 years*	*>10 years upto 20 years*	*Over 20 years*	*Total*
Financial liabilities							
Deposits from financial institutions	112,735	-	-	-	-	-	112,735
Deposits from clients	796,407	-	-	7,323	-	-	803,730
Unfunded deal acquisitions	234,321	-	-	-	-	-	234,321
Payables and accrued expenses	51,532	118,727	1,287	1,559	-	-	173,105
Medium-term debt	5,022	3,784	57,560	1,146,917	-	-	1,213,283
Long-term debt	13,926	156,928	95,457	512,694	280,544	442,483	1,502,032
	1,213,943	279,439	154,304	1,668,493	280,544	442,483	4,039,206
Derivatives:							
Contracts settled on a gross basis:							
Contractual amounts payable	1,670,809	430,043	5,240	100,022	593,741	-	2,799,855
Contractual amounts receivable	(1,654,079)	(425,890)	(2,033)	(68,734)	(520,119)	-	(2,670,855)
Contracts settled on a net basis:							
Contractual amounts payable (receivable)	1,483	(667)	(1,413)	(6,822)	(1,070)	27,282	18,793
Commitments	1,582	42,965	592,035	45,261	-	-	681,843
Guarantees	110,906	11,358	40,823	43,753	-	-	206,840
Total undiscounted financial liabilities	1,344,644	337,248	788,956	1,781,973	353,096	469,765	5,075,682

21. RISK MANAGEMENT (continued)

(iii) Concentration risk

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

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

June 30, 2009 $000s	***Assets exposed to credit risk***	***Off-balance sheet exposed to credit risk***	***Total credit risk exposure***
Geographical Region			
North America	1,026,097	191,930	1,218,027
Europe	127,953	-	127,953
Middle East	561,460	-	561,460
Other	14,305	-	14,305
Total	1,729,815	191,930	1,921,745

June 30, 2008 $000s	*Assets exposed to credit risk*	*Off-balance sheet exposed to credit risk*	*Total credit risk exposure*
Geographical Region			
North America	486,355	206,840	693,195
Europe	614,346	-	614,346
Middle East	189,593	-	189,593
Other	1,017	-	1,017
Total	1,291,311	206,840	1,498,151

21. RISK MANAGEMENT (continued)

(iii) Concentration risk (continued)

June 30, 2009 $000s	***Assets exposed to credit risk***	***Off-balance sheet exposed to credit risk***	***Total credit risk exposure***
Industry Sector			
Banking and Finance	1,319,932	89,012	1,408,944
Consumer products	19,760	-	19,760
Consumer services	12,083	-	12,083
Distribution	8,616	-	8,616
Industrial products	45,916	-	45,916
Real estate	94,136	61,250	155,386
Technology and Telecom	28,678	19,048	47,726
Others	200,694	22,620	223,314
Total	1,729,815	191,930	1,921,745

June 30, 2008 $000s	*Assets exposed to credit risk*	*Off-balance sheet exposed to credit risk*	*Total credit risk exposure*
Industry Sector			
Banking and Finance	529,734	206,840	736,574
Consumer products	24,428	-	24,428
Consumer services	12,627	-	12,627
Distribution	7,217	-	7,217
Industrial products	83,168	-	83,168
Real estate	246,869	-	246,869
Technology and Telecom	77,714	-	77,714
Others	309,554	-	309,554
Total	1,291,311	206,840	1,498,151

(iv) Market risk

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

The Group uses an internal model to calculate VaR for measuring unexpected future losses that may arise from adverse market movements. The Group's risk management team conducts back testing in accordance with the Market Risk Capital Adequacy Regulations. Back testing is carried out for foreign exchange risk by comparing VaR based on a ten day holding period with the daily profit and loss and for equity price risk related to co-investments in hedge funds by comparing VaR based on a one month holding period with the actual performance for the month. The objective is to ensure that the assumptions used for computing VaR are reasonable and result in a VaR number that does not understate economic and regulatory risk capital requirements.

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

21. RISK MANAGEMENT (continued)

(iv) Market risk (continued)

(iv) (a) Foreign currency risk

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

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

$000s	***June 30, 2009***		*June 30, 2008*	
Long (Short)	***Net hedged exposure***	***Net unhedged exposure***	*Net hedged exposure*	*Net unhedged exposure*
Bahraini Dinar*	-	39,140	-	8,519
Euro	221,919	(1,182)	252,245	(2,401)
Pounds Sterling	(22,087)	(768)	(71,227)	1,760
Japanese Yen	(409,332)	(86)	(26,662)	(831)
	(209,500)	37,104	154,356	7,047

* Currency exchange rate currently pegged against the US Dollar.

Incidental unhedged positions are subjected to market risk calculation based on their VaR. VaR estimates the potential loss due to market movement of foreign exchange rates or volatility of these rates within a 99% confidence level over a 10-day holding period. Potential market movements of foreign exchange rates are derived from a study of their historical volatility. The risk methodology is based on the assumption that changes in foreign exchange rates follow a normal probability distribution over time. The characteristics of normal distribution are then used to assess portfolio risk.

The following table summarizes the VaR during the year for the Group's foreign currency exposures.

$000s	***2009***	*2008*
Average FX VaR	27	203
Year end FX VaR	50	34
Maximum FX VaR	114	3,683
Minimum FX VaR	3	5

21. RISK MANAGEMENT (continued)

(iv) Market risk (continued)

(iv) (b) Interest rate risk

The Group closely monitors interest rate movements, and seeks to limit its exposure to such movements by managing the interest rate repricing structure of its assets and liabilities. The Group utilizes interest rate related derivative financial instruments to manage its exposure to fluctuations in interest rates for specific transactions or a group of transactions.

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

- Investments amounting to $4.7 million (June 30, 2008: $1.2 million), which earn interest at an effective rate approximating 10% (June 30, 2008: 10%) per annum.
- Deposits from clients amounting to $26.9 million (June 30, 2008: $95 million) on which interest is paid at an effective rate of 2.0% (June 30, 2008: 4.1%) per annum reflecting the underlying maturity structure.
- Long term debt amounting to $50 million (June 30, 2008: $462.3 million) on which interest is paid at an effective rate of 8.1% (June 30, 2008: 7.9%) per annum reflecting the underlying maturity structure.

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

$000s	***Sensitivity to net income for +200 basis points***	
Currency	***June 30, 2009***	*June 30, 2008*
Euro	(8,702)	(8,062)
Pounds Sterling	(1,317)	(616)
Japanese Yen	1,737	698
US Dollar	(21,026)	(35,903)
Others	391	(564)
Total	(28,917)	(44,447)

a) Figures in parenthesis above represent loss.

b) The impact of a negative 200 basis points change would be opposite and approximate the above values.

Potentially significant variances in interest rate sensitivity may exist at dates other than the year end. The Group actively manages its interest rate gap exposure, with a bias towards floating rates.

21. RISK MANAGEMENT (continued)

(iv) Market risk (continued)

(iv) (c) Equity price risk

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

Co-investments in hedge funds

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 techniques produce estimates of the potential negative change in the market value of a portfolio over a specified time horizon at given confidence levels.

The table below sets out the VaR, at a 99% confidence level and a one-month time horizon, for the Group's hedge funds exposure.

$000s	**2009**	2008
Average VaR	59,109	64,704
Year end VaR	34,526	70,861
Maximum VaR	86,365	75,551
Minimum VaR	34,526	49,263
Maximum hedge funds exposure	2,069,564	2,139,578
Minimum hedge funds exposure	614,481	1,948,970

Co-investments in private equity and real estate

The Group manages the equity price risk of its co-investments in private equity and real estate on a portfolio basis as well as at the individual investment level.

The sensitivity of the Group's co-investments in private equity and real estate to changes in multiples / discount rates has been discussed in Notes 10(a) and 11.

21. RISK MANAGEMENT (continued)

(v) Operational risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout the Group. Internal audit makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios.

As part of Basel II implementation, the Bank has put an operational risk framework in place. Under this framework the following have been carried out:

- The Bank applies the Basic Indicator Approach ('BIA') to measure operational risk
- It uses best in class qualitative standards expected under the Basel II Standardized Approach.
- Financial Controls and Risk Management with involvement from Internal Audit have jointly conducted Control Risk Self Assessment (CRSA) workshops with each line of business head, identifying and highlighting various operational risk aspects.
- An operational risk framework is in place with a dedicated unit within Risk Management.
- The team works with all departments to identify key operational risks and has set up appropriate controls infrastructure.
- Identification of key risk indicators, key risk controls, observations of loss data, definitions and structures related to operational risk at each business level have been completed.
- Where necessary, a mitigation plan is in place to improve the control environment and its ownership allocated to the 'Operational Risk Specialist' of the relevant line of business.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Fair value of the Group's financial assets and liabilities on the consolidated balance sheet are not materially different to their carrying value, except for fixed rate liabilities carried at amortized cost. The fair value of such liabilities amount to $2,009.5 million as compared to carrying value of $2,213.9 million.

23. EMPLOYEE COMPENSATION

In designing its employee compensation plans, Investcorp's primary objective is to provide a competitive total compensation package for employees versus comparable financial services firms operating in similar geographic locations. This is achieved through a combination of cash salaries, variable bonuses dependant upon Group, unit and individual performance, and participation in various long-term employee investment and ownership programs described below.

Salaries are determined and revised based on competitive market conditions, while the aggregate Group bonus is determined based on gross income before bonuses for the year such that the aggregate executive compensation, including salaries and bonuses, is maintained at a target ratio of total income consistent with industry benchmarks. Similar to most other investment institutions, approximately one third of the total aggregate compensation expense of the Group in a typical year is in the form of fixed salaries, with the remaining two-thirds coming from variable, performance-based bonuses.

Consistent with established practice amongst investment institutions specializing in alternative asset classes, the Group's management participates in various investment programs that align their interests with those of clients and shareholders. The benefit of these investment programs arises from participation in the returns generated by the underlying investments. There are broadly three such programs, as described below.

In addition, the Group accounts for employee termination benefits on an accrual basis. The charge during the current year, in respect of these, amounts to $0.6 million (2008: $0.5 million).

Programs for Investment Profit Participation

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

Similarly, the Group's hedge funds professionals participate in an investment program that is linked to the risk-adjusted performance of the hedge funds program over a rolling period. The amount payable to the hedge funds professionals under this program is included in their annual variable compensation and is recorded in the Group's consolidated statement of income as a compensation expense.

23. EMPLOYEE COMPENSATION (continued)

Programs for Investment Participation

Management is also provided with the opportunity to co-invest alongside clients in the Group's investment products, including private equity investments, real estate investments and the Hedge Funds Program. Employees co-invest in the underlying investments at the Group's cost basis, thereby resulting in no gain or loss to the Group. In some instances, the Group, together with third party lenders, also provides financing at market rates to eligible employees, to invest in these programs on a levered basis. The permissible levels of leverage vary on a product to product and program to program basis. The aggregate amount of such financing provided to employees as of June 30, 2009 is $146.4 million (June 30, 2008: $165.9 million), of which $16.4 million (June 30, 2008: $13.0 million) was from third parties. Third party financing for these investment participation programs has full recourse to the employee's underlying plan investments, and, only as a last resort, is guaranteed by the Group (see Note 20).

Share Ownership Program

SIPCO sponsors a share incentive plan ("SIP Plan") under which eligible employees receive a portion of their annual performance incentive compensation in the form of a beneficial interest in the ownership of the Bank via shares of SIPCO. These shares have different vesting periods. The restricted shares are awarded at fair value, determined with reference to the market price of the GDRs of the Bank. Accordingly, the Group does not incur any additional costs or expenses in relation to the SIP Plan, since these awards occur at the fair value of the shares. It is important to note that the SIP Plan is therefore a fully paid up employee share ownership program, whereby employees effectively pay fair value for purchasing the shares. Unlike other employee share incentive programs, the SIP Plan does not issue share options to employees.

The table below provides the details of movements in the Bank's shares held by employees under the SIP plan.

	June 30, 2009	*June 30, 2008*
Held by employees at the beginning of the year	124,784	138,298
Purchased by employees	44,807	5,736
Sold by employees	(32,195)	(19,250)
Held by employees at the end of the year	137,396	124,784

24. 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 HFP and the ultimate parent company through which the employees invest in beneficial ownership of the Bank's ordinary shares. It also includes major shareholders, directors and senior management of the Bank, their immediate families and entities controlled, jointly controlled or significantly influenced by such parties. Income is earned or expense is incurred in the Group's transactions with such related parties in the ordinary course of business. The Group's management approves the terms and conditions of all related party transactions.

