INVESTCORP HOLDINGS B.S.C. (CLOSED)

CONSOLIDATED

FINANCIAL STATEMENTS

JUNE 30, 2022
FISCAL YEAR 2022

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INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF INVESTCORP HOLDINGS B.S.C. (CLOSED)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Investcorp Holdings B.S.C. (closed) ("the Company") and its subsidiaries (together "the Group"), which comprise of the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of 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 Ethics Standards Board for Accountants' 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.

Other Information Included in the Group's 2022 Annual Report
Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditor's report, we have obtained the following sections of the Group's 2022 Annual Report, and the remaining sections are expected to be made available to us after that date.

- Report of the Board of Directors;
- Business Highlights;
- Discussion of Results;
- Assets Under Management; and
- Portfolio Review

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF INVESTCORP HOLDINGS B.S.C. (CLOSED) (continued)

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

Other Information Included in the Group's 2022 Annual Report (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Board of Directors either intends to liquidate the Company 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.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF INVESTCORP HOLDINGS B.S.C. (CLOSED) (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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.

- 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 Audit and Risk Committee 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.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF INVESTCORP HOLDINGS B.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

We report that:

a) as required by the Bahrain Commercial Companies Law,

   I. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
   II. the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements; and
   III. satisfactory explanations and information have been provided to us by management in response to all our requests.

b) we are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association during the year ended 30 June 2022 that might have had a material adverse effect on the business of the Company or on its consolidated financial position.

c) as required by Article 8 of section 2 of chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:
   I. has appointed a Corporate Governance Officer; and
   II. has a board approved written guidance and procedures for corporate governance.

Ernst & Young

Partner's Registration No. 117
30 July 2022
Manama, Kingdom of Bahrain

INVESTCORP HOLDINGS B.S.C. (CLOSED)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022

$millions	***2022***	***2021***	*Notes*
AUM fees	240	217	
Transaction and advisory income	171	139	
AUM fees, transaction and advisory income (a)	411	356	
Asset based income from co-investment business and others (b)	109	107	
Gross operating income (a) + (b)	520	463	4
Operating expenses	(338)	(290)	5
Interest expense	(31)	(31)	
Provisions	-	(4)	13
PROFIT BEFORE TAX	151	138	
Income tax expense	(15)	(13)	6
PROFIT FOR THE YEAR	136	125	
Profit for the year attributable to :			
Equity holders of the parent	135	124	
Non-controlling interest	1	1	
	136	125	

Dr. Yousef Hamad Al-Ebraheem

Chairman

Mohammed Mahfoodh Saad Al Ardhi

Executive Chairman

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

INVESTCORP HOLDINGS B.S.C. (CLOSED)
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

$millions	*2022*	*2021*	*Notes*
PROFIT FOR THE YEAR	136	125	
Other comprehensive (loss) income that will be recycled to statement of profit or loss			
Fair value movements - cash flow hedges	(5)	2	
Movements - Fair value through other comprehensive income investments	(2)	17	
Other comprehensive loss that will not be recycled to statement of profit or loss			
Movements - Fair value through other comprehensive income investments	(9)	(11)	
Other comprehensive (loss) income	(16)	8	
TOTAL COMPREHENSIVE INCOME	120	133	
Total comprehensive income attributable to:			
Equity holders of the parent	119	132	
Non-controlling interest	1	1	
	120	133	

Dr. Yousef Hamad Al-Ebraheem

Chairman

Mohammed Mahfoodh Saad Al Ardhi

Executive Chairman

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

INVESTCORP HOLDINGS B.S.C. (CLOSED)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

$millions	*June 30, 2022*	*June 30, 2021*	*Notes*
ASSETS			
Cash, placements and other liquid assets	249	289	
Positive fair value of derivatives	66	46	20
Receivables and prepayments	268	399	7
Advances	239	304	8
Underwritten and warehoused investments	370	445	9
Co-investments	899	705	10
Investments in joint ventures and intangible assets	79	76	11
Premises, equipment and other assets	125	127	12
TOTAL ASSETS	2,295	2,391	
LIABILITIES AND EQUITY			
LIABILITIES			
Payables and accrued expenses	273	305	14
Negative fair value of derivatives	58	30	20
Financing	602	732	15
Deferred fees	47	52	16
TOTAL LIABILITIES	980	1,119	
EQUITY			
Preference share capital	375	375	17
Ordinary shares at par value	200	200	17
Reserves	272	296	
Treasury shares	(34)	(32)	
Retained earnings	457	390	
Ordinary shareholders' equity excluding proposed appropriations and other reserves	895	854	
Proposed appropriations	52	44	
Other reserves	(8)	(3)	17
Non-controlling interests	1	2	
TOTAL EQUITY	1,315	1,272	
TOTAL LIABILITIES AND EQUITY	2,295	2,391	

Dr. Yousef Hamad Al-Ebraheem

Chairman

Mohammed Mahfoodh Saad Al Ardhi

Executive Chairman

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

INVESTCORP HOLDINGS B.S.C. (CLOSED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

$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
		Ordinary shareholders' equity excluding proposed appropriations and other reserves										
Balance at July 1, 2020	**123**	**200**	**239**	**(104)**	**335**	**100**	**(43)**	**727**	**22**	**(5)**	**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 sale 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)**	**390**	**100**	**(12)**	**854**	**44**	**(3)**	**2**	**1,272**
Balance at July 1, 2021	**375**	**200**	**208**	**(32)**	**390**	**100**	**(12)**	**854**	**44**	**(3)**	**2**	**1,272**
Total comprehensive income	-	-	-	-	135	-	(11)	124	-	(5)	1	120
Transferred to retained earnings upon derecognition	-	-	-	-	(11)	-	11	-	-	-	-	-
Depreciation on revaluation reserve transferred to retained earnings	-	-	-	-	0	-	-	0	-	(0)	-	-
Treasury shares purchased during the period - net of sales and vesting	-	-	-	(26)	-	-	-	(26)	-	-	-	(26)
Loss on sale and vesting of shares	-	-	(24)	24	-	-	-	-	-	-	-	-
Approved appropriations for fiscal 2021 paid	-	-	-	-		-	-	-	(44)	-	(2)	(46)
Appropriations for fiscal 2022 - including interim	-	-	-	-	(57)	-	-	(57)	57	-	-	-
Interim dividend for fiscal 2022 paid	-	-	-	-	-	-	-	-	(5)	-	-	(5)
Balance at June 30, 2022	**375**	**200**	**184**	**(34)**	**457**	**100**	**(12)**	**895**	**52**	**(8)**	**1**	**1,315**

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

INVESTCORP HOLDINGS B.S.C. (CLOSED)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

