

**INVESTCORP HOLDINGS
B.S.C.**

INTERIM CONDENSED CONSOLIDATED

**FINANCIAL
STATEMENTS**

**MARCH 31, 2021
FISCAL YEAR 2021**

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Investcorp Holdings B.S.C. (the “Company”) and its subsidiaries (together the “Group”) as at 31 March 2021, comprising of the interim condensed consolidated statement of financial position as at 31 March 2021 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month period and nine-month period then ended, and interim condensed consolidated statement of changes in equity and cash flows for the nine-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 International Accounting Standard 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.

Other matters

Due to the outbreak of the novel coronavirus (COVID-19) in early 2020, the Central Bank of Bahrain vide its circular OG/124/2020 dated 30 March 2020 had exempted all public shareholding companies and locally incorporated banks from the preparation and publication of interim condensed consolidated financial statements for the period ended 31 March 2020. We have not reviewed the comparative information for the three-month period and nine-month period ended 31 March 2020 presented in these interim condensed consolidated financial statements, which have been extracted from the management accounts of the Group. Accordingly, we do not express any review conclusion on them.



4 May 2021
Manama, Kingdom of Bahrain

INVESTCORP HOLDINGS B.S.C. INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (REVIEWED)

<i>\$millions</i>	3 months ended		9 months ended	
	March 2021	March 2020 (unreviewed)	March 2021	March 2020 (unreviewed)
FEE INCOME				
AUM fees	46	41	147	128
Deal fees	42	16	113	101
Fee income (a)	<u>88</u>	<u>57</u>	<u>260</u>	<u>229</u>
ASSET BASED INCOME				
Private equity investment	15	(9)	31	(23)
Credit management investment	6	5	22	12
Absolute return investments	(2)	(2)	1	(1)
Real estate investment	3	9	12	24
Strategic investments	-	-	2	1
Treasury and other income	1	6	0	10
Asset based income (b)	<u>23</u>	<u>9</u>	<u>68</u>	<u>23</u>
Gross operating income (a) + (b)	111	66	328	252
Provisions for impairment	-	-	(0)	(2)
Interest expense	(8)	(12)	(23)	(28)
Operating expenses	(70)	(56)	(202)	(172)
PROFIT (LOSS) BEFORE TAX	33	(2)	103	50
Income tax expense	(4)	-	(10)	(4)
PROFIT (LOSS) FOR THE PERIOD	<u>29</u>	<u>(2)</u>	<u>93</u>	<u>46</u>
Profit (loss) for the period attributable to :				
Equity holders of the parent	29	(2)	92	46
Non-controlling interest	0	0	1	0
	<u>29</u>	<u>(2)</u>	<u>93</u>	<u>46</u>
EARNINGS PER SHARE				
Basic earnings per ordinary share (\$)	0.31	(0.03)	1.23	0.64
Fully diluted earnings per ordinary share (\$)	<u>0.29</u>	<u>(0.03)</u>	<u>1.17</u>	<u>0.62</u>



Mohammed Mahfoodh Saad Al Ardhi
Executive Chairman



Jan Erik Back
Chief Financial Officer

The attached Notes 1 to 9 are an integral part of these interim condensed consolidated financial statements

INVESTCORP HOLDINGS B.S.C. INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED MARCH 31, 2021 (REVIEWED)

<i>\$millions</i>	3 months ended		9 months ended	
	March 2021	March 2020 (unreviewed)	March 2021	March 2020 (unreviewed)
PROFIT (LOSS) FOR THE PERIOD	29	(2)	93	46
Other comprehensive (loss) income that will be recycled to statement of profit or loss				
Fair value movements - cash flow hedges	-	(2)	1	(2)
Movements - Fair value through other comprehensive income investments	(1)	(1)	12	(3)
Other comprehensive loss that will not be recycled to statement of profit or loss				
Movements - Fair value through other comprehensive income investments	0	(3)	(10)	(3)
<i>Other comprehensive (loss) income</i>	(1)	(6)	3	(8)
TOTAL COMPREHENSIVE INCOME (LOSS)	28	(8)	96	38
Total comprehensive income (loss) attributable to:				
Equity holders of the parent	28	(8)	95	38
Non-controlling interest	0	0	1	0
	28	(8)	96	38

Mohammed Mahfoodh Saad Al Ardhi
Executive Chairman

Jan Erik Back
Chief Financial Officer

The attached Notes 1 to 9 are an integral part of these interim condensed consolidated financial statements.