Although these companies are being classified as related parties, the Group administers and manages these companies 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.

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

$000s		June 30, 2009	June 30, 2008
Management fees	Investee companies	19,724	18,858
	Client companies	41,974	47,797
	Client companies associated with the HFP	42,619	65,710
Activity fees	Investee companies	19,775	83,171
Performance fees	Client companies associated with the HFP	(579)	24,487
	Client companies	881	465
Asset based income	Investee companies	21,367	26,805
	Client companies	7,328	7,620
Interest expense	Client companies	(2,113)	(2,991)
Provisions	Employee investment programs	(16,210)	-

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

	June 30, 2009			June 30, 2008		
$000s	Assets	Liabilities	Off-balance sheet	Assets	Liabilities	Off-balance sheet
Outstanding balances						
Strategic shareholders	3,052	55,870	-	3,559	66,156	-
Investee companies	60,382	-	-	89,010	-	-
Investment holding companies	84,110	199,491	173,782	193,562	40,901	482,396
Client fund companies associated with the HFP	18,513	-	-	51,719	-	-
Directors and senior management	466	6,136	-	3,988	3,215	-
	166,523	261,497	173,782	341,838	110,272	482,396

24. RELATED PARTY TRANSACTIONS (continued)

The Group carries out its investment activity along with certain strategic partners who are clients as well as shareholders of the Group and whose business interests are aligned to that of the Group. In doing so, the strategic partners have, in addition to their own equity, obtained asset backed financing amounting to $459 million as at June 30, 2009 (June 30, 2008: $317.3 million) from the Group at market rates of interest which is reflected in the consolidated balance sheet under the relevant asset categories funded by the financing. The Group has also entered into management agreements with the strategic partners to manage these investments as part of which it shares a portion of the risks and rewards from the underlying investments. Income and expenses arising from these arrangements are included under client companies in the above table to the extent they result from transactions with related parties.

25. RECLASSIFICATIONS

During the current year the Group has reclassified certain items in the financial statements to improve presentation. Such reclassifications do not have any impact on net equity or profit or loss of the Group in prior years.

INVESTCORP S.A.

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

INVESTCORP S.A.

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF INVESTCORP S.A.

We have audited the accompanying consolidated financial statements of Investcorp S.A. (the "Company") and its subsidiaries (together the "Group") which comprise the consolidated balance sheet as at June 30, 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2009 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

August 18, 2009
Manama, Kingdom of Bahrain

INVESTCORP S.A.

CONSOLIDATED BALANCE SHEET
JUNE 30, 2009

$000s	*June 30, 2009*	*June 30, 2008*	*Note*	*Page*
ASSETS				
Cash and short-term funds	404,951	193,250	6	30
Deposits with financial institutions	699,884	257,407	6	30
Positive fair value of derivatives	56,150	62,191	19	47
Receivables and prepayments	329,063	451,615	7	31
Loans and advances	223,137	335,907	8	32
Co-investments				
Hedge funds	614,481	2,020,808	9	33
Private equity	903,391	1,029,142	10	34
Real estate	283,207	337,038	11	39
Total co-investments	1,801,079	3,386,988		
Premises, equipment and other assets	31,117	29,061		
TOTAL ASSETS	3,545,381	4,716,419		
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from financial institutions	-	108,636		
Deposits from clients - short term	257,266	681,236	13	41
Negative fair value of derivatives	33,287	45,925	19	47
Unfunded deal acquisitions	-	234,321		
Payables and accrued expenses	62,985	201,226	14	42
Deposits from clients - medium term	83,212	119,607	13	41
Medium-term debt	1,635,515	1,116,395	15	42
Long-term debt	578,370	971,903	16	44
TOTAL LIABILITIES	2,650,635	3,479,249		
EQUITY				
Preference share capital	500,000	-	17	45
Ordinary shares par value	200,000	200,000	17	45
Reserves	604,995	653,971	17	45
Treasury shares	(150,507)	(177,602)		
Retained earnings other than unrealized fair value changes of private equity and real estate co-investments	23,589	542,563		
Ordinary shareholders' equity other than unrealized fair value changes, revaluation reserve and proposed dividend	678,077	1,218,932		
Proposed dividend	-	63,278		
Unrealized fair value reserve	(297,031)	(42,516)		
Revaluation surplus on premises and equipment	4,102	-		
Fair value adjustments through equity	9,598	(2,524)		
Unrealized fair value changes and revaluation reserve	(283,331)	(45,040)	18	46
TOTAL EQUITY	894,746	1,237,170		
TOTAL LIABILITIES AND EQUITY	3,545,381	4,716,419		

Abdul-Rahman Salim Al-Ateeqi
Chairman

Nemir A. Kirdar
Executive Chairman & CEO

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

INVESTCORP S.A.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2009

CONSOLIDATED STATEMENT OF INCOME

$000s	*2009*	*2008*	*Note*	*Page*
FEE INCOME				
Management fees	107,359	136,464		
Activity fees	21,715	221,483		
Performance fees	301	24,952		
Gross fee income (a)	129,375	382,899	2	20
ASSET BASED INCOME				
Private equity	12,389	20,610		
Hedge funds	(323,797)	100,508		
Real estate	20,153	26,257		
Treasury and other asset based income	78,022	73,767		
Asset based (loss) income (b)	(213,233)	221,142		
Gross operating (loss) income (a) + (b)	(83,858)	604,041		
Provisions	(22,246)	(5,410)	12	40
Interest expense	(113,292)	(158,794)		
Operating expenses	(206,322)	(269,696)	5	29
Net operating (loss) income before fair value changes of private equity and real estate co-investments	(425,718)	170,141		
Fair value changes of private equity and real estate co-investments (c)	(348,086)	(22,715)	18	46
NET (LOSS) INCOME	(773,804)	147,426		
TOTAL REVENUE (a)+(b)+(c)	(431,944)	581,326		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

$000s	*2009*	*2008*	*Note*	*Page*
NET (LOSS) INCOME (AS ABOVE)	(773,804)	147,426		
Other comprehensive income				
Revaluation surplus on premises and equipment	4,417	-	18	46
Fair value changes - cash flow hedges	12,122	(2,446)	18	46
Fair value changes - available for sale investments	-	6,573	18	46
Other comprehensive income	16,539	4,127		
TOTAL COMPREHENSIVE (LOSS) INCOME	(757,265)	151,553		

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

INVESTCORP S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

			Reserves							Fair value changes and revaluation reserve					
										Fair value changes			Revaluation reserve on premises and equipment	Total fair value changes and revaluation reserve	
$000s	**Preference share capital**	**Ordinary share capital**	**Share premium**	**Statutory reserve**	**General reserve**	**Total reserves**	**Treasury shares**	**Retained * earnings**	**Proposed dividend**	**Private equity and real estate**	**Available for sale investments**	**Cash flow hedges**			**Total equity**
Balance at June 30, 2007	200,000	200,000	501,670	97,116	50,000	648,786	(155,564)	443,248	75,724	(23,677)	-	(6,651)	-	(30,328)	1,381,866
Total comprehensive income	-	-	-	-	-	-	-	147,426	-	-	6,573	(2,446)	-	4,127	151,553
Transfer of realized losses															
to retained earnings	-	-	-	-	-	-	-	(3,876)	-	3,876	-	-	-	3,876	-
Transfer of unrealized losses															
to fair value changes	-	-	-	-	-	-	-	22,715		(22,715)	-	-	-	(22,715)	-
Preference shares redemption	(200,000)		-	-	-	-	14,032	(758)	-	-	-	-	-	-	(186,726)
Transfer to statutory reserve	-	-	-	2,884	-	2,884	-	(2,884)	-	-	-	-	-	-	-
Purchased during the year	-	-	-	-	-	-	(47,882)	-	-	-	-	-	-	-	(47,882)
Sold during the year	-	-	-	-	-	-	14,083	-	-	-	-	-	-	-	14,083
Gain (loss) on sale															
of treasury shares	-	-	2,301	-	-	2,301	(2,271)	(30)	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(75,724)	-	-	-	-	-	(75,724)
Proposed dividend	-	-	-	-	-	-	-	(63,278)	63,278	-	-	-	-	-	-
Balance at June 30, 2008	**-**	**200,000**	**503,971**	**100,000**	**50,000**	**653,971**	**(177,602)**	**542,563**	**63,278**	**(42,516)**	**6,573**	**(9,097)**	**-**	**(45,040)**	**1,237,170**
Total comprehensive loss	-	-	-	-	-	-	-	(773,804)	-	-	-	12,122	4,417	16,539	(757,265)
Transfer of realized losses															
to retained earnings	-	-	-	-	-	-	-	(93,571)	-	93,571	-	-	-	93,571	-
Transfer of unrealized losses															
to fair value changes	-	-	-	-	-	-	-	348,086	-	(348,086)	-	-	-	(348,086)	-
Depreciation transferred															
to retained earnings	-	-	-	-	-	-	-	315	-	-	-	-	(315)	(315)	-
Purchased during the year	-	-	-	-	-	-	(51,278)	-	-	-	-	-	-	-	(51,278)
Sold during the year	-	-	-	-	-	-	30,344	-	-	-	-	-	-	-	30,344
Loss on sale															
of treasury shares	-	-	(48,029)	-	-	(48,029)	48,029	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(63,278)	-	-	-	-	-	(63,278)
Preference share issuance proceeds	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000
Share issue expenses	-	-	(947)	-	-	(947)	-	-	-	-	-	-	-	-	(947)
Balance at June 30, 2009	**500,000**	**200,000**	**454,995**	**100,000**	**50,000**	**604,995**	**(150,507)**	**23,589**	**-**	**(297,031)**	**6,573**	**3,025**	**4,102**	**(283,331)**	**894,746**

* Retained earnings other than unrealized fair value changes of private equity and real estate co-investments

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

INVESTCORP S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

$000s	*2009*	*2008*	*Note*	*Page*
OPERATING ACTIVITIES				
Net (loss) income	(773,804)	147,426		
Adjustments to reconcile net income to net cash:				
Fair value changes	348,086	22,715		
Depreciation	7,245	3,251	5	29
Provisions for receivables and loans and advances	22,246	5,410	12	40
Amortization of transaction costs of borrowings	4,533	4,200		
Net (loss) income adjusted for non-cash items	(391,694)	183,002		
Changes in:				
Operating capital				
Receivables and prepayments	120,044	(198,904)	7	31
Loans and advances	93,032	(197,666)	8	32
Deposits from clients - short-term	(423,970)	59,732	13	41
Unfunded deal acquisitions	(234,321)	185,406		
Payables and accrued expenses	(138,241)	(29,025)	14	42
Co-investments				
Hedge funds	1,406,327	(164,357)	9	33
Private equity	(116,059)	(293,538)	10	34
Real estate	(52,445)	24,714	11	39
Fair value of derivatives	18,342	(38,603)		
Other assets	32	213		
NET CASH FROM (USED IN) OPERATING ACTIVITIES	281,047	(469,026)		
FINANCING ACTIVITIES				
Deposits from financial institutions	(108,636)	34,239		
Deposits from clients - medium-term	(36,395)	(28,787)	13	41
Medium-term revolvers drawn	557,500	240,000	15	42
Medium-term debt issued (net of transaction costs)	-	132,127	15	42
Medium-term debt repaid	(42,000)	-	15	42
Long-term debt repaid	(407,263)	(25,620)	16	44
Treasury shares purchased (ordinary) - net	(20,934)	(33,799)	17	45
Share issue expenses	(947)	-	17	45
Preference share issuance proceeds (redemeed)	500,000	(186,726)	17	45
Dividends paid	(63,278)	(75,724)		
NET CASH FROM FINANCING ACTIVITIES	378,047	55,710		
INVESTING ACTIVITY				
Investment in premises and equipment	(4,916)	(1,446)		
Net increase (decrease) in cash and cash equivalents	654,178	(414,762)		
Cash and cash equivalents at beginning	450,657	865,419		
Cash and cash equivalents at end	1,104,835	450,657		
Cash and cash equivalents comprise:			6	30
Cash balances with banks	23,963	62,279		
Cash in transit	380,988	130,971		
Deposits with financial institutions	699,884	257,407		
	1,104,835	450,657		

Cash and cash equivalents comprise cash and short-term funds, cash in transit, together with deposits with financial institutions and government securities that have contracted maturities of less than 90 days.

Additional cash flow information

$000s	*2009*	*2008*
Interest paid	(121,670)	(164,975)
Interest received	21,498	37,179

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

(i) Incorporation

Investcorp S.A. (the “Company”) is incorporated as a limited liability company in the Grand Duchy of Luxembourg and qualifies as a financial holding company. The registered office of the Company is at 6, rue Adolphe Fischer, L-1520, Luxembourg. The Company is registered with the Luxembourg Trade Register under the number B 24.708.

