INVESTCORP HOLDINGS B.S.C. (FORMERLY INVESTCORP BANK B.S.C.)

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

DECEMBER 31, 2019
FISCAL YEAR 2020

EY
Building a better working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Investcorp Holdings B.S.C. (formerly Investcorp Bank B.S.C.) (the "Company") and its subsidiaries (together the "Group") as at 31 December 2019, comprising of the interim condensed consolidated statement of financial position as at 31 December 2019 and the related interim condensed 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

4 February 2020
Manama, Kingdom of Bahrain

INVESTCORP HOLDINGS B.S.C. (FORMERLY INVESTCORP BANK B.S.C.)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

$millions	*July - December 2019*	*July - December 2018*	*Notes*
FEE INCOME			
AUM fees	87	83	4
Deal fees	85	67	4
Fee income (a)	172	150	
ASSET BASED INCOME			
Private equity investment	(3)	15	
Credit management investment	7	12	
Absolute return investment	1	3	
Real estate investment	15	11	
Investment in associates and joint ventures	1	2	
Treasury and other asset based income	4	6	
Asset based income excluding fair value change of legacy investments (b)	25	49	
Fair value change of legacy investments (c)	(11)	-	
Gross operating income (a) + (b) + (c)	186	199	
Provisions for impairment	(2)	(1)	19
Interest expense	(16)	(26)	4
Operating expenses	(116)	(111)	
PROFIT BEFORE TAX	52	61	
Income tax expense	(4)	(3)	
PROFIT FOR THE PERIOD *	48	58	
PROFIT FOR THE PERIOD EXCLUDING FAIR VALUE CHANGE OF LEGACY INVESTMENTS	59	58	
Profit for the period attributable to :			
Equity holders of the parent	48	58	
Non-controlling interest	0	-	
	48	58	
EARNINGS PER SHARE			
Basic earnings per ordinary share attributable to equity holders of the parent ($)	0.67	0.76	
Fully diluted earnings per ordinary share attributable to equity holders of the parent ($)	0.65	0.74	

**** Profit for the period was used for calculation of basic and fully diluted earnings per ordinary share and total comprehensive income***

Mohammed Mahfoodh Saad Al Ardhi
Executive Chairman

Jan Erik Back
Chief Financial Officer

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

INVESTCORP HOLDINGS B.S.C. (FORMERLY INVESTCORP BANK B.S.C.)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

$millions	*July - December 2019*	*July - December 2018*
PROFIT FOR THE PERIOD	48	58
Other comprehensive income that will be recycled to statement of profit or loss		
Fair value movements - cash flow hedges	0	3
Movements - Fair value through other comprehensive income investments	(2)	(1)
Other comprehensive income that will not be recycled to statement of profit or loss		
Movements - Fair value through other comprehensive income investments	-	(4)
Other comprehensive loss	(2)	(2)
TOTAL COMPREHENSIVE INCOME	46	56
Total comprehensive income attributable to:		
Equity holders of the parent	46	56
Non-controlling interest	0	-
	46	56

Mohammed Mahfoodh Saad Al Ardhi
Executive Chairman

Jan Erik Back
Chief Financial Officer

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

INVESTCORP HOLDINGS B.S.C. (FORMERLY INVESTCORP BANK B.S.C.)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

$millions	*December 31, 2019*	*June 30, 2019 (Audited)*	*Notes*
ASSETS			
Cash and short-term funds	176	57	
Placements with financial institutions and other liquid assets	105	333	
Positive fair value of derivatives	50	44	18
Receivables and prepayments	410	364	5
Advances	136	82	6
Underwritten and warehoused investments	419	334	7
Co-investments			
Private equity investment	567	505	8
Credit management investment	356	332	9
Absolute return investment	100	112	10
Real estate investment	72	68	11
Strategic capital investment	2	-	12
Total co-investments	1,097	1,017	
Premises, equipment and other assets	145	37	13
Investment in associates and joint ventures	61	38	14
Intangible assets	69	55	15
TOTAL ASSETS	2,668	2,361	
LIABILITIES AND EQUITY			
LIABILITIES			
Payables and accrued expenses	202	241	16
Negative fair value of derivatives	31	23	18
Financing	1,214	889	17
Deferred fees	88	63	20
TOTAL LIABILITIES	1,535	1,216	
EQUITY			
Preference share capital	123	123	
Ordinary shares at par value	200	200	
Reserves	316	321	
Treasury shares	(90)	(74)	
Retained earnings	586	540	
Ordinary shareholders' equity excluding proposed appropriations and other reserves	1,012	987	
Proposed appropriations	-	38	
Other reserves	(3)	(3)	
Non-controlling interests	1	-	
TOTAL EQUITY	1,133	1,145	
TOTAL LIABILITIES AND EQUITY	2,668	2,361	

