Annual Report & Accounts 2013

Intermediate Capital Group plc

Front cover office location: **London**

Overview:

About ICG

Founded in 1989, ICG is a specialist asset manager providing private debt, mezzanine finance, leveraged credit and minority equity, managing over €12.9bn (£11.0bn) of assets in third party funds and proprietary capital. ICG has a large and experienced investment team operating from its head office in London with a strong local network of offices in Paris, Madrid, Stockholm, Frankfurt, Amsterdam, Hong Kong, Sydney, New York and Singapore. Its stock (ticker symbol: ICP) is listed on the London Stock Exchange and is a member of the FTSE 250. ICG is regulated in the UK by the Financial Conduct Authority (FCA). Further information is available at: www.icgplc.com.

What you'll find online

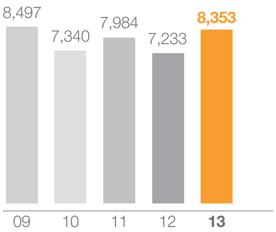
You'll find past results and presentations, shareholder information (including shares calculator), press releases, fund information, our full investment portfolio, company history and our team.

+ View www.icgplc.com

How we performed

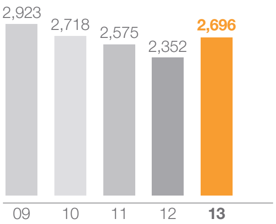
Third party funds under management £m

£8,353m
+15%



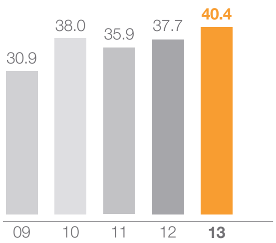
Balance sheet investments £m

£2,696m
+15%



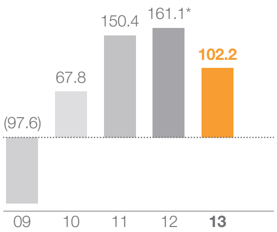
Fund Management Company profit before tax £m

£40.4m
+7%



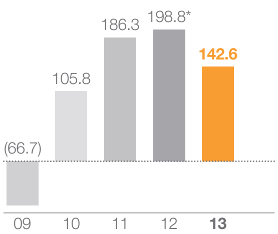
Investment Company profit/(loss) before tax £m

£102.2m
(37)%



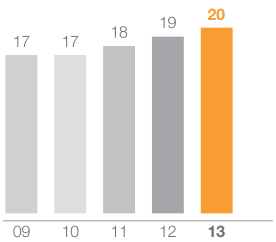
Profit/(loss) before tax £m

£142.6m
(28)%



Dividends per share Pence

20p
+5%



*Excludes a £45m one off release of previously accrued costs in relation to the termination of legacy remuneration schemes.

Contents

Our business model

What we do

We are a specialist asset manager providing private debt, leveraged credit and minority equity.

As a trusted partner to more than 200 investors, we manage over €12.9bn of assets in third party funds and proprietary capital, investing globally in income generating alternative assets.

How we create value

Our outstanding track record over more than two decades means that we are trusted by our investors to meet their needs by taking appropriate, considered risks when investing. Our investors' capital, along with our experienced, specialist investment teams, enables us to access and profit from opportunities that other fund managers and financial institutions cannot.

Assemble

Our team combines institutional capital and our own resources, and in doing so earns a fee for managing third party money, either when it is committed or invested, depending on the product.

Invest

Our highly disciplined investment processes, industry sector specialisms and knowledge of local markets underpin every investment decision.

Manage

Our investment in private debt and senior equity teams remain fully engaged with every asset throughout its life cycle. Our specialist credit fund teams actively manage their portfolio to maximise returns.

Realise

We provide returns to our investors, and generate income for the Group, throughout the life of an asset, through a combination of the asset's income returns and capital growth.

We return much of our income to shareholders in the form of dividends, which have increased 18% over the last three years. Cash not returned directly to shareholders is reinvested in the business.

18%

Our structure

The Fund Management Company (FMC)

The FMC is the operating business of ICG plc that sources and manages investments on behalf of third party funds and the IC.

Private debt and senior equity

ICG's funds invest in mezzanine and minority equity assets of proven midmarket companies with leading market positions.

Credit funds

ICG credit funds deploy third party capital investing in senior loans and high yield bonds of proven European companies.