The Company is a holding company owning various subsidiaries (together the “Group” or "Investcorp"). The activities of the Company are substantially transacted through its subsidiaries. The ultimate parent of the Group is SIPCO Holdings Limited [see Note 1.A (iii)].

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 consolidated financial statements for the year ended June 30, 2009 were authorized for issue in accordance with a resolution of the Board of Directors dated August 18, 2009.

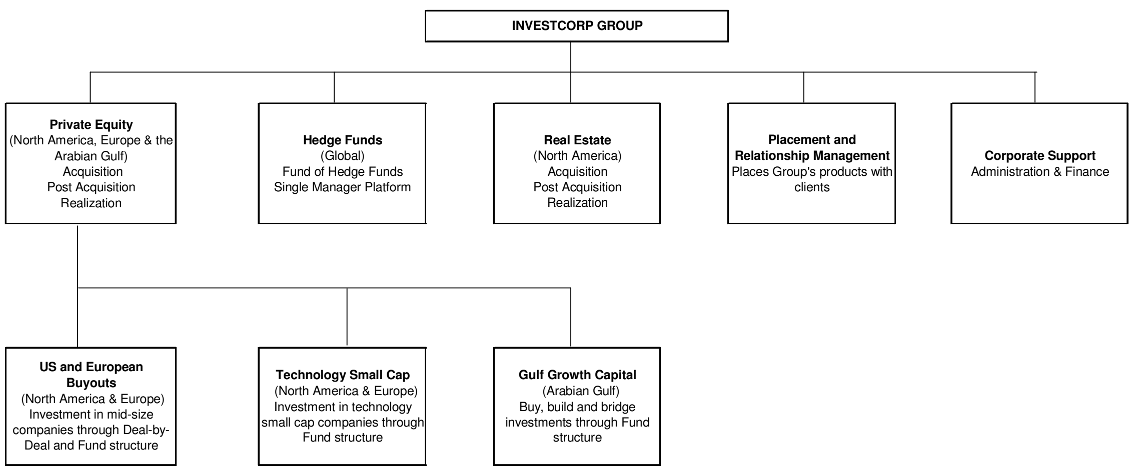
1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 together with 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.

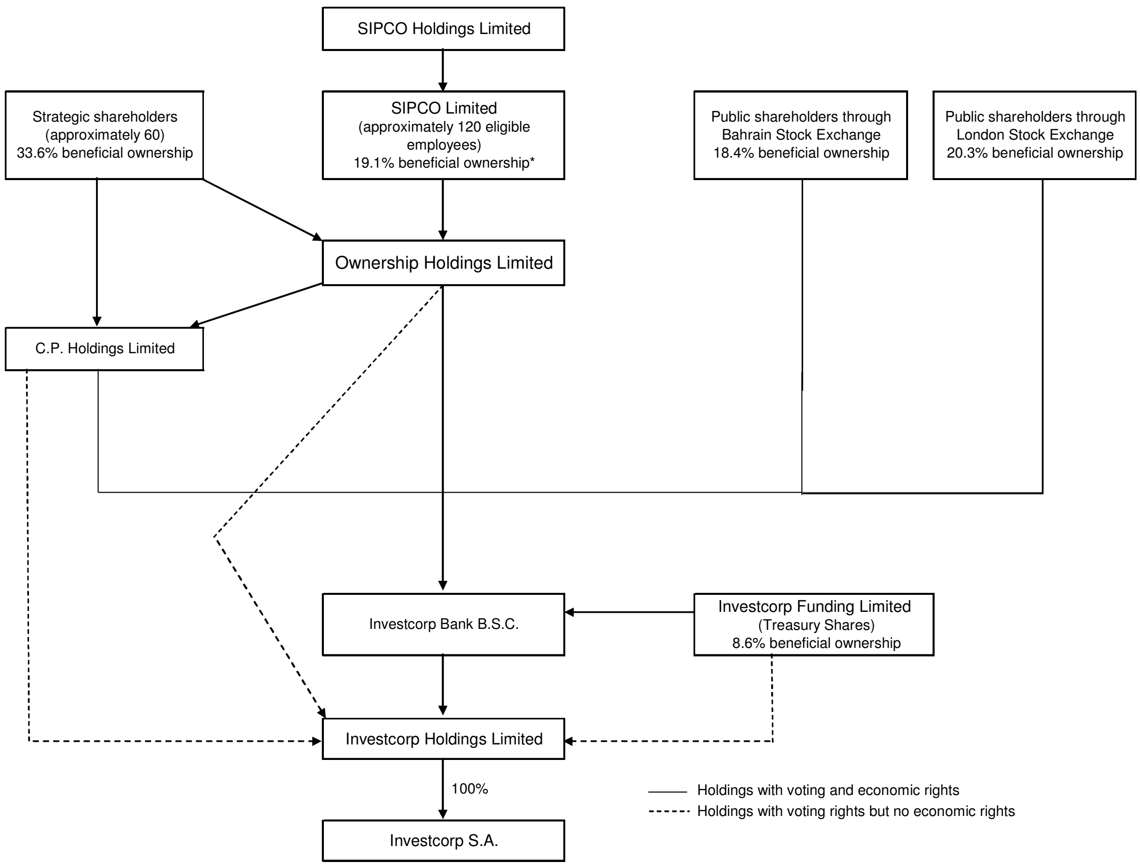
In carrying out its activities, the Group performs two principal roles (a) to act as an intermediary by bringing global alternative investment opportunities to its clients, and (b) to act as a principal investor by co-investing with its clients in each of its investment products.



1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ORGANIZATION (continued)

(iii) Ownership



* Includes 1.9% in shares that are held for future sale to management under the SIP Plan. The Group has approval from the Central Bank of Bahrain ("CBB") to hold upto 40% shares for the SIP Plan. On the balance sheet these shares are accounted for as equivalent of treasury shares.

The Company is wholly owned by Investcorp Holdings Limited ("IHL"), incorporated in the Cayman Islands. Investcorp Bank B.S.C. (the "Bank", or the "Parent Company"), incorporated in the Kingdom of Bahrain, is the parent company of IHL.

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 consolidated financial statements incorporate the financial statements of the Company 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 Company is the principal asset holding operating entity within the Group and consistent with covenants contained in the Group's medium and long-term debt agreements, at least 95% of the consolidated assets of the Bank are held by the Company or subsidiaries that are owned directly or indirectly by the Company.

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 consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"). The 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.

Presented below is a summary of the significant accounting policies which are consistent with those used in prior years except for the change in accounting policy as noted below.

Change in accounting policy

During the year, the Group changed its policy in respect of carrying value of premises and equipment. Certain classes of these assets have been revalued to their fair value in the year and are 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 reserve.

Early adoption of International Financial Reporting Standards

IFRS 8 (Operating Segments) and revised IAS 1 (Presentation of Financial Statements) were both issued by International Accounting Standards Board and needed to be applied for fiscal years beginning on or after January 1, 2009. The Group early adopted both these Standards during the fiscal year beginning July 1, 2007, as permitted by the Standards.

IFRS 8 relates to disclosure of segmental information and revised IAS 1 requires certain changes in the presentation of financial statements. As such, early adoption of these standards has no impact on the Group's results for the year ended, or financial position as at, June 30, 2009.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations issued but not yet effective

Following are the relevant IFRS and IFRIC interpretations that have been issued during the year, to be applied to financial statements for financial years commencing on or after the following dates:

- IAS 23 (Revised) - Borrowing costs, 1 January 2009;
- IFRS 2 Amendment – Vesting conditions and cancellations, 1 January 2009;
- IAS 27 Amendment – Cost of an investment in a subsidiary, jointly controlled entity or associate, 1 January 2009;
- 2008 Annual Improvements to IFRS, 1 January 2009;
- IFRS 7 Amendment – Improving disclosures about financial instruments, 1 January 2009;
- IFRS 3 (Revised) – Business combinations, 1 July 2009;
- IAS 27 Amendment – Consolidated and separate financial statements, 1 July 2009;
- IAS 39 Amendment – Eligible hedged items, 1 July 2009;
- IFRIC 15 – Agreements for the construction of real estate assets, 1 January 2009;
- IFRIC 17 – Distribution of non cash asset to owners, 1 July 2009.

The directors do not anticipate that the adoption of these Standards will have a material impact on the consolidated financial statements in the period of their initial application.

i) Accounting convention in the consolidated financial statements preparation

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

ii) Going concern

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements. The use of estimates is principally limited to the determination of fair value of Fair Value Through Profit or Loss ("FVTPL") private equity and real estate investments and impairment provisions for unquoted Available-For-Sale ("AFS") investments (see Notes 10 and 11).

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

Classification of investments

On initial investment, management decides whether it should be classified as held to maturity, held for trading, carried as FVTPL, or AFS.

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

The Group classifies investments as held for trading if they are acquired primarily for the purpose of making a short-term profit.

Investments acquired with the intention of a long-term holding period, such as in private equity, real estate or hedge funds, are classified as FVTPL investments when the following criteria are met:

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

All other investments are classified as available-for-sale.

iv) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The results of all subsidiaries are included in the consolidated statement of income from the effective date of formation or acquisition. All intercompany balances, income and expenses have been eliminated on consolidation.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Foreign currencies

A foreign currency transaction is recorded in the functional currency at the rate of exchange prevailing at the value date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognized in the consolidated statement of income under treasury and other asset based income. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Non-monetary assets in foreign currencies that are stated at fair value are retranslated at exchange rates prevailing on the dates the fair values were determined.

vi) Receivables

Subscription receivables are recognized when the obligation is established, i.e., when a binding subscription agreement is signed. Provisions are made against receivables as soon as they are considered doubtful.

vii) Loans and advances

Loans and advances are stated at amortized cost, net of any impairment provisions.

viii) Co-investments in hedge funds

The Group's co-investments in hedge funds are classified as FVTPL investments and are stated at fair value at the balance sheet date with all changes being recorded in the consolidated statement of income.

The fair value of co-investments in hedge funds is based on underlying net asset values as explained in Note 9.

ix) Co- investments in private equity and real estate

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

Certain of the Group's strategic and other investments are classified as AFS and are initially recorded at cost including acquisition charges. The fair value for these investments is determined using valuations implied by material financing events involving third party capital providers, such as a partial disposal, additional funding, indicative bids, etc. In the event that such third party evidenced reliable measure of fair value is not available, the investment is stated at its previous carrying value, net of any impairment provisions. The resulting change in value of these investments is recorded as a separate component of equity until they are impaired or derecognized at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Certain debt investments out of the Group's co-investments in private equity and real estate are classified as Held–to–maturity investments and are carried at amortized cost, less provision for impairment, if any.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Derecognition of financial instruments

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

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

xi) Trade date accounting

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

xii) Impairment and un-collectibility of financial assets

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

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

Impairment is determined as follows:

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

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xiii) Premises and equipment

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

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

All other items are recorded at cost less accumulated depreciation.

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

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

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

xiv) Payables, accruals and provisions

Provision for employee benefit costs is made in accordance with contractual and statutory obligations and other benefit plans approved by the Board of Directors (see Note 25).

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

xv) Unfunded deal acquisitions

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xvi) Borrowings

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

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

xvii) Treasury shares

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

xviii) Dividends

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

xix) Offsetting

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

xx) Derivative financial instruments

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

Derivatives that qualify for hedge accounting under IAS 39 are classified into fair value hedges or cash flow hedges. Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Accounting treatments for both types of hedges and in the case of discontinuance of hedges are disclosed in Note 20.

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxi) Income and expenses

Interest income is recognized using the effective yield of the asset and is recorded as asset based income. Investment income from all FVTPL investments is recognized on the basis of changes in fair value for the year. Capital gains realized on FVTPL investments are recognized by comparing the sale price against the previously reported fair value, net of expenses and costs payable in respect of the realization.

Fee income is recognized when services are rendered. Performance fees for private equity and real estate business are recognized when earned. Performance fees for the hedge funds business is accrued on a cumulative basis using the High Watermark methodology.

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

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

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 and New York. Fee income is earned throughout the life cycle of investments by providing these intermediary services to clients. The Group's clients are primarily based in the Arabian Gulf states, however the Group has been expanding its franchise globally, targeting institutional investors in the United States and Europe.

ii) As a principal

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

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 reporting segments, asset classes, lines of business and products.

