

Investcorp Europe Holdings Limited

Investcorp Europe Holdings Limited

Annual Report and Financial Statements for the year ended 30 June 2020

Company number: 10939065

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Investcorp Europe Holdings Limited

Registered number: 10939065

Directors

Daniel Lopez-Cruz (Appointed on August 30, 2017)
Craig Sinfield-Hain (Appointed on August 30, 2017)
Andrea Davis (Appointed on August 1, 2018)

Secretary

Jonathan Lay

Registered Office

48 Grosvenor Street
Mayfair
London W1K 3HW

Auditors

Ernst & Young LLP
25 Churchill Place
London E14 5EY

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Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2020.

Results and dividends

The profit for the year after taxation amounted to £1,073,014 (30 June 2019: £3,621,356).

The directors do not recommend the payment of a dividend (30 June 2019: nil).

Principal activities and review of business

The principal activity of Investcorp Europe Holdings Limited ("IEHL" or the "Company") is to act as a holding company.

Investcorp Europe Holdings Limited has commenced its trade on 30 August 2017 and expects to continue this during the next year. The key financial and other performance indicators during the year were as follows:

	2020	2019
	£	£
Turnover	1,085,417	4,209,713
Operating profit	1,073,014	3,621,356
Income before tax	1,073,014	3,621,356

Principal risks and uncertainties

The Company's turnover is derived from its administrative service agreement with Investcorp Holdings B.S.C. (formally known as Investcorp Bank B.S.C.), and thus, the Company is not subject to any significant risk or uncertainty. The operational risk is mitigated by a series of controls that are administered by Investcorp Holdings B.S.C.'s financial controls team.

The principal risks faced by IEHL relate to the fact that the entity earns a substantial portion of its income from providing services to the Investcorp Group's Banque Paris Bertrand, which is dependent upon the consummation of private equity acquisitions and dispositions and therefore is subject to market risk.

The Company also faces credit, interest rate, liquidity, foreign exchange, operational, capital and regulatory environment risks in the course of its normal business. The Company places reliance on Investcorp Group's risk management function to manage and monitor risks as well as other related matters, and receives regular reports on specific risks affecting the Company.

Going concern

The directors have a reasonable expectation that the Company has adequate resources given the financial support obtained from its parent to continue in operational existence for at least twelve months from the date of signing the statutory accounts and accordingly the going concern basis is adopted in the preparation of the financial statements.

Directors

The directors who served during the year were as follows:

Daniel Lopez-Cruz (Appointed on August 30, 2017)
Craig Sinfield-Hain (Appointed on August 30, 2017)
Andrea Davis (Appointed on August 1, 2018)

Directors' report

Strategic Report

The directors have taken advantage of the exemption under section 414B(b) of the Companies Act 2006 and have not prepared a Strategic Report for the year pursuant to Section 414A of the Companies Act 2006.

Disclosure of information to the auditors

So far as each person who is a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Appointment of auditors

In accordance with s. 487 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

Approved by the Board of Directors on 23 February 2021 and signed on its behalf by:



Director

Andrea Davis

Date: 23 February 2021

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable to the UK and the Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland', have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Director

Andrea Davis

Date: 23 February 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INVESTCORP EUROPE HOLDINGS LIMITED**

Opinion

We have audited the financial statements of Investcorp Europe Holdings Limited (or "the Company") for the year ended 30 June 2020 which comprise the Statement of financial position, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INVESTCORP EUROPE HOLDINGS LIMITED

Other information

The other information comprises the information included in the annual report set out on pages 3 to 4, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INVESTCORP EUROPE HOLDINGS LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ahmer Huda (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 February 2021

Statement of Comprehensive Income

For the year ended 30 June 2020

		<i>1 July 2019 to 30 June 2020</i>	<i>1 July 2018 to 30 June 2019</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Revenue	2	1,085,417	4,209,713
Administrative expenses	3	(12,403)	(588,357)
Operating profit		1,073,014	3,621,356
Interest receivable		-	-
Profit on ordinary activities before taxation		1,073,014	3,621,356
Income taxes	5	-	-
Total comprehensive income for the year/ period		1,073,014	3,621,356
Statement of retained profits			
Balance brought forward		3,617,856	(3,500)
Profit for the year / period		1,073,014	3,621,356
Balance at 30 June		<u>4,690,870</u>	<u>3,617,856</u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There are no components of other comprehensive income recognized as part of total comprehensive income.