Mohammed Mahfoodh Saad Al Ardhi
Executive Chairman

Jan Erik Back
Chief Financial Officer

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

INVESTCORP HOLDINGS B.S.C. (FORMERLY INVESTCORP BANK B.S.C.)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

			Reserves							Other Reserves				
$millions	**Preference share capital**	**Ordinary share capital**	**Share premium**	**Statutory reserve**	**Fair value reserve**	**Total**	**Treasury shares**	**Retained earnings**	**Proposed appropriations**	**Cash flow hedges**	**Revaluation reserve on premises and equipment**	**Total**	**Non-controlling interests**	**Total equity**
Balance at July 1, 2018	**123**	**200**	**229**	**100**	**(7)**	**322**	**(5)**	**447**	**41**	**(9)**	**4**	**(5)**	**-**	**1,123**
Total comprehensive income	-	-	-	-	(5)	(5)	-	58	-	3	-	3	-	56
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	-	0	-	-	(0)	(0)	-	-
Treasury shares purchased during the period - net of sales and vesting	-	-	-	-	-	-	(13)	-	-	-	-	-	-	(13)
Loss on vesting of treasury shares - net of gain on sale	-	-	(2)	-	-	(2)	2	-	-	-	-	-	-	-
Approved appropriations for fiscal 2018 paid	-	-	-	-	-	-	-	-	(41)	-	-	-	-	(41)
Balance at December 31, 2018	**123**	**200**	**227**	**100**	**(12)**	**315**	**(16)**	**505**	**-**	**(6)**	**4**	**(2)**	**-**	**1,125**
Balance at July 1, 2019	**123**	**200**	**237**	**100**	**(16)**	**321**	**(74)**	**540**	**38**	**(7)**	**4**	**(3)**	**-**	**1,145**
Restatement arising from adoption of IFRS 16 (Note 25)	-	-	-	-	-	-	-	(2)	-	-	-	-	-	(2)
Balance at July 1, 2019 (Restated)	**123**	**200**	**237**	**100**	**(16)**	**321**	**(74)**	**538**	**38**	**(7)**	**4**	**(3)**	**-**	**1,143**
Total comprehensive income	-	-	-	-	(2)	(2)	-	48	-	0	-	0	-	46
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	-	-	-	0	-	-	(0)	(0)	-	-
Treasury shares purchased during the period - net of sales and vesting	-	-	-	-	-	-	(19)	-	-	-	-	-	-	(19)
Loss on vesting of treasury shares - net of gain on sale	-	-	(3)	-	-	(3)	3	-	-	-	-	-	-	-
Investment in a subsidiary	-	-	-	-	-	-	-	-	-		-	-	1	1
Approved appropriations for fiscal 2019 paid	-	-	-	-	-	-	-	-	(38)	-	-	-	-	(38)
Balance at December 31, 2019	**123**	**200**	**234**	**100**	**(18)**	**316**	**(90)**	**586**	**-**	**(7)**	**4**	**(3)**	**1**	**1,133**

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

INVESTCORP HOLDINGS B.S.C. (FORMERLY INVESTCORP BANK B.S.C.)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

$millions	*July to December 2019*	*July to December 2018*	*Notes*
OPERATING ACTIVITIES			
Profit before tax	52	61	
Adjustments for non-cash items in profit before tax :			
Depreciation	7	3	
Provisions for impairment	2	1	19
Amortization of transaction costs of borrowings and management contracts	2	3	
Employee deferred awards	11	10	
Operating profit adjusted for non-cash items	74	78	
Changes in:			
Operating capital			
Receivables and prepayments	(50)	59	5
Advances	(56)	(3)	6
Underwritten and warehoused investments	(85)	104	7
Payables and accrued expenses	(38)	(104)	16
Deferred fees	3	(14)	20
Co-investments			
Private equity investment	(62)	30	8
Credit management investment	(22)	(29)	9
Absolute return investment	12	32	10
Real estate investment	(4)	3	11
Strategic capital investment	(2)	-	
Fair value of derivatives	(6)	2	
Income taxes paid	(5)	(2)	
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(241)	156	
FINANCING ACTIVITIES			
Financing - net of transaction costs and new issuances	219	53	17
Treasury shares purchased - net	(26)	(17)	
Dividends paid	(38)	(41)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES	155	(5)	
INVESTING ACTIVITIES			
Acquisition of a subsidiary	(18)	-	
Investment in associates and joint ventures	(1)	(32)	14
Investment in premises and equipment	(4)	(3)	
NET CASH USED IN INVESTING ACTIVITIES	(23)	(35)	
Net (decrease) increase in cash and cash equivalents	(109)	116	
Cash and cash equivalents at beginning of the period	390	369	
Cash and cash equivalents at end of the period	281	485	
Cash and cash equivalents comprise of:			
Cash and short-term funds	176	106	
Placements with financial institutions with an original maturity of three months or less and other liquid assets	105	379	
	281	485	

In addition to the above, the Group has an undrawn and available balance of $536 million (June 30, 2019: $686 million and December 31, 2018: $675 million) from its short-term and revolving medium-term facilities.

Additional cash flow information

$millions	*July to December 2019*	*July to December 2018*
Interest paid	(16)	(26)
Interest received	17	18

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

INVESTCORP HOLDINGS B.S.C. (FORMERLY INVESTCORP BANK B.S.C.) NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Investcorp Holdings B.S.C. (the “Company” or “Parent”), previously Investcorp Bank B.S.C., is incorporated in the Kingdom of Bahrain as a Bahraini Shareholding Company with limited liability. The Company is listed on the Bahrain Bourse. The ultimate parent of the Group is SIPCO Holdings Limited (“SHL”) incorporated in the Cayman Islands. 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.

Prior to September 2, 2019, the Parent was operating under a Wholesale Banking License issued by the Central Bank of Bahrain. During fiscal year 2019, the Group re-aligned its structure in Bahrain taking into account the evolution of the CBB’s regulatory framework for wholesale banks and investment firms, as well as the development of Investcorp’s business model. The Group (i) incorporated a category 1 investment business firm in Bahrain called Investcorp Financial Services BSC (c) (“IFS”), and (ii) engaged with clients, strategic partners and other stakeholders to transition the Parent’s regulated marketing, placement and MENA private equity investment advisory and asset management services to IFS.

On September 2, 2019, with the approval of shareholders, the CBB and the local Ministry of Industry, Commerce and Tourism, the Parent completed the process of transition and converted from a wholesale bank into a holding company. Other Investcorp group entities will continue to be subject to local regulatory oversight in all of the countries in which they conduct regulated activities.

The registered office of the Company is at Investcorp House, Building 499, Road 1706, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Company 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 period ended December 31, 2019 were authorized for issue on February 04, 2020.

2. BUSINESS COMBINATION

During the period, the Group acquired a majority ownership interest in CM Investment Partners LLC (“CMIP”), a company incorporated in the US. This was achieved through the acquisition of 76% of equity positions in CMIP. CMIP is an investment adviser to CM Finance Inc., a company incorporated in the US, which primarily invests in floating rate first lien, second lien and unitranche loans, but also selectively invests in mezzanine loans/structured equity and in the equity of middle-market companies through warrants and other instruments.