$millions	***2022***	***2021***	*Notes*
OPERATING ACTIVITIES			
Profit before tax	151	138	
Adjustments for non-cash items in profit before tax :			
Depreciation and amortization	25	21	
Provisions	-	4	13
Employee deferred awards	26	26	
Operating profit adjusted for non-cash items	202	189	
Changes in:			
Operating capital			
Placements (non-cash equivalent)	25	(22)	
Underwritten and warehoused investments	75	(253)	9
Deferred fees	(5)	(10)	16
Other working capital	93	(245)	18
Payables and accrued expenses	(41)	103	
Co-investments	(205)	185	10
Investments in joint ventures	(5)	(5)	11
Income taxes paid	(11)	(9)	
NET CASH FROM (USED IN) OPERATING ACTIVITIES	128	(67)	
FINANCING ACTIVITIES			
Financing - net of transaction costs and new issuances	(42)	(234)	15
Preference shares issued - net of expenses	-	249	
Shares (purchased) issued	(42)	38	
Dividends paid	(51)	(22)	
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(135)	31	
INVESTING ACTIVITIES			
Investment in premises and equipment	(8)	(6)	
NET CASH USED IN INVESTING ACTIVITIES	(8)	(6)	
Net decrease in cash and cash equivalents	(15)	(42)	
Cash and cash equivalents at beginning of the year	223	265	
Cash and cash equivalents at end of the year	208	223	
Cash and cash equivalents comprise of:			
Cash and short-term funds	174	161	
Placements with financial institutions and other liquid assets	34	62	
	208	223	

Additional cash flow information

$millions	***2022***	***2021***
Interest paid	(31)	(31)
Interest received	45	57

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

INVESTCORP HOLDINGS B.S.C. (CLOSED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

(i) Incorporation

Investcorp Holdings B.S.C. (Closed) (the "Company") is incorporated in the Kingdom of Bahrain as a closed Bahraini Shareholding Company with limited liability.

The ultimate parent of the Group is SIPCO Holdings Limited ("SHL") incorporated in the Cayman Islands. The Company is a holding company owning various subsidiaries (together the "Group" or "Investcorp"). The activities of the Company are substantially transacted through its subsidiaries and joint ventures.

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

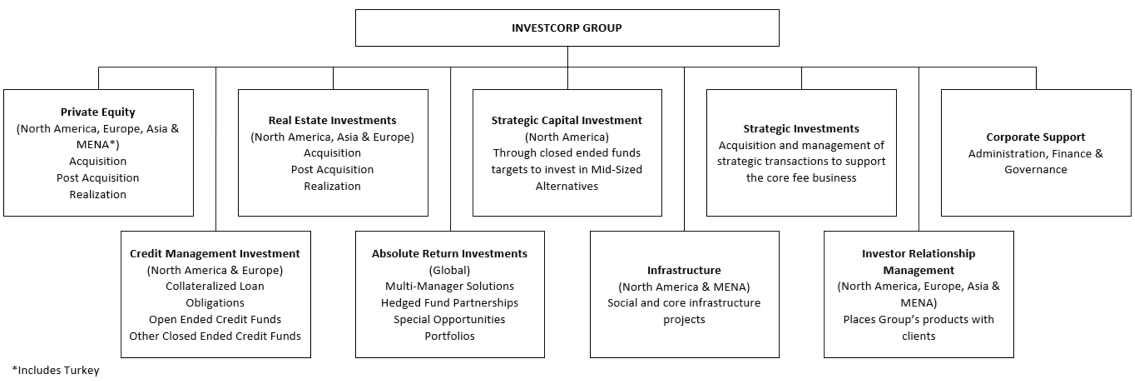
On June 2, 2021, the Company held an Extraordinary General Meeting and resolved to delist from the Bahrain Bourse and convert the Company to a closed Shareholding Company. On July 12, 2021, the Company received the final approval from the regulatory authorities on delisting and the Company completed the process of converting itself from B.S.C. to B.S.C. (Closed) on December 15, 2021.

The consolidated financial statements for the year ended June 30, 2022 were authorized for issue in accordance with a resolution of the Board of Directors effective on July 28, 2022.

(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 six 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, strategic capital and infrastructure investments. Each of the asset classes is comprised of its own dedicated team of investment professionals and is supported by a common investor relationship management team and corporate support units.



1. ORGANIZATION (CONTINUED)

(iii) Ownership

As at June 30, 2022, Ownership Holdings Limited (‘OHL’), a Cayman Islands company, has control of 55.7% (June 30, 2021: 51.4%) of the Company’s Ordinary Shares directly and through C.P. Holdings Limited (‘CPHL’), a Cayman Islands company. CPHL is controlled by OHL which, in turn, has SIPCO Limited (“SIPCO”) as its largest shareholder. Strategic shareholders own the balance of CPHL and OHL. SIPCO, a subsidiary of SHL, is the entity through which employees own beneficial interests in the Company’s ordinary shares.

As a result of the Company’s ownership structure, the directors of SIPCO, comprised of certain of the Company’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 57.5% (June 30, 2021: 52.9%) of the Company’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 has a 100% (June 30, 2021: 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. Please see Ownership Structure, Corporate Governance and Regulation section of the Annual Report. The ordinary shares and Series A preference shares of IHL carry voting rights.

IHL in turn has a 100% (June 30, 2021: 100%) voting interest in Investcorp S.A. ("SA"), a Cayman Islands holding company, is the principal asset-holding operating entity within the Group and, consistent with covenants contained in the Group's medium and long-term debt agreements, the Group holds at least 95% of its assets through SA or subsidiaries that are owned directly or indirectly by SA.

The non-controlling interests in the consolidated financial statements represents the 24% (June 30, 2021: 24%) of equity position in CM Investment Partners LLC and 20% (June 30, 2021: 20%) of equity position in IVC Titan Acquisition LLC.

1. ORGANIZATION (CONTINUED)

(iv) Subsidiary companies (continued)

The Group structure along with its significant subsidiaries is illustrated below:

Parent	Wholly owned significant subsidiaries	Description of principal activities
Investcorp Holdings B.S.C. (Closed) (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 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 six investment asset classes. Total assets under management ("AUM") in each product category at the year end are as follows:

$millions	June 30, 2022 Clients	June 30, 2022 Investcorp	June 30, 2022 Affiliates and co-investors	June 30, 2022 Total	June 30, 2021 Clients	June 30, 2021 Investcorp	June 30, 2021 Affiliates and co-investors	June 30, 2021 Total
Private equity investment								
*Closed-end committed funds*****	1,612	129	172	1,913	1,424	131	176	1,731
Closed-end invested funds	1,289	18	263	1,570	1,460	30	182	1,672
Deal-by-deal	2,261	218 *	395	2,874	2,581	195 *	141	2,917
Deal-by-deal underwriting	-	213	-	213	-	274	-	274
Total private equity investment	**5,162**	**578**	**830**	**6,570**	**5,465**	**630**	**499**	**6,594**
Credit management investment								
Closed-end invested funds	14,446	206	67	14,719	13,321	254	76	13,651
Closed-end committed funds	904	-	7	911	483	8	-	491
Open-end invested funds	374	10	-	384	371	10	-	381
Warehousing	-	49	42	91	-	37	100	137
Total credit management investment	**15,724**	**265**	**116**	**16,105**	**14,175**	**309**	**176**	**14,660**
Real estate investment								
Closed-end committed funds	96	-	-	96	-	-	-	-
Closed-end invested funds	1,163	87	-	1,250	117	-	-	117
*Deal-by-deal****	7,050	222	1,242	8,514	6,068	325	915	7,308
*Deal-by-deal underwriting****	-	54	-	54	-	122	-	122
Total real estate investment	**8,309**	**363**	**1,242**	**9,914**	**6,185**	**447**	**915**	**7,547**
Absolute return investments**								
Multi-manager solutions	3,003	4	4	3,011	3,158	11	5	3,174
Hedge funds partnerships	3,750	-	-	3,750	3,703	11	-	3,714
Special opportunities portfolios	437	20	1	458	593	18	3	614
Alternative risk premia	187	-	-	187	49	-	-	49
Total absolute return investments	**7,377**	**24**	**5**	**7,406**	**7,503**	**40**	**8**	**7,551**
Strategic Capital investment								
Closed-end committed funds	513	40	67	620	332	40	6	378
Deal-By-Deal	27	-	156	183	28	-	9	37
Total strategic capital investment	**540**	**40**	**223**	**803**	**360**	**40**	**15**	**415**
Infrastructure****								
Closed-end committed funds	125	25	25	175	90	25	25	140
Total Infrastructure investment	**125**	**25**	**25**	**175**	**90**	**25**	**25**	**140**
Strategic and other investments								
Strategic investments	-	141	-	141	-	58	-	58
SPAC	-	56	604	660	-	-	-	-
Total strategic investments	**-**	**197**	**604**	**801**	**-**	**58**	**-**	**58**
Client balances with trusts	**927**	**-**	**-**	**927**	662	-	-	662
Total	**38,164**	**1,492**	**3,045**	**42,701**	**34,440**	**1,549**	**1,638**	**37,627**
Summary by products:								
Closed-end committed funds	2,346	194	264	2,804	1,846	196	207	2,249
Closed-end invested funds	2,452	105	263	2,820	1,577	30	182	1,789
Credit management funds	15,724	216	74	16,014	14,175	272	76	14,523
Absolute return investments	7,377	24	5	7,406	7,503	40	8	7,551
Deal-by-deal	9,338	440	1,793	11,571	8,677	520	1,065	10,262
Underwriting and warehousing	-	316	42	358	-	433	100	533
Client balances with trusts	927	-	-	927	662	-	-	662
Strategic and other investments	-	197	604	801	-	58	-	58
Total	**38,164**	**1,492**	**3,045**	**42,701**	**34,440**	**1,549**	**1,638**	**37,627**
Summary by asset classes:								
Private equity investment	5,162	578	830	6,570	5,465	630	499	6,594
Credit management investment	15,724	265	116	16,105	14,175	309	176	14,660
Absolute return investments	7,377	24	5	7,406	7,503	40	8	7,551
*Real estate investment****	8,309	363	1,242	9,914	6,185	447	915	7,547
Strategic capital investment	540	40	223	803	360	40	15	415
Client balances with trusts	927	-	-	927	662	-	-	662
Infrastructure	125	25	25	175	90	25	25	140
Strategic and other investments	-	197	604	801	-	58	-	58
Total	**38,164**	**1,492**	**3,045**	**42,701**	**34,440**	**1,549**	**1,638**	**37,627**

** Includes Group's commitment of $4 million (June 30, 2021: $4million) to a private equity deal.*

*** Stated at gross value of the underlying exposure. Also, includes $4.7 billion (June 30, 2021: $4.9 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM. As at June 30, 2022, the total AUM held through joint ventures amounted to $7.4 billion (June 30 2021: $7.6 billion).*

**** Real estate investment stated at gross asset value except for $0.1 billion (June 30, 2021: $0.1 billion) relating to funds which are based on commitments net of distributions. Also, includes $0.6 billion (June 30, 2021: $0.3 billion) of assets under management relating to property management business.*

***** As of June 30, 2022, Investcorp managed AUM amounting to $0.4 billion (June 30, 2021: $0.3 billion) through its joint ventures for PE investment business*

2. ASSETS UNDER MANAGEMENT (CONTINUED)

In the 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. Investments in closed-end committed funds are stated at the total commitment amounts.

Certain of the Group's 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 the Group 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 the Group. The Group 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.

During the year, the Group was involved as sponsor to the successful IPO of two Special Purpose Acquisition Company ("SPAC") on NASDAQ. Currently, the Group is focused on looking to acquire companies in the European and Indian market for the SPAC. The AUM table includes SPAC AUM amounting to $659.7 million.

3. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

June 30, 2022 ***$millions***	***FVTPL***	***FVOCI***	***Items at amortized cost***	***Total***
Financial assets				
Cash, placements and other liquid assets	44	-	205	249
Positive fair value of derivatives	64	2	-	66
Receivables	-	-	240	240
Advances	-	-	239	239
Underwritten and warehoused investments	370	-	-	370
Co-investments				
Private equity investment	237	35	-	272
Credit management investment	-	104	102	206
Absolute return investments	20	4	-	24
Real estate investment	78	2	-	80
Strategic capital investments	19	-	-	19
Other investments	295	3	-	298
Investment in joint ventures	13	-	-	13
Total financial assets	1,140	150	786	2,076
Non-financial assets				
Prepayments				28
Premises, equipment and other assets				125
Intangible assets				66
Total assets				2,295
Financial liabilities				
Payables and accrued expenses	-	-	273	273
Negative fair value of derivatives	58	-	-	58
Financing*	-	-	602	602
Total financial liabilities	58	-	875	933
Non-financial liabilities				
Deferred fees				47
Total liabilities				980

* Adjusted for related fair value hedges.

June 30, 2021 *$millions*	*FVTPL*	*FVOCI*	*Items at amortized cost*	*Total*
Financial assets				
Cash, placements and other liquid assets	92	-	197	289
Positive fair value of derivatives	45	1	-	46
Receivables	-	-	369	369
Advances	-	-	304	304
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	8	-	-	8
Total financial assets	955	196	1,015	2,166
Non-financial assets				
Prepayments				30
Premises, equipment and other assets				127
Intangible assets				68
Total assets				2,391
Financial liabilities				
Payables and accrued expenses	-	-	305	305
Negative fair value of derivatives	26	4	-	30
Financing*	-	-	732	732
Total financial liabilities	26	4	1,037	1,067
Non-financial liabilities				
Deferred fees				52
Total liabilities				1,119

* Adjusted for related fair value hedges.

4. GROSS OPERATING INCOME

A. ACTIVITIES

The activities performed by the Group include:

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.

The Group also acts as sponsor of SPACs. Income from SPAC transactions is in the form of fair value changes in the interest held in the SPACs.

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. ASSETS CLASSES AND PRODUCTS

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

i) Private Equity Investments (PE)

The PE teams are mainly 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$400 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.

4. GROSS OPERATING INCOME (CONTINUED)

B. ASSETS CLASSES AND PRODUCTS (CONTINUED)

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 ten 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. Further, the Group also provides its investor base with such diversified investment opportunities through conventional fund structures - the Group retains a small portion as a co-investment. The RE India business currently has funds that provide structured senior credit within the residential real estate sector.

iv) ***Absolute Return Investments (ARI)***

Investcorp has a 50/50 joint venture agreement with Tages Group, a leading European alternative asset management firm. The 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. The JV primarily operates out of New York and London. The JV manages 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.

v) ***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.

vi) ***Infrastructure***

Investcorp has a joint venture with Aberdeen Standard Investments (ASI) that focuses on investing in social and core infrastructure projects in Gulf Cooperation Council countries. The JV combines global infrastructure experience with local investment insight and expertise.

