INVESTCORP S.A.

CONSOLIDATED

FINANCIAL STATEMENTS

JUNE 30, 2021
FISCAL YEAR 2021

Building a better
working world

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

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com
C.R. no. 6700

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INVESTCORP S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Investcorp S.A. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young

3 August 2021
Manama, Kingdom of Bahrain

INVESTCORP S.A.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

$millions	***2021***	***2020***	*Notes*
FEE INCOME			
AUM fees	217	188	
Deal fees	139	100	
Fee income (a)	356	288	
Asset based income (loss) (b)	104	(117)	
Gross operating income (a) + (b)	460	171	
Provisions for impairment	(4)	(26)	13
Interest expense	(31)	(40)	
Operating expenses	(287)	(268)	5
PROFIT (LOSS) BEFORE TAX	138	(163)	
Income tax expense	(13)	(2)	6
PROFIT (LOSS) FOR THE YEAR	125	(165)	
Profit (loss) for the year attributable to :			
Equity holders of the parent	124	(165)	
Non-controlling interest	1	0	
	125	(165)	
EARNINGS PER SHARE			
Basic earnings per ordinary share ($)	1.42	(2.57)	
Fully diluted earnings per ordinary share ($)	1.34	(2.57)	

Mohammed Mahfoodh Alardhi
Director

Jan Erik Back
Director

The attached Notes 1 to 26 are an integral part of these consolidated financial statements.

INVESTCORP S.A.
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

$millions	***2021***	***2020***	*Notes*
PROFIT (LOSS) FOR THE YEAR	125	(165)	
Other comprehensive income (loss) that will be recycled to statement of profit or loss			
Fair value movements - cash flow hedges	2	(2)	
Movements - Fair value through other comprehensive income investments	17	(14)	
Other comprehensive loss that will not be recycled to statement of profit or loss			
Movements - Fair value through other comprehensive income investments	(11)	(29)	
Other comprehensive income (loss)	8	(45)	
TOTAL COMPREHENSIVE INCOME (LOSS)	133	(210)	
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	132	(210)	
Non-controlling interest	1	0	
	133	(210)	

Mohammed Mahfoodh Alardhi
Director

Jan Erik Back
Director

The attached Notes 1 to 26 are an integral part of these consolidated financial statements.

INVESTCORP S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

$millions	*June 30, 2021*	*June 30, 2020*	*Notes*
ASSETS			
Cash, placements and other liquid assets	278	300	
Positive fair value of derivatives	46	45	19
Receivables and prepayments	395	281	7
Advances	304	158	8
Due from a related party	27	-	24
Underwritten and warehoused investments	445	192	9
Co-investments	705	884	10
Investments in joint ventures, associates and intangible assets	76	115	11
Premises, equipment and other assets	104	113	12
TOTAL ASSETS	2,380	2,088	
LIABILITIES AND EQUITY			
LIABILITIES			
Due to a related party	-	25	24
Payables and accrued expenses	294	127	14
Negative fair value of derivatives	30	26	19
Financing	732	980	15
Deferred fees	52	62	16
TOTAL LIABILITIES	1,108	1,220	
EQUITY			
Preference share capital	375	123	17
Ordinary shares at par value	200	200	17
Reserves	296	296	
Treasury shares	(32)	(104)	
Retained earnings	394	339	
Ordinary shareholders' equity excluding proposed appropriations and other reserves	858	731	
Proposed appropriations	44	22	
Other reserves	(7)	(9)	18
Non-controlling interests	2	1	
TOTAL EQUITY	1,272	868	
TOTAL LIABILITIES AND EQUITY	2,380	2,088	

Mohammed Mahfoodh Alardhi
Director

Jan Erik Back
Director

The attached Notes 1 to 26 are an integral part of these consolidated financial statements.

INVESTCORP S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

$millions	Preference share capital	Ordinary share capital	Share premium	Treasury shares	Retained earnings	Statutory reserve	Fair value reserve	Total	Proposed appropriations	Other reserves	Non-controlling interests	Total equity
Balance at July 1, 2019	**123**	**200**	**237**	**(74)**	**544**	**100**	**(16)**	**991**	**38**	**(7)**	**-**	**1,145**
Restatement arising from adoption of IFRS 16	-	-	-	-	(2)	-	-	(2)	-	-	-	(2)
Balance at July 1, 2019	**123**	**200**	**237**	**(74)**	**542**	**100**	**(16)**	**989**	**38**	**(7)**	**-**	**1,143**
Total comprehensive income	-	-	-	-	(165)	-	(43)	(208)	-	(2)	-	(210)
Transferred to retained earnings upon derecognition	-	-	-	-	(16)	-	16	-	-	-	-	-
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	0	-	-	0	-	(0)	-	-
Treasury shares purchased during the year - net of sales and vesting	-	-	-	(28)	-	-	-	(28)	-	-	-	(28)
Gain on vesting of treasury shares	-	-	2	(2)	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	1	1
Approved appropriations for fiscal 2019 paid	-	-	-	-	-	-	-	-	(38)	-	-	(38)
Proposed appropriations for fiscal 2020	-	-	-	-	(22)	-	-	(22)	22	-	-	-
Balance at June 30, 2020	**123**	**200**	**239**	**(104)**	**339**	**100**	**(43)**	**731**	**22**	**(9)**	**1**	**868**
Balance at July 1, 2020	**123**	**200**	**239**	**(104)**	**339**	**100**	**(43)**	**731**	**22**	**(9)**	**1**	**868**
Total comprehensive income	-	-	-	-	124	-	6	130	-	2	1	133
Transferred to retained earnings upon derecognition	-	-	-	-	(25)	-	25	-	-	-	-	-
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	0	-	-	0	-	(0)	-	-
Treasury shares sold and vested during the year - net of purchases	-	-	-	60	-	-	-	60	-	-	-	60
Loss on vesting and purchase of shares	-	-	(28)	12	-	-	-	(16)	-	-	-	(16)
Preference shares issued during the year	252	-	(3)	-	-	-	-	(3)	-	-	-	249
Approved appropriations for fiscal 2020 paid	-	-	-	-	-	-	-	-	(22)	-	-	(22)
Proposed appropriations for fiscal 2021	-	-	-	-	(44)	-	-	(44)	44	-	-	-
Balance at June 30, 2021	**375**	**200**	**208**	**(32)**	**394**	**100**	**(12)**	**858**	**44**	**(7)**	**2**	**1,272**

The attached Notes 1 to 26 are an integral part of these consolidated financial statements.

INVESTCORP S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

$millions	*2021*	*2020*	*Notes*
OPERATING ACTIVITIES			
Profit (loss) before tax	138	(163)	
Adjustments for non-cash items in profit before tax :			
Depreciation and amortization	18	17	
Provisions for impairment	4	26	13
Employee deferred awards	26	33	
Operating profit (loss) adjusted for non-cash items	186	(87)	
Changes in:			
Operating capital			
Placements (non-cash equivalent)	(12)	(44)	
Receivables, prepayments and advances	(231)	(24)	7, 8
Underwritten and warehoused investments	(253)	142	9
Due to a related party	(25)	(2)	24
Due from a related party	(27)	0	24
Payables and accrued expenses	151	(26)	14
Deferred fees	(10)	(1)	16
Co-investments	185	82	10
Investments in joint ventures and associates	(5)	-	11
Fair value of derivatives	(14)	5	
Income taxes paid	(9)	(12)	
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(64)	33	
FINANCING ACTIVITIES			
Financing - net of transaction costs and new issuances	(233)	(25)	15
Preference shares issued - net of expenses	249	-	
Shares purchased - net of sales	38	(45)	
Dividends paid	(22)	(38)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES	32	(108)	
INVESTING ACTIVITIES			
Acquisition of subsidiaries	-	(21)	
Investment in associates and joint ventures	-	(6)	11
Investment in premises and equipment	(2)	(8)	
NET CASH USED IN INVESTING ACTIVITIES	(2)	(35)	
Net decrease in cash and cash equivalents	(34)	(110)	
Cash and cash equivalents at beginning of the year	256	366	
Cash and cash equivalents at end of the year	222	256	
Cash and cash equivalents comprise of:			
Cash and short-term funds	150	121	
Placements with financial institutions and other liquid assets	72	135	
	222	256	

Additional cash flow information

$millions	*2021*	*2020*
Interest paid	(31)	(39)
Interest received	57	40

Additional liquidity information

$millions	*2021*	*2020*	
Cash and cash equivalents at end of the year	222	256	
Placements (non-cash equivalent)	56	44	
Total cash, placements and other liquid assets	278	300	
Available / undrawn balances	1,251	917	15
Total available liquidity at end of the year	1,529	1,217	

The attached Notes 1 to 26 are an integral part of these consolidated financial statements.

INVESTCORP S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

(i) Incorporation

Investcorp S.A. (the "Company") was originally incorporated as a limited liability company in the Grand Duchy of Luxembourg and qualified as a financial holding company. On May 18, 2010, the Company shifted its domicile to the Cayman Islands as an exempted limited liability company. The address of the registered office of the Company is at the offices of Paget Brown Trust Company Ltd., Boundary Hall, Cricket Square, P.O. Box 1111, Grand Cayman, KY1-1102, Cayman Islands.

The Company is an indirect wholly-owned subsidiary of Investcorp Holdings B.S.C. ("Investcorp Holdings"), which is incorporated in the Kingdom of Bahrain as a Bahraini shareholding company with limited liability. Investcorp Holdings and its subsidiaries, including the Company, are referred to herein as ("Investcorp"). The Company's immediate holding company is Investcorp Holdings Limited ("IHL").

The activities of the Company are substantially transacted through its subsidiaries. The Company and its subsidiaries are referred to herein as the ("Group").

The ultimate parent of the Group is SIPCO Holdings Limited ("SHL"), incorporated in the Cayman Islands [see Note 1(iii)].

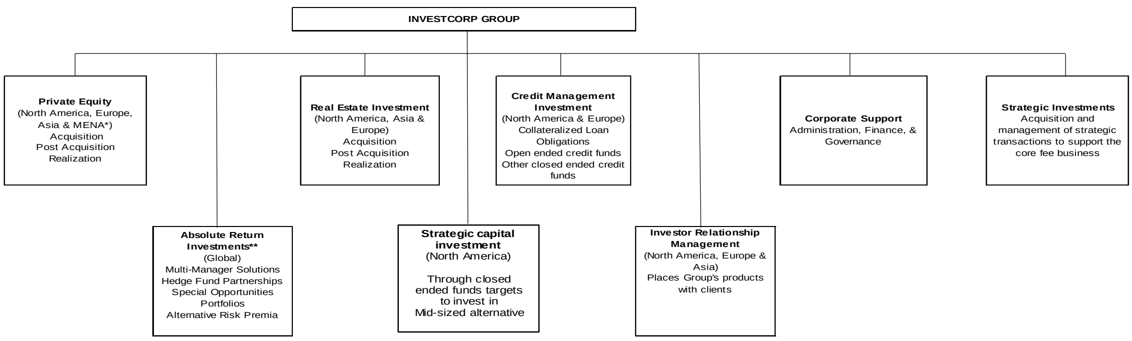
The consolidated financial statements for the year ended June 30, 2021 were authorized for issue in accordance with a resolution of the Board of Directors effective on August 3, 2021.

(ii) Activities

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

In performing its principal roles, the Group provides products in five investment asset classes. The investment asset classes in which the Group specializes are private equity investments, credit management investments, absolute return investments, real estate investments and strategic capital investments. Each of the asset classes is comprised of its own dedicated team of investment professionals and is supported by a common investment relationship management (previously called "placement and relationship management") team and corporate support units.

The Group represents 99.5% (2020: 98.4%) of the assets of Investcorp and it is therefore an integral part of Investcorp. For that reason, certain of the disclosures in these Notes relate to Investcorp or the Board of Directors of Investcorp Holdings B.S.C.



*Includes Turkey
**In May 2020, Investcorp entered into a joint venture with Tages Group to which the ARI business was transitioned.

1. ORGANIZATION (CONTINUED)

(iii) Ownership

The Company is an indirect wholly-owned subsidiary of Investcorp, which is controlled by Ownership Holdings Limited (“OHL”), through OHL’s direct shareholding, and its indirect shareholding through C.P. Holdings Limited (“CPHL”), and its largest shareholder SIPCO Limited (“SIPCO”) through its direct ownership, of the issued ordinary shares of Investcorp. SIPCO, a subsidiary of SHL, is the entity through which Investcorp employees own beneficial interests in the ordinary shares of Investcorp Holdings B.S.C.

As a result of Investcorp’s ownership structure, the directors of SIPCO, comprised of certain of Investcorp’s directors and senior executive officers who are also the directors of OHL’s sole director, which is a Cayman Islands corporation, have the ability to control the voting of 52.9% (2020: 52.9%) of Investcorp Holdings B.S.C.’s ordinary shares.

SHL, SIPCO, OHL and CPHL are companies incorporated in the Cayman Islands.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

(iv) Subsidiary companies

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

Investcorp has a 100% (June 30, 2020: 100%) economic interest in Investcorp Holdings Limited ("IHL"), incorporated in the Cayman Islands, through its ownership of Series A and Series B preference shares issued by IHL. These preference shares have the right to 100% of all dividends declared by IHL and 100% of IHL’s net assets in the event of liquidation subject to the payment of a nominal amount in respect of IHL’s ordinary shares. CPHL, OHL and SIPCO Limited own ordinary shares of IHL to facilitate the investment protection mechanism described in the Annual Report of Investcorp. Please see Ownership Structure, Corporate Governance and Regulation section of the Annual Report of Investcorp. The ordinary shares and Series A preference shares of IHL carry voting rights.

The non-controlling interests in the consolidated financial statements represents the 24% (June 30, 2020: 24%) of equity position in CM Investment Partners LLC and 20% (June 30, 2020: 20%) of equity position in in IVC Titan Acquisition LLC.