Real estate debt

ICG Longbow's funds deploy third party capital investing in real estate mezzanine and senior debt.

Distribution

ICG's in-house distribution team raises third party capital for new funds.

The Investment Company (IC)

The IC is the investment business of ICG plc.

Balance sheet investments

The Investment Company co-invests alongside the third party funds at predetermined ratios and provides seed capital to launch and develop new funds.

Infrastructure

Infrastructure teams support all aspects of the business covering operations, finance, HR, legal and compliance.

11

LOCAL TEAMS

171

EMPLOYEES

25

NATIONALITIES

29

DIFFERENT LANGUAGES SPOKEN

Our competitive advantages

Our people are our key competitive advantage

- Our team's long track record, with 24 years experience in generating income from alternative assets, means that we are trusted by our partners to deliver returns.
- Our Investment Committee members have an average of 18 years' investment experience, of which eight was gained at ICG.
- Our network of specialist investment professionals have unparalleled access to, and knowledge of, their local markets, enabling them to originate opportunities not available to our competitors and giving them better access to portfolio companies.
- We are close to our assets. We have Board seats or observer rights in more than 80% of Investment Company portfolio companies.
- Our distribution team's relationships with institutional investors enhances our fundraising capabilities and supports the growth of the business.
- Our scalable infrastructure enables the investment and distribution teams to grow the business, and ensures that the Group effectively manages risk and meets its governance obligations.

Our business:

Chairman's and Chief Executive's statement

€12.9bn

ASSETS UNDER MANAGEMENT

Overview

The past year has been one of great strategic significance at ICG as we continue to evolve into a global asset manager with the products and expertise to satisfy today's yield conscious investors, and to take advantage of the structural shift in our markets towards direct lending. We have been successfully implementing these changes against a backdrop of ongoing challenges to the macroeconomic environment.

Opportunities in a challenging environment

Global budgetary constraints have left many governments and central banks with just one single weapon in their armoury to address the current economic slowdown. In a move reminiscent of previous financial crises, the major central banks have flooded the markets with liquidity and have allowed more risky assets to be used as collateral. Recent developments in the US and Japan have continued that trend.

With historically low interest rates driving yields on traditional assets to very low levels, investors have turned to higher yielding assets with good downside protection. Debt markets have therefore attracted renewed appetite from pension funds, insurance companies and other institutions. This has led to a burst of activity in the more liquid high yield bond market which offers a source of financing to larger companies.

There is a sharp contrast in conditions in the loan market. The US collateralised loan obligations (CLO) market had high levels of issuance both in 2012 and in the first months of 2013. This additional capital has led to reduced returns for investors, but risk standards have been maintained. There are signs of CLO activity in Europe, but more stringent regulatory constraints have considerably slowed the return of the debt CLOs such that the syndicated loan market, which finances larger transactions, still has a relatively subdued level of activity.

This inflow of capital has, to date, had little effect on the midmarket. In both European corporate and real estate lending activities, traditional lenders, mainly banks, remain constrained and unwilling to engage actively. Whilst new players are slowly emerging to take advantage of the lending gap, conditions and potential yields remain attractive.

ICG is now geared to take full advantage of the renewed activity in the debt markets by continuing to expand our network and exploit our strengths: local knowledge and lending skills. However, we are mindful that global instability and loose monetary policies have led to major economic slowdowns in the past. We remain extremely vigilant for any sign of increased instability or distorted risk/return characteristics and will maintain our investment discipline at all times.

Justin Dowley
Chairman

Christophe Evain
Chief Executive Officer

£142.6m

PROFIT BEFORE TAX

Strong year for fundraising and investing

The global search for higher yielding assets has contributed to our success in attracting new capital into our funds. We raised a record volume of third party money, €2.3bn, in a single financial year. These funds were raised across a number of products with a more geographical and institutionally diverse investor base than previously achieved. This is not only a reflection of the attractiveness of our offering and track record, but demonstrates the benefit of the investment in our own distribution capabilities over the past two years.

Our flagship ICG Europe Fund V closed in December 2012, at its maximum size of €2.5bn, of which €0.5bn was contributed by our Investment Company. This was well above our target of €2.0bn and the largest fund of its kind raised since 2007. In addition, in January 2013 ICG Longbow broadened its product offering by raising a £105m UK property senior debt fund quoted on the London Stock Exchange. This momentum has continued with our next ICG Longbow mezzanine fund expected to close at its maximum permitted size of £700m and our Senior Debt Partners fund having a first close. A further close is expected in the first half of the new financial year.