During the year, Investcorp has also launched a private infrastructure investment business in North America. The new platform intends to make investments in critical infrastructure projects across North America.

4. GROSS OPERATING INCOME (CONTINUED)

C. REVENUE GENERATION

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

i) ***AUM fees***

$millions	***2022***	***2021***
Private equity investment	91	91
Credit management investment	65	59
Real estate investment	49	35
Absolute return investments	22	25
Strategic capital investment	13	7
Total AUM fees	240	217

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; and
- fee paid by the ARI JV for services provided by Investcorp Group.

ii) ***Transaction and advisory income***

$millions	***2022***	***2021***
Private equity investment	84	77
Real estate investment	64	61
SPAC income	22	-
Credit management investment	1	1
Total transaction and advisory income	171	139

Transaction and advisory income are comprised of activity fees, performance fees on PE, RE and CM investments, and income from SPACs.

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.

Investcorp also acts as the sponsor of SPACs and holds interest in the form of founder shares or warrants in the SPACs. Income from SPAC includes realized as well as unrealized gains and losses on interest held in SPACs.

4. GROSS OPERATING INCOME (CONTINUED)

ii) Asset based income

$millions	***2022***	***2021***
Private equity investment	36	42
Real estate investment	17	16
Credit management investment	19	49
Absolute return investments	1	1
Strategic capital investment	3	-
Investment in joint ventures	4	4
Treasury and other asset based income (loss)	29	(5)
Total asset based income	109	107

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.

5. OPERATING EXPENSES

$millions	***2022***	*2021*
Staff compensation and benefits	225	199
Other personnel and compensation charges	22	14
Professional fees	32	33
Travel and business development	9	2
Administration and research	19	16
Technology and communication	11	9
Premises and depreciation expense	20	17
Total	338	290

6. INCOME TAX

The Group's current tax expense and deferred tax income amounts to $15.1 million (2021: $10.3 million) and $0.2 million (2021: deferred tax expense of $3.1 million) respectively. The current tax liability amounts to $3.2 million (2021: $4.5 million). The deferred tax asset amounts to $10.7 million (2021: $8.9 million) as shown in Note 7. The deferred tax asset relates to an excess of depreciation over capital allowances amounting to $1.3 million (2021: $1.2 million), losses available for offset against future taxable income and other intangibles amounting to $4.6 million (2021: $2.8 million), partnership income and right of use assets amounting to $1.2 million (2021: Nil) and deferred compensation amounting to $3.6 million (2021: $4.9 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:

	2022	*2021*
United States	20%	21%
United Kingdom	19%	19%

7. RECEIVABLES AND PREPAYMENTS

$millions	**2022**	*2021*
Subscriptions receivable	86	180
Receivables from investee and holding companies	109	94
Investment disposal proceeds receivable	20	71
Accrued interest receivable	6	6
Prepaid expenses	17	21
Deferred tax asset (see Note 6)	11	9
Other receivables	22	22
	271	403
Provisions for impairment (see Note 13)	(3)	(4)
Total	268	399

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.

7. RECEIVABLES AND PREPAYMENTS (CONTINUED)

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 and real estate investments. 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	***2022***	*2021*
Advances to investment holding companies	99	163
Advances to employee investment programs	130	89
Advances to PE closed-end funds	21	63
	250	315
Provisions for impairment (see Note 13)	(11)	(11)
Total	239	304

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 $130 million (June 30, 2021: $89 million), $120.3 million (June 30, 2021: $75.6 million) are full recourse loans given to employees against a direct collateralization of the employees' beneficial interest in shares of Investcorp valuing $175.6 million (June 30, 2021: $108.2 million) and other program balances. The loans carry interest rates ranging from 2% to 2.25% (June 30, 2021: 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

	2022				2021			
$millions	North America	Europe	Asia	Total	North America	Europe	Asia	Total
Underwritten investments								
Private equity investment:								
Industrial/ Business Services	140	42	20	202	22	162	-	184
Consumer products	-	1	-	1	-	-	12	12
Consumer services	9	-	-	9	-	-	-	-
Total private equity investment	149	43	20	212	22	162	12	196
Real estate investment:								
Core / Core Plus	2	41	11	54	93	29	-	122
Total real estate investment	2	41	11	54	93	29	-	122
Other Investments								
Structured products (Note 10F)*	-	-	-	-	90	-	-	90
Total other investments	-	-	-	-	90	-	-	90
Warehoused investments								
Credit management Investments								
CLO Investments	35	13	-	48	30	7	-	37
Total credit management investment	35	13	-	48	30	7	-	37
Others								
SPAC*	56	-	-	56	-	-	-	-
Total others	56	-	-	56	-	-	-	-
Total	242	97	31	370	235	198	12	445

*This represents the domicile of the fund/SPAC

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	***2022***	*2021*
Private Equity Co-investments (Note 10 A)	272	237
Credit Management Co-investments (Note 10 B)	206	255
Real Estate Co-investments (Note 10 C)	80	47
Absolute Return Investments Co-investments (Note 10 D)	24	40
Strategic Capital Co-investments (Note 10 E)	19	6
Other investments (Note 10 F)	298	120
Total	899	705

10 (A) PRIVATE EQUITY CO-INVESTMENTS

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

	June 30, 2022					**June 30, 2021**				
$millions	**North America**	**Europe**	**MENA***	**Asia****	**Total**	**North America**	**Europe**	**MENA***	**Asia****	**Total**
Consumer Products	7	0	19	-	26	6	0	20	5	31
Consumer Services	-	-	-	5	5	-	-	12	5	17
Distribution	9	-	-	-	9	0	-	-	-	0
Healthcare	0	1	119	4	124	0	2	102	1	105
Industrial Products	-	1	-	-	1	-	1	-	-	1
Industrial/ Business Services	39	5	50	-	94	21	14	41	0	76
Technology										
Big Data	1	3	-	4	8	1	0	-	4	5
Internet / Mobility	-	0	-	-	0	-	0	1	-	1
Security	-	0	-	-	0	-	0	-	-	0
Infrastructure & Others	-	-	1	4	5	-	-	-	1	1
Total	56	10	189	17	272	28	17	176	16	237

* 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 $35.1 million (June 30, 2021: $32.2 million) are classified as FVOCI investments. For FVOCI investments, during the year, a gain of $2.7 million (2021: loss of $5 million) was recognized in other comprehensive income and $0.6 million (2021: losses of $27.6 million) of gains were recycled to retained earnings on derecognition.

10. CO-INVESTMENTS (CONTINUED)

10 (B) CREDIT MANAGEMENT CO-INVESTMENTS

$millions	***2022***	*2021*
European CLO Investments	180	238
Risk Retention Fund	11	14
Other credit management investments	15	3
Total	206	255

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 $103.7 million (June 30, 2021: $110.1 million) are classified as FVOCI investments. For FVOCI investments, during the year, no amount (2021: gain of $0.6 million) was recycled to consolidated statement of profit or loss and a loss of $11.1 million (2021: gain of $18 million) was recognized in other comprehensive income.