1. ORGANIZATION (CONTINUED)

(iv) Subsidiary companies (continued)

Investcorp's structure along with its significant subsidiaries is illustrated below:

Parent	Wholly owned significant subsidiaries	Description of principal activities
Investcorp Holdings B.S.C. (Bahrain)		Bahrain-based parent company of the Group.
	Investcorp Holdings Limited (Cayman Islands)	Holding company that provides *force majeure* investment protection to shareholders and lenders.
	Investcorp S.A. (Cayman Islands)	Holding company that is the principal operating and asset owning arm of the Group.
	Investcorp Capital Limited (Cayman Islands)	Company that issues the Group's long-term notes and other capital market financings.
	Investcorp Investment Holdings Limited (Cayman Islands)	Company through which the Group retains its equity investments across its product classes.
	Investcorp Management Services Limited (Cayman Islands)	Company that provides administrative services to non-United States client investment holding companies for private equity and real estate investments.
	Investcorp Investment Advisers Limited (Cayman Islands)	Company that provides investment management and advisory services to investment funds including absolute return investments (ARI) and is an SEC registered investment advisor.
	Investcorp Funding Limited (Cayman Islands)	Company that provides short-term funding to investee and client investment holding companies.
	Investcorp Trading Limited (Cayman Islands)	Company that executes the Group's money market, foreign exchange and derivative financial contracts, invests in hedge funds partners and manages the Group's excess liquidity.
	CIP AMP Limited (Cayman Islands)	Company through which the Group co-invests in ARI products.
	Investcorp International Limited (UK)	The Group's principal operating subsidiary in the UK which employs the group's UK-based employees.
	Investcorp Securities Ltd. (UK)	Company that provides M & A consulting services for deal execution in Europe and acts as a Small AIFM and RIA, regulated by the UK FCA and the SEC.
	Investcorp International Holdings Inc. (USA)	The Group's holding company in the United States of America.
	Investcorp International Inc. (USA)	Employs the group's United States-based employees.
	N A Investcorp LLC (USA)	Company is an SEC registered broker dealer that provides marketing services in the United States for the ARI and real estate funds and investment banking services for M&A transactions.
	Investcorp Investment Advisers LLC (USA)	Company that provides investment management and advisory services in the United States for investment funds, including ARI, and is an SEC registered investment advisor.
	Investcorp Credit Management US LLC (USA)	Company that provides investment management and advisory services to various debt funds in the US and is an SEC registered investment adviser.
	CM Investment Partners LLC (USA)	Company that provides investment advisory services in the United States for investments in floating rate first lien, second lien, unitranche loans, mezzanine loans/structured equity and in the equity of middle-market companies.
	Investcorp Financial Services BSC (c) (Bahrain)	Company that provides investment management and advisory services in MENA region and acts as principal agent in Bahrain for placements of the products offered by the Group.
	Investcorp Europe Holdings Limited (UK)	Company that acts as a holding company for Banque Paris Bertrand Sturdza and risk retention vehicle.
	Investcorp Credit Management EU Limited (UK)	Company that provides investment management and advisory services to various debt funds in the UK and is regulated by the UK FCA.
	Investcorp Asia Services Pte. Ltd. (Singapore)	The Group's holding company in Singapore.
	Investcorp India Asset Managers Private Limited (India)	Company that acts as the Fund Manager and Investment adviser for investments in India.
	Investcorp Asia Financial Services Pte Ltd (Singapore)	Company that provides investment management and advisory services in Asia region and acts as principal agent in Asia for placements of the products offered by the Group.
	Investcorp Investments LLC (Qatar)	Company that acts as principal agent of the Group in Qatar for placements of the products offered by the Group.
	Investcorp Saudi Arabia Financial Investments Co (Saudi Arabia)	Company that acts as principal agent of the Group in Saudi Arabia for placements of the products offered by the Group.

2. 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 year end are as follows:

	June 30, 2021				June 30, 2020			
$millions	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Private equity investment								
*Closed-end committed funds*****	1,424	131	176	1,731	1,170	93	144	1,407
Closed-end invested funds	1,460	53	159	1,672	1,488	58	16	1,562
Deal-by-deal	2,581	195 *	141	2,917	2,251	269 *	143	2,663
Deal-by-deal underwriting	-	274	-	274	-	59	16	75
Total private equity investment	**5,465**	**653**	**476**	**6,594**	**4,909**	**479**	**319**	**5,707**
Credit management investment								
Closed-end invested funds	13,321	288	43	13,652	12,001	294	-	12,295
Closed-end committed funds	483	8	-	491	491	34	-	525
Open-end invested funds	371	10	-	381	314	10	-	324
Warehousing	-	37	100	137	-	0	0	0
Total credit management investment	**14,175**	**343**	**143**	**14,661**	**12,806**	**338**	**0**	**13,144**
Absolute return investments**								
Multi-manager solutions	3,158	11	5	3,174	2,939	28	3	2,970
Hedge funds partnerships	3,703	11	-	3,714	2,479	24	-	2,503
Special opportunities portfolios	593	18	3	614	564	29	2	595
Alternative risk premia	49	-	-	49	40	-	-	40
Total absolute return investments	**7,503**	**40**	**8**	**7,551**	**6,022**	**81**	**5**	**6,108**
Real estate investment								
Closed-end committed funds	-	-	-	-	65	15	-	80
Closed-end invested funds	117	-	-	117	119	-	-	119
*Deal-by-deal****	6,068	325	915	7,308	5,134	565	316	6,015
*Deal-by-deal underwriting****	-	122	-	122	-	125	66	191
Total real estate investment	**6,185**	**447**	**915**	**7,547**	**5,318**	**705**	**382**	**6,405**
Strategic Capital investment								
Closed-end committed funds	332	40	6	378	87	40	6	133
Deal-By-Deal	28	-	9	37	28	-	-	28
Total strategic capital investment	**360**	**40**	**15**	**415**	**115**	**40**	**6**	**161**
Infrastructure****								
Closed-end committed funds	90	25	25	140	-	-	-	-
Total Infrastructure investment	**90**	**25**	**25**	**140**	**-**	**-**	**-**	**-**
Strategic and other investments								
Strategic investments	-	58	-	58	-	74	-	74
Total strategic investments	**-**	**58**	**-**	**58**	**-**	**74**	**-**	**74**
Client balances with trusts	**662**	-	-	**662**	567	-	-	567
Total	**34,440**	**1,606**	**1,582**	**37,628**	**29,737**	**1,717**	**712**	**32,166**
Summary by products:								
Closed-end committed funds	1,846	196	207	2,249	1,235	108	144	1,487
Closed-end invested funds	1,577	53	159	1,789	1,694	98	22	1,814
Credit management funds	14,175	306	43	14,524	12,806	338	-	13,144
Absolute return investments	7,503	40	8	7,551	6,022	81	5	6,108
Deal-by-deal	8,677	520	1,065	10,262	7,413	834	459	8,706
Underwriting and warehousing	-	433	100	533	-	184	82	266
Client monies held in trust	662	-	-	662	567	-	-	567
Strategic and other investments	-	58	-	58	-	74	-	74
Total	**34,440**	**1,606**	**1,582**	**37,628**	**29,737**	**1,717**	**712**	**32,166**
Summary by asset classes:								
Private equity investment	5,465	653	476	6,594	4,909	479	319	5,707
Credit management investment	14,175	343	143	14,661	12,806	338	-	13,144
Absolute return investments	7,503	40	8	7,551	6,022	81	5	6,108
*Real estate investment****	6,185	447	915	7,547	5,318	705	382	6,405
Strategic capital investment	360	40	15	415	115	40	6	161
Client monies held in trust	662	-	-	662	567	-	-	567
Infrastructure	90	25	25	140	-	-	-	-
Strategic and other investments	-	58	-	58	-	74	-	74
Total	**34,440**	**1,606**	**1,582**	**37,628**	**29,737**	**1,717**	**712**	**32,166**

** Includes Group's commitment of 4 million (June 30, 2020: $4million) to a private equity deal.*

*** Stated at gross value of the underlying exposure. Also, includes $4.9 billion (June 30, 2020: $3.7 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM. In May 2020, Investcorp entered into a joint venture with Tages Group through which the ARI business was transferred. As at June 30, 2021, the total AUM held through joint ventures amounted to $7.6 billion (June 30 2020: $6.1 billion).*

**** Real estate investment stated at gross asset value. Also, includes $0.3 billion (June 30, 2020: Nil) of assets under management relating to property management business.*

***** As of June 30, 2021, Investcorp managed AUM amounting to $0.2 billion through its joint ventures for PE investment business*

****** As of June 30, 2020, Investcorp's associate managed AUM amounting to $6 million which is currently nil due to the sale of the associate (Note 11 C).*

2. ASSETS UNDER MANAGEMENT (CONTINUED)

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

Certain of Investcorp clients invest their cash with various trusts (the "Trusts"). These Trusts are controlled by an independent third-party trustee, who have appointed a subsidiary of Investcorp for providing management services. The Trusts' balances are invested in highly liquid assets, which have a credit rating no lower than that of Investcorp, or are lent to Investcorp under a multicurrency term and revolving loan facility.

Client investments with the Trusts earn the return generated from the investment of such assets, with a guaranteed minimum return equivalent to inter-bank based market rates.

Trust funds and other clients assets including, affiliates and co-investors, are managed in a fiduciary capacity by Investcorp. Investcorp has no entitlement to these assets and clients bear all of the risks and earn a majority of the rewards on their investments, subject to normal management and performance fee arrangements. Accordingly, these assets are not included in the Group's consolidated statement of financial position.

3. SEGMENT REPORTING

A. REPORTING SEGMENTS

The business segments reported are based on the two primary reporting segments into which the Group classifies its activities.

*i) **Fee Business***

The Group acts as an intermediary by acquiring, managing and realizing investments for institutional and high net worth clients. The Group operates through centers in the Arabian Gulf, the US, Europe, India and Singapore. The Group's clients primarily include institutional and high net worth clients in Arabian Gulf states and institutional investors in the United States, Europe and Asia. Fee income is earned throughout the life cycle of investments by providing intermediary services to clients.

*ii) **Co-investment Business***

The Group co-invests along with its clients in the investment products it offers to clients. Income from these co-investments in private equity investments, absolute return investments, real estate investments, strategic capital investment and credit management investments are earned during the life cycle of the investments either in form of fair value changes or cash flows in form of dividends, interest and rental yields.

B. ASSET CLASSES AND PRODUCTS

The Group classifies its two primary reporting segments further on the basis of asset classes and products:

Asset Classes	Products
1) Private equity investments	- Deal by deal offerings - Closed-end fund(s)
2) Credit management investments	- Open-end fund(s) - Closed-end fund(s)
3) Absolute return investments	- Multi-manager solutions - Hedge fund partnerships - Alternative risk premia - Special opportunities portfolios
4) Real estate investments	- Deal by deal offerings - Closed-end fund(s)
5) Strategic capital investments	- Closed-end fund(s)
6) Other investments	- Deal by deal offerings - Closed-end fund(s)

3. SEGMENT REPORTING (CONTINUED)

B. ASSETS CLASSES AND PRODUCTS (CONTINUED)

The asset classes, together with their related product offerings, are described in further detail below:

*i) **Private Equity Investments (PE)***

The PE teams are based in London, New York, the Kingdom of Bahrain, Singapore and India. The PE teams based in London and New York arrange private equity investments in mid-size companies, in North America and Western Europe, with a strong track record and potential for growth. The PE team based in the Kingdom of Bahrain and India primarily looks at growth capital investments in the wider MENA region (including Turkey) and India respectively. The PE team in Singapore looks into opportunities in Asian markets. These PE investments are placed primarily on a deal-by-deal basis and are also offered through conventional fund structures to investors. The Group retains a small portion as a co-investment.

*ii) **Credit Management Investments (CM)***

The CM teams are based in London and New York. The teams primarily manage Investcorp's CM business which includes proprietary co-investments as well as client assets under management. The CM teams' business activity comprises of launching and managing of CLO funds in North America and Europe with an approximate size of each fund of US$500 million / €400 million and development and management of other debt funds that invest in debt of companies in North America and Europe. The business aims to achieve consistent outperformance against market returns for debt investors through active and diversified portfolio management.

*iii) **Real Estate Investments (RE)***

The RE teams are based in New York, London and India. The RE teams in North America and Europe arrange investments in properties with strong cash flows and/or potential for attractive capital gains over a three to five year holding period. Several properties are assembled into diversified portfolios that are then placed with the Group's investor base in the Arabian Gulf states and United States, with the Group retaining a small portion as a co-investment. Further, the Group also provides its investor base with mezzanine investment opportunities through fund structures, with the Group retaining a small portion as a co-investment. The Group also manages investments certain properties throughout the Southeast, Northeast, Midwest and Texas. The RE India business currently has two active funds. The funds provide structured senior credit within the residential real estate sector.

*iv) **Strategic Capital Investment (SC)***

The Group is executing an investment strategy, through a fund structure, focused on acquiring minority interests in alternative asset managers, particularly GPs who manage longer-duration private capital strategies (e.g. private equity, private credit, real estate). Through the New York-based team, the Group focuses on GPs with strong track records, exceptional teams, and attractive growth prospects.

3. SEGMENT REPORTING (CONTINUED)

B. ASSETS CLASSES AND PRODUCTS (CONTINUED)

v) ***Absolute Return Investments (ARI)***

During FY20, Investcorp entered into a 50/50 joint venture agreement with Tages Group, a leading European alternative asset management firm. The new joint venture is named Investcorp-Tages Limited (the "JV") and has been structured as a standalone entity which will manage the absolute return investments of the combined entities. Prior to transitioning into a JV structure during FY20, the ARI team, primarily operating from New York, managed Investcorp's ARI business which included proprietary co-investments as well as client assets under management. The JV now primarily operates out of New York and London. The ARI business continues to comprise of managing investments in multi-manager solutions, special opportunities portfolios and hedge fund partnership products. The business aims to achieve attractive returns on a risk-adjusted basis over a medium-term period with low correlation to traditional and other asset classes, through a diversified portfolio of investments.

