INVESTCORP BANK B.S.C.

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

DECEMBER 31, 2017 (REVIEWED)
FISCAL YEAR 2018

EY
Building a better working world

Ernst & Young
P.O. Box 140
10th Floor, East Tower
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
ey.com/mena
C.R. No. 6700 / 29977

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Investcorp Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at December 31, 2017, comprising of the interim consolidated statement of financial position as at December 31, 2017 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst + Young

February 06, 2018
Manama, Kingdom of Bahrain

INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2017 (REVIEWED)

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

$000s	*July to December 2017*	*July to December 2016 (Restated)*	*Notes*
FEE INCOME			
AUM fees	79,334	54,888	
Deal fees	58,128	73,086	
Fee income (a)	137,462	127,974	3
ASSET BASED INCOME			
Corporate investment	31,648	9,496	
Alternative investment solutions	8,551	6,483	
Real estate investment	15,186	15,269	
Credit management investment	9,752	-	
Treasury and other asset based income	5,862	9,053	
Asset based income (b)	70,999	40,301	3
Gross operating income (a) + (b)	208,461	168,275	3
Provisions for impairment	(1,412)	(2,853)	11
Interest expense	(30,524)	(28,398)	3
Operating expenses	(117,272)	(87,530)	3
PROFIT BEFORE TAX	59,253	49,494	
Income tax expense	(3,976)	(1,780)	
PROFIT FOR THE PERIOD	55,277	47,714	
Basic earnings per ordinary share ($)	0.71	0.67	20
Fully diluted earnings per ordinary share ($)	0.70	0.65	20

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

$000s	*July to December 2017*	*July to December 2016 (Restated)*
PROFIT FOR THE PERIOD	55,277	47,714
Other comprehensive income that will be recycled to statement of profit or loss		
Fair value movements - cash flow hedges	(1,200)	(4,735)
Other comprehensive income that will not be recycled to statement of profit or loss		
Movements - Fair value through other comprehensive income investments	230	(15,547)
Other comprehensive loss	(970)	(20,282)
TOTAL COMPREHENSIVE INCOME	54,307	27,432

Mohammed Bin Mahfoodh Bin Saad Al Ardhi

Executive Chairman

Anthony L. Robinson

Chief Financial Officer

The attached Notes 1 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 (REVIEWED)

$000s	*December 31, 2017*	*June 30, 2017 (Audited)*	*Notes*
ASSETS			
Cash and short-term funds	51,874	44,517	
Placements with financial institutions and other liquid assets	482,108	517,406	
Positive fair value of derivatives	38,444	62,069	21
Receivables and prepayments	304,555	277,085	4
Advances	104,890	85,582	5
Underwritten and warehoused investments	508,228	460,394	6
Co-investments			
Corporate investment	504,166	538,989	7
Alternative investment solutions	244,442	236,331	8
Real estate investment	89,730	79,115	9
Credit management investment	315,358	258,712	10
Total co-investments	1,153,696	1,113,147	
Premises, equipment and other assets	36,008	37,711	
Intangible assets	56,346	58,072	12
TOTAL ASSETS	2,736,149	2,655,983	
LIABILITIES AND EQUITY			
LIABILITIES			
Call accounts	157,569	249,203	13
Term and institutional accounts	390,631	184,681	14
Payables and accrued expenses	154,577	155,394	15
Negative fair value of derivatives	32,246	43,645	21
Medium-term debt	367,658	381,733	16
Long-term debt	405,863	409,539	17
Deferred fees	80,710	86,575	18
TOTAL LIABILITIES	1,589,254	1,510,770	
EQUITY			
Preference share capital	223,239	223,239	19
Ordinary shares at par value	200,000	200,000	19
Reserves	317,986	320,321	
Treasury shares	(9,202)	(3,229)	
Retained earnings	422,420	367,028	
Ordinary shareholders' equity excluding proposed appropriations and other reserves	931,204	884,120	
Proposed appropriations	-	44,087	
Other reserves	(7,548)	(6,233)	
TOTAL EQUITY	1,146,895	1,145,213	
TOTAL LIABILITIES AND EQUITY	2,736,149	2,655,983	

Mohammed Bin Mahfoodh Bin Saad Al Ardhi

Executive Chairman

Anthony L. Robinson

Chief Financial Officer

The attached Notes 1 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2017 (REVIEWED)