The total identifiable net assets of the business as at the date of acquisition were $5.7 million. Further, goodwill of $12.9 million was recognized on the acquisition of the business as this transaction will leverage upon the current distribution capabilities in the U.S. and alternative product offerings globally. The non-controlling interest in financial statements represents the remaining 24% of equity position in CMIP.

3. ASSETS UNDER MANAGEMENT

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

	December 31, 2019				June 30, 2019 (Audited)			
$millions	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Private equity investment								
Closed-end committed funds	1,194	34	19	1,247	815	34	19	868
Closed-end invested funds	1,399	76	21	1,496	1,402	77	21	1,500
Deal-by-deal	2,732	429 *	191	3,352	2,544	398 *	177	3,119
Deal-by-deal underwriting	-	36	-	36	-	52	-	52
Strategic and other investments	-	79	-	79	-	18	-	18
Special opportunity portfolio	181	5	-	186	181	5	-	186
Total private equity investment	**5,506**	**659**	**231**	**6,396**	**4,942**	**584**	**217**	**5,743**
Credit management investment								
Closed-end invested funds	11,768	351	-	12,119	10,890	322	-	11,212
Closed-end committed funds	113	34	-	147	85	34	-	119
Open-end invested funds	337	10	-	347	258	10	-	268
Warehousing	-	0	199	199	-	5	266	271
Total credit management investment	**12,218**	**395**	**199**	**12,812**	**11,233**	**371**	**266**	**11,870**
Absolute return investments**								
Multi-manager solutions	1,669	29	-	1,698	1,605	29	-	1,634
Hedge funds partnerships	2,227	36	-	2,263	1,949	30	-	1,979
Special opportunities portfolios	441	32	-	473	96	43	-	139
Alternative risk premia	25	3	-	28	38	10	-	48
Total absolute return investments	**4,362**	**100**	**-**	**4,462**	**3,688**	**112**	**-**	**3,800**
Real estate investment								
Closed-end invested funds	190	-	-	190	134	-	-	134
*Deal-by-deal****	4,756	888	300	5,944	4,820	588	306	5,714
*Deal-by-deal underwriting****	-	352	-	352	-	278	-	278
Strategic and other investments	-	0	-	0	-	-	-	-
Total real estate investment	**4,946**	**1,240**	**300**	**6,486**	**4,954**	**866**	**306**	**6,126**
Strategic Capital investment								
Closed-end invested funds	24	40	1	65	-	-	-	-
Deal-By-Deal	28	-	-	28	-	-	-	-
Total strategic capital investment	**52**	**40**	**1**	**93**	**-**	**-**	**-**	**-**
Infrastructure								
Closed-end Committed Funds	-	25	25	50	-	-	-	
Total Infrastructure investment	**-**	**25**	**25**	**50**	**-**	**-**	**-**	**-**
Client balances with trust	818	-	-	**818**	576	-	-	576
Total	**27,902**	**2,459**	**756**	**31,117**	**25,393**	**1,933**	**789**	**28,115**
*Associate's assets under management*****	**6,000**	**-**	**-**	**6,000**	**5,661**	**-**	**-**	**5,661**
Summary by products:								
Closed-end committed funds	1,194	34	19	1,247	815	34	19	868
Closed-end invested funds	1,613	116	22	1,751	1,536	77	21	1,634
Credit management funds	12,218	395	-	12,613	11,233	366	-	11,599
Absolute return investments	4,362	100	-	4,462	3,688	112	-	3,800
*Deal-by-deal****	7,516	1,317	491	9,324	7,364	986	483	8,833
*Underwriting and warehousing****	-	388	199	587	-	335	266	601
Client monies held in trust	818	-	-	818	576	-	-	576
Special opportunity portfolio	181	5	-	186	181	5	-	186
Strategic and other investments	-	79	-	79	-	18	-	18
Infrastructure	-	25	25	50				
Total	**27,902**	**2,459**	**756**	**31,117**	**25,393**	**1,933**	**789**	**28,115**
*Associate's assets under management*****	**6,000**	**-**	**-**	**6,000**	**5,661**	**-**	**-**	**5,661**
Summary by asset classes:								
Private equity investment	5,506	580	231	6,317	4,942	566	217	5,725
Credit management investment	12,218	395	199	12,812	11,233	371	266	11,870
Absolute return investments	4,362	100	-	4,462	3,688	112	-	3,800
*Real estate investment****	4,946	1,240	300	6,486	4,954	866	306	6,126
Strategic capital investment	52	40	1	93	-	-	-	-
Client monies held in trust	818	-	-	818	576	-	-	576
Strategic and other investments	-	79	-	79	-	18	-	18
Infrastructure	-	25	25	50	-	-	-	-
Total	**27,902**	**2,459**	**756**	**31,117**	**25,393**	**1,933**	**789**	**28,115**
*Associate's assets under management*****	**6,000**	**-**	**-**	**6,000**	5,661	-	-	5,661

** Includes Group's commitment of $7 million (June 30, 2019: $4 million) to a private equity deal.*

*** Stated at gross value of the underlying exposure. Also, includes $3.0 billion (June 30, 2019: $2.9 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.*

**** Real estate investment stated at gross asset value.*

***** Represents AUM managed by an associate where Investcorp is entitled to net return based on the proportionate indirect ownership of the associate.*

3. ASSETS UNDER MANAGEMENT (CONTINUED)

In the above table, all absolute return investments, real estate investment exposures and Investcorp's co-investment amounts for private equity investment, credit management and strategic capital investment exposures are stated at current fair values while the other categories are stated at their carrying cost.

4. SEGMENT REPORTING

As at December 31, 2019, the business segments and the basis of reporting information for these segments have remained the same as for the year ended June 30, 2019.

A. INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS BY REPORTING SEGMENTS

The interim condensed consolidated statements of profit or loss for the six months ended December 31, 2019 and December 31, 2018 by reporting segments are as follows:

$millions	*July 2019 - December 2019 6 months*	*July 2018 - December 2018 6 months*
FEE BUSINESS		
AUM fees		
Private equity investment	41	45
Credit management investment	28	24
Absolute return investments	7	4
Real estate investment	11	10
Total AUM fees	87	83
Deal fees		
Private equity investment	38	39
Real estate investment	47	28
Total deal fees	85	67
Investment in an associate and a joint venture	1	2
Treasury and other asset based income	4	6
Gross income attributable to fee business (a)	177	158
Provisions for impairment	(2)	(1)
Interest expense (b)	(5)	(7)
Operating expenses attributable to fee business (c)*	(115)	(104)
FEE BUSINESS PROFIT (d)	55	46
CO-INVESTMENT BUSINESS		
Asset based income		
Private equity investment	(3)	15
Credit management investment	7	12
Absolute return investments	1	3
Real estate investment	15	11
Gross income attributable to co-investment business (e)	20	41
Interest expense (f)	(11)	(19)
Operating expenses attributable to co-investment business (g)*	(5)	(10)
NET CO-INVESTMENT BUSINESS PROFIT BEFORE FAIR VALUE CHANGE OF LEGACY INVESTMENTS	4	12
Fair value change of legacy investments	(11)	-
NET CO-INVESTMENT BUSINESS (LOSS) PROFIT (h)	(7)	12
PROFIT FOR THE PERIOD (d) + (h)	59	58
PROFIT FOR THE PERIOD EXCLUDING FAIR VALUE CHANGE OF LEGACY INVESTMENTS	70	58
Gross operating income (a) + (e)	197	199
Gross operating expenses (c) + (g)	(120)	(114)
Interest expense (b) + (f)	(16)	(26)

* 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, 2018: Nil).

4. SEGMENT REPORTING (CONTINUED)

B. INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY REPORTING SEGMENTS

The interim condensed consolidated statements of financial position as at December 31, 2019 and June 30, 2019 by reporting segments are as follows:

December 31, 2019 *$millions*	*Co-investment Business*	*Fee Business*	*Total*
Assets			
Cash and short-term funds	-	176	176
Placements with financial institutions and other liquid assets	-	105	105
Positive fair value of derivatives	-	50	50
Receivables and prepayments	97	313	410
Advances	-	136	136
Underwritten and warehoused investments	-	419	419
Co-investments			
Private equity investment	512	55	567
Credit management investment	356	-	356
Absolute return investments	100	-	100
Real estate investment	72	-	72
Strategic capital investment	2	-	2
Premises, equipment and other assets	-	145	145
Investment in an associate and a joint venture	-	61	61
Intangible assets	-	69	69
Total assets	1,139	1,529	2,668
Liabilities and Equity			
Liabilities			
Payables and accrued expenses	22	180	202
Negative fair value of derivatives	-	31	31
Financing	429	785	1,214
Deferred fees	-	88	88
Total liabilities	451	1,084	1,535
Total equity	688	445	1,133
Total liabilities and equity	1,139	1,529	2,668

4. SEGMENT REPORTING (CONTINUED)

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

June 30, 2019 *$millions (Audited)*	*Co-investment Business*	*Fee Business*	*Total*
Assets			
Cash and short-term funds	-	57	57
Placements with financial institutions and other liquid assets	-	333	333
Positive fair value of derivatives	-	44	44
Receivables and prepayments	100	264	364
Advances	-	82	82
Underwritten and warehoused investments	-	334	334
Co-investments			
Private equity investment	505	-	505
Credit management investment	332	-	332
Absolute return investments	112	-	112
Real estate investment	68	-	68
Premises, equipment and other assets	-	37	37
Investment in an associate and joint venture	-	38	38
Intangible assets	-	55	55
Total assets	1,117	1,244	2,361
Liabilities and Equity			
Liabilities			
Call, term and institutional accounts	-	375	375
Payables and accrued expenses	18	223	241
Negative fair value of derivatives	-	23	23
Financing	396	118	514
Deferred fees	-	63	63
Total liabilities	414	802	1,216
Total equity	703	442	1,145
Total liabilities and equity	1,117	1,244	2,361

5. RECEIVABLES AND PREPAYMENTS

$millions	*December 31, 2019*	*June 30, 2019 (Audited)*
Subscriptions receivable	161	146
Receivables from investee and holding companies	110	88
Investment disposal proceeds receivable	73	81
Absolute return investment's related receivables	13	10
Accrued interest receivable	7	7
Prepaid expenses	42	28
Deferred tax asset	11	11
Other receivables	6	6
	423	377
Provisions for impairment	(13)	(13)
Total	410	364

6. ADVANCES

$millions	*December 31, 2019*	*June 30, 2019 (Audited)*
Advances to investment holding companies	91	81
Advances to closed-end funds	46	3
Advances to employee investment programs	4	16
	141	100
Provisions for impairment	(5)	(18)
Total	136	82

7. UNDERWRITTEN AND WAREHOUSED INVESTMENTS

The Group's current underwritten investment balances in Private Equity Investments, Absolute Return Investments, Real Estate Investments, Credit Management Investments and Strategic Capital Investments, classified as FVTPL, comprise the following:

	December 31, 2019					June 30, 2019 (Audited)				
$millions	North America	Europe	MENA	Asia	Total	North America	Europe	MENA	Asia	Total
Underwritten investments										
Private equity investment:										
Industrial/ Business Services	12	-	-	-	12	36	-	-	-	36
Healthcare	13	10	-	0	23	15	-	-	-	15
Industrial Products	-	-	-	-	-	-	-	-	-	-
Total private equity investment	25	10	-	0	35	51	-	-	-	51
Real estate investment:										
Core / Core Plus	298	54	-	-	352	236	42	-	-	278
Total real estate investment	298	54	-	-	352	236	42	-	-	278
Strategic capital investment:										
Business Services	32	-	-	-	32	-	-	-	-	-
Total real estate investment	32	-	-	-	32	-	-	-	-	-
Warehoused investments										
Credit management Investments										
CLO Investments	-	-	-	-	-	5	-	-	-	5
Total credit management investment	-	-	-	-	-	5	-	-	-	5
Total	355	64	-	0	419	292	42	-	-	334