C. REVENUE GENERATION

i) ***Fee income***

There are several components of fees that are earned from providing intermediary services to clients and investee companies.

AUM fees

AUM fees consist of

- management, administrative and recurring consulting fees earned on PE, RE and SC investments from client's investment holding companies, investee companies and closed-end funds;
- placement fees earned on PE and RE investments from program clients;
- management, performance and other fees earned on CM assets under management;
- management, performance and other fees earned on ARI assets under management before the transition of the ARI business to the JV; and
- fee paid by the ARI JV for services provided by Investcorp Group.

Deal fees

Deal fees are comprised of activity fees and performance fees on PE, RE and SC investments.

Activity fees comprise fees earned by the Group from investee companies in connection with new PE or RE acquisitions. This also includes part of the placement fees earned by the Group from clients excluding program clients at the time of placing a new investment with them (usually as a percentage of the total subscription from a client), and ancillary fees that are earned from investee companies for providing consulting services.

Performance fees on PE and RE deals are calculated as a portion of the gain earned by the Group on the clients' investments that exceed a specified hurdle performance/rate.

3. SEGMENT REPORTING (CONTINUED)

C. REVENUE GENERATION (CONTINUED)

ii) ***Asset based income***

This includes realized as well as unrealized gains and losses on investments which are measured at Fair Value Through Profit or Loss (“FVTPL”), interest on all debt instruments, rental income distributions from RE co-investments and impairment on all debt instruments classified as Fair Value Through other comprehensive income (“FVOCI”) or held at amortized cost.

All other income that is common to the Group (such as income arising from the deployment of the Group's excess liquidity and interest earned on other advances) is classified as treasury and other income.

D. SEGREGATION OF ASSETS

Assets directly attributable to the Co-investment Business are primarily in the form of co-investments by the Group in each asset class, and any associated working capital items. All other assets, including cash and receivables, are recorded under the Fee Business.

E. ALLOCATION OF EQUITY, LIABILITIES AND INTEREST EXPENSE

Total equity allocated to the Fee Business is determined by the amount of economic capital needed to support ongoing underwriting activity and associated working capital requirements. The remaining amount of total equity is allocated to the Co-investment Business. Revaluation reserves and other components of equity are allocated to the relevant reporting segment on the basis of the asset or liability to which they relate.

Having determined the assets directly attributable to each reporting segment, and the economic capital requirements, the Group allocates liabilities (debt funding) to each reporting segment based on the relative maturity profile of the segment’s assets. Long term debt including loans secured by co-investments in CM are allocated to the Co-investment Business to the extent possible with the residual being allocated to Fee Business. Short term financing, medium term debt, other associated working capital and the fair value of derivatives are allocated to the Fee Business. The allocation of liabilities determined above, in turn, drives the allocation of interest expense for each reporting segment.

F. ALLOCATION OF OPERATING EXPENSES

A portion of the operating expenses for the Co-investment Business are allocated using a fixed rate charge on the aggregate co-investments, excluding underwriting, at the beginning and middle of the year. There is an additional potential expense for the co-investment business in the form of incentive payments if the net asset based income from the Co-investment Business exceeds a certain hurdle. All residual operating expenses are allocated to the Fee Business.

3. SEGMENT REPORTING (CONTINUED)

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS

The consolidated statements of profit or loss by reporting segments are as follows:

$millions	*2021*	*2020*
FEE BUSINESS		
AUM fees		
Private equity investment	91	88
Credit management investment	59	55
Absolute return investments	25	14
Real estate investment	35	28
Strategic capital investment	7	3
Total AUM fees	217	188
Deal fees		
Private equity investment	77	45
Credit management investment	1	0
Real estate investment	61	55
Total deal fees	139	100
Asset based income		
Other strategic investments	(11)	(27)
Investment in joint ventures and associates	4	-
Treasury and other income	(3)	2
Total asset based loss	(10)	(25)
Gross income attributable to fee business (a)	346	263
Provisions for impairment	(4)	(26)
Interest expense (b)	(15)	(12)
Operating expenses attributable to fee business (c)*	(252)	(263)
FEE BUSINESS PROFIT (LOSS) (d)	75	(38)
CO-INVESTMENT BUSINESS		
Asset based income		
Private equity investment	42	(96)
Credit management investment	49	(22)
Absolute return investments	1	(5)
Real estate investment	16	31
Treasury and other asset based income	6	-
Gross income (loss) attributable to co-investment business (e)	114	(92)
Interest expense (f)	(16)	(28)
Operating expenses attributable to co-investment business (g)*	(48)	(7)
CO-INVESTMENT BUSINESS PROFIT (LOSS) (h)	50	(127)
PROFIT (LOSS) FOR THE YEAR (d) + (h)	125	(165)
Gross operating income (a) + (e)	460	171
Gross operating expenses (c) + (g)	(300)	(270)
Interest expense (b) + (f)	(31)	(40)

* including income tax expense

3. SEGMENT REPORTING (CONTINUED)

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS (CONTINUED)

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues during the year (2020: nil).

$113.2 million (2020: $101 million) of deal fees relates to activity fees and $26.2 million of performance fee was recognized during the year (2020: $0.8 million of reversal).

Treasury and other income includes $11.5 million (2020: $10.6 million) of interest income. CM asset based income includes $22.6 million (2020: $18.0 million) of interest income.

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

All significant activities of the Group are performed on an integrated, worldwide basis. The Group's clients and trading partners also operate in the international market place, and neither their domicile nor the geographical location of a transaction is necessarily related to the country in which the asset or liability underlying the transaction is located. Consequently, any geographical segmentation of revenues would be potentially misleading. As such, segmentation of revenues and cashflows by region has not been presented. Notes 10 and 21 (iv) present the geographical split of assets and off-balance sheet items.

The cashflows generated from the business segments and asset classes have been presented under the operating activities in the cashflow statement, as these arose in the normal course of the business.

3. SEGMENT REPORTING (CONTINUED)

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS (CONTINUED)

The consolidated statements of financial position by reporting segments are as follows:

June 30, 2021 *$millions*	*Co-investment Business*	*Fee Business*	*Total*
Assets			
Cash, placements and other liquid assets	-	278	278
Positive fair value of derivatives	-	46	46
Receivables and prepayments	38	357	395
Advances	-	304	304
Due from a related party	-	27	27
Underwritten and warehoused investments	-	445	445
Co-investments	687	18	705
Investments in joint ventures, associates and intangible assets	-	76	76
Premises, equipment and other assets	-	104	104
Total assets	725	1,655	2,380
Liabilities and Equity			
Liabilities			
Payables and accrued expenses	11	283	294
Negative fair value of derivatives	-	30	30
Financing	166	566	732
Deferred fees	-	52	52
Total liabilities	177	931	1,108
Total equity	548	724	1,272
Total liabilities and equity	725	1,655	2,380

3. SEGMENT REPORTING (CONTINUED)

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS (CONTINUED)

June 30, 2020 *$millions*	*Co-investment Business*	*Fee Business*	*Total*
Assets			
Cash, placements and other liquid assets	-	300	300
Positive fair value of derivatives	-	45	45
Receivables and prepayments	49	232	281
Advances	-	158	158
Underwritten and warehoused investments	-	192	192
Co-investments	857	27	884
Investments in joint ventures, associates and intangible assets	-	115	115
Premises, equipment and other assets	-	113	113
Total assets	906	1,182	2,088
Liabilities and Equity			
Liabilities			
Due to a related party	-	25	25
Payables and accrued expenses	5	122	127
Negative fair value of derivatives	-	26	26
Financing	345	645	990
Deferred fees	-	62	62
Total liabilities	350	880	1,230
Total equity	556	302	858
Total liabilities and equity	906	1,182	2,088

4. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows categories of the Group's financial assets and financial liabilities:

June 30, 2021 ***$millions***	***FVTPL Investments***	***FVOCI Investments***	***Items at amortized cost***	***Total***
Financial assets				
Cash, placements and other liquid assets	82	-	196	278
Positive fair value of derivatives	45	1	-	46
Receivables	-	-	368	368
Advances	-	-	304	304
Due from related party	-	-	27	27
Underwritten and warehoused investments	445	-	-	445
Co-investments				
Private equity investment	205	32	-	237
Credit management investment	-	110	145	255
Absolute return investments	35	5	-	40
Real estate investment	34	13	-	47
Strategic capital investments	-	6	-	6
Other investments	85	35	-	120
Investment in joint ventures and associates	8	-	-	8
Total financial assets	939	202	1,040	2,181
Non-financial assets				
Prepayments				27
Premises, equipment and other assets				104
Intangible assets				68
Total assets				2,380
Financial liabilities				
Payables and accrued expenses	-	-	294	294
Negative fair value of derivatives	26	4	-	30
Financing*	-	-	732	732
Total financial liabilities	26	4	1,026	1,056
Non-financial liabilities				
Deferred fees				52
Total liabilities				1,108

* Adjusted for related fair value hedges.

June 30, 2020 *$millions*	*FVTPL Investments*	*FVOCI Investments*	*Items at amortized cost*	*Total*
Financial assets				
Cash, placements and other liquid assets	132	-	168	300
Positive fair value of derivatives	43	2	-	45
Receivables	-	-	241	241
Advances	-	-	158	158
Underwritten and warehoused investments	192	-	-	192
Investments				
Private equity investment	303	36	-	339
Credit management investment	1	179	137	317
Absolute return investments	75	6	-	81
Real estate investment	41	30	-	71
Strategic capital investments	-	2	-	2
Other investments	28	46	-	74
Investment in joint ventures and associates	44	-	-	44
Total financial assets	859	301	704	1,864
Non-financial assets				
Prepayments				40
Premises, equipment and other assets				113
Intangible assets				71
Total assets				2,088
Financial liabilities				
Due to a related party	-	-	25	25
Payables and accrued expenses	-	-	127	127
Negative fair value of derivatives	20	6	-	26
Financing*	-	-	980	980
Total financial liabilities	20	6	1,132	1,158
Non-financial liabilities				
Deferred fees				62
Total liabilities				1,220

* Adjusted for related fair value hedges.

5. OPERATING EXPENSES

$millions	2021	2020
Staff compensation and benefits	199	164
Other personnel and compensation charges	14	18
Professional fees	33	35
Travel and business development	2	9
Administration and research	16	18
Technology and communication	9	9
Premises and depreciation expense	14	15
Total	287	268

6. INCOME TAX

The Group's current tax expense and deferred tax expense amounts to $10.3 million (2020: $1.9 million) and $3.1 million (2020: $0.1 million) respectively. The current tax liability amounts to $4.5 million (2020: current tax liability $2 million). The deferred tax asset amounts to $8.9 million (2020: $10.5 million) as shown in Note 7. The deferred tax asset relates to an excess of depreciation over capital allowances amounting to $1.2 million (2020: $1.4 million), losses available for offset against future taxable income and other intangibles amounting to $2.8 million (2020: $2 million) and deferred compensation amounting to $4.9 million (2020: $7.1 million).

The Group's tax expense includes all direct taxes that are accrued on taxable profits of entities in their respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits.

The effective tax rates for the Group's significant subsidiaries operating in the following tax based jurisdictions are as follows:

	2021	2020
United States	21%	21%
United Kingdom	19%	19%
Kingdom of Saudi Arabia	20%	20%
India	25%	36%
Qatar	10%	10%
Singapore	17%	17%

7. RECEIVABLES AND PREPAYMENTS

$millions	***2021***	*2020*
Subscriptions receivable	180	111
Receivables from investee and holding companies	94	88
Investment disposal proceeds receivable	71	29
Accrued interest receivable	6	6
Prepaid expenses	18	29
Deferred tax asset (see Note 6)	9	11
Other receivables	20	10
	398	284
Provisions for impairment (see Note 13)	(3)	(3)
Total	395	281

Receivables arise largely from subscriptions by clients to the Group's investment products, fees earned in respect of the Group's investment management, investment performance and other transactional services, interest accruals on advances and proceeds due from investment disposals.

Subscriptions receivable represent amounts due from clients for participation in the Group's deal by deal investment products. These arise in the normal course of the Group's placement activities and are recorded when clients sign a binding agreement confirming their participation in an investment offering. These are typically collected over the short-term, and, in the interim period prior to receipt of cash, are collateralized by clients' other investment assets with Investcorp.

Receivables from investee and holding companies include fees and other receivables, which are due from investee companies and performance fee receivables from holding companies accrued on client assets under management.

Investment disposal proceeds receivable includes proceeds due from contracted disposals of private equity investments, real estate investments and investments in associates (Note 11). They also include redemption proceeds receivable from underlying investment managers relating to the Group's ARI co-investments.

Accrued interest receivable represents interest receivable on placements with financial institutions.

8. ADVANCES

$millions	***2021***	*2020*
Advances to investment holding companies	163	97
Advances to employee investment programs	89	3
Advances to PE closed-end funds	63	65
	315	165
Provisions for impairment (see Note 13)	(11)	(7)
Total	304	158

8. ADVANCES (CONTINUED)

Advances to investment holding companies arise largely as a result of the Group extending working capital advances to companies established for client participation in the Group's investment products.

Advances to employee investment programs represent the amounts advanced by the Group to the employees in connection with their investments along with the Group and of other stakeholders. The employees have made these investments to align their interest with Investcorp and various stakeholders. These advances are collateralized by the underlying investments, leaving indemnities etc, resulting in a reduced risk to the Group. Out of the total $89 million, $75.6 million are full recourse loans given to employees against a direct collateralization of the employees' beneficial interest in shares of Investcorp valuing $108.2 million and other program balances. The loan carries an interest of 2%.

Advances to the PE closed-end funds represent amounts invested on behalf of the Group's clients in the acquisitions and expenses of the funds in the interim period prior to receipt of the associated capital call from clients.