Our local investment teams have thrived in complex and challenging macroeconomic environment and are still able to identify investment opportunities with attractive returns in order to deploy the increased level of funds we are managing. All of our funds are investing on target and in total we deployed £782m on behalf of our mezzanine funds and balance sheet in the year, well in excess of the £406m deployed in the year to 31 March 2012.

Continuing to manage portfolio to maximise value

The lack of available senior debt in the market in the early part of the financial year and the continuing valuation gap between sellers and buyers has resulted in a year of low realisations and realised capital gains. However, since the turn of the calendar year we have seen more liquidity in the market and, should this remain, we expect that this will result in an increase in realisations and exits in the next 12 months. Since our year end, we have already seen the repayment of the Medi Partenaires PIK investment, our largest individual asset, and the sale of our Allflex investment, our second largest individual asset, which will realise a capital gain of £106m on completion. We expect further realisations during the year.

The investment portfolio remains broadly resilient despite the continuing economic uncertainty in Europe. However, our performance in the year has been held back by a higher than expected level of provisions in the first half, predominantly due to material provisions against two large assets. The second half saw a low level of net provisions, in part due to writebacks on five assets which are performing strongly.

Excluding single name events, like those in the first half, and the outcome of restructurings which are inherently difficult to forecast, we expect provisions to remain in line with our long term average for the foreseeable future.

The balance sheet equity portfolio valuation increased by £118.6m during the year, of which £58.9m has been taken through the current year income statement, primarily driven by the recent strength of the equity market.

Results in line with expectations and refinanced balance sheet

The low level of realisations and increased provisions means that the adjusted Group profit before tax was £148.3m compared with £198.8m last year.

We have continued to refresh the funding of our balance sheet during the year, extending £640m of facilities for a further three years. In addition, we raised £80m with a second retail bond and €11m in private placements. Since the year end we have raised a further US$150m from private placements and signed £100m of new facilities maturing in 2016, which include a £67m rollover of an existing facility and a new banking relationship. We will continue to seek to diversify our sources of debt funding and reduce our reliance on our largest lenders over the medium term.

Chairman's and Chief Executive's statement continued

Outlook

We are in a strong growth phase and we are building the infrastructure and developing the products that will enable us to evolve into a global alternative asset manager with enhanced levels of client service. We have invested to ensure that we are a leading participant in the structural shift towards greater levels of non bank lending.

Our product pipeline is strong which, along with our dedicated global distribution team, is underpinning the momentum in our fundraising. Preparations are well advanced for the launch of a dedicated US product which will further broaden the geographical spread of the business.

Since the year end we have seen positive signs for realisations with the repayment of our investment in Médi Partenaires and the agreement to sell our investment in Allflex. A number of other processes are ongoing as sponsors look to exit their older assets. Therefore, subject to the economic backdrop remaining favourable, this could be a year of high realisations and refinancings.

We remain focused on managing our portfolio, with a particular focus on a small number of assets which are undergoing restructuring. We are continuing to maintain our investment discipline and our investment pipeline remains buoyant.

Dividends

The Board continues to review cash core income over a rolling three year period when considering the dividend. Despite the low level of realisations impacting cash core income in the year, the prior year was a good year for realisations and since our year end there has been an increase in realisations, including the Group's two largest assets. This together with the momentum within the Fund Management business, has led the Board to recommend a final dividend of 13.7p per share, making a total of 20.0p per share for the year, up 5% on last year.

The existing scrip dividend alternative is being discontinued and, in its place, shareholders will be offered a dividend reinvestment plan (DRIP) for the FY14 interim dividend. If approved at the AGM, the dividend will be paid on 24 July 2013 to shareholders on the register on 14 June 2013.

Employees, new hires and the Board

Our people are critical to the business achieving its strategic objectives and we thank them wholeheartedly for the tremendous efforts they have made during the last 12 months. Without their dedication we would not have been able to raise and invest our funds, and manage our assets successfully.

We have made significant progress in strategic global hiring and building our marketing and client relations team. Significantly we now have a global distribution team in place headed by Andreas Mondovits who joined ICG from UBS and our North American team is headed by Salvatore Gentile who previously worked for Blackstone. In total we have added 13% to our headcount as we position ICG as a truly global alternative asset manager.