Certain of the Group's CLO co-investments amounting to $46 million (June 30, 2021: $46 million) are utilized to secure amounts drawn under repurchase agreements. At June 30, 2022, $46 million (June 30, 2021: $46 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	*2022*				*2021*			
	North America	**Europe**	**Asia**	**Total**	North America	Europe	Asia	Total
Core / Core Plus	64	9	7	80	41	6	-	47
Total	64	9	7	80	41	6	-	47

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 $1.6 million (June 30, 2021: $13.4 million). For FVOCI investments, during the year, $3.4 million (2021: $0.2 million) of gains were recognized in other comprehensive income and $3 million (2021: $2.7 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	***2022***	*2021*
Special opportunities portfolios	20	18
Multi-manager solutions	4	11
Hedge funds partnerships	-	11
Total	24	40

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 23) 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 $4 million (June 30, 2021: $5.3 million) are classified as FVOCI investments. For FVOCI investments, during the year, a loss of $0.3 million (2021: gain of $0.6 million) was recognized in other comprehensive income and no (2021: nil) 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 (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 consolidated statement of profit or loss.

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 FVTPL.

10 (F) OTHER INVESTMENTS

$millions	***2022***	*2021*
Investments in structured products	157	67
Other strategic investments	141	53
Total	298	120

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 FY21, 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 had been initially funded by Investcorp in the fund, with remaining funded by a third party as preferred investor. During the year, the fund made additional investments of $101 million and distributed $179 million to investors. As of June 30, 2022, the fair value of investments held by the fund amounted to $343 million.

The Group's current exposure 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, $5.8 million (2021: loss of $7.5 million) of losses were recognized in other comprehensive income. Furthermore, losses of $15.1 million (2021: nil) amount was recycled to retained earnings on derecognition.

During the year, the Group has made an investment of $120 million in the insurance platform.

11. INVESTMENTS IN JOINT VENTURES AND INTANGIBLE ASSETS

$millions	**2022**	*2021*
Intangible assets	66	68
Investment in joint ventures	13	8
Total	79	76

11 (A) INTANGIBLE ASSETS

$millions	**2022**	*2021*
Goodwill	63	63
Management contracts	3	5
Total	66	68

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 2022 (June 30, 2021: Nil) as the result of the goodwill impairment assessment. A weighted average discount rate of 13% (June 30, 2021: 15.2%) 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, 2020	63	8	71
Amortization during the year	-	(3)	(3)
Balance at June 30, 2021	63	5	68
Amortization during the year	-	(2)	(2)
Balance at June 30, 2022	**63**	**3**	**66**

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

11 (B) INVESTMENT IN JOINT VENTURES

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

12. PREMISES, EQUIPMENT AND OTHER ASSETS

$millions	***2022***	*2021*
Right-of-use assets	86	90
Premises, equipment and other assets	39	37
Total	125	127

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 $4.4 million (June 30, 2021: $0.5 million) and a depreciation expense of $9 million (2021: $9.1 million) on its right of use assets.

13. PROVISIONS

Provisions are as follows:

$millions				
Categories	***Balance At beginning***	***Charge / (reversal)***	***Write-off***	***At end****
12 months to June 30, 2022				
Receivables (Note 7)	4	(0)	(1)	3
Advances (Note 8)	11	0	(0)	11
Cash, placements and other liquid assets	0	-	-	0
Total	15	-	(1)	14

* Of the total provision, $2.6 million relates to stage 1, $8 million relates to stage 2 and $3.4 million relates to stage 3 assets. Of the stage 1 and 2 provision, $8 million relates to advances. During the year, there was a movement in loss allowance of $2.6 million from stage 1 to stage 2 assets

$millions				
Categories	***Balance At beginning***	***Charge***	***Write-off***	***At end****
12 months to June 30, 2021				
Receivables (Note 7)	4	-	-	4
Advances (Note 8)	7	4	-	11
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

14. PAYABLES AND ACCRUED EXPENSES

$millions	***2022***	*2021*
Vendor and other payables	138	113
Accrued expenses - employee compensation	106	85
Unfunded deal acquisitions	21	92
Accrued interest payable	5	5
Tax liability	3	10
Total	273	305

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

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.

15. FINANCING

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

		June 30, 2022		June 30, 2021	
$millions	***Final Maturity***	***Facility size***	***Current outstanding***	*Facility size*	*Current outstanding*
SHORT-TERM FINANCING					
Multi currency term and revolving loan	Call		-		174
TOTAL SHORT-TERM FINANCING			-		174
MEDIUM-TERM DEBT					
REVOLVING CREDIT					
Multi currency syndicated revolving facility	June 2023	82	-	82	-
Multi currency syndicated revolving facility	June 2024	357	150	357	-
US Dollar syndicated revolving facility	March 2024	15	-	15	-
US Dollar syndicated revolving facility	March 2025	335	-	335	-
Islamic financing	June 2027	440	-	-	-
TOTAL MEDIUM-TERM DEBT			150		-
LONG-TERM DEBT					
PRIVATE NOTES					
JPY 37 Billion Private Placement	March 2030		332		332
$50 Million Private Placement	July 2032		50		50
SECURED FINANCING					
Repurchase agreement	October 2030		20		20
Repurchase agreement	April 2031		22		22
Repurchase agreement	October 2031		2		2
Repurchase agreement	July 2031		2		2
TOTAL LONG-TERM DEBT			428		428
LEASE LIABILITY			96		102
Foreign exchange translation adjustments			(66)		2
Fair value adjustments relating to interest rate hedges			7		39
Transaction costs of borrowings			(13)		(13)
TOTAL FINANCING			602		732

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 entered into a Murabaha agreement with a facility size of $440 million carrying a floating rate of interest. Subsequent to the year end, the Group has drawn $350 million from this facility.

Medium term facilities are all floating rate instruments with average margin over LIBOR of 275 basis points (June 30, 2021: 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, 2021: 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 $11.9 million (June 30, 2021: $12.2 million) of lease liabilities, recognized an additional lease liabilities of $4.4 million (June 30, 2021: $0.5 million) and recognized an interest expense of $3.2 million (2021: $3.4 million). There has been no re-measurement of lease liabilities during the year (2021: Nil).

16. DEFERRED FEES

$millions	***2022***	*2021*
Deferred fees relating to placements	37	48
Deferred fees from investee companies	0	2
Deferred income in a joint venture	10	2
Total	47	52

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 $22.6 million (2021: $30.7 million).

17. SHARE CAPITAL AND RESERVES

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

	2022			2021		
	No. of shares	**Par value $**	**$millions**	No. of shares	Par value $	$millions
Authorized share capital						
- Ordinary shares	400,000,000	2.50	1,000	400,000,000	2.50	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	4,000	125,000	500
			2,500			2,500
Issued share capital						
- Ordinary shares	80,000,000	2.50	200	80,000,000	2.50	200
- Preference shares						
- Series B	123,239	1,000	123	123,239	1,000	123
- Series E	2,018	125,000	252	2,018	125,000	252
			575			575

Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business (see note 22).

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, CM and strategic investments in equity instruments 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, 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

865,443 (2021: 673,305) ordinary shares were held as treasury shares, which includes 10,550 shares (2021: 22,823 shares) that have been granted to employees as part of deferred remuneration but have not yet started vesting. 2,303,438 shares (2021: 2,422,972 shares) that have been granted to employees and have commenced vesting, but have not fully vested as at 2022, are not counted as treasury shares.