8. PRIVATE EQUITY CO-INVESTMENTS

$millions	*December 31, 2019*	*June 30, 2019 (Audited)*
PE co-investments	492	491
Strategic and other investments	75	14
Total	567	505

8 (A) PE CO-INVESTMENTS

The carrying values of the Group's PE co-investments at December 31, 2019 and June 30, 2019 are:

	December 31, 2019					June 30, 2019 (Audited)				
$millions	North America	Europe	MENA*	Asia	Total	North America	Europe	MENA*	Asia	Total
Consumer Products	46	31	31	1	110	57	32	24	-	113
Consumer Services	-	-	5	-	5	-	-	5	-	5
Healthcare	5	7	81	0	93	7	49	83	-	139
Industrial Products	7	3	-	-	10	7	7	-	-	14
Industrial/ Business Services	52	14	62	-	128	44	8	61	-	113
Telecom**	126	-	-	-	126	91	-	-	-	91
Technology										
Big Data	1	12	-	4	17	1	9	-	4	14
Internet / Mobility	-	-	1	-	1	-	-	1	-	1
Security	-	2	-	-	2	-	1	-	-	1
Total	237	69	180	5	492	207	106	174	4	491

*Including Turkey
** Represents legacy investment

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

Legacy investment

PE co-investments include an investment that was made prior to the financial crisis in 2008. This investment is considered and categorized as a legacy investment for financial reporting purposes as it is monitored separately from other PE co-investments. Any asset-based income relating to the legacy investment is disclosed separately in the interim condensed consolidated statement of profit or loss to ensure more relevant information is presented. The valuation technique for measuring the fair value of the legacy investment is same as that for PE co-investments.

8. PRIVATE EQUITY CO-INVESTMENTS (CONTINUED)

8 (B) STRATEGIC AND OTHER INVESTMENTS

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

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

Except for an investment with a carrying value of $55 million (June 30, 2019: Nil) that is held as FVTPL, all other strategic investments in equity instruments are held as FVOCI investments. For FVOCI investments, during the period, no (six months to December 31, 2018: nil) dividend income was recognized in the interim condensed consolidated statement of profit or loss and $0.1 million (six months to December 31, 2018: $3.6 million) of losses were recognized in the interim condensed consolidated statement of other comprehensive income. No investment was de-recognized during the current and previous period and accordingly, no loss was recycled to retained earnings.

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

9. CREDIT MANAGEMENT INVESTMENTS (CM)

$millions	***December 31, 2019***	***June 30, 2019 (Audited)***
European CLO Investments	265	274
US CLO Investments	72	48
Risk Retention Fund	19	10
Total	356	332

The Group's co-investments in CM investment mainly represents co-investments in collateralized loan obligations (CLOs) managed by the CM team and are classified as FVTPL and FVOCI debt investments, except for certain European positions that are carried at amortised cost.

In relation to investments carried at amortised cost and FVOCI, 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 consolidated statement of profit or loss.

The fair value of CLO co-investments categorized as FVOCI or FVTPL co-investments is determined on the basis of inputs from independent third parties including broker quotes and Markit data.

Certain of the Group's CLO co-investments amounting to $84 million (June 30, 2019: $84 million) are utilized to secure amounts drawn under repurchase agreements. At December 31, 2019, $84 million (June 30, 2019: $84 million) was the outstanding balance from financing under repurchase agreements (See Note 17).

10. ABSOLUTE RETURN INVESTMENTS (ARI) CO-INVESTMENTS

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

$millions	*December 31, 2019*	*June 30, 2019 (Audited)*
Multi-manager solutions	29	29
Hedge funds partnerships	36	30
Alternative risk premia	3	10
Special opportunities portfolios	32	43
Total	100	112

The valuations of the Group's ARI co-investments which are classified under Level 3 of the fair value hierarchy (see Note 22) 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 $7.2 million (June 30, 2019: $8.0 million) are classified as FVOCI investments. For FVOCI investments, during the period, a gain of $0.2 million (six months to December 31, 2018: gain of $0.8 million) was recognized in the interim condensed consolidated statement of other comprehensive income. These investments comprise funds which are not immediately available for redemption due to the liquidity profile of the instruments held by the underlying managers and are classified as Level 3 investments in the fair value hierarchy.

Of the above, co-investments amounting to $11.6 million (June 30, 2019: $23.7 million) are subject to a lock up-period. Such investments are classified as Level 2 investments in the fair value hierarchy.

11. 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 the global financial crisis in 2008-2009 and strategic investments are classified as FVOCI investments.

Debt investments in real estate properties carried at amortised cost amount to $0.1 million (June 30, 2019: $0.1 million). Investments which are classified as FVOCI investments amount to $3.5 million (June 30, 2019: $4.2 million). For FVOCI investments, during the period, no (six months to December 31, 2018: $0.6 million) gains were recognized in interim condensed consolidated statement of other comprehensive income and no gain or loss (six months to December 31, 2018: nil) was recycled to retained earnings on derecognition. All other investments are classified as FVTPL.

The carrying values of the Group's co-investments in real estate portfolios, which as at December 31, 2019 and June 30, 2019 were located in United States and Europe are:

$millions **PORTFOLIO TYPE**	***December 31, 2019***			*June 30, 2019 (Audited)*		
	North America	**Europe**	**Total**	North America	Europe	Total
Core / Core Plus	56	15	71	60	7	67
Debt	0	-	0	0	-	0
Opportunistic	1	-	1	1	-	1
Strategic	0	-	0	0	-	0
Total	57	15	72	61	7	68

12. STRATEGIC CAPITAL CO-INVESTMENTS

The Group has introduced a new asset class during the period called 'Strategic Capital' which has resulted from the launch of a new strategy. The new strategy will target investments in mid-sized managers across different alternative asset classes.

Co-investments for this new asset class are initially recorded at acquisition cost (being the initial fair value) and will be re-measured to fair value at each reporting date, with resulting unrealized gains or losses being recorded as fair value changes in the interim condensed consolidated statement of profit or loss.

Valuation techniques for measuring the fair value of the strategic co-investments are similar to techniques used for valuations of private equity co-investments of the Group.