INVESTCORP HOLDINGS B.S.C. INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCH 31, 2021 (REVIEWED)

<i>\$millions</i>	<i>March 31, 2021</i>	<i>June 30, 2020 (Audited)</i>
ASSETS		
Cash, placements and other liquid assets	281	309
Positive fair value of derivatives	29	45
Receivables and prepayments	398	285
Advances	266	158
Underwritten and warehoused investments	415	192
<u>Co-investments</u>		
Private equity investment	379	339
Credit management investment	304	317
Absolute return investments	46	81
Real estate investment	67	71
Strategic capital investment	11	2
Total co-investments	807	810
Strategic investments and intangible assets	192	189
Premises, equipment and other assets	130	135
TOTAL ASSETS	2,518	2,123
LIABILITIES AND EQUITY		
LIABILITIES		
Payables and accrued expenses	474	186
Negative fair value of derivatives	28	26
Financing	721	981
Deferred fees	53	62
TOTAL LIABILITIES	1,276	1,255
EQUITY		
Preference share capital	375	123
Ordinary shares at par value	200	200
Reserves	281	296
Treasury shares	(39)	(104)
Retained earnings	427	335
<i>Ordinary shareholders' equity excluding proposed appropriations and other reserves</i>	869	727
Proposed appropriations	-	22
Other reserves	(4)	(5)
Non-controlling interests	2	1
TOTAL EQUITY	1,242	868
TOTAL LIABILITIES AND EQUITY	2,518	2,123



Mohammed Mahfoodh Saad Al Ardhi
Executive Chairman



Jan Erik Back
Chief Financial Officer

The attached Notes 1 to 9 are an integral part of these interim condensed consolidated financial statements.

INVESTCORP HOLDINGS B.S.C. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED MARCH 31, 2021 (REVIEWED)

<i>\$millions</i>	Ordinary shareholders' equity excluding proposed appropriations and other reserves								Other Reserves			Non-controlling interests	Total equity	
	Preference share capital	Ordinary share capital	Share premium	Treasury shares	Retained earnings	Statutory reserve	Fair value reserve	Total	Proposed appropriations	Cash flow hedges	Revaluation reserve on premises and equipment			Total
Balance at July 1, 2019	123	200	237	(74)	540	100	(16)	987	38	(7)	4	(3)	-	1,145
Restatement arising from adoption of IFRS 16	-	-	-	-	(2)	-	-	(2)	-	-	-	-	-	(2)
Balance at July 1, 2019	123	200	237	(74)	538	100	(16)	985	38	(7)	4	(3)	-	1,143
Total comprehensive income	-	-	-	-	46	-	(6)	40	-	(2)	-	(2)	-	38
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	0	-	-	0	-	-	(0)	(0)	-	-
Treasury shares purchased during the period - net of sales and vesting	-	-	-	(19)	-	-	-	(19)	-	-	-	-	-	(19)
Loss on vesting of treasury shares	-	-	(3)	3	-	-	-	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Approved appropriations for fiscal 2019 paid	-	-	-	-	-	-	-	-	(38)	-	-	-	-	(38)
Balance at March 31, 2020 (unreviewed)	123	200	234	(90)	584	100	(22)	1,006	-	(9)	4	(5)	1	1,125
Balance at July 1, 2020	123	200	239	(104)	335	100	(43)	727	22	(9)	4	(5)	1	868
Total comprehensive income	-	-	-	-	92	-	2	94	-	1	-	1	1	96
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	0	-	-	0	-	-	(0)	(0)	-	-
Treasury shares sold and vested during the period - net of purchases	-	-	-	50	-	-	-	50	-	-	-	-	-	50
Loss on vesting of treasury shares	-	-	(15)	15	-	-	-	-	-	-	-	-	-	-
Preference shares issued during the period	252	-	(2)	-	-	-	-	(2)	-	-	-	-	-	250
Approved appropriations for fiscal 2020 paid	-	-	-	-	-	-	-	-	(22)	-	-	-	-	(22)
Balance at March 31, 2021	375	200	222	(39)	427	100	(41)	869	-	(8)	4	(4)	2	1,242

The attached Notes 1 to 9 are an integral part of these interim condensed consolidated financial statements.