During the year, as part of the delisting process, the Company re-purchased 6.1 million shares from its shareholders for a total consideration of $70 million. Further, approximately 4.2 million shares (2021: 7.6 million shares) were purchased by the management for a total consideration of approximately $46 million (2021: $76.4 million). 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.

The Series E preference shares are fixed rate, equal to 8%, resettable, non-cumulative, with no 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 $4 million (2021: loss of $12 million) on vesting of treasury shares, $17 million (2021: Nil) relating to performance share awards vesting and $3 million relating to the purchase of shares by employees (2021: Nil).

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	Revaluation reserve on premises and equipment	Total
Balance at June 30, 2020	(9)	4	(5)
Net realized gain recycled to statement of profit or loss	2	-	2
Net unrealized gain for the year	0	-	0
Transfer of depreciation to retained earnings	-	(0)	(0)
Balance at June 30, 2021	(7)	4	(3)
Net realized loss recycled to statement of profit or loss	(5)	-	(5)
Net unrealized gain for the year	0	-	0
Transfer of depreciation to retained earnings	-	(0)	(0)
Balance at June 30, 2022	(12)	4	(8)

18. ADDITIONAL CASH FLOW INFORMATION

Changes in other working capital

$millions	***2022***	*2021*
Receivables, prepayments and advances	190	(231)
Derivatives*	(97)	(14)
	93	(245)

*Includes fair value and foreign exchange movement in financing

19. BOOK VALUE AND DIVIDENDS PER SHARE

The Group's proposed appropriations are as follows:

$millions	***2022***	*2021*
Appropriations:		
Ordinary shares dividend	24	22
Preference shares dividend - including interim	33	22
Total appropriations	57	44
Interim dividend paid	(5)	-
	52	44

The proposed ordinary share dividend is 30 cents (2021: 30 cents) per share payable only on issued shares (excluding treasury shares), that are held on the date of approval of dividend by the ordinary shareholders.

The proposed preference share dividend of $28 million (2021: $22 million) represents an annual dividend on issued preference shares. In addition, an interim dividend of $5 million was also paid on October 2021.

The book value per ordinary share at the year-end date is calculated by dividing the ordinary shareholders' equity (excluding unrealized changes relating to cash flow hedges, the revaluation reserve and proposed appropriations) by the number of ordinary shares outstanding at year end (taking into account the beneficial interest of management in all acquired unvested shares issued at year end). The fully diluted book value per ordinary share is $11.31 per share (2021: $10.81 per share).

20. 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.

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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:

	2022			2021		
$millions	***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	290	-	(33)	338	-	(7)
ii) Cash flow hedges						
Forecasted transactions	29	2	(0)	33	1	(0)
Coupon on long-term debt	45	-	(5)	42	-	(1)
Total forward foreign exchange contracts	364	2	(38)	413	1	(8)
Interest rate risk being hedged using interest rate swaps						
i) Fair value hedges - fixed rate debt	332	41	(1)	397	25	-
ii) Cash flow hedges - floating rate debt	25	-	(0)	25	-	(3)
Total interest rate hedging contracts	357	41	(1)	422	25	(3)
Total hedging derivatives	721	43	(39)	835	26	(11)
B) DERIVATIVES WHERE HEDGE ACCOUNTING IS NOT APPLIED						
Interest rate swaps	225	6	(8)	475	14	(12)
Forward rate agreements	17	0	(0)	4	0	(0)
Forward foreign exchange contracts	1,418	17	(11)	1,453	6	(4)
Currency options	12	0	-	43	-	(3)
Futures	17	0	-	16	-	(0)
Total other derivatives	1,689	23	(19)	1,991	20	(19)
TOTAL - DERIVATIVE FINANCIAL INSTRUMENTS	**2,410**	**66**	**(58)**	**2,826**	**46**	**(30)**

** Net collateral received by the Group amounting to $2 million has been taken against the fair values above (2021: $48.9 million).*

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

June 30, 2022 $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	290	-	-	-	290
Interest rate swaps	-	-	5	327	332
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	45	35	-	-	80
Interest rate swaps	-	-	-	25	25
Other Derivatives:					
Interest rate swaps	100	-	50	75	225
Forward foreign exchange contracts	1,404	7	-	-	1,411
Cross currency swaps	-	-	-	-	-
Options	12	-	-	-	12
Forward Rate Agreements	17	-	-	-	17
Futures	17	-	-	-	17
	1,885	42	55	427	2,409

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

Fair value hedges

Losses arising from fair value hedges during the year ended June 30, 2022 were $21.1 million (2021: losses of $26.5 million) while the gains on the hedged items, attributable to interest rate and foreign currency risks, were $19.3 million (2021: gains of $24.7 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 $1.8 million (2021: $1.9 million) on derivative instruments classified as other derivatives.

20. 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, 2022 *$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	(5)	(5)	(38)	(29)	(77)
Operating expenses	(3)	(3)	-	-	(6)
Fee income	20	15	-	-	35
Interest rate risk*					
Interest on liabilities	(2)	(3)	(19)	(24)	(48)
	10	4	(57)	(53)	(96)

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)

* 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, 2022 was nil (2021: loss of $0.6 million).

21. COMMITMENTS AND CONTINGENT LIABILITIES

$millions	***2022***	*2021*
Investment commitments to funds and co-investments	208	187
Guarantees issued to third parties	30	-

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' and funds 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 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.

22. 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.

22. 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, 2022 $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	160	89	-	-	(0)	249
Positive fair value of derivatives	36	30	-	-	-	66
Receivables	-	237	5	1	(3)	240
Advances	-	222	25	3	(11)	239
Co-investments - debt	-	191	-	-	-	191
Total	196	769	30	4	(14)	985

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	58	-	-	(0)	289
Positive fair value of derivatives	25	21	-	-	-	46
Receivables	-	368	3	2	(4)	369
Advances	-	284	28	3	(11)	304
Co-investments - debt	-	252	-	-	-	252
Total	256	983	31	5	(15)	1,260

22. RISK MANAGEMENT (CONTINUED)

i) Counterparty credit risk (continued)

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

$millions	*June 30, 2022*	*June 30, 2021*
Geographical Region		
North America	5	7
Europe	5	5
Other	4	3
Total	14	15

$millions	*June 30, 2022*	*June 30, 2021*
Industry Sector		
Banking and Finance	4	2
Consumer products	4	2
Real estate	1	3
Technology and Telecom	0	0
Industrial Services	5	8
Healthcare	0	0
Total	14	15

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.

22. 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.