All the above advances carry interest at pre-determined rates. The advances, in management's opinion, represent a low risk to the Group.

9. UNDERWRITTEN AND WAREHOUSED INVESTMENTS

	2021				2020			
$millions	North America	Europe	Asia	Total	North America	Europe	Asia	Total
<u>**Underwritten investments**</u>								
Private equity investment:								
Industrial/ Business Services	22	162	-	184	-	-	-	-
Consumer products	-	-	12	12	-	-	-	-
Industrial Products	-	-	-	-	0	-	-	0
Distribution	-	-	-	-	43	-	-	43
Security	-	-	-	-	-	0	-	0
Consumer services	-	-	-	-	-	-	16	16
Total private equity investment	22	162	12	196	43	0	16	59
Real estate investment:								
Core / Core Plus	93	29	-	122	92	32	-	124
Total real estate investment	93	29	-	122	92	32	-	124
Strategic capital investment:								
Business Services	-	-	-	-	9	-	-	9
Total strategic capital investment	-	-	-	-	9	-	-	9
Other Investments								
Structured products (Note 10F)*	90	-	-	90	-	-	-	-
Total other investments	90	-	-	90	-	-	-	-
<u>**Warehoused investments**</u>								
Credit management Investments								
CLO Investments	30	7	-	37	-	-	-	-
Total credit management investment	30	7	-	37	-	-	-	-
Total	235	198	12	445	144	32	16	192

*This represents the domicile of the fund

At the time the Group acquires an investment it earmarks a significant portion of each investment for placement with investors and classifies this as an underwritten and warehoused investment. These investments are placed with the investors over the underwriting period which typically can take up to six months.

The Group's underwritten investment balances are classified as FVTPL.

10. CO-INVESTMENTS

$millions	*2021*	*2020*
Private Equity Co-investments (Note 10 A)	237	339
Credit Management Co-investments (Note 10 B)	255	317
Real Estate Co-investments (Note 10 C)	47	71
Absolute Return Investments Co-investments (Note 10 D)	40	81
Strategic Capital Co-investments (Note 10 E)	6	2
Other investments (Note 10 F)	120	74
Total	705	884

10 (A) PRIVATE EQUITY CO-INVESTMENTS

The Group's PE co-investments are carried at fair value.

	June 30, 2021					June 30, 2020				
$millions	North America	Europe	MENA*	Asia**	Total	North America	Europe	MENA*	Asia	Total
Consumer Products	6	0	20	5	31	6	23	28	-	57
Consumer Services	-	-	12	5	17	-	-	4	1	5
Distribution	0	-	-	-	0	3	-	-	-	3
Healthcare	0	2	102	1	105	18	10	73	1	102
Industrial Products	-	1	-	-	1	-	3	-	-	3
Industrial/ Business Services	21	14	41	0	76	71	17	51	-	139
Technology										
Big Data	1	0	-	4	5	1	14	-	4	19
Internet / Mobility	-	0	1	-	1	-	2	1	-	3
Security	-	0	-	-	0	-	8	-	-	8
Infrastructure & Others	-	-	-	1	1	-	-	-	-	-
Total	28	17	176	16	237	99	77	157	6	339

* Including Turkey
** Represents co--investments in China and India

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 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.

Of the above, co-investments amounting to $32.2 million (June 30, 2020: $36.0 million) are classified as FVOCI investments. For FVOCI investments, during the year, a loss of $5 million (2020: $23.2 million) was recognized in other comprehensive income and $27.6 million (2020: nil) of losses were recycled to retained earnings on derecognition.

10. CO-INVESTMENTS (CONTINUED)

10 (B) CREDIT MANAGEMENT CO-INVESTMENTS

$millions	***2021***	*2020*
European CLO Investments	238	220
US CLO Investments	-	68
Risk Retention Fund	14	26
Other credit management investments	3	3
Total	255	317

The Group's co-investments in CM investments 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.

The Group had invested in a risk retention fund, the purpose of the risk retention fund is to generate income from long term investments in debt instruments including to act as an originator and invest in CLO warehouse first loss tranches and hold a minimum of 5% in CLOs via the equity tranche to meet European risk retention rule for CLOs to be managed by CM business. The interests in the risk retention fund is in the form of profit participating notes which give the Group full rights to the proportionate profits and losses. The investment is classified as FVOCI.

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 original set 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 is determined on the basis of inputs from independent third parties including internal management assessment of the projected cashflows.

Of the above, co-investments amounting to $110.1 million (June 30, 2020: $179 million) are classified as FVOCI investments. For FVOCI investments, during the year, a gain of $0.6 million (2020: nil) was recycled to consolidated statement of profit or loss and a gain of $18 million (2020: loss of $16.4 million) was recognized in other comprehensive income.

Certain of the Group's CLO co-investments amounting to $46 million (June 30, 2020: $84 million) are utilized to secure amounts drawn under repurchase agreements. At June 30, 2021, $46 million (June 30, 2020: $84 million) was the outstanding balance from financing under repurchase agreements (See Note 15).

10. CO-INVESTMENTS (CONTINUED)

10 (C) REAL ESTATE CO-INVESTMENTS

The Group's co-investments in real estate are carried at fair value.

$millions PORTFOLIO TYPE	*2021*				*2020*			
	North America	Europe	Asia	Total	North America	Europe	Asia	Total
Core / Core Plus	41	6	-	47	52	18	1	71
Total	41	6	-	47	52	18	1	71

These comprise of investments that are developed and leased out are fair valued based on the estimated future cash flows from the underlying real estate assets and using prevailing capitalization rates for similar properties in the same geographical area, or DCF analysis.

Investments which are classified as FVOCI investments amounted to $13.4 million (June 30, 2020: $30.1 million). For FVOCI investments, during the year, $0.2 million (2020: loss of $1.9 million) of gains were recognized in other comprehensive income and $2.7 million (2020: loss of $6.5 million) of gains were recycled to retained earnings on derecognition. All other investments are classified as FVTPL.

10 (D) ABSOLUTE RETURN INVESTMENTS CO-INVESTMENTS

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

$millions	***2021***	*2020*
Multi-manager solutions	11	28
Hedge funds partnerships	11	24
Special opportunities portfolios	18	29
Total	40	81

The fair value of the Group's ARI co-investments is determined based on the net asset value of the underlying funds as reported by the administrators of these funds. Significant controls are built into the determination of the net asset values of the various investments, including the appointment of third party independent fund administrators, use of separate accounts for increased transparency and an independent verification of the prices of underlying securities through a dedicated operational risk group unit.

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 $5.3 million (June 30, 2020: $5.6 million) are classified as FVOCI investments. For FVOCI investments, during the year, a gain of $0.6 million (2020: loss of $1.3 million) was recognized in other comprehensive income and nil (2020: losses of $4.8 million) amount was recycled to retained earnings on derecognition. 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.

10. CO-INVESTMENTS (CONTINUED)

10 (D) ABSOLUTE RETURN INVESTMENTS CO-INVESTMENTS (CONTINUED)

Of the above, co-investments amounting to nil (June 30, 2020: $11 million) are subject to a lock up-period. Such investments are classified as Level 2 investments in the fair value hierarchy.

10 (E) STRATEGIC CAPITAL CO-INVESTMENTS

These co-investments are initially recorded at acquisition cost (being the initial fair value) and are re-measured to fair value at each reporting date, with resulting unrealized gains or losses being recorded as fair value changes in other comprehensive income.

Valuation techniques for measuring the fair value of the strategic capital co-investments are similar to techniques used for valuations of private equity co-investments of the Group. The Group's strategic capital co-investments are located in United States and are carried at FVOCI. During the year, a gain of $0.02 million (2020: $0.2 million) was recognized in other comprehensive income and nil (2020: nil) was recycled to retained earnings on derecognition.

10 (F) OTHER INVESTMENTS

$millions	***2021***	*2020*
Investments in structured products	67	-
Other strategic investments	53	74
Total	120	74

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

(i) Investments in structured products

During the year, the Group established a fund of $379 million (including commitments) consisting of a portfolio of co-investments in PE, RE and ICM products. $157 million has been initially funded by Investcorp in the fund, with remaining funded by a third party as preferred investor. The fund is currently being marketed to other potential investors and $90 million of the funded portion is shown as underwriting (Note 9). The investment in the fund is carried at fair value through profit or loss.

(ii) Other Strategic Investments

Other strategic 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.

During the year, $7.5 million (2020: $0.7 million) of losses were recognized in other comprehensive income. Furthermore, no (2020: loss of $4.8 million) amount was recycled to retained earnings on derecognition.

11. INVESTMENTS IN JOINT VENTURES, ASSOCIATES AND INTANGIBLE ASSETS

$millions	***2021***	*2020*
Intangible assets	68	71
Investment in joint ventures	8	3
Investment in associates	-	41
Total	76	115

11 (A) INTANGIBLE ASSETS

$millions	***2021***	*2020*
Management contracts	5	8
Goodwill	63	63
Total	68	71

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

Management contracts represent the right to manage European and US CLOs and US Business Development Company. The contracts have a useful life of 5 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 in 2021 as the result of the goodwill impairment assessment. A weighted average discount rate of 15.2% (June 30, 2020: 14.5%) was applied to the cash flow projections used in the impairment analysis. An increase/decrease of 1% in the discount rate would not result in the impairment of the goodwill.

The movement in intangible assets is set out in the below table:

$millions	**Goodwill**	**Management contracts**	**Total**
Balance at July 1, 2019	50	5	55
Additions during the year	13	5	18
Amortization during the year	-	(2)	(2)
Balance at June 30, 2020	63	8	71
Amortization during the year	-	(3)	(3)
Balance at June 30, 2021	**63**	**5**	**68**

11. INVESTMENTS IN JOINT VENTURES, ASSOCIATES AND INTANGIBLE ASSETS (CONTINUED)

11 (B) INVESTMENT IN JOINT VENTURES

The Group has invested in joint ventures for their asset management business and PE investment business.

The Group has no further commitments towards the joint ventures and there are no restrictions on any fund flows from the joint ventures.

11 (C) INVESTMENT IN ASSOCIATES

The Group held a 46.51% indirect ownership stake in the ordinary shares of Banque Pâris Bertrand, a private bank based in Geneva and Luxembourg which provides investment advisory services and customized investment solutions to high net-worth individuals, family offices and institutional clients mainly from Switzerland and Europe.

During the year, Investcorp entered into an agreement to divest its indirect interest in Banque Pâris Bertrand. Subsequent to the year end, the Group received regulatory approvals and closed the transaction in July 2021. Therefore, the current year balance is currently presented within receivables (Note 7) and a significant portion of this was received subsequent to the year end.

12. PREMISES, EQUIPMENT AND OTHER ASSETS

$millions	***2021***	*2020*
Premises, equipment and other assets	14	15
Right-of-use assets	90	98
Total	104	113

The Group recognizes right-of-use of assets at the commencement date of the lease of office premises. 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. During the year, the Group has recognized an additional right-of-use of asset of $0.5 million (June 30, 2020: $106.3 million) and a depreciation expense of $9.1 million (2020: $ 8.2 million) on its right of use assets.

13. PROVISIONS FOR IMPAIRMENT

Impairment provisions are as follows:

$millions				
Categories	***Balance At beginning***	***Charge***	***Write-off***	***At end****
12 months to June 30, 2021				
Receivables (Note 7)	3	-	-	3
Advances (Note 8)	7	4	-	11
Co-investments - debt	1	-	-	1
Cash, placements and other liquid assets	0	-	-	0
Total	11	4	-	15

* Of the total provision, $3.2 million relates to stage 1, $7 million relates to stage 2 and $4.8 million relates to stage 3 assets. Of the stage 1 and 2 provision, $7 million relates to advances. During the year, there was a movement in loss allowance of $1.6 million from stage 1 to stage 2 assets

$millions				
Categories	***Balance At beginning***	***Charge***	***Write-off***	***At end****
12 months to June 30, 2020				
Receivables (Note 7)	13	5	(15)	3
Advances (Note 8)	18	21	(32)	7
Co-investments - debt	1	-	-	1
Cash, placements and other liquid assets	0	-	-	0
Total	32	26	(47)	11

* Of the total provision, $2.1 million relates to stage 1, $3 million relates to stage 2 and $5.7 million relates to stage 3 assets. Of the stage 1 and 2 provision, $3.3 million relates to advances. During the year, there was a movement in loss allowance of $1.4 million from stage 2 to stage 3 assets.

14. PAYABLES AND ACCRUED EXPENSES

$millions	***2021***	*2020*
Unfunded deal acquisitions	92	38
Vendor and other payables	102	31
Accrued expenses - employee compensation	85	48
Tax liability	10	5
Accrued interest payable	5	5
Total	294	127

Unfunded deal acquisitions represent amounts contractually payable by the Group in respect of investment acquisitions the agreements for which are signed but have not been funded as of the year end.

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

15. FINANCING

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

		June 30, 2021		June 30, 2020	
$millions	**Final Maturity**	**Facility size**	**Current outstanding**	Facility size	Current outstanding
SHORT-TERM FINANCING					
Multi currency term and revolving loan	Call		174		261
TOTAL SHORT-TERM FINANCING			174		261
MEDIUM-TERM DEBT					
REVOLVING CREDIT					
Multi currency syndicated revolving facility	June 2023	82	-	82	-
Multi currency syndicated revolving facility	June 2024	357	-	352	100
US Dollar syndicated revolving facility	March 2024	15	-	-	-
US Dollar syndicated revolving facility	March 2025	335	-	350	-
TOTAL MEDIUM-TERM DEBT			-		100
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		2		21
Repurchase agreement	July 2031		2		21
TOTAL LONG-TERM DEBT			428		466
LEASE LIABILITY			102		108
Foreign exchange translation adjustments			2		8
Fair value adjustments relating to interest rate hedges			39		52
Transaction costs of borrowings			(13)		(15)
TOTAL FINANCING			732		980

Short term financing

The Group has a multicurrency term and revolving loan facility with the Trusts. As per the terms, Investcorp Group can drawdown the entire balance available in the Trust. The balance available in Trust may vary from time to time and hence the balance available to Investcorp Group will also accordingly change. The amount drawdown under this facility is repayable on demand. As of June 30, 2021, the undrawn balance from Trusts amounted to $461.7 million (2020: $233 million).