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

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

2. SEGMENT REPORTING (continued)

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

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 Arabian Gulf states, and also offered through conventional fund structures to international institutional investors. The Group retains a small portion as a co-investment on its consolidated balance sheet. These investments are managed by the team on behalf of investors for value optimization until realization.

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 states. 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.

2. SEGMENT REPORTING (continued)

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

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.

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 and unrealized fair value changes

This 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 distributions from real estate investments.

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

2. SEGMENT REPORTING (continued)

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.

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, before 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) BALANCE SHEET AND STATEMENT OF INCOME BY REPORTING SEGMENTS

Consolidated balance sheet as at June 30, 2009 and 2008 by reporting segment is as follows:

June 30, 2009 *$000s*	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Assets					
Cash and short-term funds	-	-	-	404,951	404,951
Deposits with financial institutions	-	-	-	699,884	699,884
Positive fair value of derivatives	-	-	-	56,150	56,150
Receivables and prepayments	-	-	-	329,063	329,063
Loans and advances	-	-	-	223,137	223,137
Co-investments	903,391	614,481	283,207	-	1,801,079
Premises, equipment and other assets	-	-	-	31,117	31,117
Total assets	903,391	614,481	283,207	1,744,302	3,545,381
Liabilities and Equity					
Liabilities					
Deposits from clients - short term	-	217,983	-	39,283	257,266
Negative fair value of derivatives	-	-	-	33,287	33,287
Payables and accrued expenses	11,376	1,355	20,153	30,101	62,985
Deposits from clients - medium term	-	-	-	83,212	83,212
Medium-term debt	35,098	204,433	37,580	1,358,404	1,635,515
Long-term debt	275,730	14,512	115,854	172,274	578,370
Total liabilities	322,204	438,283	173,587	1,716,561	2,650,635
Total equity	581,187	176,198	109,620	27,741	894,746
Total liabilities and equity	903,391	614,481	283,207	1,744,302	3,545,381

June 30, 2008 *$000s*	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Assets					
Cash and short-term funds	-	-	-	193,250	193,250
Deposits with financial institutions	-	-	-	257,407	257,407
Positive fair value of derivatives	-	-	-	62,191	62,191
Receivables and prepayments	-	-	-	451,615	451,615
Loans and advances		-	-	335,907	335,907
Co-investments	1,029,142	2,020,808	337,038	-	3,386,988
Premises, equipment and other assets	-	-	-	29,061	29,061
Total assets	1,029,142	2,020,808	337,038	1,329,431	4,716,419
Liabilities and Equity					
Liabilities					
Deposits from financial institutions	-	108,636	-	-	108,636
Deposits from clients - short term	-	510,484	-	170,752	681,236
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	176,770	201,226
Deposits from clients - medium term	-	64,282	-	55,325	119,607
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	1,131,461	3,479,249
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	1,329,431	4,716,419

2. SEGMENT REPORTING (continued)

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

The consolidated statements of income for the years ended June 30, 2009 and 2008 by reporting segments are as follows:

July 2008 - June 2009 $000s	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Fee income					
Management fees	55,799	38,714	12,846	-	107,359
Activity fees	23,322	-	(1,607)	-	21,715
Performance fees	-	(579)	880	-	301
Gross fee income (a)	79,121	38,135	12,119	-	129,375
Expenses attributable to fee income	(102,091)	(50,459)	(16,820)	-	(169,370)
Net fee income	(22,970)	(12,324)	(4,701)	-	(39,995)
Asset based income					
Interest income	229	-	2,030	17,373	19,632
Treasury and other asset based (loss) income	12,160	(323,797)	18,123	60,649	(232,865)
Fair value changes	(241,810)	-	(106,276)	-	(348,086)
Gross asset based (loss) income (b)	(229,421)	(323,797)	(86,123)	78,022	(561,319)
Provisions	-	-	-	(22,246)	(22,246)
Interest expense	(22,841)	(44,666)	(12,751)	(33,034)	(113,292)
Expenses attributable to asset based income	(12,950)	(12,355)	(4,742)	(6,905)	(36,952)
Net asset based (loss) income	(265,212)	(380,818)	(103,616)	15,837	(733,809)
Net (loss) income	(288,182)	(393,142)	(108,317)	15,837	(773,804)
Total revenue (a) + (b)	(150,300)	(285,662)	(74,004)	78,022	(431,944)

July 2007 - June 2008 $000s	*Private Equity*	*Hedge Funds*	*Real Estate*	*Corporate Support*	*Total*
Fee income					
Management fees	66,023	61,167	9,274	-	136,464
Activity fees	181,021	-	40,462	-	221,483
Performance fees	-	24,487	465	-	24,952
Gross fee income (a)	247,044	85,654	50,201	-	382,899
Expenses attributable to fee income	(134,369)	(61,265)	(27,777)	-	(223,411)
Net fee income	112,675	24,389	22,424	-	159,488
Asset based income					
Interest income	416	-	1,013	38,282	39,711
Treasury and other asset based income	20,194	100,508	25,244	36,587	182,533
Fair value changes	(15,587)	-	(7,128)	-	(22,715)
Gross asset based income (b)	5,023	100,508	19,129	74,869	199,529
Provisions	-	-	-	(5,410)	(5,410)
Interest expense	(38,238)	(86,875)	(18,683)	(16,100)	(159,896)
Expenses attributable to asset based income	(13,293)	(21,593)	(5,146)	(2,622)	(42,654)
Net asset based (loss) income	(46,508)	(7,960)	(4,700)	50,737	(8,431)
Net income before Group's appropriation expenses	66,167	16,429	17,724	50,737	151,057
Group's appropriation expenses	-	-	-	(3,631)	(3,631)
Net income	66,167	16,429	17,724	47,106	147,426
Total revenue (a) + (b)	252,067	186,162	69,330	74,869	582,428

2. SEGMENT REPORTING (continued)

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

Total revenue of $(150.3) million (2008: $252.1 million) from private equity asset class includes $17.0 million and $22.1 million (2008: $12.3 million and $18.8 million) relating to Technology Small Cap Investments and Gulf Growth Capital respectively. The balance relates to US and European Buyouts.

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues in the year (2008: nil). All of the Group's fee income arises from intermediary activities while the asset based income includes $19.5 million (June 30, 2008: $39.7 million) interest income from items at amortized cost and $52.6 million (June 30, 2008: $46.8 million) from items held for trading.

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

IFRS also requires an entity to report its segment assets and segment revenues along its geographical regions. All significant activities of the Group are performed on an integrated, worldwide basis. The Group's clients and trading partners also operate in the international market place, and neither their domicile nor the geographical location of a transaction is necessarily related to the country in which the asset or liability underlying the transaction is located. Consequently, any geographical segmentation of revenues would be potentially misleading. As such, segmentation of revenues by region has not been presented. Note 21 (iii) presents the geographical split of assets and off-balance sheet items.

3. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

June 30, 2009 *$000s*	*Designated as FVTPL*	*Items at amortized cost*	*AFS*	*Derivatives*	*Total*
Financial assets					
Cash and short-term funds	-	404,951	-	-	404,951
Placements with banks and other financial institutions	-	699,884	-	-	699,884
Positive fair value of derivatives	-	-	-	56,150	56,150
Receivables	-	301,563	-	-	301,563
Loans and advances	-	223,137	-	-	223,137
Co-investments					
Hedge funds	614,481	-	-	-	614,481
Private equity	867,521	-	35,870	-	903,391
Real estate					
Debt	-	44,130	-	-	44,130
Equity	239,077	-	-	-	239,077
Total financial assets	1,721,079	1,673,665	35,870	56,150	3,486,764
Non-financial assets					
Prepayments					27,500
Premises, equipment and other assets					31,117
Total assets					3,545,381
Financial liabilities					
Deposits from clients*	-	340,478	-	-	340,478
Negative fair value of derivatives	-	-	-	33,287	33,287
Payables	-	55,726	-	-	55,726
Medium term debt	-	1,635,515	-	-	1,635,515
Long term debt*	-	578,370	-	-	578,370
Total financial liabilities	-	2,610,089	-	33,287	2,643,376
Non-financial liabilities					
Deferred income					7,259
Total liabilities					2,650,635

* Adjusted for related fair value hedges (See Note 20).

June 30, 2008 *$000s*	*Designated as FVTPL*	*Items at amortized cost*	*AFS*	*Derivatives*	*Total*
Financial assets					
Cash and short-term funds	-	193,250	-	-	193,250
Placements with banks and other financial institutions	-	257,407	-	-	257,407
Positive fair value of derivatives	-	-	-	62,191	62,191
Receivables	-	426,982	-	-	426,982
Loans and advances	-	335,907	-	-	335,907
Co-investments					
Hedge funds	2,020,808	-	-	-	2,020,808
Private equity	990,806	-	38,336	-	1,029,142
Real estate					
Debt	-	15,593	-	-	15,593
Equity	321,445	-	-	-	321,445
Total financial assets	3,333,059	1,229,139	38,336	62,191	4,662,725
Non-financial assets					
Prepayments					24,633
Premises, equipment and other assets					29,061
Total assets					4,716,419
Financial liabilities					
Deposits from financial institutions	-	108,636	-	-	108,636
Deposits from clients*	-	800,843	-	-	800,843
Negative fair value of derivatives	-	-	-	45,925	45,925
Unfunded deal acquisitions		234,321	-	-	234,321
Payables	-	189,484	-	-	189,484
Medium term debt	-	1,116,395	-	-	1,116,395
Long term debt*	-	971,903	-	-	971,903
Total financial liabilities	-	3,421,582	-	45,925	3,467,507
Non-financial liabilities					
Deferred income					11,742
Total liabilities					3,479,249

* Adjusted for related fair value hedges (See Note 20).

4. ASSETS UNDER MANAGEMENT

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

$millions	June 30, 2009 Clients	June 30, 2009 Investcorp	June 30, 2009 Affiliates and co-investors	June 30, 2009 Total	June 30, 2008 Clients	June 30, 2008 Investcorp	June 30, 2008 Affiliates and co-investors	June 30, 2008 Total
Private Equity								
Closed-end Committed Funds								
- US and European buyouts	476	199	71	746	451	250	20	721
- Technology small cap investments	419	67	14	500	424	64	12	500
- Gulf Growth Capital	875	70	6	951	956	109	35	1,100
Sub total	1,770	336	91	2,197	1,831	423	67	2,321
Closed-end Invested Funds								
- Technology small cap investments	223	30	10	263	255	28	12	295
Deal-by-deal investments								
- US and European buyouts	2,540	714	443	3,697	3,148	832	555	4,535
Strategic and other investments	-	74	-	74	-	73	-	73
Total private equity	**4,533**	**1,154**	**544**	**6,231**	**5,234**	**1,356**	**634**	**7,224**
Hedge Funds								
Fund of hedge funds	1,946	457	3	2,406	3,908	1,536	228	5,672
Single managers	1,148	388	10	1,546	1,641	529	77	2,247
Total hedge funds	**3,094**	**845**	**13**	**3,952**	**5,549**	**2,065**	**305**	**7,919**
Real Estate								
Closed-end Committed Funds	253	27	4	284	953	152	3	1,108
Deal-by-deal investments	903	247	42	1,192	926	318	37	1,281
Strategic and other investments	-	8	-	8	-	5	-	5
Total real estate	**1,156**	**282**	**46**	**1,484**	**1,879**	**475**	**40**	**2,394**
Corporate Support								
Client call accounts held in trust	67	-	-	67	143	-	-	143
Total	**8,850**	**2,281**	**603**	**11,734**	**12,805**	**3,896**	**979**	**17,680**
Summary by category:								
Closed-end Committed Funds	2,023	363	95	2,481	2,784	575	70	3,429
Closed-end Invested Funds	223	30	10	263	255	28	12	295
Hedge Funds	3,094	845	13	3,952	5,549	2,065	305	7,919
Deal-by-deal investments	3,510	1,043	485	5,038	4,217	1,228	592	6,037
Total	**8,850**	**2,281**	**603**	**11,734**	**12,805**	**3,896**	**979**	**17,680**
Summary by segments:								
Private Equity								
- US and European buyouts	3,016	913	514	4,443	3,599	1,082	575	5,256
- Technology small cap investments	642	97	24	763	679	92	24	795
- Gulf Growth Capital	875	70	6	951	956	109	35	1,100
- Strategic and other investments	-	74	-	74	-	73	-	73
Hedge Funds	3,094	845	13	3,952	5,549	2,065	305	7,919
Real Estate	1,156	282	46	1,484	1,879	475	40	2,394
Corporate Support	67	-	-	67	143	-	-	143
Total	**8,850**	**2,281**	**603**	**11,734**	**12,805**	**3,896**	**979**	**17,680**

4. 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 a majority of the rewards on their investments, subject to normal management and performance fee arrangements. Accordingly, these assets are not included in the Group's consolidated balance sheet.