22. 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, 2022 $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	217	-	217	-	-	32	-	249
Positive fair value of derivatives	15	1	16	0	40	10	-	66
Receivables	165	4	169	71	-	-	-	240
Advances	4	10	14	225	-	-	-	239
Underwritten and warehoused investments	315	-	315	55	-	-	-	370
Co-investments	19	42	61	658	60	120	-	899
Investment in joint ventures	-	-	-	-	-	13	-	13
Total financial assets	735	57	792	1,009	100	175	-	2,076
Non-financial assets								
Prepayments	-	-	-	-	-	-	28	28
Premises, equipment and other assets	-	-	-	-	-	-	125	125
Intangibles	-	-	-	-	-	-	66	66
Total assets	735	57	792	1,009	100	175	219	2,295
Liabilities								
Financial liabilities								
Payables and accrued expenses	265	8	273	-	-	-	-	273
Negative fair value of derivatives	48	0	48	-	1	9	-	58
Financing	2	7	9	172	344	77	-	602
Total financial liabilities	315	15	330	172	345	86	-	933
Non-financial liability								
Deferred fees	-	-	-	-	-	-	47	47
Total liabilities	315	15	330	172	345	86	47	980
Net gap	420	42	462	837	(245)	89	172	1,315
Cumulative liquidity gap	420	462	462	1,299	1,054	1,143	1,315	

22. RISK MANAGEMENT (CONTINUED)

iii) Funding liquidity risk (continued)

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	233	-	233	-	-	56	-	289
Positive fair value of derivatives	3	-	3	-	32	11	-	46
Receivables	277	4	281	88	-	-	-	369
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	-	-	-	-	-	8	-	8
Total financial assets	982	62	1,044	943	104	75	-	2,166
Non-financial assets								
Prepayments	-	-	-	-	-	-	30	30
Premises, equipment and other assets	-	-	-	-	-	-	127	127
Intangibles	-	-	-	-	-	-	68	68
Total assets	982	62	1,044	943	104	75	225	2,391
Liabilities								
Financial liabilities								
Payables and accrued expenses	258	47	305	-	-	-	-	305
Negative fair value of derivatives	12	3	15	-	3	12	-	30
Financing	44	52	96	107	432	97	-	732
Total financial liabilities	314	102	416	107	435	109	-	1,067
Non-financial liability								
Deferred fees	-	-	-	-	-	-	52	52
Total liabilities	314	102	416	107	435	109	52	1,119
Net gap	668	(40)	628	836	(331)	(34)	173	1,272
Cumulative liquidity gap	668	628	628	1,464	1,133	1,099	1,272	

22. 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, 2022 ***$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	265	8	-	-	-	273
Financing	161	17	136	363	76	753
	426	25	136	363	76	1,026
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	1,384	29	-	-	-	1,413
Contractual amounts receivable	(1,357)	(30)	-	-	-	(1,387)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	(3)	(3)	(23)	(14)	-	(43)
Commitments	-	-	208	-	-	208
Guarantees	-	-	30	-	-	30
Total undiscounted financial liabilities	450	21	351	349	76	1,247

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	262	43	-	-	-	305
Financing	185	19	116	496	106	922
	447	62	116	496	106	1,227
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	-	-	187	-	-	187
Total undiscounted financial liabilities	445	60	268	465	105	1,343

22. 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, 2022			June 30, 2021		
$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	551	-	551	706	-	706
Europe	321	30	351	464	-	464
MENA*	65	-	65	40	-	40
Asia	48	-	48	50	-	50
Total	985	30	1,015	1,260	-	1,260

* including Turkey

	June 30, 2022			June 30, 2021		
$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	712	-	712	822	-	822
Distribution	3	-	3	4	-	4
Consumer products	71	-	71	69	-	69
Consumer services	3	-	3	2	-	2
Healthcare	24	-	24	42	-	42
Industrial /business services	17	-	17	26	-	26
Industrial products	11	-	11	10	-	10
Real estate	66	-	66	122	-	122
Technology and Telecom	51	30	81	72	-	72
Others	27	-	27	91	-	91
Total	985	30	1,015	1,260	-	1,260

22. 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, 2022***		*June 30, 2021*	
Long (Short)	***Net hedged exposure***	***Net unhedged exposure***	*Net hedged exposure*	*Net unhedged exposure*
Bahraini Dinar*	13	(1)	13	(1)
Saudi Riyal*	84	(7)	82	(9)
Euro	277	(0)	62	-
Pounds Sterling	86	(0)	139	(1)
Swiss Francs	1	0	42	-
Japanese Yen	(233)	0	(271)	-
Kuwaiti Dinar	1	(1)	42	(1)
UAE Dirham*	0	(0)	0	0
Swedish Krona	3	(0)	111	-
Norwegian Krona	4	(0)	4	-
Chinese Renminbi	0	(0)	1	-
Danish Krona	63	0	75	-
Singaporean Dollar	0	(1)	0	(0)
Indian Rupees	21	(0)	-	-
	320	(10)	300	(12)

* Currency exchange rate currently pegged against the US Dollar.

22. RISK MANAGEMENT (CONTINUED)

v) Market price risk (continued)

v) (a)Foreign currency risk (continued)

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.

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

$millions	*2022*	*2021*
Average FX VaR	16	21
Year end FX VaR	7	25
Maximum FX VaR	34	59
Minimum FX VaR	7	9

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 $1.8 million (2021: $1.9 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 $206 million (June 30, 2021: $255 million), which earn interest at an effective rate ranging between 2.5% to 14.7% (June 30, 2021: 2.5% to 14.7%) per annum.

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

22. 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	*Sensitivity to profit/ (loss) for +200 basis points*	*Sensitivity to profit/ (loss) for -200 basis points*
Currency	*June 30, 2022*	
Euro	(16)	4
Pounds Sterling	(2)	1
Japanese Yen	0	-
US Dollar	3	(3)
Others	(2)	1
Total	(17)	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%

$millions	*Sensitivity to profit/ (loss) for +200 basis points*	*Sensitivity to profit/ (loss) for -200 basis points*
Currency	*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%

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

22. 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, SC and other investments to changes in multiples / capitalization rates / discount rates/ quoted bid prices.

June 30, 2022 $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	107	112	102	5	(5)	-	-
	DCF	Discount Rate	+/- 1%	66	56	74	(7)	5	(3)	3
	Average of DCF &	Multiples	+/- 0.5x	2	2	2	-	-	0	(0)
	Comparable Companies***	Discount Rate	+/- 1%		2	2	-	-	(0)	0
	Net Asset Value	Net Asset Value	+/- 5%	13	14	13	1	(0)	0	(0)
					For decrease	For increase	For decrease	For increase	For decrease	For increase
RE co-investments**	DCF	Discount Rate	-/+ 1%	19	22	16	3	(3)	0	(0)
		Capitalization rate	-/+ 1%		29	12	9	(6)	1	(1)
					For increase	For decrease	For increase	For decrease	For increase	For decrease
ARI co-investments	Net Asset Value	Net Asset Value	+/- 5%	24	25	23	1	(1)	0	(0)
					For decrease	For increase	For decrease	For increase	For decrease	For increase
Strategic capital co-investments	DCF	Net Asset Value	-/+ 10%	19	21	17	2	(2)	-	-
					For increase	For decrease	For increase	For decrease	For increase	For decrease
Other investments	Net Asset Value	Net Asset Value	+/- 10%	4	4	4	-	-	0	(0)
	DCF	Discount Rate	+/- 1%	174	169	179	(5)	5	-	-

June 30, 2021 $millions		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	Net Asset Value	-/+ 10%	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	-	-

*Excludes exposures of $265m (2021: $106m) 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 $13.3 million (2021: $5.3 million).

**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.

22. 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.

23. 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.