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 £	30 June 2019 £
Non current assets			
Investment in associate	8	-	29,848,585
Total non current assets		-	29,848,585
Current assets			
Investment held for sale	8	32,948,698	-
Due from intercompany	6	-	857,638
Total current assets		32,948,698	857,638
Total assets		32,948,698	30,706,223
Current liabilities			
Due to intercompany	6	(1,757,818)	(588,357)
Total liabilities		(1,757,818)	(588,357)
Net assets/ (liabilities)		31,190,880	30,117,866
Capital and reserves			
Called up share capital	7	11	11
Share premium	7	26,499,999	26,499,999
Retained earnings		4,690,870	3,617,856
Total shareholders' equity		31,190,880	30,117,866

The financial statements of the Company were approved by the Board of Directors and authorised for issue and have been signed on its behalf by.



Director

Andrea Davis

Date: 23 February 2021

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2020

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Total</i>
	£	£	£	£
As at 1 July 2018	10	-	(3,500)	(3,490)
Total comprehensive income for the period	-	-	3,621,356	3,621,356
Issue of share capital	1	26,499,999	-	26,500,000
Shareholder's funds at 30 June 2019	11	26,499,999	3,617,856	30,117,866
Total comprehensive income for the year	-	-	1,073,014	1,073,014
Shareholder's funds at 30 June 2020	11	26,499,999	4,690,870	31,190,880

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2020

1. Accounting policies

The principle accounting policies are summarised below. They have been applied consistently throughout the year.

Accounting Convention:

Investcorp Europe Holdings Limited is a limited liability company incorporated in England. The Registered Office is 48 Grosvenor Street, Mayfair, London, W1K 3HW. The Company's financial statements have been prepared in accordance with FRS102 as it applies to the financial statements of the Company for the year ended 30 June 2020. The financial statements of Investcorp Europe Holdings Limited were authorised for issue by the Board of Directors on 16 October 2020. The financial statements have been prepared in accordance with applicable accounting standards as defined in the Companies Act 2006. The financial statements are prepared in sterling which is the functional and presentation currency of the Company.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards as defined in the Companies Act 2006. The financial statements are prepared on going concern basis given the financial support from the parent company.

Going concern

The Directors have made an assessment of going concern, taking into account both the current performance and outlook, which considered the impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements. The Directors continue to monitor and follow closely the information released from governments, regulatory bodies and health organizations in the countries in which the underlying portfolio companies in the funds under management operate, as well as receiving regular reports on the operational and financial performance of the underlying portfolio companies.

The Company has adequate resources given the financial support obtained from its parent to continue in operational existence for at least twelve months from the date of signing the statutory accounts. Consequently, the Directors believe that the Company is well positioned to manage its business and its liabilities as they fall due.

Therefore, the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the next 12 months from the date of the approval of the financial statements.

Related party transactions

As per FRS102.33.1A, the Company has not disclosed transactions entered into with wholly owned members of the group.

Turnover

Revenue arises from dividend received from investment and fair value movement of the investment.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

Notes to the financial statements

For the year ended 30 June 2020

1. Accounting policies (continued)

Administration expenses

Administration expenses include expenses which are directly attributable to the activity of generating revenue or charges from the wider Investcorp Group entities for providing central services.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Taxation

United Kingdom corporation tax and value added tax are provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Investment held for sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position

Trade receivables

Trade receivables are measured at fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Under FRS 102, the Company is exempt from preparing a cash flow statement being a member of the Investcorp Group. The Investcorp Group prepares publicly available consolidated financial statements including a cash flow statement which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and the Company is included in the Investcorp Group's consolidated financial statements.

Notes to the financial statements

For the year ended 30 June 2020

1. Accounting policies (continued)

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Directors' and employees' remuneration

The Company aims to offer directors and employees a competitive basic salary and, in addition, employs various incentive schemes which are designed to attract, motivate, retain and fairly remunerate staff by recognizing their contribution to the Company as a whole whilst ensuring that their interests are fully aligned with those of shareholders and clients. The structure of a director's and an employee's remuneration should promote effective risk management and not encourage any level of risk-taking that exceeds the Company's tolerated and stated risk limits. The Company has formulated a remuneration policy that aims to avoid incentivizing staff on a short-term basis, and which promotes the Company's business strategy, objectives, values and long-term interests.

In any given year, the total variable remuneration paid to directors and employees should not limit the Company's ability to strengthen its capital base. The Company's ability to award any level of discretionary remuneration is mostly driven by the financial performance of the Company in that year.