15. FINANCING (CONTINUED)

Medium term facilities

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

During the year, the Group has amended and extended one of the revolving credit facilities maturing in March 2024 to March 2025.

Medium term facilities are all floating rate instruments with average margin over LIBOR of 275 basis points (June 30, 2020: 275 basis points).

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. The private notes are fixed rate instruments, however through hedging the Group incurs a floating rate interest cost of 100 basis points to 265 basis points (June 30, 2020: 100 basis points to 265 basis points) over LIBOR.

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

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.

During the year, the Group repaid $12.2 million (June 30, 2020: $4.9 million) of lease liabilities, recognized an additional lease liabilities of $0.5 million (June 30, 2020: $108 million) and recognized an interest expense of $3.4 million (2020: $3.5 million). There has been no re-measurement of lease liabilities during the year (2020: Nil).

16. DEFERRED FEES

$millions	***2021***	*2020*
Deferred fees relating to placements	48	60
Deferred fees from investee companies	2	2
Deferred income in a joint venture	2	-
Total	52	62

Deferred fees relating to placements represent a portion of placement fees received from investors at the time of placement, the recognition of which is deferred to future periods concurrent with the services to be rendered.

During the current financial year, income recognized through amortization of deferred fees amounted to $30.7 million (2020: $29.4 million).

17. SHARE CAPITAL AND RESERVES

The Company's share capital at year end is as follows:

	2021 No. of shares	2021 Par value $	2021 $millions	2020 No. of shares	2020 Par value $	2020 $millions
Authorized share capital						
- Ordinary shares	1,000,000	1,000	1,000	1,000,000	1,000	1,000
- Preference and other shares						
- Series B	1,000,000	1,000	1,000	1,000,000	1,000	1,000
- Series E	4,000	125,000	500	-	-	-
- Series A	1	1,000	0	1	1,000	0
			2,500			2,000
Issued share capital						
- Ordinary shares	200,000	1,000	200	200,000	1,000	200
- Preference shares						
- Series B	123,239	1,000	123	123,239	1,000	123
- Series E	2,018	125,000	252	-	-	-
- Series A	1	1,000	0	1	1,000	0
			575			323

Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business (see Note 21).

Statutory reserve

The Bahrain Commercial Companies Law requires the maintenance of a statutory reserve equal to 50% of the Company's issued and paid up ordinary share capital of $200 million, which amounts to $100 million. The reserve is not available for distribution but can be utilized as stipulated by the Bahrain Commercial Companies Law.

Fair value reserve

Certain of the Group's PE, RE, ARI, SC, CM and strategic investments in equity instruments, strategic investments and certain CM debt instruments have been classified as FVOCI. The gains and losses arising on fair valuation of such investments is recorded in the fair value reserve account. Any gain or loss on realization of such PE, RE, ARI, SC, other strategic investments and CM equity instruments is recycled directly to retained earnings and any gain or loss on realization of such CM debt instruments is recycled to retained earnings through profit or loss.

Treasury shares

1,683 (2020: 19,329) ordinary shares were held as treasury shares, which includes 57 shares (2020: 136 shares) that have been granted to employees as part of deferred remuneration but have not yet started vesting. 6,057 shares (2020: 2,099 shares) that have been granted to employees and have commenced vesting, but have not fully vested as at 2021, are not counted as treasury shares.

During the year, 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%. The book value of the shares approximated the fair value of the shares.

17. SHARE CAPITAL AND RESERVES (CONTINUED)

Preference share capital

The Series B preference shares are non-cumulative, non-convertible, non-voting, non-participating and perpetual in nature and carry a floating rate dividend, equal to the benchmark 12-month interbank rate + 9.75% per annum. The Series B preference shares are callable at any time, at the Company's option, in part or in whole at par plus dividends due up to the call date.

On January 28, 2021, Investcorp issued 8.25% fixed rate resettable non-cumulative Series E 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.

The payment of dividends on preference shares is subject to recommendation by the Board of Directors, and approval by the ordinary shareholders. The preference shares take priority over the Company's ordinary shares for payment of dividends and distribution of assets in the event of a liquidation or dissolution.

Share premium

Share premium includes any gain or loss on purchase or sale of Company's shares including treasury shares. Movement in share premium during the year includes loss of $12 million (2020: gain of $2 million) on sale / purchase of treasury shares, $14.7 million (2020: nil) relating to acquisition of non-controlling interest at fair value from employees of Credit Management business on vesting of shares and $0.8 million (2020: nil) relating to share issue expenses.

18. OTHER RESERVES

Other reserves consist of cash flow hedges and the revaluation reserve on premises and equipment recognized directly in equity.

Movements relating to other reserves are set out below:

$millions	**Cash flow hedges**
Balance at June 30, 2019	(7)
Net realized gain recycled to statement of profit or loss	2
Net unrealized loss for the year	(4)
Transfer of depreciation to retained earnings	-
Balance at June 30, 2020	(9)
Net realized gain recycled to statement of profit or loss	2
Net unrealized gain for the year	0
Transfer of depreciation to retained earnings	-
Balance at June 30, 2021	(7)

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

Other derivatives

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

Valuation of derivatives

The Group values the majority of its derivative financial instruments using internal models. The models use market observable inputs including interest rate curves and both forward and spot prices for currencies. Derivative assets and liabilities included in Level 2 (see Note 23) represent interest rate swaps, cross currency swaps, currency forwards and option contracts. For derivatives that are not valued using internal models, the Group's policy is to rely on third party valuations, whilst benchmarking them against observable market data.

The Group's outstanding derivative financial instruments comprise the following:

	2021			*2020*		
$millions ***Description***	***Notional value***	***Positive fair value****	***Negative fair value***	*Notional value*	*Positive fair value**	*Negative fair value*
A) DERIVATIVES WHERE HEDGE ACCOUNTING IS APPLIED						
Currency risk being hedged using forward foreign exchange contracts						
i) Fair value hedges						
On balance sheet exposures	*338*	-	(7)	332	8	-
ii) Cash flow hedges						
Forecasted transactions	*33*	*1*	*(0)*	53	1	-
Coupon on long-term debt	*42*	-	(1)	45	1	-
Total forward foreign exchange contracts	413	1	(8)	430	10	-
Interest rate risk being hedged using interest rate swaps						
i) Fair value hedges - fixed rate debt	*397*	*25*	-	431	12	-
ii) Cash flow hedges - floating rate debt	*25*	-	*(3)*	25	-	(6)
Total interest rate hedging contracts	422	25	(3)	456	12	(6)
Total hedging derivatives	835	26	(11)	886	22	(6)
B) DERIVATIVES WHERE HEDGE ACCOUNTING IS NOT APPLIED						
Interest rate swaps	*475*	*14*	*(12)*	200	16	(16)
Forward rate agreements	4	*0*	(0)	-	-	-
Forward foreign exchange contracts	*1,453*	*6*	*(4)*	1,093	4	(4)
Currency options	43	-	(3)	33	0	-
Futures	16	-	(0)			
Options	-	-	-	57	3	(0)
Total other derivatives	1,991	20	(19)	1,383	23	(20)
TOTAL - DERIVATIVE FINANCIAL INSTRUMENTS	**2,826**	**46**	**(30)**	**2,269**	**45**	**(26)**

** Net collateral received by the Group amounting to $48.9 million has been taken against the fair values above (2020: $80.7 million).*

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

June 30, 2021 $millions	Notional amounts by term to maturity Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	338	-	-	-	338
Interest rate swaps	-	-	-	390	390
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	75	-	-	-	75
Interest rate swaps	-	-	7	25	32
Other Derivatives:					
Interest rate swaps	-	250	150	75	475
Forward foreign exchange contracts	1,453	-	-	-	1,453
Cross currency swaps	10	33	-	-	43
Options	-	-	-	-	-
Forward Rate Agreements	4	-	-	-	4
Futures	16	-	-	-	16
	1,896	283	157	490	2,826

June 30, 2020 $millions	Notional amounts by term to maturity Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	332	-	-	-	332
Interest rate swaps	-	-	-	431	431
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	51	47	-	-	98
Interest rate swaps	-	-	-	25	25
Other Derivatives:					
Interest rate swaps	-	-	150	50	200
Forward foreign exchange contracts	1,053	40	-	-	1,093
Cross currency swaps	33	-	-	-	33
Options	33	5	19	-	57
	1,502	92	169	506	2,269

Fair value hedges

Losses arising from fair value hedges during the year ended June 30, 2021 were $26.5 million (2020: gains of $22.6 million) while the gains on the hedged items, attributable to interest rate and foreign currency risks, were $24.7 million (2020: losses of $25.1 million). These gains and losses are included in treasury and other income or interest expense, as appropriate, in the consolidated statement of profit or loss. Additionally, during the current financial year, there was a loss of $1.9 million (2020: $2.5 million) on derivative instruments classified as other derivatives.

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Undiscounted cash flows for forecasted items hedged

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

June 30, 2021 *$millions*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk*					
Coupon on long-term debt	(6)	(6)	(47)	(47)	(106)
Operating expenses	(3)	(3)	-	-	(6)
Fee income	14	13	-	-	27
Interest rate risk*					
Interest on liabilities	(2)	(2)	(17)	(28)	(49)
	3	2	(64)	(75)	(134)

June 30, 2020 *$millions*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*Over 5 years*	*Total*
Currency risk*					
Coupon on long-term debt	(6)	(6)	(48)	(60)	(120)
Operating expenses	-	(9)	-	-	(9)
Fee income	6	30	-	-	36
Interest rate risk*					
Interest on liabilities	(2)	(2)	(16)	(31)	(51)
	(2)	13	(64)	(91)	(144)

* These forecasted fixed coupon payments have been hedged using interest rate swap derivative contracts as disclosed earlier in this note

The ineffective portion of cash flow hedges recycled out of equity to the consolidated statement of profit or loss for the year ended June 30, 2021 was a loss of $0.6 million (2020: gain of $1.8 million).

20. COMMITMENTS AND CONTINGENT LIABILITIES

$millions	***2021***	*2020*
Investment commitments to funds and co-investments	187	155
Non-cancellable 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, credit management investments and strategic capital 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 Group does not expect any likely claim to arise in respect of this matter. Accordingly, no provision has been made in the consolidated financial statements.

21. RISK MANAGEMENT

Risk management is an integral part of the Group's corporate decision-making process. The Financial and Risk Management Committee (FRMC) oversees the Group's risk management activities, and sets the Group's risk profile on an enterprise wide basis. The FRMC is comprised of members of senior management drawn from all key areas of the Group.

The Group's primary risk management objective is to support its business objectives with sufficient economic capital. The Group employs risk models to determine the capital needed to cover unexpected losses from investment or other risks. This capital amount is known as economic capital. The economic capital requirement for each reporting segment is determined for a one year horizon and subsequently aggregated to determine the total economic capital. This total economic capital is then stress tested under a dynamic VaR approach. The dynamic VaR is calculated by using a five-year planning horizon, a 99% one-tailed confidence level and by recognizing diversification benefits across asset classes.

In addition to determining an adequate economic capital allocation for each reporting segment, the risk management team has developed tools in conjunction with risk management consultants to perform detailed risk analyses that specifically address the investment risks in each individual line of business.

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

i) Counterparty credit risk

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

The risk management team maintains an overall external rating-based methodology for setting Board approved counterparty limits. For rated counterparties, credit ratings from at least two rating agencies are used for developing counterparty limits. All non-rated counterparties are screened through due diligence and credit analysis prior to the assumption of credit exposures to them by Investcorp. These non-rated counterparties are also categorized under the 'Standard' internal rating for financial reporting purposes.

21. RISK MANAGEMENT (CONTINUED)

i) Counterparty credit risk (continued)

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

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

* The internal rating is used to determine provisions and impairments for financial reporting purposes.

Internal rating categories are summarized as follows:

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

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

Counterparty credit risk exposure is considered as past due when payment is due according to the contractual terms but is not received. During the current and previous year, none of the advances (refer note 8) were restructured.

The table below analyses the Group's maximum counterparty credit risk exposures at year end without taking into account any credit mitigants.

June 30, 2021 $millions	Stage 1 (a)		Stage 2 (b)	Stage 3 (c)	Provisions (d)	Maximum credit risk (a+b+c+d)
	Credit risk rating					
	High	Standard				
Short-term funds, placements and other liquid assets	231	47	-	-	(0)	278
Positive fair value of derivatives	25	21	-	-	-	46
Receivables	-	366	3	2	(3)	368
Advances	-	284	28	3	(11)	304
Co-investments - debt	-	256	-	-	(1)	255
Total	256	974	31	5	(15)	1,251

June 30, 2020 $millions	Stage 1 (a)		Stage 2 (b)	Stage 3 (c)	Provisions (d)	Maximum credit risk (a+b+c+d)
	Credit risk rating					
	High	Standard				
Short-term funds, placements and other liquid assets	227	73	-	-	(0)	300
Positive fair value of derivatives	25	20	-	-	-	45
Receivables	-	237	5	2	(3)	241
Advances	-	146	13	6	(7)	158
Co-investments - debt	-	318	-	-	(1)	317
Guarantees	-	22	-	-	-	22
Total	252	816	18	8	(11)	1,083

21. RISK MANAGEMENT (CONTINUED)

i) Counterparty credit risk (continued)

The breakdown of provisions by geographical region and industry sector is as follows:

$millions	*June 30, 2021*	*June 30, 2020*
Geographical Region		
North America	7	2
Europe	5	5
Other	3	4
Total	15	11

$millions	*June 30, 2021*	*June 30, 2020*
Industry Sector		
Banking and Finance	2	3
Consumer products	2	1
Real estate	3	3
Technology and Telecom	0	1
Industrial Services	8	2
Healthcare	0	1
Total	15	11

Securitization

The Group provides fund management services to funds which invest in CLOs and funds which provide syndicated lending to a variety of institutions. The Group also acts as an originator and sponsor for certain CLO investments and co-invests through specific SPVs in the CLO investments. The CLO investments are held within a business model whose objective is to hold and sell assets in order to collect contractual cash flows on specified dates. The contractual terms give rise to variable distributions (solely payments of principal and interest) based on CLO's respective waterfall and priorities of payment. The Group manages its risk relevant to the securitization activity in line with its risk management policies and procedures.