13. PREMISES, EQUIPMENT AND OTHER ASSETS

$millions	***December 31, 2019***	*June 30,2019 (Audited)*
Premises, equipment and other assets	38	37
Right-of-use assets	107	-
Total	145	37

Upon adoption of IFRS 16, the Group recognized right-of-use assets of $111.2 million, the Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term.

14. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

$millions	***December 31, 2019***	*June 30,2019 (Audited)*
Investment in an associate	39	38
Investment in a joint venture	22	-
Total	61	38

During the period, the Group formed a joint venture with Aberdeen Asset Management PLC, a leading global asset manager. The joint venture will act as an investment advisor and will focus on investments in social and economical infrastructure projects.

The investment has been initially recorded at fair value and will be re-measured at each reporting date, with resulting unrealized gains or losses being recorded in the interim condensed consolidated statement of profit or loss. The Group uses discounted cash flow analysis to fair value this investment. Further, there was a gain on initial recognition of this investment at fair value. The gain of $22 million recognized on Day 1 has been deferred and will be recognized in future periods concurrent with the services to be rendered. Management uses its judgement to ensure that the gains recognized on Day 1 are only accounted for when the risks associated with the transaction execution are minimal and all regulatory and structuring requirements have been materially completed.

The Group’s investment in associates and joint ventures are classified as FVTPL.

15. INTANGIBLE ASSETS

$millions	*December 31, 2019*	*June 30, 2019 (Audited)*
Management Contracts	6	5
Goodwill (refer Note 2)	63	50
Total	69	55

Intangible assets were primarily recognized on the acquisition of the credit management businesses acquired through a business combination.

Management contracts represent the right to manage European, US CLOs and a US Business Development Company. The contracts have a useful life of 5 to 10 years from the date of acquisition and are amortized accordingly.

The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill on-balance sheet is impaired. No impairment was recognized during the period.

16. PAYABLES AND ACCRUED EXPENSES

$millions	*December 31, 2019*	*June 30, 2019 (Audited)*
Unfunded deal acquisitions	121	13
Vendor and other payables	53	132
Accrued expenses - employee compensation	17	83
Tax liability	5	7
Accrued interest payable	6	6
Total	202	241

17. FINANCING

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

		December 31, 2019		June 30, 2019 (Audited)	
$millions	*Final Maturity*	*Facility size*	*Current outstanding*	*Facility size*	*Current outstanding*
SHORT-TERM FINANCING					
Call, term and institutional accounts	Call		-		375
Multi currency term and revolving loan	Call		452		-
TOTAL SHORT-TERM FINANCING			452		375
MEDIUM-TERM DEBT					
REVOLVING CREDIT					
4-year syndicated revolving facility	March 2023	436	150	436	-
3-year syndicated revolving facility	December 2020	250	-	250	-
TOTAL MEDIUM-TERM DEBT			150		-
LONG-TERM DEBT					
PRIVATE NOTES					
JPY 37 Billion Private Placement	March 2030		332		332
$50 Million Private Placement	July 2032		50		50
SECURED FINANCING					
Repurchase agreement	October 2030		20		20
Repurchase agreement	April 2031		22		22
Repurchase agreement	October 2031		21		21
Repurchase agreement	July 2031		21		21
TOTAL LONG-TERM DEBT			466		466
LEASE LIABILITY			112		-
Foreign exchange translation adjustments			7		10
Fair value adjustments relating to interest rate hedges			40		45
Transaction costs of borrowings			(13)		(7)
TOTAL FINANCING			1,214		889

Short term financing

As disclosed in note 1, the Parent converted from a wholesale bank into a holding company. As a result, the Parent transferred out it's balances maintained under call, term and institutional accounts of clients to various trusts (the "Trusts") controlled by an independent third party trustee, who have appointed a subsidiary of Investcorp for providing management services except for a small portion of call accounts which has been maintained in a separate bank account with the approval of CBB. This portion is now presented within other payables. Further, call, term and institutional accounts were presented separately on the consolidated statement of financial position as of June 30, 2019.

17. FINANCING (CONTINUED)

Short term financing (continued)

During the period, the Group signed a multicurrency term and revolving loan facility with the Trusts. The outstanding balance under this facility is repayable on demand.

Medium term facilities

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.

Private Notes

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.

Secured Financing

Secured financing relates to financing obtained under repurchase transaction arrangements entered into by the Group, with underlying assets being CLO co-investment exposures in Europe. The financings carry variable rates of interest. Each financing arrangement has a specified repurchase date at which the Group will repurchase the underlying CLO asset at a pre-determined repurchase price.

Lease Liabilities

Upon adoption of IFRS 16, the Group has recognized lease liabilities of $112.8 million, $4.2 million of which is classified as payable within the next 12 months with the remainder classified as due for payment after 12 months. This is further explained in note 25 of the interim condensed consolidated financial statements.

The Group recognizes lease liabilities at the commencement date of the lease measured at the present value of lease payments to be made over the lease term.

18. DERIVATIVE FINANCIAL INSTRUMENTS

The table below summarizes the Group's derivative financial instruments outstanding at December 31, 2019 and June 30, 2019:

$millions	December 31, 2019			June 30, 2019 (Audited)		
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	341	-	(6)	341	5	-
ii) Cash flow hedges						
Forecasted transactions	43	-	-	44	0	(0)
Coupon on long-term debt	52	-	(1)	46	1	
Total forward foreign exchange contracts	436	-	(7)	431	6	(0)
Interest rate risk being hedged using interest rate swaps						
i) Fair value hedges - fixed rate debt	434	31	-	437	21	-
ii) Cash flow hedges - floating rate debt	25	-	(3)	25	-	(3)
Total interest rate hedging contracts	459	31	(3)	462	21	(3)
Total hedging derivatives	895	31	(10)	893	27	(3)
B) OTHER DERIVATIVES						
Interest rate swaps	50	12	(11)	200	11	(11)
Forward foreign exchange contracts	1,470	7	(10)	1,457	6	(9)
Total other derivatives	1,520	19	(21)	1,657	17	(20)
TOTAL - DERIVATIVE FINANCIAL INSTRUMENTS	**2,415**	**50**	**(31)**	**2,550**	**44**	**(23)**