			Reserves							Other Reserves				
$000s	Preference share capital	Ordinary share capital	Share premium	Statutory reserve	Fair Value Reserve	Total	Treasury shares	Retained earnings	Proposed appropriations	Available for sale investments	Cash flow hedges	Revaluation reserve on premises and equipment	Total	Total equity
Balance at July 1, 2016	223,239	200,000	182,250	100,000	-	282,250	(45,449)	313,482	44,611	2,054	(7,848)	4,904	(890)	1,017,243
Restatement arising from early adoption of IFRS 9	-	-	-	-	2,054	2,054	-	(3,521)	-	(2,054)	-	-	(2,054)	(3,521)
Balance at July 1, 2016 (Restated)	223,239	200,000	182,250	100,000	2,054	284,304	(45,449)	309,961	44,611	-	(7,848)	4,904	(2,944)	1,013,722
Total comprehensive income (Restated)	-	-	-	-	(15,547)	(15,547)	-	47,714	-	-	(4,735)	-	(4,735)	27,432
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	-	115	-	-	-	(115)	(115)	-
Treasury shares purchased during the period - net of sales and vesting	-	-	-	-	-	-	(2,998)	-	-	-	-	-	-	(2,998)
Loss on vesting of treasury shares	-	-	(1,268)	-	-	(1,268)	1,268	-	-	-	-	-	-	-
Approved appropriations for fiscal 2016 paid	-	-	-	-	-	-	-	-	(44,611)	-	-	-	-	(44,611)
Balance at December 31, 2016 (Restated)	**223,239**	**200,000**	**180,982**	**100,000**	**(13,493)**	**267,489**	**(47,179)**	**357,790**	**-**	**-**	**(12,583)**	**4,789**	**(7,794)**	**993,545**
Balance at July 1, 2017	**223,239**	**200,000**	**225,760**	**100,000**	**(5,439)**	**320,321**	**(3,229)**	**367,028**	**44,087**	**-**	**(10,907)**	**4,674**	**(6,233)**	**1,145,213**
Total comprehensive income	-	-	-	-	230	230	-	55,277	-	-	(1,200)	-	(1,200)	54,307
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	-	115	-	-	-	(115)	(115)	-
Treasury shares purchased during the period - net of sales and vesting	-	-	-	-	-	-	(8,538)	-	-	-	-	-	-	(8,538)
Loss on vesting of treasury shares - net of gain on sale	-	-	(2,565)	-	-	(2,565)	2,565	-	-	-	-	-	-	-
Approved appropriations for fiscal 2017 paid	-	-	-	-	-	-	-	-	(44,087)	-	-	-	-	(44,087)
Balance at December 31, 2017	**223,239**	**200,000**	**223,195**	**100,000**	**(5,209)**	**317,986**	**(9,202)**	**422,420**	**-**	**-**	**(12,107)**	**4,559**	**(7,548)**	**1,146,895**

The attached Notes 1 to 28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2017 (REVIEWED)

$000s	***July to December 2017***	*July to December 2016 (Restated)*	***Notes***
OPERATING ACTIVITIES			
Profit before tax	59,253	49,494	
Adjustments for non-cash items in net income			
Depreciation and amortization	4,350	2,467	
Provisions for impairment	1,412	2,853	11
Amortization of transaction costs	2,987	2,771	
Employee deferred awards	10,871	9,995	
Operating profit adjusted for non cash items	78,873	67,580	
Changes in:			
Operating capital			
Placements with financial institutions and other liquid assets (non-cash equivalent)	121,129	(163,380)	
Receivables and prepayments	(33,697)	6,650	4
Advances	(19,882)	10,601	5
Underwritten and warehoused investments	(47,834)	(28,167)	6
Call accounts	(91,634)	20,568	13
Payables and accrued expenses	109	(29,124)	15
Deferred fees	(5,865)	(5,331)	18
Co-investments			
Corporate investment	34,823	53,108	7
Alternative investment solutions	(7,571)	49,793	8
Real estate investment	(10,925)	783	9
Credit management investment	(56,646)	-	10
Fair value of derivatives	5,186	(71,657)	
Other assets	(6)	4	
Income taxes paid	(6,426)	(790)	
NET CASH USED IN OPERATING ACTIVITIES	(40,366)	(89,362)	
FINANCING ACTIVITIES			
Term and institutional accounts	205,950	304,768	14
Medium-term debt repaid - net of transaction costs	(14,898)	(22,917)	16
Treasury shares purchased - net	(12,496)	(7,190)	
Dividends paid	(44,087)	(41,641)	
Charitable contributions paid	-	(2,970)	
NET CASH FROM FINANCING ACTIVITIES	134,469	230,050	
INVESTING ACTIVITIES			
Investment in premises and equipment	(915)	(2,219)	
NET CASH USED IN INVESTING ACTIVITIES	(915)	(2,219)	
Net increase in cash and cash equivalents	93,188	138,469	
Cash and cash equivalents at beginning of the period	434,091	400,974	
Cash and cash equivalents at end of the period	527,279	539,443	
Cash and cash equivalents comprise of:			
Cash and short-term funds	51,874	124,204	
Placements with financial institutions and other liquid assets with an original maturity of three months or less	475,405	415,239	
	527,279	539,443	

In addition to the above, the Group has an undrawn and available balance of $337 million (June 30, 2017: $422.1 million and December 31, 2016: $452.2 million) from its revolving medium-term facilities.

Additional cash flow information

$000s	***July to December 2017***	*July to December 2016*
Interest paid	(34,077)	(28,313)
Interest received	18,263	6,420

The attached Notes 1 to 28 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

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

The registered office of the Bank is at Investcorp House, Building 499, Road 1706, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 12411-1 issued by the Ministry of Industry, Commerce and Tourism, Kingdom of Bahrain.

The interim condensed consolidated financial statements for the six months period ended December 31, 2017 were authorized for issue in accordance with a resolution of the Board of Directors effective on February 6, 2018.

2. ASSETS UNDER MANAGEMENT

The Group's clients participate in products offered under its four alternative investment asset classes. Total assets under management (“AUM”) in each product category at the interim consolidated statement of financial position date are as follows:

$millions	December 31, 2017				June 30, 2017 (Audited)			
	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Corporate investment								
Closed-end committed funds								
CI	313	20	10	343	191	20	4	215
Sub total	313	20	10	343	191	20	4	215
Closed-end invested funds								
CI - NA & Europe	173	34	11	218	201	48	19	268
CI - MENA	544	52	7	603	552	53	7	612
Sub total	717	86	18	821	753	101	26	880
Deal-by-deal								
CI - NA & Europe	1,854	330	218	2,402	2,029	356	162	2,547
CI - MENA	694	64	7	765	699	57	1	757
Sub total	2,548	394	225	3,167	2,728	413	163	3,304
Deal-by-deal underwriting								
CI - NA & Europe	-	185	69	254	-	190	20	210
CI - MENA	-	22	-	22	-	-	-	-
Sub total	-	207	69	276	-	190	20	210
Strategic and other investments	-	24	-	24	-	24	-	24
Total corporate investment	3,578	731	322	4,631	3,672	748	213	4,633
Alternative investment solutions*								
Multi-manager solutions	1,995	64	-	2,059	1,927	70	-	1,997
Hedge funds partnerships	1,152	92	-	1,244	962	70	-	1,032
Special opportunities portfolios	127	49	-	176	107	57	-	164
Alternative risk premia	-	39	-	39	263	39	-	302
Total Alternative investment solutions	3,274	244	-	3,518	3,259	236	-	3,495
Real estate investment								
Closed-end invested funds	31	7	-	38	33	7	-	40
Deal-by-deal	1,771	81	19	1,871	1,716	70	18	1,804
Deal-by-deal underwriting	-	250	43	293	-	270	16	286
Strategic and other investments	-	2	-	2	-	2	-	2
Total real estate investment	1,802	340	62	2,204	1,749	349	34	2,132
Credit management investment								
Closed-end invested funds	10,698	315	-	11,013	10,186	259	-	10,445
Open-end invested funds	261	110	-	371	398	-	-	398
Warehousing	-	51	-	51	-	-	-	-
Total Credit management investment	10,959	476	-	11,435	10,584	259	-	10,843
Client call accounts held in trust	374	-	-	374	235	-	-	235
Total	19,987	1,791	384	22,162	19,499	1,592	247	21,338
Summary by products:								
Closed-end committed funds	313	20	10	343	191	20	4	215
Closed-end invested funds	748	93	18	859	786	108	26	920
Alternative investment solutions	3,274	244	-	3,518	3,259	236	-	3,495
Credit management funds	10,959	425	-	11,384	10,584	259	-	10,843
Deal-by-deal	4,319	475	244	5,038	4,444	483	181	5,108
Underwriting and warehousing	-	508	112	620	-	460	36	496
Client monies held in trust	374	-	-	374	235	-	-	235
Strategic and other investments	-	26	-	26	-	26	-	26
Total	19,987	1,791	384	22,162	19,499	1,592	247	21,338
Summary by asset classes:								
Corporate investment	3,578	707	322	4,607	3,672	724	213	4,609
Alternative investment solutions	3,274	244	-	3,518	3,259	236	-	3,495
Real estate investment	1,802	338	62	2,202	1,749	347	34	2,130
Credit management investment	10,959	476	-	11,435	10,584	259	-	10,843
Client call accounts held in trust	374	-	-	374	235	-	-	235
Strategic and other investments	-	26	-	26	-	26	-	26
Total	19,987	1,791	384	22,162	19,499	1,592	247	21,338

** Stated at gross value of the underlying exposure. Also, includes $1.9 billion (June 30, 2017: $2.0 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM.*

In the above table all alternative investment solutions exposures and Investcorp’s co-investment amounts for corporate investment and real estate investment are stated at current fair values while the other categories are stated at their carrying cost.

3. SEGMENT REPORTING

As at December 31, 2017, the business segments and the basis of reporting information for these segments have remained the same as for the year ended June 30, 2017.

A. INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS BY REPORTING SEGMENT

The interim consolidated statements of profit or loss for the six months ended December 31, 2017 and December 31, 2016 by reporting segments are as follows:

$000s	*July - December 2017*	*July - December 2016 (Restated)*
FEE BUSINESS		
AUM fees		
Corporate investment	41,613	42,168
Alternative investment solutions	5,446	5,677
Real estate investment	9,157	7,043
Credit management investment	23,118	-
Total AUM fees	79,334	54,888
Deal fees		
Corporate investment	36,034	55,707
Alternative investment solutions	-	804
Real estate investment	22,094	16,575
Total deal fees	58,128	73,086
Treasury and other asset based income	5,862	9,053
Gross income attributable to fee business (a)	143,324	137,027
Provisions for impairment	(1,412)	(2,853)
Interest expense (b)	(11,447)	(16,110)
Operating expenses attributable to fee business (c) *	(97,644)	(85,474)
FEE BUSINESS PROFIT (d)	32,821	32,590
CO-INVESTMENT BUSINESS		
Asset based income		
Corporate investment	31,648	9,496
Alternative investment solutions	8,551	6,483
Real estate investment	15,186	15,269
Credit management investment	9,752	-
Asset based income	65,137	31,248
Gross income attributable to co-investment business (e)	65,137	31,248
Interest expense (f)	(19,077)	(12,288)
Operating expenses attributable to co-investment business (g) *	(23,604)	(3,836)
CO-INVESTMENT BUSINESS PROFIT (h)	22,456	15,124
PROFIT FOR THE PERIOD (d) + (h)	55,277	47,714
Gross operating income (a) + (e)	208,461	168,275
Gross operating expenses (c) + (g) *	(121,248)	(89,310)
Interest expense (b) + (f)	(30,524)	(28,398)

* including income tax expense

Revenue reported above represents revenue generated from external customers. There were no inter-segmental revenues during the current period (6 months to December 31, 2016: Nil).