We also take this opportunity to welcome formally Kim Wahl and Lindsey McMurray who joined the Board as Non Executive Directors during the year and are already making a strong contribution.

Justin Dowley
Chairman

Christophe Evain
Chief Executive Officer

Case study

How we are investing

Arundel Street, Portsmouth

A diverse income profile

Our role

We enabled the borrower to refinance a multi let retail property in the centre of Portsmouth. On a tight timescale, we provided a £10.5m whole loan, representing the total debt of the asset, for a period of six years.

Our rationale

The property is made up of eight retail units which provide a steady income stream. We view the loan principal and exit fee as highly secure due to conservative leverage against current valuation, with strong growth potential from a forthcoming contracted uplift in rental income.

ICG Longbow

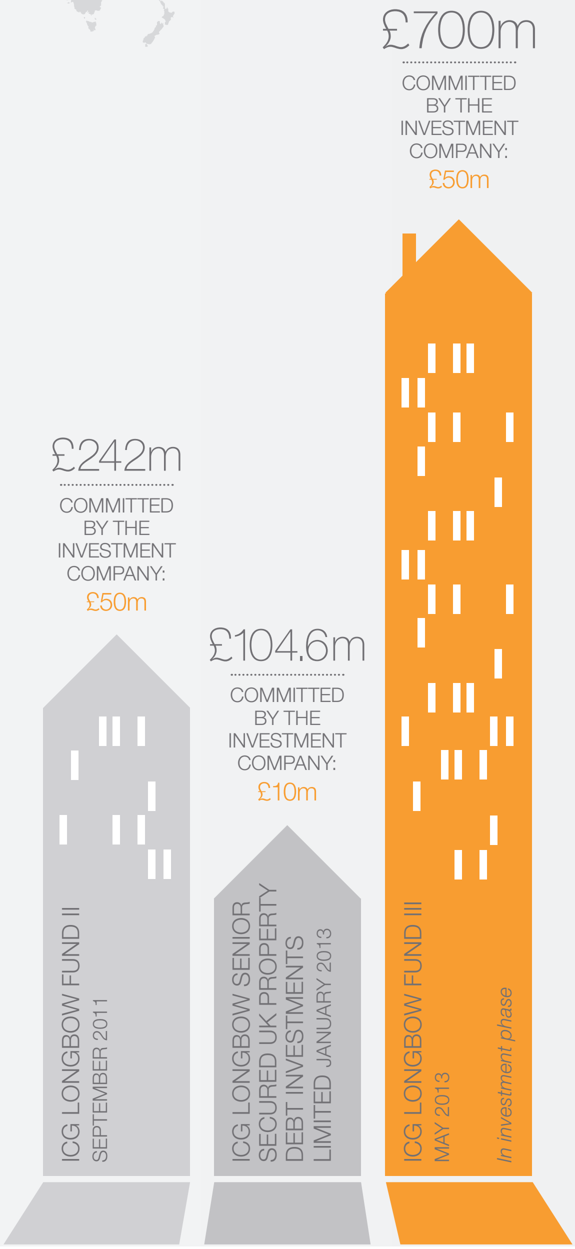
Deep property expertise

Investment strategy

- ICG Longbow is a specialist investment manager focused on UK commercial real estate debt. The management team has an average of 25 years of experience in property, lending and investment management.
- ICG Longbow has a strong track record in senior, mezzanine and whole loans, focusing on supporting acquisitions and recapitalisations where there is a clear value creation plan and the sponsor has material cash equity at risk.
- Its second fund of £242m invested, ICG Longbow is in the process of investing its £105m listed senior debt fund and is currently raising its third fund, focused on newly originated first charge whole loans and mezzanine debt, which has a maximum size of £700m.

Portfolio managers:

Kevin Cooper
and Martin Wheeler



Our strategic priorities

Grow our Fund Management Company

1

We aim to increase AUM by building on the strong record of our credit strategies and launching new products for institutional investors and, to this end, we have established an experienced distribution team in order to deepen further our institutional reach.

Invest selectively

2

ICG has one of the widest and most experienced local networks dedicated to sub-investment grade investments and as a result has a strong deal origination capability.

Manage our portfolio to maximise value

3

Regular involvement with portfolio companies is fundamental to managing and supporting the value of our investments.

Private debt and senior equity

In private debt and senior equity, we continue to build on our leadership position and strong track record in European and Asia Pacific debt and continue to expand our presence in the US.