Financial Instrument Recognition

The Company determines the classification of its financial instruments at initial recognition depending on the purpose for which the financial instruments were acquired and their characteristics, in accordance with the categories outlined below. When financial instruments are recognised, they are initially measured at fair value. Financial instruments are recognised on a trade date basis.

i) Financial instruments at amortised cost

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These amounts are initially recognised at fair value and are subsequently measured at amortised cost when the time value of money is material, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying value and the estimated future cash flows deriving from the continued use of that asset, and discounted if the effect is material.

Derecognition

A financial asset is considered for derecognition when the contractual rights from the financial asset expire, or when the contractual right to benefit from the future cash flow of that asset has been transferred. The Company derecognizes a financial asset when it transfers substantially all the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. In circumstances where a financial liability is replaced by the same lender yet the contractual terms are substantially different or modified, the original financial liability will be derecognised at the point of contractual exchange and the new financial liability recognised.

Impairment of financial assets not held at fair value through comprehensive income

The Company assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Statement of Financial Position date. In addition, evidence of impairment requires a loss event to have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Notes to the financial statements

For the year ended 30 June 2020

1. Accounting policies (continued)

Provision for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Significant accounting judgements, estimates and assumptions

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Assets held for sale

Subsequent to the yearend, the Board of Directors announced its decision to dispose its investment in Banque Pâris Bertrand, an associate. The investment in Banque Pâris Bertrand is classified as an asset held for sale. The Board considered the associate to meet the criteria to be classified as held for sale given that the actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification for more details refer to Note 8.

2. Turnover

	30 June 2020	30 June 2019
	£	£
Unrealised fair value gain on investment in associate	1,085,417	4,209,713
Total revenue	1,085,417	4,209,713

3. Administrative expenses

	30 June 2020	30 June 2019
	£	£
Professional fee	-	575,857
Auditors' remuneration	12,403	12,500
Total operating expenses	12,403	588,357

4. Directors' emoluments

	30 June 2020	30 June 2019
	£	£
Directors' emoluments	-	-
Total directors' emoluments	-	-

For the year ended 30 June 2020 (30 June 2019: nil), there were no directors' emoluments. The Company did not incur any expenses related to retirement benefits for its directors.

Notes to the financial statements

For the year ended 30 June 2020

5. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follow:

	30 June 2020 £	30 June 2019 £
Current tax:		
Corporation tax		
Adjustment in respect of prior periods	-	-
Current tax for the year	-	-
Deferred tax:		
Deferred tax movements	-	-
Tax on profit on ordinary activities	-	-

(b) Factors affecting the current tax charge for the year

The tax assessed on the profit before tax for the year ended June 30, 2020 was 19%. The difference is reconciled below:

	30 June 2020 £	30 June 2019 £
Profit on ordinary activities before tax	1,073,014	3,621,356
Profit on ordinary activities multiplied by standard rate		
UK corporation tax @ 19%	203,873	688,057
Movement in unrecognised deferred tax	-	-
Unrealised fair value gain not subject to tax purposes	(206,229)	(799,845)
Current year tax losses not recognised	2,356	111,788
Total Tax	-	-

The company has gross tax losses carried forward of £12k (2019: £588k; net at 17% £101k). No deferred tax asset has been recognised in respect of the losses as there is uncertainty regarding the timing of the utilisation of the losses

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the substantively enacted rate of 19%, as required under International Financial Reporting Standards.

6. Due from / to intercompany

Of the amount of due to intercompany at 30 June 2020 a total of £1,757,818 (30 June 2019: due from £857,638) was held by Investcorp Holdings B.S.C., the ultimate parent undertaking of the Company.

Notes to the financial statements

For the year ended 30 June 2020

7. Called up share capital

	30 June 2020	30 June 2019
	£	£
Authorised shares		
Authorised ordinary shares of £1 each	20	20
Ordinary shares issued and fully paid		
Opening balance	11	10
Issued during the year	-	1
Closing balance	<u>11</u>	<u>11</u>
		£
Share premium		
At 1 July 2019		26,499,999
Issuance of share capital		-
At 30 June 2020		<u>26,499,999</u>

During fiscal year 2019, Investcorp S.A. approved and authorised the increase in share capital of the Company from ten ordinary shares to twenty ordinary shares of £1 each and the subscription for one ordinary share of the Company for a subscription price of £26,500,000.