23. 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 $101.1 million (June 30, 2021: $145.6 million) as compared to the carrying value of $101.9 million (June 30, 2021: $145.3 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 $350 million (June 30, 2021: $414.8 million) as compared to the carrying value of $359.5 million (June 30, 2021: $417.4 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 no transfer between levels (June 30, 2021: $6.9 million). Under absolute return investments, an exposure of $4 million (June 30, 2021: $5.3 million) is comprised of illiquid side pocket investments which are classified as Level 3. The year to date fair value changes on this ARI exposure amounts to a loss of $0.3 million (June 30, 2021: gain of $0.6 million) and the net redemptions amount to $0.9 million (June 30, 2021: $1 million).

23. 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, 2022 *$millions*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Placements and other liquid assets	44	-	-	44
Positive fair value of derivatives	-	66	-	66
Co-investments				
Private equity investment	3	-	269	272
Credit management investment	-	-	104	104
Absolute return investments	-	20	4	24
Real estate investment	-	-	80	80
Strategic capital investment	-	-	19	19
Other investments	-	-	298	298
Investment in joint ventures*	-	-	13	13
Underwritten and warehoused investments**	-	-	370	370
Total financial assets	47	86	1,157	1,290
Financial liabilities				
Negative fair value of derivatives	-	58	-	58
Total financial liabilities	-	58	-	58

* The effect on consolidated statement of profit or loss due to change in multiple by 0.5x on Investment in joint ventures will be $0.05 million.

** Underwritten investments amounting to $1.3 billion were placed with the clients during the year. Fair value gain of $1.3 million (June 30, 2021: nil) and $22 million (2021: nil) were recognized on underwritten and warehoused investments during the year. The effect on consolidated statement of profit or loss due to change in price of these investments by 5 % will be $19.7 million. These investments also include investment in SPACs. The effect of change in underlying assumptions by 5% will be $4.1 million.

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 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 joint ventures will be $ 0.03 million.

** 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. The effect on consolidated statement of profit or loss due to change in price of these investments by 5 % will be $22.3 million

23. 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 joint ventures and other strategic investments is given below:

June 30, 2022 $millions	*At beginning*	*Net new acquisitions**	*Fair value movements*	*Movements relating to realizations*	*Other movements***	*At end*
PE co-investments	221	33	36	(20)	(1)	269
ICM co-investments	110	27	(11)	(8)	(14)	104
RE co-investments	47	61	(2)	(16)	(10)	80
Strategic capital co-investments	6	10	3	-	-	19
Investment in joint ventures	8	-	4	(7)	8	13
Other strategic investments	120	221	17	(44)	(16)	298
Total	**512**	**352**	**47**	**(95)**	**(33)**	**783**

***Includes investment in other strategic investments of $90 million that has been transferred from underwriting to co-investment.**
****Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees.**

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	(251)	25	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 joint ventures	44	2	3	(41)	-	8
Other strategic investments	74	67	(21)	(1)	1	120
Total	**706**	**191**	**38**	**(455)**	**32**	**512**

***Includes investment in RE of $11.9 million that has been transferred from underwriting to co-investment.**
****Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees.**

24. 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.

24. 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, 2022 is $1.5 million (June 30, 2021: $2.3 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 $8 million (2021: $10 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 $21.3 million (2021: $30.2 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.

24. EMPLOYEE COMPENSATION (CONTINUED)

An expense charge of $18.4 million (2021: $16.2 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 $20.9 million (2021: $19 million). The details of shares granted, vested and forfeited during the year are as follows:

Number of shares	***2022***	*2021*
Granted during the year	1,975,194	3,005,251
Vested during the year	1,927,757	1,740,240
Forfeited during the year	148,875	158,164

The fair value of shares granted during the year amounted to $21.3 million (2021: $30.2 million). The fair value of shares forfeited during the year amounted to $1.6 million (2021: $1.7 million).

25. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

In addition to the compensation and benefits to employees disclosed in Note 24, the income earned and expenses incurred in connection with related party transactions included in these consolidated financial statements are as follows:

$millions		***2022***	*2021*
AUM fees	Investee and investment holding companies	186	159
Deal fees	Investee and investment holding companies	145	104
Asset based income	Investee companies	26	26
Interest income	Treasury and other income	2	1
Interest expense	Short term financing	(3)	(3)
Operating expenses	Directors' remuneration	(2)	(2)

25. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Of the staff compensation set out in Note 24, $110 million (2021: $87 million) is attributable to senior management. Of the above mentioned remuneration of senior management, $82.6 million (2021: $64.3 million) is in the form of salaries and other short term benefits.

In addition to the compensation and benefits to employees disclosed in Note 24, the balances with related parties included in these consolidated financial statements are as follows:

	June 30, 2022			*June 30, 2021*		
$millions	***Assets***	***Liabilities***	***Off-balance sheet***	*Assets*	*Liabilities*	*Off-balance sheet*
Outstanding balances						
Co-investments	899	-	-	668	-	-
Underwritten and warehoused investments	370	-	-	445	-	-
Investment in joint ventures	13	-	-	8	-	-
Strategic shareholders*	2	-	-	13	-	-
Investee companies*	67	0	30	60	2	-
Investment holding companies*	148	0	208	185	1	187
Financing	-	-	-	-	174	-
Directors and senior management*	107	-	-	85	8	-
	1,606	0	238	1,464	185	187

*Included in receivables and prepayments, advances and payables and accrued expenses.

26. 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 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.

The Group has adopted the below listed amendments to standards effective from July 1, 2021. The adoption of these amendments did not have any material impact on the consolidated financial statements of the Group.

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 – Phase 2 of Interest Rate Benchmark Reform.

  While some of the Group's financial instruments are subject to IBOR reforms at 30 June 2022 and have not yet transitioned out of the current IBOR to ARR, the Group has already made substantial progress to finalize the transition from IBOR to the new ARR. Several milestones have been completed, such as the upgrade of the technology systems to handle the new reference rate, review of significant the Group's internal documents and planning to amend documentation for existing contracts such as the existing Revolving Credit Facilities. The Group expects to have the full transition implemented by June 2023.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued but not yet effective

- Amendments to IFRS 3 - Reference to the Conceptual Framework (issued May 2020, effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 16 - Proceeds before Intended Use (issued May 2020, effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract (issued May 2020, effective for annual periods beginning on or after 1 January 2022);
- Amendments resulting from Annual Improvements to IFRS Standards 2018 - 2020 - effective for annual periods beginning on or after 1 January 2022;
- IFRS 17 Insurance Contracts (issued May 2017; effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current (issued January 2020; effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Definition of Accounting Estimates (issued February 2021; effective for annual period beginning on or after 1 January 2023); and
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (issued February 2021; effective for annual period beginning on or after 1 January 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.

26. 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.

26. 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 investments in private equity co-investments, credit management co-investments, strategic capital co-investments, real estate co-investments, other strategic investments (see Note 10), and investment in SPACs (Note 9), 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.

The valuation approach was substantially consistent with our normal process and valuation policy. A key focus of the portfolio fair value 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.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 co-investments classified as 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.

Income from SPAC transactions is recorded on the basis of realized and unrealized changes in the fair value of interest held in the respective SPACs and is included within transaction and advisory income in the consolidated statement of profit or loss.

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

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.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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").

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

d. Co- investments in strategic capital investment

The Group's co-investments in strategic capital investments are classified as FVTPL 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.

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 joint ventures

The Group's investment in 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.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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'.

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 20.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

Buildings on freehold land	25 years
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.

26. 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 24).

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.

26. 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.