Credit funds

As one of the longest established European credit managers we are well placed to grow AUM in senior loans and high yield bonds through a growing range of investment products. We are further seeking to exploit new opportunities arising as a result of the liquidity shortage in Europe. Our expanded distribution team is further helping in marketing these opportunities to investors. In addition we will continue to review opportunities to expand our franchise geographically and through selective acquisitions.

Real estate debt

In UK commercial real estate debt, we see opportunities to grow our ICG Longbow franchise and replicate the success we have enjoyed in the buyout market.

Expanding our asset classes

Over the past 24 years ICG has built a leading global mezzanine platform and a strong European leveraged loan and high yield bond business. This success was achieved by combining local, dedicated teams of investment specialists with a common investment discipline and operating platform. Since 2010 we have been active in the UK real estate debt market through ICG Longbow. We will continue to grow our product offering through measured expansion into adjacent asset classes where our core skills, global reach and infrastructure can create value for our institutional clients and shareholders.

Disciplined approach to investment

Each investment opportunity is considered individually on its merits and in the context of the expected risk and return requirements set by the Investment Committee. Particular emphasis is placed on limiting the downside risk of the investment and the underlying focus is on cash flow generation and repayment of the investment. ICG's investment strategy has been underpinned by rigorous analysis of the credit fundamentals of each investment to achieve this aim.

For private debt and senior equity investments, we recognise the importance of having local teams which speak the languages and understand the cultures of the markets in which they operate. These investment teams have established our reputation as a trusted and experienced investment partner with innovative structuring ability. Equally important, our investment teams have built longstanding relationships with local private equity sponsors, banks, advisors and management teams, providing deal flow and early access to investment opportunities.

Our European credit funds team are an experienced group of sector specialists, who understand the market in which they invest. For our liquid debt instrument portfolios, we actively manage risk when trading investments by using experienced traders.

Strong track record

Post-investment monitoring is a key focus of both ICG investment executives and the Investment Committee and typically we seek board attendance rights from portfolio companies. Investment executives are responsible for attending monthly or quarterly board meetings.

Board representation assists in:

- Effective portfolio management due to access to management and company information; and
- Building and strengthening relationships with stakeholders, which has historically provided a significant number of both follow-on and new investment opportunities.

Closely monitoring investments enables us to identify risks within the portfolio at an early stage. ICG executives have experience in default situations and the recovery of principal.

Through our investment and monitoring processes we have achieved a strong track record since inception, with our funds performing strongly against their peers and the investment company targeting an average mid teens internal rate of return on exited assets.

Our business:

Progress towards our strategic priorities

Priorities for FY13

Grow our Fund Management Company

1

Market drivers

The fundraising environment is improving due to the increased liquidity in the market and the search for yield. That said, investors continue to be cautious and increasingly selective in their choice of investment partners.

For many investors, this leads to concentrating and deepening asset manager relationships and, while highly diversified platforms continue to win market share, we believe in the merits of being specialised.

Our long term track record, specific investment propositions and higher yield strategies are resonating well and Investors are searching for this combination of disciplined active management, credit quality and attractive yield.

Priorities for FY13

Invest selectively

2

Market drivers

European bank lending is constrained by the pressures on capital and liquidity as well as the need for banks to refocus on their domestic markets. A considerable imbalance in supply and demand has arisen in that part of the market, providing investors with the potential for attractive risk adjusted returns in the direct lending space. This is particularly true of the midmarket where companies do not have access to the syndicated loan and high yield markets that are available to the larger companies. We continue to see disparity between the uncertain supply and the increasing demand for LBO debt, as well as general corporate debt. We expect this situation to persist for a long period of time, providing our mezzanine and direct lending businesses with attractive investment opportunities.

In contrast to the European markets, the US debt markets, assisted by a less restrictive regulatory environment, are fully functioning and therefore more competitive. Local Asia Pacific banks were less significantly impacted by the financial crisis and the buyout market remains open.

Priorities for FY13

Manage our portfolio to maximise value

3

Market drivers

The lack of available senior debt in the market in the early part of the financial year and the continuing valuation gap between sellers and buyers has resulted in a low period of transactions. However, since the turn of the calendar year we have seen more liquidity in the market and, should this remain, we expect that this will result in an increase in LBO transactions in the next 12 months.