INVESTCORP HOLDINGS B.S.C. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED MARCH 31, 2021 (REVIEWED)

<i>\$millions</i>	9 months ended	
	March 2021	March 2020 (unreviewed)
OPERATING ACTIVITIES		
Profit before tax	103	50
Adjustments for non-cash items in profit before tax :		
Depreciation and amortization	16	11
Employee deferred awards	16	19
Operating profit adjusted for non-cash items	<u>135</u>	<u>80</u>
Changes in:		
Operating capital		
Placements (non-cash equivalent)	(12)	(32)
Receivables, prepayments and advances	(235)	(44)
Underwritten and warehoused investments	(223)	(173)
Payables and accrued expenses	288	(130)
Deferred fees	(9)	23
Strategic investments	(5)	(1)
Co-investments	5	83
Fair value of derivatives	(3)	(11)
Income taxes paid	(12)	(8)
NET CASH USED IN OPERATING ACTIVITIES	<u>(71)</u>	<u>(213)</u>
FINANCING ACTIVITIES		
Financing - net of transaction costs and new issuances	(242)	405
Preference shares issued - net of expenses	250	-
Treasury shares purchased - net of sales	50	(25)
Dividends paid	(22)	(38)
NET CASH FROM FINANCING ACTIVITIES	<u>36</u>	<u>342</u>
INVESTING ACTIVITIES		
Acquisition of subsidiaries	-	(21)
Strategic investments	-	(108)
Investment in premises and equipment	(5)	(13)
NET CASH USED IN INVESTING ACTIVITIES	<u>(5)</u>	<u>(142)</u>
Net decrease in cash and cash equivalents	(40)	(13)
Cash and cash equivalents at beginning of the period	265	390
Cash and cash equivalents at end of the period	<u>225</u>	<u>377</u>
Cash and cash equivalents comprise of:		
Cash and short-term funds	123	142
Placements with financial institutions and other liquid assets	102	235
	<u>225</u>	<u>377</u>

Additional cash flow information

<i>\$millions</i>	9 months ended	
	March 2021	March 2020 (unreviewed)
Interest paid	(23)	(26)
Interest received	45	26

Additional liquidity information

<i>\$millions</i>	March 2021		March 2020 (unreviewed)	
	Cash and cash equivalents at end of the period	225	377	225
Placements (non-cash equivalent)	56	32	56	32
Available / undrawn balances	1,698	571	1,698	571
Total available liquidity at end of the period	<u>1,979</u>	<u>980</u>	<u>1,979</u>	<u>980</u>

The attached Notes 1 to 9 are an integral part of these interim condensed consolidated financial statements.

INVESTCORP HOLDINGS B.S.C. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Investcorp Holdings B.S.C. (the “Company” or “Parent”) is incorporated in the Kingdom of Bahrain as a Bahraini Shareholding Company with limited liability. The Company is listed on the Bahrain Bourse. The Company is a holding company owning various subsidiaries (together the “Group” or “Investcorp”). The activities of the Company are substantially transacted through its subsidiaries. The ultimate parent of the Group is SIPCO Holdings Limited (“SHL”) incorporated in the Cayman Islands.

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 March 31, 2021 were authorized for issue on May 4, 2021.

2. SEGMENT REPORTING

As at March 31, 2021, the business segments and the basis of reporting information for these segments have remained the same as for the year ended June 30, 2020.

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

The interim condensed consolidated statements of profit or loss for the nine months ended March 31, 2021 and March 31, 2020 by reporting segments are as follows:

<i>\$millions</i>	9 months July 2020 - March 2021	9 months July 2019 - March 2020 (unreviewed)
FEE BUSINESS		
AUM fees		
<i>Private equity investment</i>	64	60
<i>Credit management investment</i>	44	42
<i>Absolute return investments</i>	20	11
<i>Real estate investment</i>	19	15
Total AUM fees	147	128
Deal fees		
<i>Private equity investment</i>	69	50
<i>Real estate investment</i>	44	51
<i>Credit management investment</i>	-	0
Total deal fees	113	101
Asset based income		
<i>Strategic investments</i>	2	1
<i>Treasury and other income</i>	0	10
Total asset based income	2	11
Gross income attributable to fee business (a)	262	240
Provisions for impairment	-	(2)
Interest expense (b)	(11)	(8)
Operating expenses attributable to fee business (c)*	(182)	(169)
FEE BUSINESS PROFIT (d)	69	61
CO-INVESTMENT BUSINESS		
Asset based income		
<i>Private equity investment</i>	31	(23)
<i>Credit management investment</i>	22	12
<i>Absolute return investments</i>	1	(1)
<i>Real estate investment</i>	12	24
Gross income attributable to co-investment business (e)	66	12
Interest expense (f)	(12)	(20)
Operating expenses attributable to co-investment business (g)*	(30)	(7)
CO-INVESTMENT BUSINESS PROFIT LOSS (h)	24	(15)
PROFIT FOR THE YEAR (d) + (h)	93	46
Gross operating income (a) + (e)	328	252
Gross operating expenses (c) + (g)	(212)	(176)
Interest expense (b) + (f)	(23)	(28)

Revenue reported above represents revenue generated from external customers. There were no inter-segmental revenues during the current period (9 months to March 31, 2020: Nil).

2. SEGMENT REPORTING (CONTINUED)

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

The interim condensed consolidated statements of financial position as at March 31, 2021 and June 30, 2020 by reporting segments are as follows:

<i>March 31, 2021</i> <i>\$millions</i>	<i>Co-investment Business</i>	<i>Fee Business</i>	<i>Total</i>
Assets			
Cash, placements and other liquid assets	-	281	281
Positive fair value of derivatives	-	29	29
Receivables and prepayments	37	361	398
Advances	-	266	266
Underwritten and warehoused investments	-	415	415
Co-investments			
<i>Private equity investment</i>	379	-	379
<i>Credit management investment</i>	304	-	304
<i>Absolute return investments</i>	46	-	46
<i>Real estate investment</i>	67	-	67
<i>Strategic capital investment</i>	11	-	11
Strategic investments and intangible assets	48	144	192
Premises, equipment and other assets	-	130	130
Total assets	892	1,626	2,518
Liabilities and Equity			
Liabilities			
Payables and accrued expenses	4	470	474
Negative fair value of derivatives	-	28	28
Financing	368	353	721
Deferred fees	-	53	53
Total liabilities	372	904	1,276
Total equity	520	722	1,242
Total liabilities and equity	892	1,626	2,518

2. SEGMENT REPORTING (CONTINUED)

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

<i>June 30, 2020 (Audited)</i> <i>\$millions</i>	<i>Co-investment Business</i>	<i>Fee Business</i>	<i>Total</i>
Assets			
Cash, placements and other liquid assets	-	309	309
Positive fair value of derivatives	-	45	45
Receivables and prepayments	49	236	285
Advances	-	158	158
Underwritten and warehoused investments	-	192	192
Co-investments			
<i>Private equity investment</i>	339	-	339
<i>Credit management investment</i>	317	-	317
<i>Absolute return investments</i>	81	-	81
<i>Real estate investment</i>	71	-	71
<i>Strategic capital investment</i>	2	-	2
Strategic investments and intangible assets	47	142	189
Premises, equipment and other assets	-	135	135
Total assets	906	1,217	2,123
Liabilities and Equity			
Liabilities			
Payables and accrued expenses	5	181	186
Negative fair value of derivatives	-	26	26
Financing	335	646	981
Deferred fees	-	62	62
Total liabilities	340	915	1,255
Total equity	566	302	868
Total liabilities and equity	906	1,217	2,123

3. SHARE CAPITAL

On January 28, 2021, Investcorp issued 8.25% fixed rate resettable non-cumulative preference share capital amounting to \$252.3 million. These preference shares do not have any fixed maturity date and are redeemable at Investcorp's option only after five and a half years from date of issuance.

During the period, approximately 7.6 million shares were purchased by the management for a total consideration of approximately \$76.4 million as a result of which their shareholding increased by 9.5%.

4. COMMITMENTS AND CONTINGENT LIABILITIES

<i>\$millions</i>	<i>March 31, 2021</i>	<i>June 30, 2020 (Audited)</i>
Investment commitments to funds and co-investments	129	155
Non-cancelable operating leases:	-	0
Guarantees and letters of credit issued to third parties	-	22

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

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. Further, a tax query has been recently raised in relation to certain co-investments of the Group. The query is in its initial stages and the Group does not expect any likely claim to arise in respect of this matter. Accordingly, no provision has been made in the interim condensed consolidated financial statements.