3. SEGMENT REPORTING (CONTINUED)

B. INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY REPORTING SEGMENTS

The interim consolidated statements of financial position as at December 31, 2017 and June 30, 2017 by reporting segments are as follows:

December 31, 2017 *$000s*	*Co-investment Business*	*Fee Business*	*Total*
Assets			
Cash and short-term funds	-	51,874	51,874
Placements with financial institutions and other liquid assets	-	482,108	482,108
Positive fair value of derivatives	-	38,444	38,444
Receivables and prepayments	83,555	221,000	304,555
Advances	-	104,890	104,890
Underwritten and warehoused investments	-	508,228	508,228
Co-investments			
Corporate investment	504,166	-	504,166
Alternative investment solutions	244,442	-	244,442
Real estate investment	89,730	-	89,730
Credit management investment	315,358	-	315,358
Premises, equipment and other assets	-	36,008	36,008
Intangible assets	-	56,346	56,346
Total assets	1,237,251	1,498,898	2,736,149
Liabilities and Equity			
Liabilities			
Call accounts	-	157,569	157,569
Term and institutional accounts	-	390,631	390,631
Payables and accrued expenses	7,063	147,514	154,577
Negative fair value of derivatives	-	32,246	32,246
Medium-term debt	3,804	363,854	367,658
Long-term debt	405,863	-	405,863
Deferred fees	-	80,710	80,710
Total liabilities	416,730	1,172,524	1,589,254
Total equity	820,521	326,374	1,146,895
Total liabilities and equity	1,237,251	1,498,898	2,736,149

3. SEGMENT REPORTING (CONTINUED)

B. INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY REPORTING SEGMENTS (CONTINUED)

June 30, 2017 *$000s (Audited)*	*Co-investment Business*	*Fee Business*	*Total*
Assets			
Cash and short-term funds	-	44,517	44,517
Placements with financial institutions and other liquid assets	-	517,406	517,406
Positive fair value of derivatives	-	62,069	62,069
Receivables and prepayments	28,716	248,369	277,085
Advances	-	85,582	85,582
Underwritten investments	-	460,394	460,394
Co-investments			
Corporate investment	538,989	-	538,989
Alternative investment solutions	236,331	-	236,331
Real estate investment	79,115	-	79,115
Credit management investment	258,712	-	258,712
Premises, equipment and other assets	-	37,711	37,711
Intangible assets	-	58,072	58,072
Total assets	1,141,863	1,514,120	2,655,983
Liabilities and Equity			
Liabilities			
Call accounts	-	249,203	249,203
Term and institutional accounts	-	184,681	184,681
Payables and accrued expenses	5,820	149,574	155,394
Negative fair value of derivatives	-	43,645	43,645
Medium-term debt	13,792	367,941	381,733
Long-term debt	304,930	104,609	409,539
Deferred fees	-	86,575	86,575
Total liabilities	324,542	1,186,228	1,510,770
Total equity	817,321	327,892	1,145,213
Total liabilities and equity	1,141,863	1,514,120	2,655,983

4. RECEIVABLES AND PREPAYMENTS

$000s	December 31, 2017	June 30, 2017 (Audited)
Subscriptions receivable	96,403	114,879
Receivables from investee and holding companies	78,991	98,218
Investment disposal proceeds receivable	65,233	6,616
AIS related receivables	10,744	9,097
Accrued interest receivable	8,722	7,194
Prepaid expenses	53,670	49,685
Other receivables	2,140	1,906
	315,903	287,595
Provisions for impairment (see Note 11)	(11,348)	(10,510)
Total	304,555	277,085

5. ADVANCES

$000s	December 31, 2017	June 30, 2017 (Audited)
Advances to investment holding companies	80,110	69,442
Advances to employee investment programs	17,281	17,036
Advances to CI closed-end funds	20,412	10,959
Other advances	501	985
	118,304	98,422
Provisions for impairment (see Note 11)	(13,414)	(12,840)
Total	104,890	85,582

6. UNDERWRITTEN AND WAREHOUSED INVESTMENTS

The Group's current underwritten and warehoused investment balances comprise the following:

$000s	December 31, 2017				June 30, 2017 (Audited)			
	North America	Europe	MENA	Total	North America	Europe	MENA	Total
Corporate investment:								
Consumer Products	7,275	24,539	-	31,814	8,379	21,107	-	29,486
Consumer Services	-	54,516	-	54,516	-	128,552	-	128,552
Industrial Products	3,217	69,996	22,335	95,548	3,883	-	-	3,883
Industrial/ Business Services	26,084	-	-	26,084	27,707	-	-	27,707
Total corporate investment	36,576	149,051	22,335	207,962	39,969	149,659	-	189,628
Real estate investment:								
Core / Core Plus	178,779	70,807	-	249,586	224,404	46,362	-	270,766
Total real estate investment	178,779	70,807	-	249,586	224,404	46,362	-	270,766
Credit Management Investments:								
CLO Investments	20,000	30,680	-	50,680	-	-	-	-
Total credit management investments	20,000	30,680	-	50,680	-	-	-	-
Total underwritten and warehoused investments	235,355	250,538	22,335	508,228	264,373	196,021	-	460,394

7. CORPORATE CO-INVESTMENTS

$000s	*December 31, 2017*	*June 30, 2017 (Audited)*
CI co-investments [See Note 7 (A)]	479,766	514,589
Strategic and other investments [See Note 7 (B)]	24,400	24,400
Total	504,166	538,989

7 (A) CI CO-INVESTMENTS

The Group's CI co-investments are primarily classified as FVTPL investments. However certain debt investments amounting to $23.9 million (June 30, 2017: $20.4 million) are carried at amortised cost.