Notes to the financial statements

For the year ended 30 June 2020

8. Investment held for sale

	<i>Investment in associate £</i>
At 1 July 2018	-
Additions	25,638,872
Fair value gain	4,209,713
At 30 June 2019	<u>29,848,585</u>
Additions	-
Fair value gain	1,085,417
Foreign exchange gain	2,014,696
At 30 June 2020	<u>32,948,698</u>

During fiscal year 2019, the Company acquired a 47.14% indirect ownership stake in the ordinary shares of Banque Pâris Bertrand, a private bank based in Geneva and Luxembourg which provides investment advisory services and customized investment solutions to high net-worth individuals, family offices and institutional clients mainly from Switzerland and Europe.

The fair value of investment held for sale is determined by using a multiples-based approach applied to the most recent performance metric (typically EBITDA or AUM) of the underlying company.

The investments held for sale has been designated level 3 financial instruments. The significant unobservable input used in the fair value measurement categorised within level 3 of the fair value hierarchy is the goodwill to AUM multiple of between 1.0% and 1.50%.

Subsequent to the yearend, the Company entered into an agreement to divest its indirect interest in Banque Pâris Bertrand. The transaction is expected to complete in the first half of 2021, subject to regulatory and other customary approvals.

9. Financial risk management objectives and policies

The Company's financial instruments comprise due from intercompany and investment in associate. The main risks arising from the Company's financial instruments are market risk, foreign currency risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Market risk

The Company is exposed to market risk through movements in the value of its investment that is inherent in the performance of the underlying financial markets.

At the reporting date, the investment in associate at fair value was £32.9 million and the unrealized fair value gain was £1.09 million. The fair value of the investment is determined by using a percentage of AUM approach and the change in multiple by 5% will result in an impact of £1.2m on the statement of comprehensive income (30 June 2019: multiple based approach 0.5x change in multiple: £86m).

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's foreign exchange risk is predominately due to Swiss Franc

Notes to the financial statements

For the year ended 30 June 2020

9. Financial risk management objectives and policies (continued)

Foreign exchange risk (continued):

(CHF) currency exposure relating to the investment in associate. A +/- 10% movement on the to the CHF against sterling would lead to a movement of +/- £3.0 million (30 June 2019: 2.9 million). However, there is no impact in the statement of comprehensive income given that the Company has entered an agreement for foreign

exchange contract with Investcorp Trading Limited (ITL) to reimburse the Company for any foreign exchange gains and losses on the foreign currency exposures.

Credit risk

The credit risk relating to investments arises from the default of the counterparty, with a maximum exposure equal to the amount due from intercompany amounted to £1,757,818. The directors do not believe there is significant credit risk as there is no financial asset that is past due or impaired or would otherwise be past due or impaired.

10. Qualifying entity

Investcorp Europe Holdings Limited is a qualifying entity as per FRS 102 as it is a member of a group where the parent of that group prepares publicly available consolidated financial statements. The group into which the Company is consolidated, and the ultimate parent undertaking is Investcorp Holdings B.S.C. Copies of the financial statements of Investcorp Holdings B.S.C. can be obtained from www.investcorp.com/investor-relations.

As a qualifying entity, the Company has taken advantage of the exemption in section 7 of FRS 102 from the requirement to prepare a statement of cash flows and from the requirement of Section 33 Related Party Disclosures paragraph 33.7 to disclose key management personnel compensation.

11. Ultimate holding company

The Company's immediate parent undertaking is Investcorp S.A.

Investcorp Holdings B.S.C. incorporated in the Kingdom of Bahrain is the ultimate parent undertaking as it holds 100% of the economic interest in the Company and exercises ultimate managerial control.

Investcorp Holdings B.S.C. is majority owned by CP Holdings Limited and Ownership Holdings Limited (each of which is incorporated in the Cayman Islands).

The largest group, of which the Company is a member, for which group financial statements are prepared is Investcorp Holdings B.S.C. These financial statements are available from 48 Grosvenor Street, Mayfair, London W1K 3HW.

During the year, the Company incurred costs totalling £12,403 (30 June 2019: £588,357) that were payable to Investcorp Holdings B.S.C.. This payable is interest-free, unsecured and has no fixed terms of repayments.

12. Subsequent events

Subsequent to the year end, the Company has raised additional share capital and debt and invested in a product of Investcorp's Credit Management line of business.

Subsequent to the yearend, the Company entered into an agreement to divest its indirect interest in Banque Paris Bertrand. The transaction is expected to complete in the first half of 2021, subject to regulatory and other customary approvals.