5. OPERATING EXPENSES

$000s	***2009***	*2008*
Staff compensation	119,977	170,012
Other personnel costs	16,921	18,912
Professional fees	18,280	18,438
Travel and business development	12,015	15,302
Administration and research	14,415	21,070
Technology and communication	4,572	5,190
Premises	11,463	11,415
Depreciation	7,245	3,251
Other	1,434	6,106
Total	206,322	269,696

6. LIQUIDITY

$000s	*June 30, 2009*	*June 30, 2008*
Cash balances with banks	23,963	62,279
Cash in transit	380,988	130,971
Deposits with financial institutions	699,884	257,407
Cash and cash equivalents	1,104,835	450,657
Less: medium and long-term debt maturing within three months	(142,000)	-
Net cash liquidity	962,835	450,657
Add: undrawn medium-term revolvers [see Note 15(a)]	-	732,500
Net accessible liquidity	962,835	1,183,157
Co-investments in hedge funds	571,481	2,020,808
Net liquidity	1,534,316	3,203,965

The Group maintains access to sufficient on and off-balance sheet liquidity in order to meet the 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, except for $43 million (2008: nil) which is not immediately available due to gating clauses imposed by the underlying fund managers.

Cash and short-term funds comprise the Group's cash, balances in nostro accounts and short-term government securities. Cash in transit mainly relates to proceeds for issuance of preference shares and redemptions from hedge funds for which notices have been issued, the proceeds of which have been received subsequent to the balance sheet date.

7. RECEIVABLES AND PREPAYMENTS

$000s	***June 30, 2009***	*June 30, 2008*
Subscriptions receivable	111,116	288,234
Capital issuance proceeds receivable	110,495	-
Receivables from investee companies	76,487	104,201
Investment disposal proceeds receivable	3,188	16,271
Hedge funds related receivables	14,046	23,925
Accrued interest receivable	5,009	6,289
Prepaid expenses	27,500	24,633
Other receivables	13,129	17,461
	360,970	481,014
Provisions (see Note 12)	(31,907)	(29,399)
Total	329,063	451,615

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.

$110.5 million of receivables represents cash proceeds due from clients participating in the preference shares being issued by the Company and are short term in nature.

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.

8. LOANS AND ADVANCES

$000s	*June 30, 2009*	*June 30, 2008*
Advances to HFP Funds and Real Estate Funds	11,985	115,395
Advances to investment holding companies	129,045	152,885
Advances to Employee Investment Programs	121,604	80,776
Other advances	7,829	14,439
	270,463	363,495
Provisions (see Note 12)	(47,326)	(27,588)
Total	223,137	335,907

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

9. 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		***June 30, 2009***	*June 30, 2008*
Diversified Strategies Fund ("DSF") and parallel vehicles	A cash management substitute targeting 300-500bp spread over LIBOR	196,790	658,980
Balanced Fund ("IBF")	Flagship offering targeting a balanced exposure to the hedge funds asset class and returns of 500-700bp over LIBOR	30,415	741,515
Single Manager Platform	Investments with single managers that have been seeded on Investcorp's platform	384,615	496,709
Other Hedge Funds investments	Mix of small investments across several theme funds	2,661	123,604
Total balance sheet co-investments		614,481	2,020,808
Leverage through structured products	Non-recourse leverage provided by third parties as part of structured products around the HFP	230,308	45,155
Total gross investments		844,789	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.

10. CO-INVESTMENTS IN PRIVATE EQUITY

$000s	***June 30, 2009***	*June 30, 2008*
US and European buyouts [See Note 10 (a)]	769,392	921,821
Technology small cap investments [See Note 10 (b)]	46,194	34,208
Gulf growth capital [See Note 10 (c)]	13,696	-
Strategic and other investments [See Note 10 (d)]	74,109	73,113
Total co-investments in private equity	903,391	1,029,142

10 (a) US AND EUROPEAN BUYOUTS

The Group's US and European buyout investments are classified as FVTPL investments.

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 multiple to be used is taken from a universe of comparable publicly listed companies, recent M&A transactions involving comparable companies, and multiples implied by Discounted Cash Flow ("DCF") analysis. Management exercises its judgment in choosing the most appropriate multiple, on a consistent basis, from within the universe established above.

During the current period management has predominantly chosen DCF multiples to be the most appropriate in fair valuing the investments. Management believes that under current illiquid market conditions with few to nil M&A transactions multiples based on comparable listed companies or M&A transactions would not have been appropriate in fair valuing the investments.

10 (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 *	***June 30, 2009***	*June 30, 2008*
Vintage 1997 (1997 - 2000)	181,343	184,531
Vintage 2001 (2001 - 2004)	85,014	214,539
Vintage 2005 (2005 - 2008)	381,006	522,751
Vintage 2009 (N&W)**	122,029	-
Total	769,392	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.

** N&W was acquired in late 2008 but is shown separately in Vintage 2009.

Summary by sector and location:

	June 30, 2009			June 30, 2008		
$000s	**North America**	**Europe**	**Total**	**North America**	**Europe**	**Total**
Consumer Products	22,355	-	22,355	87,224	-	87,224
Industrial Products	38,920	313,392	352,312	45,650	278,006	323,656
Technology and Telecom	164,248	-	164,248	164,205	-	164,205
Industrial Services	80,807	52,284	133,091	146,884	70,765	217,649
Distribution	77,830	19,556	97,386	80,867	48,220	129,087
Total	384,160	385,232	769,392	524,830	396,991	921,821

10 (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 year:

$000s	*At beginning*	*Net new acquisitions*	*Fair value movements*	*Movements relating to realizations/ placements**	*Other movements ***	*At end*
June 30, 2009	921,821	146,256	(246,953)	(62,007)	10,275	769,392
June 30, 2008	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, during the current period management has predominantly chosen multiples implied by discounted cash flow analysis to be the most appropriate in fair valuing the investments. As of June 30, 2009 the fair value was $769.4 million (June 30, 2008: $921.8 million) for the Group's aggregate unquoted US and European buyout co-investment portfolio. The associated range of fair values estimated by the management for a +/- change in the implied EBITDA multiple of 0.5x was $685.1 million to $865.0 million (June 30, 2008: $828.1 million to $1,002.3 million). The Group's sensitivity to net income for any such increase or decrease in fair value is a corresponding increase of $95.6 million (June 30, 2008: $80.5 million) or decrease of $84.3 million (June 30, 2008: $93.7 million) as applicable. 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 of the range around it, given the inherent uncertainty surrounding valuations of unquoted investments.

10 (b) TECHNOLOGY SMALL CAP INVESTMENTS

Similar to US and European buyouts, the Group's technology small cap investments are classified as FVTPL investments.

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 DCF valuation methodology similar to that used for US and European buyout investments as described in Note 10 (a).

The carrying values of Group's co-investments in technology small cap deals at June 30, 2009 are:

$000s	*Communication Infrastructure*	*Wireless Data*	*Digital Content*	*Enterprise Software*	*Other*	*June 30, 2009 Total*
Technology Fund I						
North America	528	1,922	201	1,136	521	4,308
Sub-Total	528	1,922	201	1,136	521	4,308
Technology Fund II						
North America	5,563	450	3,714	2,005	-	11,732
Europe	-	-	14,343	-	-	14,343
Sub-Total	5,563	450	18,057	2,005	-	26,075
Technology Fund III						
North America	-	5,121	-	-	-	5,121
Europe	-	-	-	10,690	-	10,690
Sub-Total	-	5,121	-	10,690	-	15,811
Total	6,091	7,493	18,258	13,831	521	46,194

The carrying values of Group's co-investments in technology small cap deals at June 30, 2008 are:

$000s	*Communication Infrastructure*	*Wireless Data*	*Digital Content*	*Enterprise Software*	*Other*	*June 30, 2008 Total*
Technology Fund I						
North America	1,063	2,971	244	4,043	1,134	9,455
Sub-Total	1,063	2,971	244	4,043	1,134	9,455
Technology Fund II						
North America	7,511	1,009	3,557	2,007	-	14,084
Europe	6	-	4,270	-	-	4,276
Sub-Total	7,517	1,009	7,827	2,007	-	18,360
Technology Fund III						
Europe	-	-	-	6,393	-	6,393
Sub-Total	-	-	-	6,393	-	6,393
Total	8,580	3,980	8,071	12,443	1,134	34,208

10 (b) TECHNOLOGY SMALL CAP INVESTMENTS (continued)

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

$000s	At beginning	New acquisitions	Fair value movements	Movements relating to realizations	Other movements *	At end
June 30, 2009	34,208	11,623	1,836	-	(1,473)	46,194
June 30, 2008	18,547	9,248	(1,142)	-	7,555	34,208

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

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of these investments.

10 (c) GULF GROWTH CAPITAL

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

Similar to US and European buyouts, the Group's Gulf Growth Capital investments are classified as FVTPL investments.

The fair value of unquoted Gulf Growth Capital 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 DCF valuation methodology similar to that used for US and European buyout investments as described in Note 10 (a).

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of these investments.

10 (d) STRATEGIC AND OTHER INVESTMENTS

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

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

These are primarily held as AFS investments, except for investments amounting to $38.2 million (June 30, 2008: $34.8 million) that are classified as FVTPL.

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of these investments.

11. CO-INVESTMENTS IN REAL ESTATE

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

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

The debt investments in real estate properties are classfied as Held-to-maturity ("HTM") investments.

The carrying values of the Group's co-investments in real estate portfolios in the United States at June 30, 2009 are:

$000s	*Number of*	*Region*					*June 30,*
PORTFOLIO TYPE	*properties*	*East*	*Midwest*	*Southeast*	*Southwest*	*West*	*2009*
Office	15	76,835	-	-	-	11,089	87,924
Hotels	15	17,685	8,828	1,718	7,168	-	35,399
Retail	34	5,231	1,407	1,125	4,687	213	12,663
Industrial	4	5,594	-	-	-	4	5,598
Core Plus Total	68	105,345	10,235	2,843	11,855	11,306	141,584
Mezzanine debt		38,630	49	48	107	522	39,356
Opportunistic	12	27,575	-	30,761	-	35,590	93,926
Strategic and other		8,341	-	-	-	-	8,341
Total	80	179,891	10,284	33,652	11,962	47,418	283,207

The carrying values of the Group's co-investments in real estate portfolios in the United States at June 30, 2008 are:

$000s	*Number of*	*Region*					
PORTFOLIO TYPE	*properties*	*East*	*Midwest*	*Southeast*	*Southwest*	*West*	*June 30, 2008*
Office	16	106,526	362	-	-	21,173	128,061
Hotels	15	26,146	7,471	10,434	11,934	-	55,985
Retail	34	2,710	2,364	1,200	6,727	213	13,214
Industrial	4	5,373		-	-	-	5,373
Diversified	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-
Core Plus Total	69	140,755	10,197	11,634	18,661	21,386	202,633
Mezzanine debt	n/a	13,077	182	176	394	489	14,318
Opportunistic	14	26,571	-	28,446	-	60,441	115,458
Strategic and other	n/a	4,629	-	-	-	-	4,629
Total	83	185,032	10,379	40,256	19,055	82,316	337,038

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

$000s	*At beginning*	*Net new acquisitions*	*Fair value movements*	*Movements relating to realizations / placements*	*Other movements **	*At end*
June 30, 2009	337,038	16,225	(106,276)	(13,651)	49,871	283,207
June 30, 2008	368,880	212,078	(7,128)	(262,657)	25,865	337,038

* Other movements include add-on fundings.

11. CO-INVESTMENTS IN REAL ESTATE (continued)

The associated range of fair values estimated by the management for a +/- change in capitalization rates of 1% was $180.7 million to $346.9 million (June 30, 2008: $316.9 million to $363.4 million). The Group's sensitivity in net income to any such increase or decrease in fair value is a corresponding increase of $63.7 million (June 30, 2008: $26.4 million) or decrease of $102.5 million (June 30, 2008: $20.2 million) as applicable.