The carrying values of the Group's CI co-investments at December 31, 2017 and June 30, 2017 are:

	December 31, 2017				June 30, 2017 (Audited)			
$000s	North America	Europe	MENA*	Total	North America	Europe	MENA*	Total
Consumer Products	62,201	48,453	31,680	142,334	55,014	42,680	32,903	130,597
Consumer Services	40,970	18,092	9,760	68,822	39,855	17,007	10,800	67,662
Healthcare	-	-	4,245	4,245	-	-	5,581	5,581
Industrial Products	-	17,069	3,774	20,843	-	75,193	4,384	79,577
Industrial/ Business Services	8,032	8,017	56,132	72,181	9,323	1,091	53,113	63,527
Telecom	107,025	-	-	107,025	111,283	-	-	111,283
Technology								
Big Data	606	2,270	-	2,876	606	-	-	606
Internet / Mobility	692	7,700	1,677	10,069	692	4,987	2,445	8,124
Security	14,604	36,767	-	51,371	14,287	33,345	-	47,632
Total	234,130	138,368	107,268	479,766	231,060	174,303	109,226	514,589

*Including Turkey

7 (B) STRATEGIC AND OTHER INVESTMENTS

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

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

Strategic investments in equity instruments are held as FVOCI investments. For FVOCI investments, during the current six months period, no losses were recognized in other comprehensive income (six months to December 31, 2016: losses of $0.6 million).

Valuation techniques for measuring the fair value of strategic and other investments are the same as those used for CI co-investments.

8. ALTERNATIVE INVESTMENT SOLUTIONS CO-INVESTMENTS

The Group's AIS co-investments, primarily classified as FVTPL investments, comprise the following:

$000s	*December 31, 2017*	*June 30, 2017 (Audited)*
Multi-manager solutions	64,320	70,088
Hedge funds partnerships	91,882	70,939
Alternative risk premia	39,017	38,733
Special opportunities portfolios	49,223	56,571
Total	244,442	236,331

The valuations of the Group's AIS co-investments which are classified under Level 3 of the fair value hierarchy (see Note 24) are closely monitored by the Group. Management holds regular discussions with the investment managers and uses pricing which is reflective of the investment's fair value.

Of the above, co-investments amounting to $15.4 million (June 30, 2017: $18.7 million) are classified as FVOCI investments. For FVOCI investments, during the current six months period, gains of $0.5 million (six months to December 31, 2016: gains of $2.6 million) were recognized in other comprehensive income.

Out of the total AIS co-investment, $15.4 million (June 30, 2017: $18.7 million) comprise funds which are not immediately available for redemption due to the liquidity profile of the instruments held by the underlying managers.

Of the above, co-investments amounting to $70.9 million (June 30, 2017: Nil) are subject to a lock up-period.

9. REAL ESTATE CO-INVESTMENTS

The Group's co-investments in real estate are classified as follows:

- Co-investments in equity of real estate acquired after the global financial crisis in 2008-2009 are classified as FVTPL investments.
- Co-investments in equity of real estate acquired prior to global financial crisis in 2008-2009 and strategic investments are classified as FVOCI investments.
- Debt investments in real estate properties are carried at amortised cost.

Debt investments in real estate properties carried at amortised cost amount to $3.6 million (June 30, 2017: $3.7 million). Strategic and other equity investments which are classified as FVOCI investments amount to $14.3 million (June 30, 2017: $14.8 million). For FVOCI investments, during the current six months period, losses of $0.3 million (six months to December 31, 2016: losses of $17.5 million) were recognized in other comprehensive income. All other investments are classified as FVTPL.

9. REAL ESTATE CO-INVESTMENTS (CONTINUED)

The carrying values of the Group's co-investments in real estate portfolios which as at December 31, 2017 and at June 30, 2017 were located in United States and Europe are:

$000s **PORTFOLIO TYPE**	***December 31, 2017***	***June 30, 2017 (Audited)***
Core / Core Plus	82,469	71,829
Debt	3,629	3,654
Opportunistic	1,453	1,453
Strategic	2,179	2,179
Total	89,730	79,115

10. CREDIT MANAGEMENT INVESTMENTS (CM)

$000s	***December 31, 2017***	***June 30, 2017 (Audited)***
European CLO Investments	220,153	219,376
US CLO Investments	95,205	39,336
Total	315,358	258,712

The Group's co-investments in CM investment represents co-investments in collateralized loan obligations (CLOs) managed by the CM team and are classified as debt instruments carried at amortised cost. Interest income on these debt instruments is recognized using the effective interest rate ("EIR"). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instruments or, when appropriate a shorter period, to the net carrying amount of the debt instruments at the reporting date. The amortised cost of the CLO debt instrument will be adjusted if there is a revision in estimates of projected cashflows from the underlying CLO investments. The adjusted amortised cost is calculated based on the latest re-estimated EIR. The accrual based on EIR and any losses arising from impairment of such investments are included in asset based income in the statement of profit or loss.

11. PROVISIONS FOR IMPAIRMENT

Impairment provisions are as follows:

$000s			
Categories	***Balance At beginning***	***Charge***	***At end****
6 months to December 31, 2017			
Receivables (Note 4)	10,510	838	11,348
Advances (Note 5)	12,840	574	13,414
Cash and short-term funds	2	-	2
Placement with financial institututions and other liquid assets	24	-	24
Total	23,376	1,412	24,788

* Of the total provision, $0.2 million relates to stage 1, $2.4 million relates to stage 2 and $22.2 million relates to stage 3 assets. During the six months period, there was a movement in loss allowance of $1.4m from stage 1 to stage 2 assets.

$000s					
Categories	***At beginning***	***Restatement due to IFRS 9****	***At beginning***	***Charge*****	***At end******
6 months to December 31, 2016					
Receivables (Note 4)	5,057	2,324	7,381	2,853	10,234
Advances (Note 5)	10,684	1,171	11,855	-	11,855
Cash and short-term funds	-	2	2	-	2
Placement with financial institututions and other liquid assets	-	24	24	-	24
Total	15,741	3,521	19,262	2,853	22,115

* Restatement of opening balance due to early adoption of IFRS 9 by the Group during the year. Refer to Interim Consolidated Statement of Changes in Equity.