The Group's securitization exposures through the CLOs are in the rated and unrated tranches of the notes and varies from fund to fund. The Group does not hold securitization positions with trading intent or to hedge positions with trading intent. The Group has not established and does not manage any synthetic securitization structures nor does it securitize revolving exposures.

21. RISK MANAGEMENT (CONTINUED)

ii) Credit Risk Measurement

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, expert credit assessment and forward-looking information.

As a practical expedient, IFRS 9 provides a low credit risk ('LCR') operational simplification that if a financial instrument has low credit risk i.e. an investment grade credit rating, an entity is allowed to assume at the reporting date that no significant increase in credit risk has occurred.

The Group considers financial instruments with an external rating grade of 'investment grade' as LCR for the short-term liquid asset portfolio.

The receivables and advances of the Group are collateralized by the underlying investments. Hence, the Group considers fair-value movements of such investments and management judgement to assess whether there has been a significant increase in credit risk for its receivables and advances portfolio.

Measurement of ECL

The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). PD represents the likelihood of a borrower defaulting on its financial obligation. EAD is based on the amounts the Group expects to be owed at the time of default. LGD represents the group's expectation of the extent of loss on the exposure.

For the short-term liquid asset portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the period of 12 months, as published by the rating agencies, after adjusting for forward-looking macro-economic information.

For receivables and advances that arise in connection with the PE asset class, PDs are derived using an internal model and adjusted for forward-looking macro-economic information. PDs for receivables and advances of the RE asset class are derived based on internal categorization of the related investment and default rates published by a reputable rating agency adjusted for forward-looking macro-economic information.

For secured assets, LGDs are determined based on factors which impact the recoveries made post default. For unsecured assets, LGDs are based on regulatory guidelines.

The Group writes-off exposures if there is no reasonable expectation of recovery.

21. RISK MANAGEMENT (CONTINUED)

iii) Funding liquidity risk

Funding liquidity risk is the risk that the Group will be unable to fund increases in assets and meet obligations when they fall due, without incurring unacceptable losses. To mitigate this risk, the Group implements a comprehensive liquidity risk management framework, which includes the use of risk limits, monitoring systems and scenario analyses that are incorporated into a contingency funding plan. The framework is subject to Board and senior management oversight. Liquidity management aims to arrange diversified funding sources and maintain comfortable and laddered debt maturities. The Group manages assets with liquidity in mind, and it monitors liquidity on a daily basis.

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

June 30, 2021 *$millions*	*Up to 3 months*	*>3 months up to 1 year*	*Sub-Total up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Non-cash items*	*Total*
Assets								
Financial assets								
Cash, placements and other liquid assets	222	-	222	-	-	56	-	278
Positive fair value of derivatives	3	-	3	-	32	11	-	46
Receivables	276	4	280	88	-	-	-	368
Due from a related party	27	-	27	-	-	-	-	27
Advances	9	21	30	274	-	-	-	304
Underwritten and warehoused investments	445	-	445	-	-	-	-	445
Co-investments	15	37	52	581	72	-	-	705
Investment in joint ventures and associates	-	-	-	-	-	8	-	8
Total financial assets	997	62	1,059	943	104	75	-	2,181
Non-financial assets								
Prepayments	-	-	-	-	-	-	27	27
Premises, equipment and other assets	-	-	-	-	-	-	104	104
Intangibles	-	-	-	-	-	-	68	68
Total assets	997	62	1,059	943	104	75	199	2,380
Liabilities								
Financial liabilities								
Payables and accrued expenses	247	47	294	-	-	-	-	294
Negative fair value of derivatives	12	3	15	-	3	12	-	30
Financing	44	52	96	107	432	97	-	732
Total financial liabilities	303	102	405	107	435	109	-	1,056
Non-financial liability								
Deferred fees	-	-	-	-	-	-	52	52
Total liabilities	303	102	405	107	435	109	52	1,108
Net gap	694	(40)	654	836	(331)	(34)	147	1,272
Cumulative liquidity gap	694	654	654	1,490	1,159	1,125	1,272	

21. RISK MANAGEMENT (CONTINUED)

iii) Funding liquidity risk (continued)

June 30, 2020 *$millions*	*Up to 3 months*	*>3 months up to 1 year*	*Sub-Total up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Non-cash items*	*Total*
Assets								
Financial assets								
Cash, placements and other liquid assets	256	-	256	-	-	44	-	300
Positive fair value of derivatives	5	0	5	0	28	12	-	45
Receivables	166	4	170	71	-	-	-	241
Advances	22	56	78	80	-	-	-	158
Underwritten and warehoused investments	192	-	192	-	-	-	-	192
Co-investments	30	77	107	538	165	115	-	925
Investment in joint ventures and associates	-	-	-	-	-	3	-	3
Total financial assets	671	137	808	689	193	174	-	1,864
Non-financial assets								
Prepayments	-	-	-	-	-	-	40	40
Premises, equipment and other assets	-	-	-	-	-	-	113	113
Intangibles	-	-	-	-	-	-	71	71
Total assets	671	137	808	689	193	174	224	2,088
Liabilities								
Financial liabilities								
Due to a related party	25	-	25	-	-	-	-	25
Payables and accrued expenses	110	17	127	-	-	-	-	127
Negative fair value of derivatives	4	0	4	1	6	15	-	26
Financing	63	74	137	248	458	137	-	980
Total financial liabilities	202	91	293	249	464	152	-	1,158
Non-financial liability								
Deferred fees	-	-	-	-	-	-	62	62
Total liabilities	202	91	293	249	464	152	62	1,220
Net gap	469	46	515	440	(271)	22	162	868
Cumulative liquidity gap	469	515	515	955	684	706	868	

21. RISK MANAGEMENT (CONTINUED)

iii) Funding liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group relating to its financial liabilities and derivatives upon their respective earliest contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows (i.e. nominal plus interest) determined by using the forward yield curve to calculate future floating rate cash flows for the relevant periods.

June 30, 2021 ***$millions***	***Up to 3 months***	***>3 months up to 1 year***	***>1 year up to 5 years***	***>5 years up to 10 years***	***>10 years up to 20 years***	***Total***
Financial liabilities						
Payables and accrued expenses	251	43	-	-	-	294
Financing	185	19	116	496	106	922
	436	62	116	496	106	1,216
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	1,582	35	-	-	-	1,617
Contractual amounts receivable	(1,579)	(33)	-	-	-	(1,612)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	(5)	(4)	(35)	(31)	(1)	(76)
Commitments	94	8	46	27	12	187
Total undiscounted financial liabilities	528	68	127	492	117	1,332

June 30, 2020 *$millions*	*Up to 3 months*	*>3 months up to 1 year*	*>1 year up to 5 years*	*>5 years up to 10 years*	*>10 years up to 20 years*	*Total*
Financial liabilities						
Due to a related party	25	-	-	-	-	25
Payables and accrued expenses	110	17	-	-	-	127
Financing	273	22	226	515	150	1,186
	408	39	226	515	150	1,338
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	1,366	41	33	-	-	1,440
Contractual amounts receivable	(1,375)	(41)	(33)	-	-	(1,449)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	(4)	(5)	(37)	(42)	(3)	(91)
Commitments	78	7	38	22	10	155
Guarantees	-	-	22	-	-	22
Total undiscounted financial liabilities	473	41	249	495	157	1,415

21. RISK MANAGEMENT (CONTINUED)

iv) Concentration risk

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

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

	June 30, 2021			June 30, 2020		
$millions	*Assets exposed to credit risk*	*Off-balance sheet items exposed to credit risk*	*Total credit risk exposure*	*Assets exposed to credit risk*	*Off-balance sheet items exposed to credit risk*	*Total credit risk exposure*
Geographical Region						
North America	634	-	634	374	22	396
Europe	539	-	539	609	-	609
MENA*	25	-	25	62	-	62
Asia	50	-	50	13	-	13
Total	1,248	-	1,248	1,058	22	1,080

* including Turkey

	June 30, 2021			June 30, 2020		
$millions	*Assets exposed to credit risk*	*Off-balance sheet exposed to credit risk*	*Total credit risk exposure*	*Assets exposed to credit risk*	*Off-balance sheet exposed to credit risk*	*Total credit risk exposure*
Industry Sector						
Banking and Finance	810	-	810	703	-	703
Distribution	4	-	4	32	-	32
Consumer products	69	-	69	48	22	70
Consumer services	2	-	2	2	-	2
Healthcare	42	-	42	21	-	21
Industrial /business services	26	-	26	32	-	32
Industrial products	10	-	10	14	-	14
Real estate	122	-	122	60	-	60
Technology and Telecom	72	-	72	138	-	138
Others	91	-	91	8	-	8
Total	1,248	-	1,248	1,058	22	1,080

21. RISK MANAGEMENT (CONTINUED)

v) Market price risk

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

In addition, for internal risk assessments, the Group uses a variety of internal and external models to analyze the market price risks that may arise from adverse market movements.

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

v) (a)Foreign currency risk

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

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

$millions	*June 30, 2021*		*June 30, 2020*	
Long (Short)	***Net hedged exposure***	***Net unhedged exposure***	*Net hedged exposure*	*Net unhedged exposure*
Bahraini Dinar*	13	(1)	18	(2)
Saudi Riyal*	82	(9)	83	(12)
Euro	62	-	224	0
Pounds Sterling	139	(1)	13	0
Swiss Francs	42	-	41	0
Japanese Yen	(271)	-	(344)	0
Swedish Krona	111	-	98	(0)
Norweign Krona	4	-	4	0
Chinese Renminbi	1	-	-	-
Danish Krona	75	-	-	-
Singaporean Dollar	0	(0)	-	-
Kuwaiti Dinar	42	(1)	-	-
	300	(12)	137	(14)

* Currency exchange rate currently pegged against the US Dollar.

Incidental unhedged positions are subjected to market risk calculation based on their VaR. VaR estimates the potential loss due to market movement of foreign exchange rates or volatility of those rates. Potential market movements of foreign exchange rates are derived from a study of their historical volatility. The risk methodology is based on the assumption that changes in foreign exchange rates follow a normal probability distribution over time. The characteristics of normal distribution are then used to assess portfolio risk. However, the Group's risk management team conducts back testing by comparing the daily VaR with the daily profit and loss to ensure the robustness of the VaR model.

21. RISK MANAGEMENT (CONTINUED)

v) Market price risk (continued)

v) (a) Foreign currency risk (continued)

The following table summarizes the 99% confidence level over a 1-day holding period VaR for the Group's foreign currency exposures.

$millions	*2021*	*2020*
Average FX VaR	21	9
Year end FX VaR	25	13
Maximum FX VaR	59	46
Minimum FX VaR	9	4

The foreign exchange loss recognized in the consolidated statement of profit or loss as a result of incidental unhedged positions and costs of hedging against foreign exchange risk amounts to $1.9 million (2020: $2.4 million).

v) (b) Interest rate risk

The Group closely monitors interest rate movements, and seeks to limit its exposure to such movements by managing the interest rate repricing structure of its assets and liabilities. The Group actively manages its interest rate repricing gap exposure, with a bias towards floating rates and with exposure limits that are approved by the Board of Directors. The Group does not take interest rate trading positions and all of its interest rate risk is typically in the Company's book where hedge accounting applies. The Group also utilizes interest rate related derivative financial instruments to manage its exposure to fluctuations in interest rates for specific transactions or groups of transactions.

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

- Credit management Investments amounting to $255 million (June 30, 2020: $317 million), which earn interest at an effective rate ranging between 2.7% to 14.7% (June 30, 2020: 2.7% to 18%) per annum.

The Group is currently assessing the impact of transition away from Libor on the consolidated financial statements.

21. RISK MANAGEMENT (CONTINUED)

v) Market price risk (continued)

v) (b)Interest rate risk (continued)

The following table depicts the sensitivity of the Group's net income to a 200 basis points change in interest rates, with all other variables held constant. The sensitivity is based on the floating rate financial assets and financial liabilities (including items hedged back to floating rate) held at the year end.

$millions Currency	Sensitivity to profit/ (loss) for +200 basis points	Sensitivity to profit/ (loss) for -200 basis points
	June 30, 2021	
Euro	(11)	1
Pounds Sterling	(2)	0
Japanese Yen	0	-
US Dollar	11	(0)
Others	(5)	0
Total	(7)	1

a) Figures in parenthesis above represent loss.
b) The downside case of -200bps impact is calculated with the assumption that the yield curve will not go below 0%

$millions Currency	Sensitivity to profit/ (loss) for +200 basis points	Sensitivity to profit/ (loss) for -200 basis points
	June 30, 2020	
Euro	(9)	1
Pounds Sterling	(0)	0
Japanese Yen	0	0
US Dollar	(2)	2
Others	(3)	0
Total	(14)	3

a) Figures in parenthesis above represent loss.
b) The downside case of -200bps impact is calculated with the assumption that the yield curve will not go below 0%

Potentially significant variances in interest rate sensitivity may exist at dates other than the year end.

21. RISK MANAGEMENT (CONTINUED)

v) Market price risk (continued)

v) (c)Equity price risk

The Group's equity price risk arises primarily from its co-investments in private equity investment, real estate investment, strategic capital investment and absolute return investments.