5. 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 \$134.3 million (June 30, 2020: \$136.8 million) as compared to the carrying value of \$127.5 million (June 30, 2020: \$137.4 million). The fair value of CLO co-investments is based on inputs from independent third parties and falls under Level 3 of the fair value hierarchy disclosure. The fair value of medium and long term debt amounts to \$435.5 million (June 30, 2020: \$425.4 million) as compared to the carrying value of \$482.3 million (June 30, 2020: \$510.8 million). The fair value of medium and long term debt is based on inputs from third party banks and falls under Level 3 of the fair value hierarchy described below.

During the period, there was a transfer between level 3 to level 1 under co-investments amounting to \$12.7 million (June 30, 2020: Nil). This represents the listing on a stock exchange of previously unquoted investments. Under absolute return investments ("ARI"), an exposure of \$5.3 million (June 30, 2020: \$5.6 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 gain of \$0.4 million (June 30, 2020: loss of \$1.2 million) and the net redemptions amount to \$1 million (June 30, 2020: \$1.1 million).

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

5. 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:

<i>March 31, 2021</i>				
<i>\$millions</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets				
Placements and other liquid assets	-	100	-	100
Positive fair value of derivatives	-	29	-	29
<u>Co-investments</u>				
Private equity investment	13	-	366	379
Credit management investment	-	2	173	175
Absolute return investments	-	41	5	46
Real estate investment	-	-	67	67
Strategic capital investment	-	-	11	11
Investment in associates and joint ventures*	-	-	47	47
Other strategic investments	-	-	76	76
Underwritten and warehoused investments**	-	-	415	415
Total financial assets	13	172	1,160	1,345
Financial liabilities				
Negative fair value of derivatives	-	28	-	28
Total financial liabilities	-	28	-	28

* There will be no effect on interim condensed consolidated statement of profit or loss due to change in multiple by 0.5x on Investment in an associate. Further, the effect on interim condensed consolidated statement of profit or loss due to change in multiple by 0.5% on other strategic investments will be US\$ 0.4 million.

** Underwritten investments amounting to \$67.6 million were placed with the clients during the period. No fair value movement was recognized on underwritten investments during the period.

June 30, 2020 (Audited)

<i>\$millions</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets				
Placements and other liquid assets	-	132	-	132
Positive fair value of derivatives	-	45	-	45
<u>Co-investments</u>				
Private equity investment	4	-	335	339
Credit management investment	-	2	178	180
Absolute return investments	-	75	6	81
Real estate investment	-	-	71	71
Strategic capital investment	-	-	2	2
Investment in associates and joint ventures*	-	-	44	44
Other strategic investments	-	-	74	74
Underwritten and warehoused investments**	-	-	192	192
Total financial assets	4	254	902	1,160
Financial liabilities				
Negative fair value of derivatives	-	26	-	26
Total financial liabilities	-	26	-	26

* The effect on consolidated statement of profit or loss due to change in multiple by 0.5x on Investment in an associate will be US\$ 1.4 million. Further, the effect on consolidated statement of profit or loss due to change in multiple by 0.5% on other strategic investments will be US\$ 0.6 million.

** Underwritten investments amounting to \$278 million were placed with the clients during the year. Fair value loss of \$3.2 million was recognized on underwritten investments during the year.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A reconciliation of the opening and closing amounts of Level 3 co-investment in private equity investment (PE), credit management investment (CM), real estate investment (RE), strategic capital investment (SC) and investments in associates and joint ventures and other strategic investments is given below:

<i>March 31, 2021</i> <i>\$millions</i>	<i>At beginning</i>	<i>Net new acquisitions*</i>	<i>Fair value movements**</i>	<i>Movements relating to realizations</i>	<i>Other movements***</i>	<i>At end</i>
<i>PE co-investments</i>	335	33	23	(10)	(15)	366
<i>CM co-investments</i>	178	11	16	(37)	5	173
<i>RE co-investments</i>	71	29	(5)	(28)	0	67
<i>SC co-investments</i>	2	9	-	-	-	11
<i>Investment in associates and joint ventures</i>	44	2	2	-	(1)	47
<i>Other strategic investments</i>	74	-	3	(1)	-	76
Total	704	84	39	(76)	(11)	740

*Includes investment in PE, SC and RE of \$1.2 million, \$5 million and \$2.3 million that has been transferred from underwriting to co-investment.