12. PROVISIONS

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

$000s	***Receivables***	***Loans and advances***	***Total***
	(see Note 7)	(see Note 8)	
Balance at July 1, 2007	23,989	27,588	51,577
Charge for the year	5,410	-	5,410
Balance at June 30, 2008	29,399	27,588	56,987
Charge for the year	2,508	19,738	22,246
Balance at June 30, 2009	**31,907**	**47,326**	**79,233**

13. DEPOSITS FROM CLIENTS

$000s	***June 30, 2009***	*June 30, 2008*
SHORT-TERM:		
Call accounts	39,957	185,640
Short-term deposits	21,049	323,341
Transitory balances	196,260	172,255
Total deposits from clients - short-term	257,266	681,236
MEDIUM-TERM:		
Medium-term deposits	23,956	21,134
Investment holding companies' deposits	26,682	73,762
Discretionary and other deposits	32,574	24,711
Total deposits from clients - medium-term	83,212	119,607
Total	340,478	800,843

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 4 for future participation in the Group's investment products.

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

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

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

All deposits bear interest at market rates.

14. PAYABLES AND ACCRUED EXPENSES

$000s	June 30, 2009	June 30, 2008
Accrued expenses - employee compensation	28,638	116,962
Vendor and other trade payables	7,097	29,547
Exit escrow proceeds	8,890	26,596
Deferred income	7,259	11,742
Accrued interest payable	11,101	16,379
Total	62,985	201,226

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

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.

15. MEDIUM-TERM DEBT

The table below shows the total medium-term facilities, net of the transaction costs of borrowings, outstanding at year end.

$000s	June 30, 2009	June 30, 2008
Medium-term revolvers [See Note 15 (a)]	797,500	240,000
Medium-term debt [See Note 15 (b)]	846,500	888,500
Transaction costs of borrowings	(8,485)	(12,105)
	1,635,515	1,116,395

15 (a) MEDIUM-TERM REVOLVERS

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

		June 30, 2009			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	122,534	150,000	150,000	33,333	-
5-year Eurodollar facility	December 2011	500,000	421,027	500,000	500,000	207,500	200,000
5.5-year Eurodollar facility	July 2012	40,000	30,795	40,000	40,000	20,000	40,000
5-year Eurodollar facility	April 2013	107,500	107,500	107,500	107,500	-	-
Total		797,500	681,856	797,500	972,500	260,833	240,000

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

15 (b) MEDIUM-TERM DEBT

		June 30, 2009		June 30, 2008	
$000s	Maturity	Average outstanding	Current outstanding	Average outstanding	Current outstanding
5-year Eurodollar facility	June 2009	26,219	-	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		872,719	846,500	768,179	888,500

These facilities carry LIBOR-based floating rates of interest.

$120 million of the $142 million Eurodollar facility due in July 2009 was rolled over on maturity to December 2009.

16. LONG-TERM DEBT

$000s	Final Maturity	June 30, 2009 Average outstanding	June 30, 2009 Current outstanding	June 30, 2008 Average outstanding	June 30, 2008 Current outstanding
PRIVATE NOTES					
$143 Million Private Placement	October 2008	35,750	-	143,000	143,000
$55 Million Private Placement	May 2009	22,917	-	55,000	55,000
GBP 25 Million Private Placement	January 2010	12,683	2,624	32,800	26,240
$40 Million Private Placement	December 2010	29,063	21,250	40,000	40,000
$15 Million Private Placement	May 2011	6,250	-	15,000	15,000
$50 Million Private Placement	July 2011	20,833	-	50,000	50,000
GBP 20 Million Private Placement	September 2011	14,146	-	29,522	29,522
$75 Million Bi-lateral Placement	October 2011	57,813	50,000	69,962	62,500
$42 Million Private Placement	November 2011	17,500	-	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
$71.5 Million Private Placement	May 2012	61,073	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
		735,356	584,827	1,006,112	992,090
Foreign exchange translation adjustments			53,187		34,674
Fair value adjustments			(55,774)		(50,078)
Transaction costs of borrowings			(3,870)		(4,783)
Total			578,370		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.

17. SHARE CAPITAL AND RESERVES

The Company's subscribed share capital comprises 200,000 ordinary shares of $1,000 each.

Preference shares

During the year, the Group obtained regulatory approvals to raise $500 million preference share capital. At the balance sheet date, 117 Series B preference shares were issued amounting to US$117million. A further US$383 million has been reflected as preference share capital, with regulatory approval, since binding subscriptions from investors have been received prior to June 30, 2009 and subsequently related proceeds were obtained by the Group for issuance of 283,000 additional Series B and 100,000 Series C preference shares. 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 their respective first call dates and 12-months USD LIBOR + 9.75% per annum thereafter, if not called.

The payment of dividends on preference shares is subject to recommendation by the Board of Directors, and approval by the CBB and ordinary shareholders. The preference shares take priority over the Company'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 Company's option any time on or after their first call dates at par plus dividend due up to the call date. The earliest call date for Series B preference shares is June 30, 2014.

During the previous year, in accordance with the terms of issue, the Company redeemed Series A preference shares in full at their par value plus accrued dividend after obtaining necessary Board and regulatory approvals.

Legal reserve

Luxembourg companies are required to transfer to legal reserve a minimum of 5% of the unconsolidated annual net income, after deducting any losses brought forward, until the reserve equals 10% of the nominal value of the issued share capital. This reserve, up to 10% of issued capital, may not be distributed in the form of cash dividends, or otherwise, during the life of the Company.

Share premium

Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue expenses, are treated as share premium. It also includes net gains resulting from the sale of treasury shares held by the Group.

17. SHARE CAPITAL AND RESERVES (continued)

General reserve

The general reserve, established in accordance with the articles of association of the Company, is only distributable following a resolution of shareholders at a general meeting.

Treasury shares

Treasury shares represent ordinary shares held by the Company and its subsidiaries. Ordinary shares held as treasury include 15,298 shares that are held by SIPCO Limited for future sale to management under the SIP Plan.

Unrealized fair value changes and reserves

This consists of (i) unrealized fair value of FVTPL private equity and real estate co-investments transferred from retained earnings, (ii) fair value changes for AFS investments recognized directly in equity (iii) fair value changes of cash flow hedges recognized directly in equity and (iv) revaluation reserve of premises and equipment recognized directly in equity.

As of June 30, 2009 the Group had an accumulated deficit, including unrealized fair value changes of private equity and real estate co-investments, of $273.4 million (June 30, 2008: retained earnings of $500 million).

18. UNREALIZED FAIR VALUE CHANGES AND REVALUATION RESERVES

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

	Fair value changes and revaluation reserve						
	FVTPL Investments			Available			
$000s	Private equity	Real estate	Sub-Total	for sale investments	Cash flow hedges	Revaluation reserve	Total
Balance at June 30, 2007	(29,750)	6,073	(23,677)	-	(6,651)	-	(30,328)
Net realized loss recycled to statement of income	-	-	-	-	736	-	736
Net unrealized (losses) gains for the year	(15,587)	(7,128)	(22,715)	6,573	(3,182)	-	(19,324)
Transfer of realized losses to retained earnings	4,234	(358)	3,876	-	-	-	3,876
Balance at June 30, 2008	(41,103)	(1,413)	(42,516)	6,573	(9,097)	-	(45,040)
Net realized loss recycled to statement of income	-	-	-	-	6,563	-	6,563
Net unrealized (losses) gains for the year	(241,810)	(106,276)	(348,086)	-	5,559	4,417	(338,110)
Transfer of realized losses and depreciation to retained earnings	89,844	3,727	93,571	-	-	(315)	93,256
Balance at June 30, 2009	(193,069)	(103,962)	(297,031)	6,573	3,025	4,102	(283,331)

Refer to Note 19 for fair valuation of cash flow hedges.

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

Other derivatives

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

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

Hedged item	2009			2008		
$000s / *Description*	*Notional value*	*Positive fair value*	*Negative fair value*	*Notional value*	*Positive fair value*	*Negative fair value*
A) HEDGING DERIVATIVES						
Currency risk being hedged using forward foreign exchange contracts						
i) Fair value hedges						
On balance sheet exposures						
Euro	-	-	-	432,762	2,443	(6,367)
Pounds Sterling	-	-	-	116,150	998	(590)
Japanese Yen	436,444	6,383	(145)	29,475	19	(1,427)
ii) Cashflow hedges						
Forecasted transactions	-	-	-	49,131	277	(723)
Coupon on long-term debt	78,934	1,336	-	83,272	85	(3,868)
Total forward foreign exchange contracts	515,378	7,719	(145)	710,790	3,822	(12,975)
Interest rate risk being hedged using Interest rate swaps						
i) Fair value hedges - fixed rate debt	553,732	13,753	(431)	737,347	13,545	(5,829)
ii) Cashflow hedges - floating rate debt	250,000	-	(1,405)	500,000	-	(5,310)
Total interest rate hedging contracts	803,732	13,753	(1,836)	1,237,347	13,545	(11,139)
Currency and Interest rate risk being hedged using cross currency swaps						
i) Fair value hedges	-	-	-	311,905	37,557	-
Total currency and interest rate hedging contracts	-	-	-	311,905	37,557	-
Total – Hedging Derivatives	1,319,110	21,472	(1,981)	2,260,042	54,924	(24,114)
B) DERIVATIVES ON BEHALF OF CLIENTS						
Forward foreign exchange contracts	216,788	3,683	(3,854)	390,251	1,609	(1,609)
Total - Derivatives on behalf of clients	216,788	3,683	(3,854)	390,251	1,609	(1,609)
C) OTHER DERIVATIVES						
Interest rate swaps	384,750	15,877	(17,367)	500,000	-	(6,520)
Interest rate caps	601,000	-	-	1,000,000	18	-
Forward foreign exchange contracts	695,992	10,502	(10,052)	975,434	5,630	(13,672)
Currency option	2,251	33	(33)	2,251	10	(10)
Equity options	100,000	4,583	-	-	-	-
Total – Other Derivatives	1,783,993	30,995	(27,452)	2,477,685	5,658	(20,202)
TOTAL – DERIVATIVE FINANCIAL INSTRUMENTS	**3,319,891**	**56,150**	**(33,287)**	**5,127,978**	**62,191**	**(45,925)**

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity at June 30, 2009:

June 30, 2009 *$000s*	*Notional amounts by term to maturity* Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	226,617	209,827	-	-	436,444
Interest rate swaps	-	5,572	110,195	437,965	553,732
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	78,934	-	-	-	78,934
Interest rate swaps	250,000	-	-	-	250,000
Derivates on behalf of clients					
Forward foreign exchange contracts	164,764	865	51,159	-	216,788
Other Derivatives:					
Interest rate swaps	-	-	334,750	50,000	384,750
Interest rate caps	601,000	-	-	-	601,000
Forward foreign exchange contracts	572,077	3,392	120,523	-	695,992
Currency option	-	-	2,251	-	2,251
Equity options	-	100,000	-	-	100,000
	1,893,392	319,656	618,878	487,965	3,319,891

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity at June 30, 2008:

June 30, 2008 *$000s*	*Notional amounts by term to maturity* Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	317,181	261,206	-	-	578,387
Interest rate swaps	-	75,084	204,848	457,415	737,347
Cross currency swaps	-	-	-	311,905	311,905
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	132,403	-	-	-	132,403
Interest rate swaps	250,000	250,000	-	-	500,000
Derivates on behalf of clients					
Forward foreign exchange contracts	320,317	25,838	44,096	-	390,251
Other derivatives:					
Interest rate swaps	-	-	500,000	-	500,000
Interest rate caps	-	399,000	601,000	-	1,000,000
Forward foreign exchange contracts	975,434	-	-	-	975,434
Currency option	-	-	2,251	-	2,251
	1,995,335	1,011,128	1,352,195	769,320	5,127,978

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedges

Gains arising from fair value hedges during the year ended June 30, 2009 were $8.4 million (June 30, 2008: $10.3 million) while the losses on the hedged items, attributable to interest rate and foreign currency risks, were $9.7 million (June 30, 2008: $9.8 million). These gains and losses are included in interest expense or treasury and other asset based income as appropriate in the consolidated statement of income.

Undiscounted cash flows for forecasted items hedged

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

June 30, 2009 *$000s*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk					
Coupon on long-term debt	(6,744)	(6,744)	(53,953)	(215,811)	(283,252)
Interest rate risk					
Interest on medium term debt	(1,125)	-	-	-	(1,125)
	(7,869)	(6,744)	(53,953)	(215,811)	(284,377)

June 30, 2008 *$000s*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk					
Forecasted transactions	49,131	-	-	-	49,131
Coupon on long-term debt	(8,784)	(12,924)	(61,652)	(208,140)	(291,500)
Interest rate risk					
Interest on medium term debt	(1,881)	(10,980)	(22,187)	-	(35,048)
	38,466	(23,904)	(83,839)	(208,140)	(277,417)

The ineffective portion of cash flow hedges recycled out of equity to the consolidated statement of income for the year ended June 30, 2009 was $6.6 million (June 30, 2008: $0.7 million).