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

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

June 30, 2021 $millions	Valuation methodology	Factor	Change	Balance sheet exposure*	Projected Balance sheet Exposure		Impact on Income on FVTPL investments		Impact on Equity on FVOCI investments	
					For increase	For decrease	For increase	For decrease	For increase	For decrease
PE co-investments	Comparable Companies	Multiples	+/- 0.5x	130	133	125	3	(4)	0	(1)
	DCF	Discount Rate	+/- 1%	3	2	4	(1)	1	-	-
	Net Asset Value	Net Asset Value	+/- 5%	7	7	7	-	-	0	(0)
	Average of DCF &	Multiples	+/- 0.5x	1	1	1	-	-	0	(0)
	Comparable Companies***	Discount Rate	+/- 1%		1	1	-	-	(0)	0
					For decrease	For increase	For decrease	For increase	For decrease	For increase
RE co-investments**	DCF	Discount Rate	-/+ 1%	24	29	19	3	(3)	2	(2)
		Capitalization rate	-/+ 1%		37	16	6	(4)	7	(4)
					For increase	For decrease	For increase	For decrease	For increase	For decrease
ARI co-investments	Net Asset Value	Net Asset Value	+/- 5%	40	42	38	2	(2)	0	(0)
					For decrease	For increase	For decrease	For increase	For decrease	For increase
Strategic capital co-investments	DCF	Discount rate	-/+ 1%	3	3	3	-	-	(0)	0
					For increase	For decrease	For increase	For decrease	For increase	For decrease
Other investments	Net Asset Value	Net Asset Value	+/- 10%	93	97	67	2	(24)	2	(2)
	Comparable Companies	Multiples	+/- 0.5x	10	23	6	-	-	13	(4)
	DCF	Discount Rate	+/- 1%	17	16	18	(1)	1	-	-

June 30, 2020 $millions	Valuation methodology	Factor	Change	Balance sheet exposure*	Projected Balance sheet Exposure		Impact on Income on FVTPL investments		Impact on Equity on FVOCI investments	
					For increase	For decrease	For increase	For decrease	For increase	For decrease
PE co-investments	Comparable Companies	Multiples	+/- 0.5x	193	200	185	6	(7)	1	(1)
	DCF	Discount Rate	+/- 1%	61	50	77	(9)	14	(2)	2
	Net Asset Value	Net Asset Value	+/- 5%	4	4	4	-	-	0	(0)
	Average of DCF &	Multiples	+/- 0.5x	9	10	8	1	(1)	0	(0)
	Comparable Companies***	Discount Rate	+/- 1%		8	9	(1)	1	(0)	0
					For decrease	For increase	For decrease	For increase	For decrease	For increase
RE co-investments**	DCF	Discount Rate	-/+ 1%	50	55	45	5	(5)	0	(0)
		Capitalization rate	-/+ 1%		66	40	14	(9)	2	(1)
					For increase	For decrease	For increase	For decrease	For increase	For decrease
ARI co-investments	Net Asset Value	Net Asset Value	+/- 5%	81	85	77	4	(4)	0	(0)
					For decrease	For increase	For decrease	For increase	For decrease	For increase
Strategic capital co-investments	DCF	Discount rate	-/+ 1%	2	2	2	-	-	(0)	0
					For increase	For decrease	For increase	For decrease	For increase	For decrease
Other investments	Net Asset Value	Net Asset Value	+/- 10%	15	17	14	-	-	2	(1)
	DCF	Discount Rate	+/- 1%	27	26	29	(1)	2	-	-

*Excludes exposures of $106m (2020: $121m) 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 $5.3 million (2020: $6.1million).

**The impact of change in discount rate and residual capitalization rate have been presented separately in the table above for the same investments.

***Investments have been valued using the average of the multiples derived by the DCF and comparable companies methodology and accordingly, sensitivity has been shown to two factors - discount rate and multiples.

21. RISK MANAGEMENT (CONTINUED)

vi) Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events (such as natural disasters, changes in regulation or outsourcing of operations). Investcorp includes in this definition legal risk but excludes reputational and strategic risks.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout Investcorp. The internal audit department makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios. In addition, Investcorp carries errors and omissions insurance against legal risks arising from its business activities.

Investcorp applies the Basic Indicator Approach ('BIA') to measure operational risk and also is implementing a Board of Directors approved operational risk management framework. Under the BIA approach, the operational risk charge is calculated by taking Investcorp's average gross income over the preceding two years and current financial year and multiplying it by a fixed alpha coefficient (15 per cent). The operational risk management framework consists of the following: 1) "Risk Control and Self-Assessment": Self-assess operational risks by going through key business processes end-to-end, 2) Evaluate the adequacy of existing process controls, 3) Implement control modifications to reduce operational risks and determine residual risks and 4) Monitor and report operational risk events to senior management and the Board.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, on the basis that market participants act in their economic best interest.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group has established guidelines for the valuation of its investments which are reviewed by the Board of Directors and abides by guidelines issued under IFRS on valuation of investments and guidelines recommended by the International Private Equity and Venture Capital Association. The Group performs valuations of its investments on a quarterly basis. The business support teams work along with deal teams to prepare valuation packages in accordance with the valuation guidelines of the Group. The valuation packages are then presented to the Valuation Committee which is comprised of senior members of the Finance team and investing lines of business. The Valuation Committee has the final responsibility of reviewing and approving the fair value of all investments.

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

Fair value adjustments arise from re-measurement of liabilities which are hedged, investments and derivatives.

Nonetheless the actual amount that is realized in a future transaction may differ from the current estimate of fair value, given the inherent uncertainty surrounding valuations of unquoted investments.

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 $145.6 million (June 30, 2020: $136.8 million) as compared to the carrying value of $145.3 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 $414.8 million (June 30, 2020: $425.4 million) as compared to the carrying value of $417.4 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.

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).

During the current financial year, there was a transfer between level 3 to level 1 under co-investments amounting to $6.9 million (June 30, 2020: Nil). This represents the listing on a stock exchange of previously unquoted investments. Under absolute return investments, 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 $0.6 million (June 30, 2020: loss of $1.2 million) and the net redemptions amount to $1 million (June 30, 2020: $1.1 million).

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of financial assets that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques which are explained in Notes 10 and 20 to the consolidated financial statements.

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

June 30, 2021 *$millions*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Placements and other liquid assets	82	-	-	82
Positive fair value of derivatives	-	46	-	46
Co-investments				
Private equity investment	16	-	221	237
Credit management investment	-	-	110	110
Absolute return investments	-	35	5	40
Real estate investment	-	-	47	47
Strategic capital investment	-	-	6	6
Other investments	-	-	120	120
Investment in associates and joint ventures*	-	-	8	8
Underwritten and warehoused investments**	-	-	445	445
Total financial assets	98	81	962	1,141
Financial liabilities				
Negative fair value of derivatives	-	30	-	30
Total financial liabilities	-	30	-	30

* The effect on consolidated statement of profit or loss due to change in multiple by 0.5x on Investment in an associate will be nil. Further, the effect on consolidated statement of profit or loss and statement of other comprehensive income due to change in multiple by 0.5% on other investments will be $0.1 million and $0.3 million respectively.

** Underwritten investments amounting to $1.1 billion were placed with the clients during the year. No fair value loss was recognized on underwritten investments during the year.

June 30, 2020 *$millions*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Placements and other liquid assets	132	-	-	132
Positive fair value of derivatives	-	45	-	45
Co-investments				
Private equity investment	4	-	335	339
Credit management investment	-	-	180	180
Absolute return investments	-	75	6	81
Real estate investment	-	-	71	71
Strategic capital investment	-	-	2	2
Other investments	-	-	74	74
Investment in associates and joint ventures*	-	-	44	44
Underwritten and warehoused investments**	-	-	192	192
Total financial assets	136	120	904	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 and consolidated statement of other comprehensive income due to change in multiple by 0.5% on other investments will be $0.6 million and nil respectively.

** Underwritten investments amounting to $1.1 billion were placed with the clients during the year. Fair value loss of $3.2 million 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, real estate investment, credit management investment, strategic capital investment, investment in associates and joint ventures and other strategic investments is given below:

June 30, 2021 $millions	*At beginning*	*Net new acquisitions**	*Fair value movements***	*Movements relating to realizations*	*Other movements****	*At end*
PE co-investments	335	71	41	(254)	28	221
ICM co-investments	180	13	22	(112)	7	110
RE co-investments	71	34	(7)	(50)	(1)	47
Strategic capital co-investments	2	4	0	-	-	6
Investment in associates and joint ventures	44	2	3	(41)	-	8
Other strategic investments	74	67	(21)	(1)	1	120
Total	**706**	**191**	**38**	**(458)**	**35**	**512**

*Includes investment in RE of $11.9 million that has been transferred from underwriting to co-investment.
**Includes $3.1 million fair value gain on FVOCI investments and unrealized fair value gain of $51.1 million on FVTPL investments.
***Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees.

June 30, 2020 $millions	*At beginning*	*Net new acquisitions**	*Fair value movements***	*Movements relating to realizations*	*Other movements****	*At end*
PE co-investments	486	62	(126)	(103)	16	335
ICM co-investments	149	64	(26)	(6)	(1)	180
RE co-investments	68	26	14	(38)	1	71
Strategic capital co-investments	-	2	-	-	-	2
Investment in associates and joint ventures	38	3	1	0	2	44
Other strategic investments	14	100	(28)	(9)	(3)	74
Total	**755**	**257**	**(165)**	**(156)**	**15**	**706**

*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.

23. EMPLOYEE COMPENSATION

Investcorp has a clear and well-defined “pay for risk-adjusted long-term performance” philosophy that pervades its culture and motivates its employees to target delivery of consistent top-quartile performance. This philosophy is exhibited in Investcorp’s remuneration programs and it is reflected in its annual remuneration decisions.

The remuneration that is paid to Investcorp’s employees is divided into two fundamental components: (i) fixed remuneration, i.e., salary and benefits, and (ii) variable remuneration.

Variable remuneration, comprised of cash and awards under deferred remuneration programs, is remuneration that varies from year to year and the amount of which is dependent upon (i) the financial performance of Investcorp as a whole, (ii) the risk-adjusted performance of each employee’s respective line of business and (iii) the performance of the individual employee.

23. EMPLOYEE COMPENSATION (CONTINUED)

Investcorp extensively utilizes deferred remuneration programs as part of employees' remuneration. These programs are comprised of investment carried interest and co-investment programs and share-linked programs as described briefly below.

Programs for Investment Profit Participation

The Group's investment professionals in its private equity investment, real estate investment and investment relationship management lines of business participate in investment carried interest programs, whereby a certain variable portion of exit proceeds due to investors from realization of their investments is shared with these professionals, provided certain pre-established minimum client return hurdles are satisfied. Netting mechanisms are used so that returns from investments that perform well are netted against other investments in which losses are sustained. Since this carry is awarded up front at the time of acquisition it has no significant value at the time of the award.

Programs for Investment Participation

Investment professionals and relationship managers also participate in a co-investment program pursuant to which they acquire an interest in the Investcorp Group's investments that they manage at the Investcorp Group's Consolidated Statement of Financial Position carrying value, thereby resulting in no gain or loss to Investcorp except for any potential impairment losses on the financing provided.

Under certain legacy co-investment programs, the Group provided financing at market rates to or on behalf of eligible employees, to invest in these programs on a levered basis. The permissible levels of leverage varied on a product to product and program to program basis. The aggregate remaining amount of such financing provided to or on behalf of employees as of June 30, 2021 is $2.3 million (June 30, 2020: $3.4 million).

A portion of the deferred remuneration awarded to eligible employees is also in the form of co-investment exposures. These awards have different vesting conditions and are not transferable. An expense charge of $10 million (2020: $14 million) was taken by the Group based on management's best estimate of the likely vesting of the awards.

Employee Share-Linked Plans

SHL sponsors various employee share-linked plans under which a portion of the deferred remuneration awarded to eligible employees is in the form of SIPCO shares or phantom SIPCO shares or performance-linked SIPCO share based awards that represent a beneficial interest in the ordinary shares of the Company. These SIPCO awards have different vesting periods and are not transferable.

SIPCO shares or phantom SIPCO shares or performance-linked SIPCO share based awards are granted to the employees at their fair value on the grant date. The fair value of SIPCO shares for purposes of the plans is estimated considering their non-transferability and the indirect nature of the underlying beneficial ownership. The value of SIPCO shares granted during the year is $30.2 million (2020: $21.6 million). The start and end date of the vesting period for each grant varies from plan to plan and is based on continued employment (unless employment is terminated due to death, disability or retirement) as well as satisfaction of certain performance conditions. The determination of the amount of expense to be recognized as compensation expense in any year is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

23. EMPLOYEE COMPENSATION (CONTINUED)

An expense charge of $16.2 million (2020: $17.2 million) was taken by the Group based on management's best estimate of the number of shares that are likely to vest. The grant date value of shares vested during the year amounted to $19 million (2020: $26.8 million). The details of shares granted, vested and forfeited during the year are as follows:

Number of shares	***2021***	*2020*
Granted during the year	7,513	4,095
Vested during the year	4,351	5,615
Forfeited during the year	395	479

The fair value of shares granted during the year amounted to $30.2 million (2020: $21.6 million). The fair value of shares forfeited during the year amounted to $1.7 million (2020: $2.5 million).

24. RELATED PARTY TRANSACTIONS AND BALANCES

A. DUE FROM/ DUE TO A RELATED PARTY

Amounts due from/ due to a related party represent balances due from/ owed to Investcorp Holdings B.S.C. represent working capital balance with Investcorp Holdings B.S.C.

B. OTHER 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, SIPCO Limited and the Trusts.

It also includes major shareholders, directors and senior management of the Company, 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.