Progress

We have had a successful year at raising new capital for our funds, raising €2.3bn of third party money. These funds were raised across a number of products with a more geographically and institutionally diverse investor base than previously achieved. This is not only a reflection of the attractiveness of our offerings and track record, but demonstrates the benefit of the investment in our own distribution capabilities over the past two years.

Our flagship fund ICG Europe Fund V closed in December 2012 at its maximum size of €2.5bn, of which €0.5bn was contributed by our Investment Company. This was well above our target of €2.0bn and the largest fund of its kind raised since 2007. Further, in January 2013, ICG Longbow broadened its product offering by raising a £105m UK property senior debt fund quoted on the London Stock Exchange. This momentum has continued with our next ICG Longbow debt fund expected to close at its maximum permitted size of £700m and our Senior Debt Partners fund having a first close.

Priorities for 2014

Our product pipeline is strong which, along with our dedicated global distribution team, is underpinning the momentum in our fundraising. Preparations are well advanced for the launch of a dedicated US product which will further broaden the geographical spread of the business.

Progress

The year to 31 March 2013 was a strong investment year for the Group.

Ongoing economic uncertainty and the lack of availability in senior debt meant deal flow in the wider European market was slow in the 2012 calendar year, although this has since picked up. However, our local network of experienced investment professionals was able to generate and complete seven European transactions during the course of the financial year. Our Asia Pacific and US teams have also completed one transaction each in FY13.

Our European credit funds business continues to see a good pipeline of new opportunities, aided by improved deal activity in the middle market and a buoyant high yield market. In particular, our Senior Debt Partners fund benefits from a strong current pipeline of deals, attractively priced and structured, of which we expect to close a number over the course of the new financial year.

Priorities for 2014

Our recent fundraising achievements mean that we have a lot of capital available to deploy. We therefore expect to maintain our current investment rate subject to finding investment opportunities with the appropriate risk/return balance. We will maintain our historical disciplined approach to investment.

Progress

The Investment Company's portfolio continues to demonstrate resilience, with 61% of our portfolio companies by number (75% on a value weighted average basis) performing above or at the same level as the previous year. There are no changes to the names of our weaker assets and we are engaged in a small number of restructurings, primarily amongst our French portfolio.

Repayments over the year were at a low level given the slowness of the European buyout market. We realised £128.8m of principal repayments and £28.7m of PIK for the Investment Company during the year.

Priorities for 2014

In recent months, private equity sponsors are increasingly looking to exit or refinance a number of their investments, with a number of processes having already begun. Visibility on timing remains unclear as sales transactions continue to be delayed due to a valuation gap between buyers and sellers. However, we do expect the number of realisations to increase during the next 12 months with businesses taking advantage of cheaper refinancing options or current sponsors having to return cash to their investors and therefore realise assets, even at lower valuations than they expected.

Our business:

Key performance indicators

We have identified a number of key performance indicators (KPIs) for ICG as a group and each of its two businesses: the Fund Management Company (FMC) and the Investment Company (IC).

Group

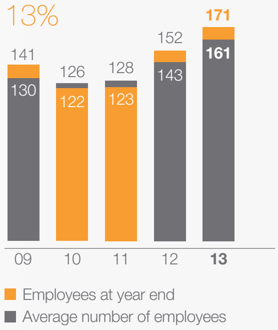
KPI	Review of performance
Staff retention	**ICG recognises that the continuous development and retention of exceptional people is key to delivering our strategic objectives.**

- Headcount at 31 March 2013 was 171, up from 152 at 31 March 2012. We have invested in, and developed, our in house marketing and client relations team to drive the growth in assets under management. We have also strengthened our US and ICG Longbow teams as we increased our presence in their respective markets.
- We continue to emphasise the importance of continuing professional development, having provided 59 different development opportunities to our employees and continuing to invest in staff development. Average training days delivered per employee were 3.0 days (2012: 3.6 days).
- We have developed a company specific "Leadership for growth" programme aimed at mentoring and developing future leaders within the business. To date, 51 people have completed or are part way through the programme.
- We expect each employee to receive full and frank development feedback at least twice a year, and tailor all development to the specific requirements of our individual employees.
- Employees continue to be appropriately rewarded through compensation schemes which directly align their interests with those of our shareholders.
- Over the course of the year, we have seen staff turnover reduce by 3%, which we believe is a reflection of our employees feeling appropriately challenged, motivated, developed and remunerated. Total staff turnover was 9%: 4% employer initiated, 5% employee initiated. By comparison, the latest available data (IRS survey (2010)) states that average turnover across industries was 15.9% but for financial services it was 19%.
- We conducted an Employee Engagement survey during the year which attained an 87% response rate. The results were very positive and we outperformed the Global Financial Services norms in all ten categories. In the more stretching UK leading companies norms we outperformed in six of the ten categories.