**Includes \$3.2 million fair value gain on FVOCI investments and unrealized fair value gain of \$52.9 million on FVTPL investments.

***Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees, transfers to level 1

<i>June 30, 2020 (Audited)</i> <i>\$millions</i>	<i>At beginning</i>	<i>Net new acquisitions*</i>	<i>Fair value movements**</i>	<i>Movements relating to realizations</i>	<i>Other movements***</i>	<i>At end</i>
<i>PE co-investments</i>	486	62	(126)	(103)	16	335
<i>CM co-investments</i>	149	62	(26)	(6)	(1)	178
<i>RE co-investments</i>	68	26	14	(38)	1	71
<i>SC co-investments</i>	-	2	0	-	-	2
<i>Investment in associates and joint ventures</i>	38	3	1	0	2	44
<i>Other strategic investments</i>	14	100	(28)	(9)	(3)	74
Total	755	255	(165)	(156)	15	704

*Includes investment in PE and RE of \$34.7 million and \$14.4 million that has been transferred from underwriting to co-investment.

**Includes \$31.9 million fair value loss on FVOCI investments and unrealized fair value loss of \$154.5 million on FVTPL investments.

***Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees.

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

<i>March 31, 2021</i> <i>\$millions</i>	<i>Factor</i>	<i>Change</i>	<i>Balance sheet exposure</i>	<i>Projected Balance sheet Exposure</i>		<i>Impact on Income on FVTPL investments</i>		<i>Impact on Equity on FVOCI investments</i>	
				<i>For increase</i>	<i>For decrease</i>	<i>For increase</i>	<i>For decrease</i>	<i>For increase</i>	<i>For decrease</i>
<i>PE co-investments</i>	<i>EBITDA Multiples**</i>	<i>+/- 0.5x</i>	316*	334	303	14	(15)	1	(1)
	<i>Revenue Multiples</i>	<i>+/- 0.5x</i>	19	20	18	1	(1)	-	-
<i>RE co-investments***</i>	<i>Capitalization Rate **</i>	<i>-/+ 1%</i>	48*	For decrease	For increase	For decrease	For increase	For decrease	For increase
				71	32	10	(7)	13	(9)
<i>Strategic capital co-investments</i>	<i>EBITDA Multiples**</i>	<i>+/- 0.5x</i>	7*	7	7	-	-	0	(0)

<i>June 30, 2020 (Audited)</i> <i>\$millions</i>	<i>Factor</i>	<i>Change</i>	<i>Balance sheet exposure</i>	<i>Projected Balance sheet Exposure</i>		<i>Impact on Income on FVTPL investments</i>		<i>Impact on Equity on FVOCI investments</i>	
				<i>For increase</i>	<i>For decrease</i>	<i>For increase</i>	<i>For decrease</i>	<i>For increase</i>	<i>For decrease</i>
<i>PE co-investments</i>	<i>EBITDA Multiples</i>	<i>+/- 0.5x</i>	305*	317	293	11	(11)	1	(1)
	<i>Revenue Multiples</i>	<i>+/- 0.5x</i>	11	12	10	1	(1)	0	(0)
<i>RE co-investments***</i>	<i>Capitalization Rate</i>	<i>-/+ 1%</i>	50*	For decrease	For increase	For decrease	For increase	For decrease	For increase
				66	40	14	(9)	2	(1)
<i>Strategic capital co-investments</i>	<i>EBITDA Multiples</i>	<i>+/- 0.5x</i>	2	2	2	-	-	(0)	0

*Excludes exposures of \$54 million (June 30, 2020: \$40 million) which are fair valued based on recent transaction prices or bids. The effect on equity due to a 5% change in the prices/bids for these investments will be \$3 million (June 30, 2020: \$2 million).