** Charge for the year due to early adoption of IFRS 9 by the Group during the year.

*** Of the total provision, $0.4 million relates to stage 1, $0.6 million relates to stage 2 and $21.2 million relates to stage 3 assets. During the six months period, there was a movement in loss allowance of $ 2.9 million from stage 2 to stage 3 assets.

12. INTANGIBLE ASSETS

$000s	***December 31, 2017***	***June 30, 2017 (Audited)***
Mangement Contracts	7,017	8,743
Goodwill	49,329	49,329
Total	56,346	58,072

Intangible assets were recognized on the acquisition of the credit management business acquired through business combination during the prior financial year. Management contracts have a useful life of 5 years and are amortized accordingly.

13. CALL ACCOUNTS

$000s	***December 31, 2017***	***June 30, 2017 (Audited)***
Investment holding companies accounts	73,122	166,848
Other call accounts	50,738	30,800
Discretionary and other accounts	33,709	51,555
Total	157,569	249,203

All these balances bear interest at market rates.

14. TERM AND INSTITUTIONAL ACCOUNTS

$000s	***December 31, 2017***	***June 30, 2017 (Audited)***
Institutional accounts on call	372,956	166,300
Term deposits	17,675	18,381
Total	390,631	184,681

All these balances bear interest at market rates.

15. PAYABLES AND ACCRUED EXPENSES

$000s	***December 31, 2017***	***June 30, 2017 (Audited)***
Accrued expenses - employee compensation	43,333	76,056
Vendor and other payables	35,243	48,875
Unfunded deal acquisitions	68,595	19,504
Investment related payables	1,868	1,868
Accrued interest payable	5,538	9,091
Total	154,577	155,394

16. MEDIUM-TERM DEBT

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

		December 31, 2017		***June 30, 2017 (Audited)***	
$000s	***Final Maturity***	***Size***	***Current outstanding***	*Size*	*Current outstanding*
5-year fixed rate bonds	November 2017	-	-	250,000	250,000
2-year secured bi-lateral revolving facility	June 2019	50,000	-	50,000	13,793
5-year fixed rate bonds	June 2019	139,249	139,249	139,249	139,249
3-year syndicated revolving facility	December 2020	165,000	50,000	-	-
4-year syndicated revolving facility					
	March 2020	25,000	-	25,000	-
	March 2021	397,145	200,000	397,145	-
Total			389,249		403,042
Foreign exchange translation adjustments			(11,252)		(8,769)
Fair value adjustments relating to interest rate hedges			570		180
Transaction costs of borrowings			(10,909)		(12,720)
Total			367,658		381,733

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

17. LONG-TERM DEBT

$000s	*Final Maturity*	*December 31, 2017*	*June 30, 2017 (Audited)*
PRIVATE NOTES			
JPY 37 Billion Private Placement	March 2030	332,328	332,328
$50 Million Private Placement	July 2032	50,000	50,000
		382,328	382,328
Foreign exchange translation adjustments		(3,644)	(2,221)
Fair value adjustments relating to interest rate hedges		28,884	31,208
Transaction costs of borrowings		(1,705)	(1,776)
Total		405,863	409,539

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

18. DEFERRED FEES

$000s	*December 31, 2017*	*June 30, 2017 (Audited)*
Deferred fees relating to placements	79,691	85,479
Deferred fees from investee companies	1,019	1,096
Total	80,710	86,575

19. SHARE CAPITAL AND RESERVES

The Bank's share capital at the statement of financial position date is as follows:

	December 31, 2017			June 30, 2017 (Audited)		
	No. of shares	Par value $	$000	No. of shares	Par value $	$000
Authorized share capital						
- Ordinary shares	400,000,000	2.50	1,000,000	400,000,000	2.50	1,000,000
- Preference and other shares	1,000,000	1,000	1,000,000	1,000,000	1,000	1,000,000
			2,000,000			2,000,000
Issued share capital						
- Ordinary shares	80,000,000	2.50	200,000	80,000,000	2.50	200,000
- Preference shares	223,239	1,000	223,239	223,239	1,000	223,239
			423,239			423,239

Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules / ratios) as adopted by the Central Bank of Bahrain (see Note 23).

20. EARNINGS PER SHARE

The Group's earnings per share for the period are as follows:

	6 months July - December 2017	*6 months July - December 2016 (Restated)*
Profit attributable to ordinary shareholders ($000s)	55,277	47,714
Weighted average ordinary shares for basic earnings per ordinary share	77,616,774	71,137,923
Basic earnings per ordinary share - on weighted average shares ($)	0.71	0.67
Weighted average ordinary shares for fully diluted earnings per ordinary shares	79,223,586	73,511,073
Fully diluted earnings per ordinary share - on weighted average diluted shares ($)	0.70	0.65

21. DERIVATIVE FINANCIAL INSTRUMENTS

The table below summarizes the Group's derivative financial instruments outstanding at December 31, 2017 and June 30, 2017:

	December 31, 2017			June 30, 2017 (Audited)		
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	274,690	-	(3,041)	280,029	-	(5,419)
ii) Cash flow hedges						
Forecasted transactions	32,310	129	(172)	56,969	940	(2,652)
Coupon on long-term debt	54,085	-	(551)	54,895	-	(1,176)
Total forward foreign exchange contracts	361,085	129	(3,764)	391,893	940	(9,247)
Interest rate risk being hedged using interest rate swaps						
i) Fair value hedges - fixed rate debt	485,325	13,816	-	738,025	21,094	(649)
ii) Cash flow hedges - floating rate debt	25,000	-	(1,679)	25,000	-	(2,081)
Total interest rate hedging contracts	510,325	13,816	(1,679)	763,025	21,094	(2,730)
Total hedging derivatives	871,410	13,945	(5,443)	1,154,918	22,034	(11,977)
B) OTHER DERIVATIVES						
Interest rate swaps	50,000	10,891	(10,912)	464,145	11,682	(11,863)
Total return swaps	-	-	-	108,072	-	(96)
Forward foreign exchange contracts	1,313,303	6,131	(6,399)	1,705,248	13,416	(9,741)
Currency options	88,500	1,939	(715)	-	-	-
Cross currency swaps	440,443	5,538	(8,777)	436,988	14,937	(9,968)
Total other derivatives	1,892,246	24,499	(26,803)	2,714,453	40,035	(31,668)
TOTAL - DERIVATIVE FINANCIAL INSTRUMENTS	**2,763,656**	**38,444**	**(32,246)**	**3,869,371**	**62,069**	**(43,645)**

** Net collateral received by the Group amounting to $67.9 million has been taken against the fair values above (June 30, 2017: $64.9 million)*

22. COMMITMENTS AND CONTINGENT LIABILITIES

$000s	*December 31, 2017*	*June 30, 2017 (Audited)*
Investment commitments	76,124	61,248
Non-cancelable operating leases:		
Up to 1 year	6,070	5,565
1 year to 5 years	12,113	11,783
Over 5 years	11,077	10,941
Total non-cancelable operating leases	29,260	28,289
Guarantees and letters of credit issued to third parties	10,000	10,000

Investment related commitments represent the Group's unfunded co-investment commitments to various CI and RE investment funds and a special opportunities portfolio.

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

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

23. REGULATORY CAPITAL ADEQUACY

The Group applies the Basel III framework regulations, as adopted by the CBB, on a consolidated basis to Investcorp Bank B.S.C. which is the entity licensed and regulated by the CBB. Below are the disclosures required under the CBB guidelines:

For the assessment of the adequacy of regulatory capital, the Group has chosen the following approaches:
• standardized approach for credit risk and market risk
• basic indicator approach for operational risk

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

$000s	***December 31, 2017***	***June 30, 2017 (Audited)***
Tier 1 capital	1,095,460	1,093,286
Tier 2 capital	7,303	4,674
Regulatory capital base under Basel III (TC=T1+T2)	1,102,763	1,097,960

	Principal / Notional amounts	***Risk weighted equivalents***	*Principal / Notional amounts*	*Risk weighted equivalents*
Risk weighted exposure ***$000s***	***December 31, 2017***	***December 31, 2017***	*June 30, 2017 (Audited)*	*June 30, 2017 (Audited)*
Credit risk				
Claims on sovereigns	8,120	-	15,982	-
Claims on banks	420,358	211,448	385,426	195,260
Claims on corporates	697,112	504,633	470,520	426,520
Co-investments (including underwriting)	1,661,924	2,283,404	1,573,541	2,084,154
Other assets	60,644	94,338	100,645	156,516
Off-balance sheet items				
Commitments and contingent liabilities	115,383	43,922	99,717	39,889
Derivative financial instruments	53,747	30,338	78,136	42,496
Credit risk weighted exposure		3,168,083		2,944,835
Market risk				
Market risk weighted exposure		15,288		631
Operational risk				
Operational risk weighted exposure		521,725		521,719
Total risk weighted exposure (RWE)		3,705,096		3,467,185
Tier 1 capital ratio (T1) / (RWE)		**29.6%**		**31.5%**
Capital adequacy ratio (TC) / (RWE)		**29.8%**		**31.7%**
Minimum required as per CBB regulatory guidelines under Basel III		**12.5%**		**12.5%**
Capital cushion over minimum required as per CBB guidelines		639,626		664,562

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values except for certain assets and liabilities carried at amortized cost. The fair value of CLO co-investments amounts to $318.6 million (June 30, 2017: $258.5 million) as compared to they're carrying value of $315.3 million (June 30, 2017: $258.7 million). The fair value of CLO co-investments is based on inputs from broker quotes and Markit and falls under Level 3 of the fair value hierarchy disclosure. The fair value of medium and long-term debt amounts to $790.5 million (June 30, 2017: $783.9 million) as compared to carrying value of $786.1 million (June 30, 2017: $805.8 million). The fair value of medium and long term debt is based on inputs from third party banks and falls under Level 3 of the fair value.

During the current six months period, there was no transfer from level 3 to level 1 (six months to December 31, 2016: $1.8 million) under co-investments in corporate investments. Additionally, under alternative investment solutions, an exposure of $15.4 million (June 30, 2017: $18.7 million) is comprised of illiquid side pocket investments which are classified as Level 3. The six months period to date fair value changes on this AIS exposure amounts to a gain of $0.5 million (June 30, 2017: loss of $4.3 million) and the net redemptions amount to $3.9 million (June 30, 2017: $6.8 million).