20. COMMITMENTS AND CONTINGENT LIABILITIES

$000s	***June 30, 2009***	*June 30, 2008*
Investment commitment issued for pending acquisitions (net)	-	104,818
Investment commitments to closed-end committed funds	173,782	482,396
Other investment commitments	6,750	9,513
Total investment commitments	180,532	596,727
Non-cancelable operating leases	72,854	85,116
Guarantees and letters of credit issued to third parties	175,530	187,964

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.

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 $85.3 million (June 30, 2008: $85.5 million) relate to supporting performance obligations of operating partners and investee companies.

In addition to the above, the Group acts as a guarantor of last resort to facilitate third party financing for various employee investment programs (see Note 23). Eligible employees, in their individual capacities, are provided financing from third-party lenders on a selective basis and subject to certain risk-based criteria, determined by the lenders, for their participation in the investment programs. At the balance sheet date, eligible employees have drawn down $16.4 million (June 2008: $13 million) out of a maximum $75 million (June 30, 2008: $75 million) available under this facility. 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 minimal risk to the Group.

The analysis of contractual maturities for commitments and contingent liabilities has been disclosed in note 21 (ii).

21. RISK MANAGEMENT

Risk management is an integral part of the Group's corporate decision-making process. The Financial and Risk Management Committee (FRMC), the Group's primary risk management decision-making body, comprising members of senior management drawn from all key areas of the Group, guides and assists with overall management of the Group's risk profile on an enterprise wide basis.

The Group's primary risk management objective is to support its business objectives with sufficient risk capital. The Group employs risk models to determine the capital needed to cover unexpected loss from investment or other risks. This capital amount is known as economic capital and differs from regulatory capital. The economic capital requirement for each reporting segment is determined using a dynamic VaR approach. For this purpose dynamic VaR is calculated by using a five-year planning horizon, 99% one tailed confidence level and by recognizing diversification benefits across asset classes. In addition to the dynamic VaR approach, the risk management team has developed sophisticated tools in conjunction with leading risk management consultants to perform detailed risk analyses that specifically address the investment risks in each individual line of business.

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

(i) Credit risk

The Group is exposed to credit risk on its short term funds, placements, fair value of derivatives, receivables, loans and advances, debt investments and guarantees. The Group manages credit risk by setting limits for all counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. Credit risk in respect of derivative financial instruments is limited to those with positive fair values (see Note 20). With respect to the credit risk exposure arising from other financial assets the Group has a maximum exposure equal to the carrying value of these instruments. The Group also actively attempts to mitigate credit risks through documented netting arrangements with counterparties where possible.

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

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

Internal rating categories are summarized as follows:

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

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

21. RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Credit risk exposure is considered as past due when payment is due according to the contractual terms but is not received.

Short term funds, placements and derivatives are only with those counterparties that meet the minimum standard external rating and hence carry a minimal credit risk. The table below analyses the Group's other credit risk exposures at the balance sheet date without taking into account any collateral or credit enhancements.

June 30, 2009 $000s	*Neither past due nor impaired (a)*		*Past due but not impaired (b)*	*Impaired* (c)*	*Provisions (d)*	*Maximum credit risk (a+b+c+d)*	*Average balance*
	Credit risk rating						
	High	Standard					
Short-term funds	404,951	-	-	-	-	404,951	164,711
Deposits with financial institutions	699,884	-	-	-	-	699,884	332,529
Positive fair value of derivatives	-	56,150	-	-	-	56,150	21,711
Receivables	-	189,605	111,116	32,749	(31,907)	301,563	271,228
Loans and advances	-	196,779	-	73,684	(47,326)	223,137	113,664
Co-investments - debt	-	44,130	-	-	-	44,130	31,350
Guarantees	-	191,930	-	-	-	191,930	202,325
Total	1,104,835	678,594	111,116	106,433	(79,233)	1,921,745	

June 30, 2008 $000s	*Neither past due nor impaired (a)*		*Past due but not impaired (b)*	*Impaired* (c)*	*Provisions (d)*	*Maximum credit risk (a+b+c+d)*	*Average balance*
	Credit risk rating						
	High	Standard					
Short-term funds	193,231	-	-	-	-	193,231	101,041
Deposits with financial institutions	257,407	-	-	-	-	257,407	418,155
Positive fair value of derivatives	62,191	-	-	-	-	62,191	57,631
Receivables	197,886	-	225,868	32,627	(29,399)	426,982	305,914
Loans and advances	315,628	-	-	47,867	(27,588)	335,907	208,386
Co-investments - debt	15,593	-	-	-	-	15,593	10,187
Guarantees	200,964	-	-	-	-	200,964	125,988
Total	1,242,900	-	225,868	80,494	(56,987)	1,492,275	

* Fair value of collaterals relating to impaired exposures is nil (June 30, 2008: $2.2 million).

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

$000s	***June 30, 2009***	*June 30, 2008*
Upto 1 month	4,808	53,839
> 1 upto 3 months	2,611	102,063
> 3 upto 6 months	553	29,369
> 6 months upto 1 year	3,783	31,211
Over 1 year	99,361	9,386
Total	**111,116**	**225,868**

The financial assets that are past due but not impaired mainly relate to subscriptions receivable from clients. These assets are over-collateralized by all other assets under management on behalf of these clients. The collateral is revalued from time to time in the same manner as the Group's exposure to investments. The fair value of collateral that the Group holds relating to financial assets that are past due but not impaired at June 30, 2009 amounts to $763 million (June 30, 2008: $224 million).

21. RISK MANAGEMENT (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To mitigate this risk, management has arranged diversified funding sources and maintained long-dated maturities of liabilities. The Group manages assets with liquidity in mind, and monitors liquidity on a daily basis (see Note 6).

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

June 30, 2009 $000s	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Over 20 years*	*Total*
Assets							
Cash and short-term funds	404,951	-	-	-	-	-	404,951
Deposits with financial institutions	699,884	-	-	-	-	-	699,884
Positive fair value of derivatives	4,436	8,301	8,797	1,233	868	32,515	56,150
Receivables and prepayments	112,221	47,594	169,248	-	-	-	329,063
Loans and advances	12,340	23,073	187,724	-	-	-	223,137
Co-investments in hedge funds	69,685	391,412	141,513	11,871	-	-	614,481
Private equity co-investments	-	18,424	860,808	24,159	-	-	903,391
Real estate co-investments	-	38,414	244,793	-	-	-	283,207
Premises, equipment and other assets	142	-	22,304	8,671	-	-	31,117
Total assets	1,303,659	527,218	1,635,187	45,934	868	32,515	3,545,381
Liabilities							
Deposits from clients - short term	257,266	-	-	-	-	-	257,266
Negative fair value of derivatives	11,771	170	13,389	-	-	7,957	33,287
Payables and accrued expenses	11,794	51,191	-	-	-	-	62,985
Deposits from clients - medium term	-	-	83,212	-	-	-	83,212
Medium-term debt	22,000	470,000	1,143,515	-	-	-	1,635,515
Long-term debt	-	40,392	161,017	-	-	376,961	578,370
Total liabilities	302,831	561,753	1,401,133	-	-	384,918	2,650,635
Net gap	1,000,828	(34,535)	234,054	45,934	868	(352,403)	
Cumulative liquidity gap	1,000,828	966,293	1,200,347	1,246,281	1,247,149	894,746	

June 30, 2008 $000s	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Over 20 years*	*Total*
Assets							
Cash and short-term funds	193,250	-	-	-	-	-	193,250
Placements with banks and other financial institutions	257,407	-	-	-	-	-	257,407
Positive fair value of derivatives	7,618	3,452	5,396	-	-	45,725	62,191
Receivables and prepayments	399,271	43,453	8,891	-	-	-	451,615
Loans and advances	154,558	31,927	149,422	-	-	-	335,907
Co-investments in hedge funds	500,856	1,280,508	233,620	5,221	603	-	2,020,808
Private equity co-investments	157,218	-	871,924	-	-	-	1,029,142
Real estate co-investments	70,916	46,792	219,330	-	-	-	337,038
Premises, equipment and other assets	174	-	15,610	-	13,277	-	29,061
Total assets	1,741,268	1,406,132	1,504,193	5,221	13,880	45,725	4,716,419
Liabilities							
Deposits from financial institutions	108,636	-	-	-	-	-	108,636
Deposits from clients - short term	681,236	-	-	-	-	-	681,236
Negative fair value of derivatives	18,372	10,947	11,358	-	-	5,248	45,925
Unfunded deal acquisitions	234,321	-	-	-	-	-	234,321
Payables and accrued expenses	67,911	120,014	13,301	-	-	-	201,226
Deposits from clients - medium term	-	-	119,607	-	-	-	119,607
Medium-term debt	-	61,250	1,055,145	-	-	-	1,116,395
Long-term debt	-	209,796	382,908	33,853	-	345,346	971,903
Total liabilities	1,110,476	402,007	1,582,319	33,853	-	350,594	3,479,249
Net gap	630,792	1,004,125	(78,126)	(28,632)	13,880	(304,869)	
Cumulative liquidity gap	630,792	1,634,917	1,556,791	1,528,159	1,542,039	1,237,170	

21. RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

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

June 30, 2009 ***$000s***	***Up to 3 months***	***>3 months upto 1 year***	***>1 year upto 5 years***	***>5 years upto 10 years***	***>10 years upto 20 years***	***Over 20 years***	***Total***
Financial liabilities							
Deposits from clients	239,868	79,320	22,243	-	-	-	341,431
Payables and accrued expenses	11,794	51,191	-	-	-	-	62,985
Medium-term debt	25,360	481,188	1,172,015	-	-	-	1,678,563
Long-term debt	2,532	65,930	247,631	87,641	175,282	463,005	1,042,021
	279,554	677,629	1,441,889	87,641	175,282	463,005	3,125,000
Derivatives:							
Contracts settled on a gross basis:							
Contractual amounts payable	1,026,484	214,177	164,208	-	-	-	1,404,869
Contractual amounts receivable	(1,020,109)	(217,524)	(174,443)	-	-	-	(1,412,076)
Contracts settled on a net basis:							
Contractual amounts payable (receivable)	(208)	5,537	18,737	9,885	(9,764)	(512)	23,675
Commitments	1,717	44,376	173,450	33,843	-	-	253,386
Guarantees	162,882	19,048	10,000	-	-	-	191,930
Total undiscounted financial liabilities	450,320	743,243	1,633,841	131,369	165,518	462,493	3,586,784

June 30, 2008 *$000s*	*Up to 3 months*	*>3 months upto 1 year*	*>1 year upto 5 years*	*>5 years upto 10 years*	*>10 years upto 20 years*	*Over 20 years*	*Total*
Financial liabilities							
Deposits from financial institutions	112,735	-	-	-	-	-	112,735
Deposits from clients	796,407	-	-	7,323	-	-	803,730
Unfunded deal acquisitions	234,321	-	-	-	-	-	234,321
Payables and accrued expenses	51,532	118,727	1,287	1,559	-	-	173,105
Medium-term debt	5,022	3,784	57,560	1,146,917	-	-	1,213,283
Long-term debt	13,926	156,928	95,457	512,694	280,544	442,483	1,502,032
	1,213,943	279,439	154,304	1,668,493	280,544	442,483	4,039,206
Derivatives:							
Contracts settled on a gross basis:							
Contractual amounts payable	1,670,809	430,043	5,240	100,022	593,741	-	2,799,855
Contractual amounts receivable	(1,654,079)	(425,890)	(2,033)	(68,734)	(520,119)	-	(2,670,855)
Contracts settled on a net basis:							
Contractual amounts payable (receivable)	1,483	(667)	(1,413)	(6,822)	(1,070)	27,282	18,793
Commitments	1,582	42,965	592,035	45,261	-	-	681,843
Guarantees	110,906	11,358	40,823	43,753	-	-	206,840
Total undiscounted financial liabilities	1,344,644	337,248	788,956	1,781,973	353,096	469,765	5,075,682

21. RISK MANAGEMENT (continued)

(iii) Concentration risk

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

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

June 30, 2009 $000s	***Assets exposed to credit risk***	***Off-balance sheet exposed to credit risk***	***Total credit risk exposure***
Geographical Region			
North America	1,026,097	191,930	1,218,027
Europe	127,953	-	127,953
Middle East	561,460	-	561,460
Other	14,305	-	14,305
Total	1,729,815	191,930	1,921,745

June 30, 2008 $000s	*Assets exposed to credit risk*	*Off-balance sheet exposed to credit risk*	*Total credit risk exposure*
Geographical Region			
North America	486,355	206,840	693,195
Europe	614,346	-	614,346
Middle East	189,593	-	189,593
Other	1,017	-	1,017
Total	1,291,311	206,840	1,498,151

21. RISK MANAGEMENT (continued)

(iii) Concentration risk (continued)

June 30, 2009 $000s	*Assets exposed to credit risk*	*Off-balance sheet exposed to credit risk*	*Total credit risk exposure*
Industry Sector			
Banking and Finance	1,319,932	89,012	1,408,944
Consumer products	19,760	-	19,760
Consumer services	12,083	-	12,083
Distribution	8,616	-	8,616
Industrial products	45,916	-	45,916
Real estate	94,136	61,250	155,386
Technology and Telecom	28,678	19,048	47,726
Others	200,694	22,620	223,314
Total	1,729,815	191,930	1,921,745

June 30, 2008 $000s	*Assets exposed to credit risk*	*Off-balance sheet exposed to credit risk*	*Total credit risk exposure*
Industry Sector			
Banking and Finance	529,734	206,840	736,574
Consumer products	24,428	-	24,428
Consumer services	12,627	-	12,627
Distribution	7,217	-	7,217
Industrial products	83,168	-	83,168
Real estate	246,869	-	246,869
Technology and Telecom	77,714	-	77,714
Others	309,554	-	309,554
Total	1,291,311	206,840	1,498,151

(iv) Market risk

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

The Group uses an internal model to calculate VaR for measuring unexpected future losses that may arise from adverse market movements. The Group's risk management team conducts back testing in accordance with the Market Risk Capital Adequacy Regulations. Back testing is carried out for foreign exchange risk by comparing VaR based on a ten day holding period with the daily profit and loss and for equity price risk related to co-investments in hedge funds by comparing VaR based on a one month holding period with the actual performance for the month. The objective is to ensure that the assumptions used for computing VaR are reasonable and result in a VaR number that does not understate economic and regulatory risk capital requirements.