Staff numbers

171

13%



Our people

Jo Zendel

Head of Human Resources

Joined ICG in 2006 from Barclays Capital where she held leadership positions in a variety of functional disciplines across their human resources team. With over 20 years HR experience in the financial services industry, Jo is a Chartered Member of the Institute of Personnel and Development.

Group continued

KPI	Review of performance

Profit before tax

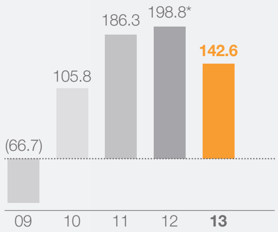
Profit before tax has been impacted in the current year by the reduction in realised capital gains and a lower average IC loan book.

- Profit before tax for the FMC was £40.4m up 7% on last year.
- Profit before tax for the IC, was £102.2m, down 37% on last year.
- Group profit was £142.6m, down 28% on last year.

The IC numbers are adjusted to exclude the one off release of previously accrued costs of £45m in relation to our legacy Medium Term Incentive Scheme (MTIS) in FY12 and the impact of fair value movements on derivatives (FY13: £5.7m; FY12: £nil).

Profit before tax £m

142.6m
(28)%



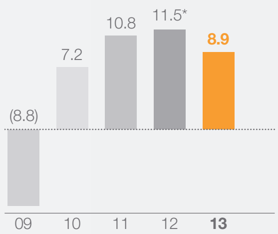
Return on equity

We aim to deliver mid-teens ROE over the financing cycle.

- The Group generated a ROE of 8.9% in the 12 months to 31 March 2013 compared to 11.5% in the 12 months to 31 March 2012.
- Shareholders' funds at 31 March 2013 stood at £1,562.9m, up £112.2m compared to 31 March 2012 (£1,450.7m), due to retained profit in the year and the uplift from fair valuing our equity portfolio, offsetting dividends paid.

Return on equity %

8.9%
(22)%



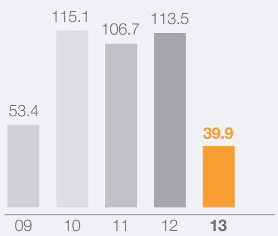
Cash core income

The trend in cash core income over a rolling three year period is a key determinant in our dividend policy.

- Cash core income is defined in the glossary on page 110.
- Cash core income decreased by 65% to £39.9m in the year (FY12 £113.5m). The slow exit environment has meant a low level of accrued interest realisations which has negatively impacted cash core income.

Cash core income £m

39.9m
(65)%



*Adjusted for £45m one off release of previously accrued costs in relation to the termination of legacy remuneration schemes

Our business:

Key performance indicators continued

Fund Management Company

KPI	Review of performance

Assets under management

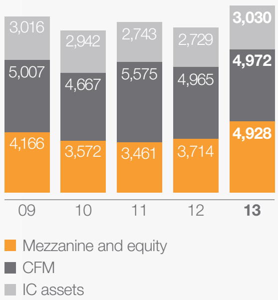
It is our ambition to grow AUM organically and through strategic acquisitions.

- Total AUM at 31 March 2013 were €12,930m, an increase of 13% in Euro terms compared to €11,408m at 31 March 2012.
- Mezzanine funds under management have increased by 33% to €4,928m (2012: €3,714m) due to ICG Europe Fund V, ICG Longbow's third fund and the ICG Longbow Listed Fund. We raised €1,744m of new third party commitments for these. At the same time, we realised €547m in our older funds, leading to a net inflow of €1,197m.
- Credit funds under management were flat on last year at €4,972m compared to €4,965m. New funds raised for the period totalled €516m, which was offset by realisations from our older CLOs amounting to €510m.
- The IC investment portfolio stood at £2,696m, an increase of 11% as we made nine new investments in the year and exits were slower than anticipated.