** Net collateral received by the Group amounting to $54.4 million has been taken against the fair values above (June 30, 2019: $70.1 million).*

19. PROVISIONS FOR IMPAIRMENT

Impairment provisions are as follows:

$millions				
Categories	***Balance At beginning***	***Charge/ (reversal)***	***Write off***	***At end****
6 months to December 31, 2019				
Receivables (Note 5)	13	0	-	13
Advances (Note 6)	18	2	(15)	5
Co-investments - debt	1	-	-	1
Cash and short-term funds	0	-	-	0
Placement with financial institutions and other liquid assets	0	-	-	0
Total	32	2	(15)	19

* Of the total provision, $2.1 million relates to stage 1, $3.3 million relates to stage 2 and $13.7 million relates to stage 3 assets. Of the stage 1 and 2 provision, $2.5 million relates to advances. During the period, there was a movement in loss allowance of $0.3 million from stage 1 to stage 2 assets and no movement between stage 2 and stage 3 assets.

$millions				
Categories	***Balance At beginning***	***Charge***	***Write off***	***At end****
6 months to December 31, 2018				
Receivables (Note 5)	12	-	-	12
Advances (Note 6)	15	1	-	16
Co-investments - debt	1	-	-	1
Cash and short-term funds	0	-	-	0
Placement with financial institutions and other liquid assets	0	-	-	0
Total	28	1	-	29

* Of the total provision, $0.6 million relates to stage 1, $1.4 million relates to stage 2 and $27.1 million relates to stage 3 assets. Of the stage 1 and 2 provision, $1.7 million relates to advances. During the period, there was no movement in loss allowance between stages 1,2 and 3 assets

20. DEFERRED FEES

$millions	***December 31, 2019***	***June 30, 2019 (Audited)***
Deferred fees relating to placements	66	63
Deferred income in a joint venture	22	-
Total	88	63

As disclosed in note 14, the Group formed a joint venture with Aberdeen Asset Management PLC, a leading global asset manager during the period.

There was a gain on initial recognition of investment in a joint venture at fair value. The gain of $22 million recognized on Day 1 has been deferred and will be recognized in future periods concurrent with the services to be rendered.

21. COMMITMENTS AND CONTINGENT LIABILITIES

$millions	*December 31, 2019*	*June 30, 2019 (Audited)*
Investment commitments to funds and co-investments	103	64
Investment commitments for strategic acquisitions	-	78
Non-cancelable operating leases:		
Up to 1 year	0	10
1 year to 5 years	0	39
Over 5 years	-	49
Total non-cancelable operating leases	-	98
Guarantees and letters of credit issued to third parties	22	21

Investment commitments to funds and co-investments represent the Group's unfunded co-investment commitments to various private equity, absolute return investments and credit management investments.

Non-cancelable operating leases relate to the Group's commitments in respect of its New York, London, Riyadh, Abu Dhabi, Singapore, Qatar and India office premises. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised. Before the adoption of IFRS 16, the Group classified each of its leases as an operating lease. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases (except for short-term leases) and has recognized right-of-use assets for these leases. The Group has applied the practical expedient for its short-term leases since the date of initial application of the Standard (refer note 25).

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

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

The Group is engaged in litigation cases in various jurisdictions. The litigation cases involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group and accordingly no provision has been made in the interim condensed consolidated financial statements.

22. 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 carried at amortized cost amounts to $175.9 million (June 30, 2019: $189.3 million) as compared to the carrying value of $174.1 million (June 30, 2019: $183.2 million). The fair value of CLO co-investments is based on inputs from independent third parties including broker quotes, Markit and Duff and Phelps and falls under Level 3 of the fair value hierarchy disclosure. The fair value of medium and long term debt amounts to $479.8 million (June 30, 2019: $431.0 million) as compared to the carrying value of $650.0 million (June 30, 2019: $513.7 million). The fair value of medium and long term debt is based on inputs from third party banks and falls under Level 3 of the fair value hierarchy described below.

During the current and previous financial period, there were no transfers between levels under co-investments. Under absolute return investments, an exposure of $7.2 million (June 30, 2019: $7.8 million) is comprised of illiquid side pocket investments which are classified as Level 3. The year to date fair value changes on this ARI exposure amounts to a loss of $0.1 million (June 30, 2019: gain of $0.01 million) and the net redemptions amount to $0.9 million (June 30, 2019: $0.1 million).

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

22. 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, 2019 *$millions*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Placements with financial institutions and other liquid assets	-	51	-	51
Positive fair value of derivatives	-	50	-	50
Co-investments				
Private equity investment	5	-	562	567
Credit management investment	-	-	180	180
Absolute return investments	-	92	8	100
Real estate investment	-	-	72	72
Strategic capital investment	-	-	2	2
Investment in associates and joint ventures*	-	-	61	61
Underwritten and warehoused investments**	-	-	419	419
Total financial assets	5	193	1,304	1,502
Financial liabilities				
Negative fair value of derivatives	-	31	-	31
Total financial liabilities	-	31	-	31

* The effect on consolidated statement of profit or loss due to a change in multiple by 0.5x on Investment in an associate will be US$ 1.1 million.

** Underwritten investments amounting to $226 million were placed with the clients during the period. No fair value gain was recognized on underwritten investments during the period.

June 30, 2019 (Audited) *$millions*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Placements with financial institutions and other liquid assets	-	0	-	0
Positive fair value of derivatives	-	44	-	44
Co-investments				
Private equity investment	5	-	500	505
Credit management investment	-	-	149	149
Absolute return investments	-	104	8	112
Real estate investment	-	-	68	68
Investment in associates and joint ventures*	-	-	38	38
Underwritten investments**	-	-	334	334
Total financial assets	5	148	1,097	1,250
Financial liabilities				
Negative fair value of derivatives	-	23	-	23
Total financial liabilities	-	23	-	23

* The effect on consolidated statement of profit or loss due to a change in multiple by 0.5x on Investment in an associate will be US$ 1.1 million.