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

21. RISK MANAGEMENT (continued)

(iv) Market risk (continued)

(iv) (a) Foreign currency risk

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

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

$000s	***June 30, 2009***		*June 30, 2008*	
Long (Short)	***Net hedged exposure***	***Net unhedged exposure***	*Net hedged exposure*	*Net unhedged exposure*
Bahraini Dinar*	-	39,140	-	8,519
Euro	221,919	(1,182)	252,245	(2,401)
Pounds Sterling	(22,087)	(768)	(71,227)	1,760
Japanese Yen	(409,332)	(86)	(26,662)	(831)
	(209,500)	37,104	154,356	7,047

* Currency exchange rate currently pegged against the US Dollar.

Incidental unhedged positions are subjected to market risk calculation based on their VaR. VaR estimates the potential loss due to market movement of foreign exchange rates or volatility of these rates within a 99% confidence level over a 10-day holding period. Potential market movements of foreign exchange rates are derived from a study of their historical volatility. The risk methodology is based on the assumption that changes in foreign exchange rates follow a normal probability distribution over time. The characteristics of normal distribution are then used to assess portfolio risk.

The following table summarizes the VaR during the year for the Group's foreign currency exposures.

$000s	***2009***	*2008*
Average FX VaR	27	203
Year end FX VaR	50	34
Maximum FX VaR	114	3,683
Minimum FX VaR	3	5

21. RISK MANAGEMENT (continued)

(iv) Market risk (continued)

(iv) (b) Interest rate risk

The Group closely monitors interest rate movements, and seeks to limit its exposure to such movements by managing the interest rate repricing structure of its assets and liabilities. The Group utilizes interest rate related derivative financial instruments to manage its exposure to fluctuations in interest rates for specific transactions or a group of transactions.

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

- Investments amounting to $4.7 million (June 30, 2008: $1.2 million), which earn interest at an effective rate approximating 10% (June 30, 2008: 10%) per annum.
- Deposits from clients amounting to $26.9 million (June 30, 2008: $95 million) on which interest is paid at an effective rate of 2.0% (June 30, 2008: 4.1%) per annum reflecting the underlying maturity structure.
- Long term debt amounting to $50 million (June 30, 2008: $462.3 million) on which interest is paid at an effective rate of 8.1% (June 30, 2008: 7.9%) per annum reflecting the underlying maturity structure.

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

$000s	***Sensitivity to net income for +200 basis points***	
Currency	***June 30, 2009***	*June 30, 2008*
Euro	(8,702)	(8,062)
Pounds Sterling	(1,317)	(616)
Japanese Yen	1,737	698
US Dollar	(21,026)	(35,903)
Others	391	(564)
Total	(28,917)	(44,447)

a) Figures in parenthesis above represent loss.

b) The impact of a negative 200 basis points change would be opposite and approximate the above values.

Potentially significant variances in interest rate sensitivity may exist at dates other than the year end. The Group actively manages its interest rate gap exposure, with a bias towards floating rates.

21. RISK MANAGEMENT (continued)

(iv) Market risk (continued)

(iv) (c) Equity price risk

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

Co-investments in hedge funds

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 techniques produce estimates of the potential negative change in the market value of a portfolio over a specified time horizon at given confidence levels.

The table below sets out the VaR, at a 99% confidence level and a one-month time horizon, for the Group's hedge funds exposure.

$000s	**2009**	2008
Average VaR	59,109	64,704
Year end VaR	34,526	70,861
Maximum VaR	86,365	75,551
Minimum VaR	34,526	49,263
Maximum hedge funds exposure	2,069,564	2,139,578
Minimum hedge funds exposure	614,481	1,948,970

Co-investments in private equity and real estate

The Group manages the equity price risk of its co-investments in private equity and real estate on a portfolio basis as well as at the individual investment level.

The sensitivity of the Group's co-investments in private equity and real estate to changes in multiples / discount rates has been discussed in Notes 10(a) and 11.

21. RISK MANAGEMENT (continued)

(v) Operational risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout the Group. Internal audit makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios.

As part of Basel II implementation, the Bank has put an operational risk framework in place. Under this framework the following have been carried out:

- The Bank applies the Basic Indicator Approach ('BIA') to measure operational risk
- It uses best in class qualitative standards expected under the Basel II Standardized Approach.
- Financial Controls and Risk Management with involvement from Internal Audit have jointly conducted Control Risk Self Assessment (CRSA) workshops with each line of business head, identifying and highlighting various operational risk aspects.
- An operational risk framework is in place with a dedicated unit within Risk Management.
- The team works with all departments to identify key operational risks and has set up appropriate controls infrastructure.
- Identification of key risk indicators, key risk controls, observations of loss data, definitions and structures related to operational risk at each business level have been completed.
- Where necessary, a mitigation plan is in place to improve the control environment and its ownership allocated to the 'Operational Risk Specialist' of the relevant line of business.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Fair value of the Group's financial assets and liabilities on the consolidated balance sheet are not materially different to their carrying value, except for fixed rate liabilities carried at amortized cost. The fair value of such liabilities amount to $2,009.5 million as compared to carrying value of $2,213.9 million.

23. EMPLOYEE COMPENSATION

In designing its employee compensation plans, Investcorp's primary objective is to provide a competitive total compensation package for employees versus comparable financial services firms operating in similar geographic locations. This is achieved through a combination of cash salaries, variable bonuses dependant upon Group, unit and individual performance, and participation in various long-term employee investment and ownership programs described below.

Salaries are determined and revised based on competitive market conditions, while the aggregate Group bonus is determined based on gross income before bonuses for the year such that the aggregate executive compensation, including salaries and bonuses, is maintained at a target ratio of total income consistent with industry benchmarks. Similar to most other investment institutions, approximately one third of the total aggregate compensation expense of the Group in a typical year is in the form of fixed salaries, with the remaining two-thirds coming from variable, performance-based bonuses.

Consistent with established practice amongst investment institutions specializing in alternative asset classes, the Group's management participates in various investment programs that align their interests with those of clients and shareholders. The benefit of these investment programs arises from participation in the returns generated by the underlying investments. There are broadly three such programs, as described below.

In addition, the Group accounts for employee termination benefits on an accrual basis. The charge during the current year, in respect of these, amounts to $0.6 million (2008: $0.5 million).

Programs for Investment Profit Participation

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

Similarly, the Group's hedge funds professionals participate in an investment program that is linked to the risk-adjusted performance of the hedge funds program over a rolling period. The amount payable to the hedge funds professionals under this program is included in their annual variable compensation and is recorded in the Group's consolidated statement of income as a compensation expense.

23. EMPLOYEE COMPENSATION (continued)

Programs for Investment Participation

Management is also provided with the opportunity to co-invest alongside clients in the Group's investment products, including private equity investments, real estate investments and the Hedge Funds Program. Employees co-invest in the underlying investments at the Group's cost basis, thereby resulting in no gain or loss to the Group. In some instances, the Group, together with third party lenders, also provides financing at market rates to eligible employees, to invest in these programs on a levered basis. The permissible levels of leverage vary on a product to product and program to program basis. The aggregate amount of such financing provided to employees as of June 30, 2009 is $146.4 million (June 30, 2008: $165.9 million), of which $16.4 million (June 30, 2008: $13.0 million) was from third parties. Third party financing for these investment participation programs has full recourse to the employee's underlying plan investments, and, only as a last resort, is guaranteed by the Group (see Note 20).

Share Ownership Program

SIPCO sponsors a share incentive plan ("SIP Plan") under which eligible employees receive a portion of their annual performance incentive compensation in the form of a beneficial interest in the ownership of the Bank via shares of SIPCO. These shares have different vesting periods. The restricted shares are awarded at fair value, determined with reference to the market price of the GDRs of the Bank. Accordingly, the Group does not incur any additional costs or expenses in relation to the SIP Plan, since these awards occur at the fair value of the shares. It is important to note that the SIP Plan is therefore a fully paid up employee share ownership program, whereby employees effectively pay fair value for purchasing the shares. Unlike other employee share incentive programs, the SIP Plan does not issue share options to employees.

The table below provides the details of movements in the Bank's shares held by employees under the SIP plan.

	June 30, 2009	*June 30, 2008*
Held by employees at the beginning of the year	124,784	138,298
Purchased by employees	44,807	5,736
Sold by employees	(32,195)	(19,250)
Held by employees at the end of the year	137,396	124,784

24. 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 HFP and the ultimate parent company through which the employees invest in beneficial ownership of the Bank's ordinary shares. It also includes major shareholders, directors and senior management of the Bank, their immediate families and entities controlled, jointly controlled or significantly influenced by such parties. Income is earned or expense is incurred in the Group's transactions with such related parties in the ordinary course of business. The Group's management approves the terms and conditions of all related party transactions.

Although these companies are being classified as related parties, the Group administers and manages these companies 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.

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

$000s		June 30, 2009	June 30, 2008
Management fees	Investee companies	19,724	18,858
	Client companies	41,974	47,797
	Client companies associated with the HFP	42,619	65,710
Activity fees	Investee companies	19,775	83,171
Performance fees	Client companies associated with the HFP	(579)	24,487
	Client companies	881	465
Asset based income	Investee companies	21,367	26,805
	Client companies	7,328	7,620
Interest expense	Client companies	(2,113)	(2,991)
Provisions	Employee investment programs	(16,210)	-

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

	June 30, 2009			June 30, 2008		
$000s	Assets	Liabilities	Off-balance sheet	Assets	Liabilities	Off-balance sheet
Outstanding balances						
Strategic shareholders	3,052	55,870	-	3,559	66,156	-
Investee companies	60,382	-	-	89,010	-	-
Investment holding companies	84,110	199,491	173,782	193,562	40,901	482,396
Client fund companies associated with the HFP	18,513	-	-	51,719	-	-
Directors and senior management	466	6,136	-	3,988	3,215	-
	166,523	261,497	173,782	341,838	110,272	482,396

24. RELATED PARTY TRANSACTIONS (continued)

The Group carries out its investment activity along with certain strategic partners who are clients as well as shareholders of the Group and whose business interests are aligned to that of the Group. In doing so, the strategic partners have, in addition to their own equity, obtained asset backed financing amounting to $459 million as at June 30, 2009 (June 30, 2008: $317.3 million) from the Group at market rates of interest which is reflected in the consolidated balance sheet under the relevant asset categories funded by the financing. The Group has also entered into management agreements with the strategic partners to manage these investments as part of which it shares a portion of the risks and rewards from the underlying investments. Income and expenses arising from these arrangements are included under client companies in the above table to the extent they result from transactions with related parties.

25. RECLASSIFICATIONS

During the current year the Group has reclassified certain items in the financial statements to improve presentation. Such reclassifications do not have any impact on net equity or profit or loss of the Group in prior years.