** Represents implied EBITDA Multiples and Capitalization Rate

*** Implied changes for investments valued using DCF model.

6. RELATED PARTY TRANSACTIONS AND BALANCES

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

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 2020 - March 2021	July 2019 - March 2020 (unreviewed)
AUM fees	Investee and investment holding companies	116	103
Deal fees	Investee and investment holding companies	55	60
Asset based income	Investee companies	19	29
Interest expense	Investment holding companies	0	0
Operating expenses	Directors' remuneration	1	1

6. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	March 31, 2021			June 30, 2020		
	Assets	Liabilities	Off-balance sheet	Assets	Liabilities	Off-balance sheet
<i>\$millions</i>						
Outstanding balances						
Co-investments	807	-	-	810	-	-
Underwritten and warehoused investments	415	-	-	192	-	-
Strategic investments	69	-	-	71	-	-
Strategic shareholders	24	-	-	10	-	-
Investee companies	72	1	-	61	2	22
Investment holding companies	183	-	129	185	0	155
Financing	-	144	-	-	261	-
Directors and senior management	-	1	-	-	2	-
	1,570	146	129	1,329	265	177

7. 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.

8. 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.

These interim condensed consolidated financial statements are reviewed, not audited. Due to the outbreak of the novel coronavirus (COVID-19), the Central Bank of Bahrain had exempted all public shareholding companies and locally incorporated banks from preparation and publication of their interim condensed consolidated financial statements for the period ended March 31, 2020. Accordingly, the comparatives for the interim condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended June 30, 2020 while the comparatives for the interim condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity have been extracted from the management accounts for the nine month period ended March 31, 2020. Further, the comparative information included in the interim condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity are not reviewed.

8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has adopted the below listed amendments to standards effective from July 1, 2020. The adoption of these amendments did not have any material impact on the interim condensed consolidated financial statements of the Group.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 - Definition of a Business
- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform
- Amendments to IFRS 16 - COVID-19-related rent concessions

Standard and amendments to standards issued but not yet effective

Standard and amendments to standards issued but not yet effective up to the date of the Group's interim condensed consolidated financial statements are listed below. The Group intends to adopt applicable standard and amendments to standards when they become effective.

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 – Phase 2 of Interest Rate Benchmark Reform (issued August 2020, effective for annual periods beginning on or after January 1, 2021);
- Amendments to IFRS 3 - Reference to the Conceptual Framework (issued May 2020, effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 - Proceeds before Intended Use (issued May 2020, effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract (issued May 2020, effective for annual periods beginning on or after January 1, 2022);
- Amendments resulting from Annual Improvements to IFRS Standards 2018 - 2020 - effective for annual periods beginning on or after January 1, 2022;
- IFRS 17 Insurance Contracts (issued May 2017; effective for annual periods beginning on or after January 1, 2023); and
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current (issued January 2020; effective for annual periods beginning on or after January 1, 2023).

9. SUBSEQUENT EVENTS

During the period, Investcorp entered into an agreement to divest its indirect interest in Banque Paris Bertrand. The transaction is expected to close during the last quarter of financial year 2021, subject to regulatory approvals.

**INVESTCORP HOLDINGS B.S.C.
SUPPLEMENTARY DISCLOSURES (UNAUDITED)****IMPACT OF CURRENT ECONOMIC SITUATION**

Financial results for the three month period ended March 31, 2021 (“Q3 FY21”) were driven by solid performance across all business lines resulting in net income of US\$ 29 million as compared to a loss of US\$ 2 million for the three month period ended March 31, 2020 (“Q3 FY20”). Fee income increased by 54% compared to Q3 FY20. Further, the continued recovery in asset values, driven by improved operating results of underlying portfolio companies as well as buoyant financial markets, resulted in a positive asset-based income.

Assets Under Management (AUM) as of March 31, 2021 grew to US\$ 35.4 billion, a 1% increase compared to US\$ 34.9 billion as of December 31, 2020. Activity metrics were also solid with investment activity of US\$ 0.6 billion, placement and fundraising of US\$ 1 billion and distributions of US\$ 1.2 billion.

As of March 31, 2021, total equity was US\$ 1.2 billion and total accessible liquidity was approximately US\$ 2 billion. Prudent capital and liquidity management have served the Group well during this unprecedented crisis allowing a focus on employees’ safety and business continuity.

The financial position and liquidity profile provide confidence that the Group has sufficient financial resources for the foreseeable future. Consequently, the Group’s management believe that the Group is well positioned to manage its businesses and its liabilities as they fall due.