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

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

December 31, 2017 ***$000s***	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets				
Positive fair value of derivatives	-	38,444	-	38,444
Co-investments				
Corporate investment	5,784	-	474,433	480,217
Alternative investment solutions	-	229,077	15,365	244,442
Real estate investment	-	-	86,102	86,102
Total financial assets	5,784	267,521	575,900	849,205
Financial liabilities				
Negative fair value of derivatives	-	32,246	-	32,246
Total financial liabilities	-	32,246	-	32,246

June 30, 2017 (Audited) ***$000s***	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets				
Positive fair value of derivatives	-	62,069	-	62,069
Co-investments				
Corporate investment	7,191	-	511,149	518,340
Alternative investment solutions	-	217,619	18,712	236,331
Real estate investment	-	-	75,461	75,461
Total financial assets	7,191	279,688	605,322	892,201
Financial liabilities				
Negative fair value of derivatives	-	43,645	-	43,645
Total financial liabilities	-	43,645	-	43,645

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

December 31, 2017 $000s	*At beginning*	*Net new acquisitions*	*Fair value movements**	*Movements relating to realizations*	*Other movements***	*At end*
CI co-investments	511,149	9,234	31,166	(90,717)	13,601	474,433
RE co-investments	75,461	18,599	(1,017)	(7,561)	620	86,102
Total	**586,610**	**27,833**	**30,149**	**(98,278)**	**14,221**	**560,535**

***Includes $0.3 million fair value loss on FVOCI investments and unrealized fair value losses of $29.0 million.**

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

June 30, 2017 (Audited) $000s	*At beginning*	*Net new acquisitions*	*Fair value movements**	*Movements relating to realizations*	*Other movements***	*At end*
CI co-investments	564,825	53,663	26,512	(128,822)	(5,029)	511,149
RE co-investments	94,125	15,272	(28,071)	(13,317)	7,452	75,461
Total	**658,950**	**68,935**	**(1,559)**	**(142,139)**	**2,423**	**586,610**

***Includes $26.8 million fair value loss on FVOCI investments and unrealized fair value losses of $21.4 million.**

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

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

December 31, 2017 $000s	*Factor*	*Change*	*Balance sheet exposure*	*Projected Balance sheet Exposure*		*Impact on Income*	
				For increase	For decrease	For increase	For decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	465,104	506,758	425,218	41,654	(39,886)
	Revenue Multiples	+/- 0.5x	9,329	10,114	8,544	785	(785)
	Quoted bid price	+/- 1%	5,784	5,842	5,726	58	(58)
				For decrease	For increase	For decrease	For increase
RE co-investments	Capitalization Rate	-/+ 1%	86,102	94,702	79,760	8,600	(6,342)

June 30, 2017 (Audited) $000s	*Factor*	*Change*	*Balance sheet exposure*	*Projected Balance sheet Exposure*		*Impact on Income*	
				For increase	For decrease	For increase	For decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	480,307	527,183	436,683	46,876	(43,624)
	Revenue Multiples	+/- 0.5x	6,442	7,143	5,741	701	(701)
	Quoted bid price	+/- 1%	7,191	7,263	7,119	72	(72)
				For decrease	For increase	For decrease	For increase
RE co-investments	Capitalization Rate	-/+ 1%	75,461	90,313	64,872	14,852	(10,589)

25. RELATED PARTY TRANSACTIONS

For the Group, related parties include its investee companies, companies that hold clients' investments (investment holding companies), client fund companies associated with AIS, and SIPCO Limited.

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

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

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

$000s		July - December 2017	July - December 2016
AUM fees	Investee and investment holding companies	44,940	32,785
Deal fees	Investee and investment holding companies	34,761	51,071
Asset based income	Investee companies	18,957	18,472
Interest expense	Investment holding companies	939	635

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

	December 31, 2017			June 30, 2017 (Audited)		
$000s	Assets	Liabilities	Off-balance sheet	Assets	Liabilities	Off-balance sheet
Outstanding balances						
Strategic shareholders	6,385	8,365	-	723	6,272	-
Investee companies	50,921	1,019	-	50,095	1,095	-
Investment holding companies	118,733	74,577	35,496	111,756	167,933	40,599
Fund companies associated with the AIS	10,744	-	3,304	9,098	-	12,003
Directors and senior management	1,028	5,339	-	-	23,533	-
	187,811	89,300	38,800	171,672	198,833	52,602

26. CYCLICALITY OF ACTIVITIES

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

27. RESTATEMENT OF COMPARATIVES

The comparative figures in these interim consolidated statements of profit or loss, other comprehensive income and changes in equity for the six-month period ended December 31, 2017 have been restated as the Group early adopted IFRS 9 in the audited consolidated financial statements for the year ended June 30, 2017, with a date of initial application of July 1, 2016.

The early adoption required that the information of the comparative period to be restated. The restatement information is set out below:

$000s	Previously reported	Restatement	As reported herein
Interim Consolidated Statement of Profit or Loss			
Asset based income:			
Real estate investment - net	(2,227)	17,496	15,269
Alternative investment solutions	9,036	(2,553)	6,483
Provision for impairment	-	(2,853)	(2,853)
Interim Consolidated Statement of Comprehensive Income			
Other comprehensive income that could be recycled to statement of income:			
Fair value movements - available for sale investments	(604)	604	-
Other comprehensive income that will not be receycled to statement of profit or loss:			
Movements - Fair value through other comprehensive income investments	-	(15,547)	(15,547)
Interim Consolidated Statement of Changes in Equity			
Fair value reserve:			
Total comprehensive income	-	(15,547)	(15,547)
Retained Earnings:			
Total comprehensive income	35,624	12,090	47,714
Other reserves - Available for sale investments:			
Total comprehensive income	(604)	604	-

28. SIGNIFICANT ACCOUNTING POLICIES

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

The interim condensed consolidated financial statements of the Group are prepared in conformity with International Accounting Standard 34 applicable to interim financial reporting. The significant accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those followed in the preparation of the audited consolidated financial statements for the year ended June 30, 2017, except for the adoption of the amendments to standards as noted below which became effective for accounting periods beginning on or after January 1, 2017:

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative.

Annual Improvements 2014-2016 cycle (Effective for periods beginning on or after January 1, 2017)

- Amendments to IFRS 12 – Disclosure of Interests in Other Entities.

The adoption of the above amendments did not have any material impact on the Group's interim condensed consolidated financial statements.