** Underwritten investments amounting to $408 million were placed with the clients and transferred to co-investments during the year. No fair value gain was recognized on underwritten investments during the year.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A reconciliation of the opening and closing amounts of Level 3 co-investment in private equity investment, credit management investment, real estate investment, strategic capital investment and investments in associate, joint venture and subsidiary is given below:

December 31, 2019 *$millions*	*At beginning*	*Net new acquisitions*	*Fair value movements**	*Movements relating to realizations*	*Other movements***	*At end*
PE co-investments	500	133	(15)	(46)	(10)	562
ICM co-investments	149	39	(5)	(2)	(1)	180
RE co-investments	68	23	(0)	(19)	0	72
Strategic capital co-investments	-	2	-	-	-	2
Investment in associates and joint ventures	38	23	1	-	(1)	61
Total	**755**	**220**	**(19)**	**(67)**	**(12)**	**877**

*Includes $2.3 million fair value loss on FVOCI investments and unrealized fair value loss of $27.5 million on FVTPL investments.
**Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees and transfer from level 3 to level 1 on listing of an unquoted investment.

June 30, 2019 (Audited) *$millions*	*At beginning*	*Net new acquisitions*	*Fair value movements**	*Movements relating to realizations*	*Other movements***	*At end*
PE co-investments	619	106	9	(236)	2	500
ICM co-investments	65	97	(7)	(5)	(1)	149
RE co-investments	74	24	(4)	(25)	(1)	68
Investment in associates and joint ventures	-	32	5	-	1	38
Total	**758**	**259**	**3**	**(266)**	**1**	**755**

*Includes $9.4 million fair value loss on FVOCI investments and unrealized fair value gain of $21.4 million on FVTPL investments.
**Other movements include add-on funding, foreign currency translation adjustments and deferred remuneration awards to employees and transfer from Level 3 to Level 1 on listing of an unquoted investment.

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

December 31, 2019 *$millions*	*Factor*	*Change*	*Balance sheet exposure*	*Projected Balance sheet Exposure*		*Impact on Income*	
				For increase	For decrease	For increase	For decrease
PE co-investments	EBITDA Multiples	+/- 0.5x	544*	551	537	7	(7)
	Revenue Multiples	+/- 0.5x	9	10	8	1	(1)
				For decrease	For increase	For decrease	For increase
RE co-investments	Capitalization Rate	-/+ 1%	69*	79	59	10	(10)

June 30, 2019 *$millions*	*Factor*	*Change*	*Balance sheet exposure*	*Projected Balance sheet Exposure*		*Impact on Income*	
				For increase	For decrease	For increase	For decrease
PE co-investments	EBITDA Multiples	+/- 0.5x	469*	481	457	12	(12)
	Revenue Multiples	+/- 0.5x	8	9	7	1	(1)
				For decrease	For increase	For decrease	For increase
RE co-investments	Capitalization Rate	-/+ 1%	64*	72	56	8	(8)

*Includes exposures of $409m (June 2019: $248m) which are fair valued based on recent transaction prices or bids on which sensitivity is not applicable.

23. 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 ARI, and SIPCO Limited.

It also includes major shareholders, directors and senior management of the Group, 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 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:

$millions		*July 2019 - December 2019*	*July 2018 - December 2018*
AUM fees	Investee and investment holding companies	66	45
Deal fees	Investee and investment holding companies	25	53
Asset based income	Investee companies	19	12
Interest expense	Investment holding companies	0	2

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

$millions	*December 31, 2019* Assets	*December 31, 2019* Liabilities	*December 31, 2019* Off-balance sheet	*June 30, 2019 (Audited)* Assets	*June 30, 2019 (Audited)* Liabilities	*June 30, 2019 (Audited)* Off-balance sheet
Outstanding balances						
Placements with financial institutions and other liquid assets	14	-	-	-	-	-
Co-investments	1,093	-	-	1,012	-	-
Underwritten and warehoused investments	419	-	-	334	-	-
Investment in an associate and a joint venture	61	-	-	38	-	-
Strategic shareholders	12	6	-	9	12	-
Investee companies	83	3	22	59	2	21
Investment holding companies	156	0	100	100	117	64
Financing	-	452	-	-	131	-
Fund companies associated with the ARI	13	-	-	10	-	-
Directors and senior management	0	1	-	-	8	-
	1,851	462	122	1,562	270	85

24. CYCLICALITY OF ACTIVITIES

The Group's income is comprised predominantly of revenues generated from direct investment and advisory services relating to investment activities. The main components of this revenue arise during the acquisition, placement and exit processes of private equity 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.

25. 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 millions ($millions) 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, 2019 except for accounting policies relating to first time adoption of IFRS 16 Leases (refer below) and investment in a joint venture (refer note 14).

Adoption of IFRS 16

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect recognized in retained earnings as of July 1, 2019.

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases except for its short-term leases. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied. Lease liabilities were recognized based on the present value of the remaining lease payments as of the date of initial application.

The effect of adoption of IFRS 16 as at July 1, 2019 is described below:

a) Comparative information has not been restated. The differences in the carrying amounts of financial assets resulting from the adoption of IFRS 16 are recognized in retained earnings as at 1 July 2019. Accordingly, the information presented for fiscal year 2019 does not reflect the requirements of IFRS 16 and therefore is not comparable to the information presented for fiscal year 2020 under IFRS 16.

b) The following adjustments were made at the date of initial application.

   - The right-of-use assets of $111.2m were recognized and presented within Premises, equipment and other assets on the interim condensed consolidated statement of financial position.
   - The lease liabilities of $112.8m were recognized and presented within Financing on the interim condensed consolidated statement of financial position.
   - The net effect of these adjustments had been recognized as a loss of $1.6m in retained earnings.

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of IFRS 16 (continued)

c) New accounting policies with respect to right-of-use assets and lease liabilities (as summarized below) have been adopted and applied from the date of initial application of IFRS 16.

- The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term.
- At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.