24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

In addition to the compensation and benefits to employees disclosed in Note 23, the income earned and expenses incurred in connection with related party transactions included in these consolidated financial statements are as follows:

$millions		2021	2020
AUM fees	Investee and investment holding companies	159	135
Deal fees	Investee and investment holding companies	104	75
Asset based income	Investee companies	26	39
Interest expense	Short term financing	3	
Interest expense	Investment holding companies	-	0
Operating expenses	Directors' remuneration	(2)	(2)
Operating expenses	Professional fees	-	(1)

Of the staff compensation set out in Note 23, $87.0 million (2020: $65.1 million) is attributable to senior management. Of the above mentioned remuneration of senior management, $64.3 million (2020: $39.5 million) is in the form of salaries and other short term benefits.

In addition to the compensation and benefits to employees disclosed in Note 23, the balances with related parties included in these consolidated financial statements are as follows:

	June 30, 2021			June 30, 2020		
$millions	Assets	Liabilities	Off-balance sheet	Assets	Liabilities	Off-balance sheet
Outstanding balances						
Co-investments	668	-	-	837	-	-
Underwritten and warehoused investments	445	-	-	192	-	-
Investment in joint ventures and associates	8	-	-	44	-	-
Strategic shareholders	13	-	-	10	-	-
Investee companies	60	2	-	61	2	22
Investment holding companies	185	1	187	185	0	155
Financing	-	174	-	-	261	-
Due from / to a related party	27	-	-	-	25	-
Directors and senior management	85	6	-	-	-	-
	1,491	183	187	1,329	288	177

25. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"), in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets regulations and the rules and procedures of the Bahrain Bourse.

The consolidated financial statements are prepared and presented in United States dollars, this being the functional currency of the Group, and rounded to the nearest millions ($millions) unless otherwise stated. Certain prior year balances have been reclassified to conform to the current year presentation. These reclassifications had no impact on the net loss or equity of the Group.

25. 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 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

New standards, amendments and interpretations issued but not yet 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).

The Group's management is currently evaluating the impact of the above standard and amendments on the consolidated financial statements.

i) Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the re-measurement at fair value of financial instruments under IFRS 9 and revaluation of premises and equipment.

ii) Going concern

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

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Basis of consolidation

The consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries. A subsidiary is an entity which is controlled by the Group. Control is achieved when the Group is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect these returns through its power over the entity. The Group consolidates its subsidiaries excluding entities which meet the below criteria:

a) Where there are contractual or other restrictions imposed on the Group's ability to appoint the majority of the Board of Directors, or

b) Where a majority of the economic risk and reward accrues to third parties other than the Group, or

c) Where the exception to consolidate subsidiaries of an Investment entity is applied, as defined in IFRS 10.

The Group qualifies as an investment entity as defined under IFRS 10, and as such, measures its investments in accordance with the requirements set out in the standard.

The results of all subsidiaries are included in the consolidated statement of profit or loss from the effective date of formation or acquisition. The financial statements of the Company's subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances, income and expenses have been eliminated on consolidation.

iv) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

v) Trade date accounting

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

vi) Offsetting

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

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

vii) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements. The use of estimates is principally limited to:

a) The determination of the fair values of FVTPL co-investments in private equity co-investments, credit management co-investments, strategic capital co-investments and real estate co-investments and other strategic investments (see Note 10), the determination of performance fees on assets under management, impairment provisions for financial assets other than FVTPL investments and FVOCI equity investments (see Note 13) and allocation of placement fee to the performance obligations as described later.

b) The determination of performance fees on assets under management are dependent on the performance of the underlying investments and thus are highly susceptible to factors outside the Group's influence

c) The determination of cash flows which is the basis for performing the assessment of solely payments of principal and interest test on CLO co-investments which are being carried as debt instruments at amortized cost (see Note 10).

In the process of applying the Group's accounting policies, management has made judgments covered in the following section, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Further, from June 30, 2020, the valuation approach was substantially consistent with our normal process and valuation policy. A key focus of the portfolio fair value from June 30, 2020 was an assessment of the impact of the COVID-19 pandemic on each investment. The approach considered the performance of each investment exposure before the outbreak of COVID-19, the projected short-term impact on their ability to generate earnings and cash flow and also longer-term view of their ability to recover and perform against their investment cases. Given the diversity of the portfolio, the impact has been varied, based on type of underlying exposure, industry exposure, expected recovery from the current crisis and current market inputs.

viii) Foreign currencies

A foreign currency transaction is recorded in the functional currency at the rate of exchange prevailing at the value date of the transaction. Monetary assets and liabilities in foreign currencies that are held at the reporting date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on retranslation are recognized in the consolidated statement of profit or loss under treasury and other income.

Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Non-monetary assets in foreign currencies that are stated at fair value are retranslated at exchange rates prevailing on the dates the fair values were determined. Gains and losses on fair valuation of FVTPL investments are taken to the consolidated statement of profit or loss.

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

viii) Foreign currencies (continued)

Foreign currency differences arising from the translation of investments in respect of which an election has been made to present subsequent changes in FVOCI are recognized in the consolidated statement of other comprehensive income.

ix) Income

Interest income is recognized using the effective yield of the asset and is recorded as asset based income. Asset based income from all FVTPL investments is recognized on the basis of realized and unrealized changes in fair value as at the end of the reporting period.

Fee income is recognized when services are rendered. Performance fees are recognized when earned. Performance fees are only recognized once it is highly probable that there would be no significant reversal of any accumulated revenue in the future. Estimates are needed to assess the risk that achieved earnings may be reversed before realization due to the risk of lower future overall performance of the underlying investments. The reversal risk is managed through adjustments of the unrealized investment values by imposing discounts depending on specific investment risks and on the expected average remaining holding period of the investment.

Realized capital gains or losses on FVOCI equity investments are taken to retained earnings at the time of derecognition of the investment.

Revenue from contracts with customers

Placement fees are charged when an underwritten investment is placed with investors. The Group has identified the performance obligations arising from its contracts with investors with whom the investments are placed. The portion of the fee relating to such performance obligations is deferred and recognized over the investment period.

Investcorp has reviewed and analyzed the terms of the contracts that it has entered into with its investors arising from the placement of its investments. Based on this review, the Group has determined the following two types of performance obligations that Investcorp is expected to satisfy:

i. services provided by Investcorp during the year from purchase to the placement of the investment with investors, including deal identification, funding, underwriting, maintaining a placement infrastructure, preparing the marketing materials for each deal etc; and

ii. services provided over the period of the investment as agreed with the investor at the time of placement.

Investcorp has allocated the placement fee to each of the above performance obligations. The Group completes all of its performance obligations described in (i) above before placing an investment with its investors. Accordingly, the fee relating to this performance obligation is recognized upfront upon placement of the investment with investors. This portion of the placement fee is included as part of deal fees except for placement fee from program clients which is included as part of AUM fees.

A portion of the placement fee represents the amount received upfront for the performance obligation described in (ii) above. Accordingly, this component of the placement fee is deferred and recognized over time, as AUM fees, over the period of managing the investment.

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Interest expenses

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

xi) Taxation of foreign operations

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on income from foreign subsidiaries is provided for in accordance with the fiscal regulations of the countries in which the respective Group entities operate.

Deferred taxation is provided for using the liability method on all temporary differences calculated at the rate at which it is expected to be payable. Deferred tax assets are only recognized if recovery is probable.

xii) Cash and cash equivalents

Cash and cash equivalents comprise cash and short term funds, cash in transit, other liquid funds and placements with financial institutions that are readily convertible into cash and are subject to insignificant risk of changes in value.

xiii) Receivables

Subscription receivables are recognized when the obligation is established, i.e., when a binding subscription agreement is signed. These are carried at cost less provision for impairment.

xiv) Advances

Advances are stated at amortized cost, net of any impairment provisions.

xv) Classification of financial assets

(a) Investments

The group classifies the financial assets into various categories as set out in Note 4.

On initial investment, a debt investment is measured at amortized cost if the financial asset is held to collect contractual cash flows over the life of the asset and if those cash flows comprise solely of principal repayments and interest on the principal amount outstanding.

The Group also classifies certain strategic investments, real estate co-investment, private equity co-investments, strategic capital co-investments, credit management investments and ARI investments as FVOCI investments.

All other investments including those over which the Group has significant influence are classified as FVTPL.

(b) Other liquid assets

Other liquid assets, which form part of “placements with financial institutions and other liquid assets”, are recorded at amortized cost less any impairment in value other than those assets which contain embedded derivatives requiring either separation of the embedded derivative or classification of the entire instrument as FVTPL assets. The management has designated such assets as FVTPL assets.

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xvi) Co-investments

a. Co- investments in private equity investment and real estate investment

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

FVOCI investments are initially recorded at fair value. These investments are then re-measured to fair value at each reporting date and any resulting change in value of these investments is taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported in equity is transferred to retained earnings.

b. Co- investments in credit management investment

The Group's co-investments in credit management and any new exposure acquired during the year are classified as FVOCI debt investments. All other credit management co-investment exposures are carried at amortised cost less any impairment provision. Interest income on amortized cost instruments is recognized using the effective interest rate ("EIR").

FVOCI debt investments are initially recorded at fair value. Any subsequent fair value changes on such investments will be recognized directly in equity and any impairment in the carrying value will be recognized in the consolidated statement of profit or loss. At the time of derecognition, any cumulative gain or loss previously reported in equity is transferred to retained earnings through profit or loss. The fair value changes in FVTPL investments are recorded in the consolidated statement of profit or loss.

Any revision of estimated future cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount and a corresponding increase or decrease in consolidated statement of profit or loss.

c. Co-investments in absolute return investments

The Group's co-investments in absolute return investments are classified as FVTPL and FVOCI investments and are stated at fair value at the reporting date. The fair value changes in FVTPL investments are recorded in the consolidated statement of profit or loss.

The fair value changes in the FVOCI investments are taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported is transferred to retained earnings.

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xvi) Co-investments (continued)

d. Co- investments in strategic capital investment

The Group's co-investments in strategic capital investments are classified as FVOCI investments and are stated at fair value at the reporting date. The fair value changes in FVOCI investments are recorded in the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported in equity is transferred to retained earnings.

e. Investment in structured products

The Group's investments in structured products are classified as FVTPL and are stated at fair value at the reporting date. The fair value changes in FVTPL investments are recorded in the consolidated statement of profit or loss.

f. Investment in other strategic investments

The Group's investments in other strategic investments are classified as FVTPL and FVOCI investments and are stated at fair value at the reporting date. The fair value changes in FVTPL investments are recorded in the consolidated statement of profit or loss.

The fair value changes in the FVOCI investments are taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported is transferred to retained earnings.

xvii) Investment in associates and joint ventures

The Group's investment in associates and joint ventures is initially recorded at fair value and is re-measured at each reporting date, with resulting unrealized gains or losses being recorded in consolidated statement of profit or loss.

xviii) Impairment and un-collectability of financial assets

The Group recognizes loss allowances in the consolidated statement of profit or loss for expected credit losses (ECL) on financial assets excluding investments classified as FVTPL and equity investments classified as FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

1. debt investment securities that are determined to have low credit risk at the reporting date; and
2. other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xviii) Impairment and un-collectability of financial assets (continued)

For the purposes of calculation of ECL, the Group categorizes such financial assets into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 – Performing: when such financial assets are first recognized, the Group recognizes an allowance based up to 12- month ECL.

Stage 2 – Significant increase in credit risk: when such financial assets shows a significant increase in credit risk, the Group records an allowance for the lifetime ECL.

Stage 3 – Impaired: the Group recognizes the lifetime ECL for such financial assets.

xix) De-recognition of financial instruments

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, any cumulative gain/ loss recognized in the consolidated statement of other comprehensive income in respect of equity investments designated at FVOCI is transferred directly to retained earnings.

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

xx) Derivative financial instruments

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

Derivatives that qualify for hedge accounting are classified into fair value hedges or cash flow hedges. Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Accounting treatments for both types of hedges and in the case of discontinuance of hedges are disclosed in Note 19.

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

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxi) Premises and equipment

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

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

All other items are recorded at cost less accumulated depreciation.

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

Leasehold and building improvements	10 - 15 years
Operating assets	3 - 23 years

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

xxii) Right-of-use assets and lease liability

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.

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, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxii) Right-of-use assets and lease liability (continued)

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. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees as applicable. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

xxiii) Intangible assets

Intangible assets comprise management contracts and goodwill recognized on acquisition. Management contracts have a useful life of 5 years from the date of the acquisition and are amortized accordingly.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The Group tests goodwill for impairment annually. For other intangible assets, the Group reviews the carrying amounts to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and if any, impairment loss is charged to the consolidated statement of profit or loss for the period.

xxiv) Payables, accruals and provisions

Provision for employee benefit costs is made in accordance with contractual and statutory obligations and the terms of benefit plans approved by the Board of Directors (see Note 23).

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

25. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxv) Unfunded deal acquisitions

Unfunded deal acquisitions represent amounts contractually payable by the Group in respect of investment acquisitions the agreements for which are signed, but have not been funded, as of the reporting date.

xxvi) Borrowings

Borrowings, represented by short term financing on call, medium-term revolvers, medium-term debt and long-term debt, are initially recognized at the fair value of consideration received and subsequently adjusted for the impact of effective fair value hedges. Securities sold under agreements to repurchase (“repurchase agreements”) are treated as collateralized financings. The corresponding cash received is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it as a liability within financing, reflecting the transaction’s economic substance as a loan to the Group.

The securities delivered repurchase agreements are not derecognized from the consolidated statement of financial position as the Group retains substantially all of the risks and rewards of ownership

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

xxvii) Treasury shares

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

xxviii) Share awards

Share awards to employees are accounted and expense recognized over the vesting period. The determination of the amount to be recognized is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

xxix) Dividends

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

26. SUBSEQUENT EVENTS

Sale of an associate

During the year, Investcorp entered into an agreement to divest its indirect interest in Banque Pâris Bertrand. Subsequent to the year end, Investcorp received regulatory approvals and closed the transaction on July 2021.