Total AUM €m

12,930m

+13%



Fee income

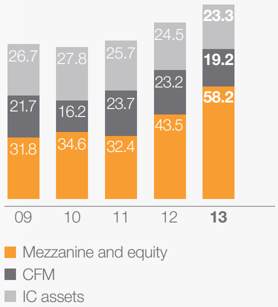
Fee income is received by the FMC both on third party funds and assets managed on behalf of the IC.

- Fee income, including the IC management fee recharge, increased by 10% to £100.7m.
- Mezzanine and equity funds: fee income increased by 34% to £58.2m primarily driven by our Recovery Fund and, ICG Europe Fund V which generated fees £22.5m greater than FY12 (of which £7m are catch up fees relating to the prior year). There was £0.3m of carried interest in the current year compared to £7.0m in FY12.
- Credit funds: fee income of £19.2m (2012: £23.2m) was 17% lower as a result of run off from older CDOs and £3.3m of performance and junior fee recoveries which did not recur in FY13.
- The average carrying value of the IC's portfolio was down 5% at £2,328.4m, generating a lower fee from the IC to the FMC of £23.3m (2012: £24.5m).

Fee income £m

100.7m

+10%



Profit before tax

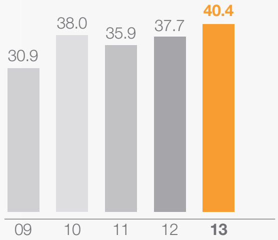
Profit before tax up 11% due to fee income derived from our latest funds.

- The profit before tax for the FMC was £40.4m and has grown by 7% compared to £37.7m last year.
- This is driven by a 16% increase in external fee income (9% increase in total income) offset partially by the increase in our cost base.
- Operating costs have increased 10% in the year following the investment in the distribution team and US business.

Profit before tax £m

40.4m

+7%



Investment Company

KPI	Review of performance

Capital gains and provisions

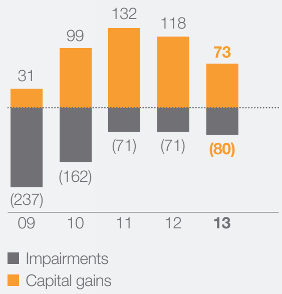
Our portfolio of investments remains resilient despite the continuing economic uncertainty in Europe. The lack of available senior debt in the market during FY13 has resulted in a year of low realisations and realised capital gains. Managing our investments to maximise value remains a key priority.

– Capital gains of £73.0m (2012: £118.0m), included £14.1m of realised gains (2012: £73.8m). The Group added £118.6m to the equity portfolio during the year, of which it is estimated two thirds is driven by the recent strength of the equity market. This comprises of an income statement movement of £58.9m and a reserves movement of £59.7m.

– Net impairments for the 12 months to 31 March 2013 were higher at £80.0m (2012: £70.6m). Gross impairments for portfolio companies were £141.1m (2012: £83.5m). Write backs of past impairments due to the assets showing strong operational performance were £61.1m (2012: £12.9m).

Capital gains and impairments £m

(7.0)m
(115)%



New investments and repayments

The year saw a high level of investments with our funds investing on target.

– Despite the challenges of the macroeconomic environment our local teams are able to still generate investment opportunities with attractive returns in order to deploy the increased level of funds which we are managing.

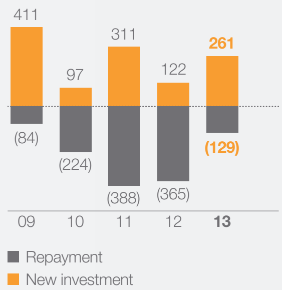
– We deployed £261m on behalf of our balance sheet in the year, well in excess of the £122m deployed in the year to 31 March 2012.

– We made nine investments in Europe, the US and Australia, and have signed a further investment in Europe since the year end.

– We saw a low level of repayments and realisations during the year, but a number of portfolio companies have begun exit processes which we expect to complete during FY14.

New investments and repayments £m

131.8m
+154%



Investment track record

Through the quality of our investment and monitoring process we have achieved a very strong track record since inception. We aim to maintain this track record through rigorous asset selection and active portfolio monitoring.

– Since inception we have invested in 364 transactions on behalf of the Investment Company. We have realised 272 of these investments with an average internal rate of return (IRR) of 19% and average money multiple of 1.6 times.

– The low level of realisations in the current year has resulted in no significant impact on our historical track record.

– Based on the latest available information the majority of our funds continue to demonstrate top quartile performance compared to private equity funds.

Case study

Europe Fund V

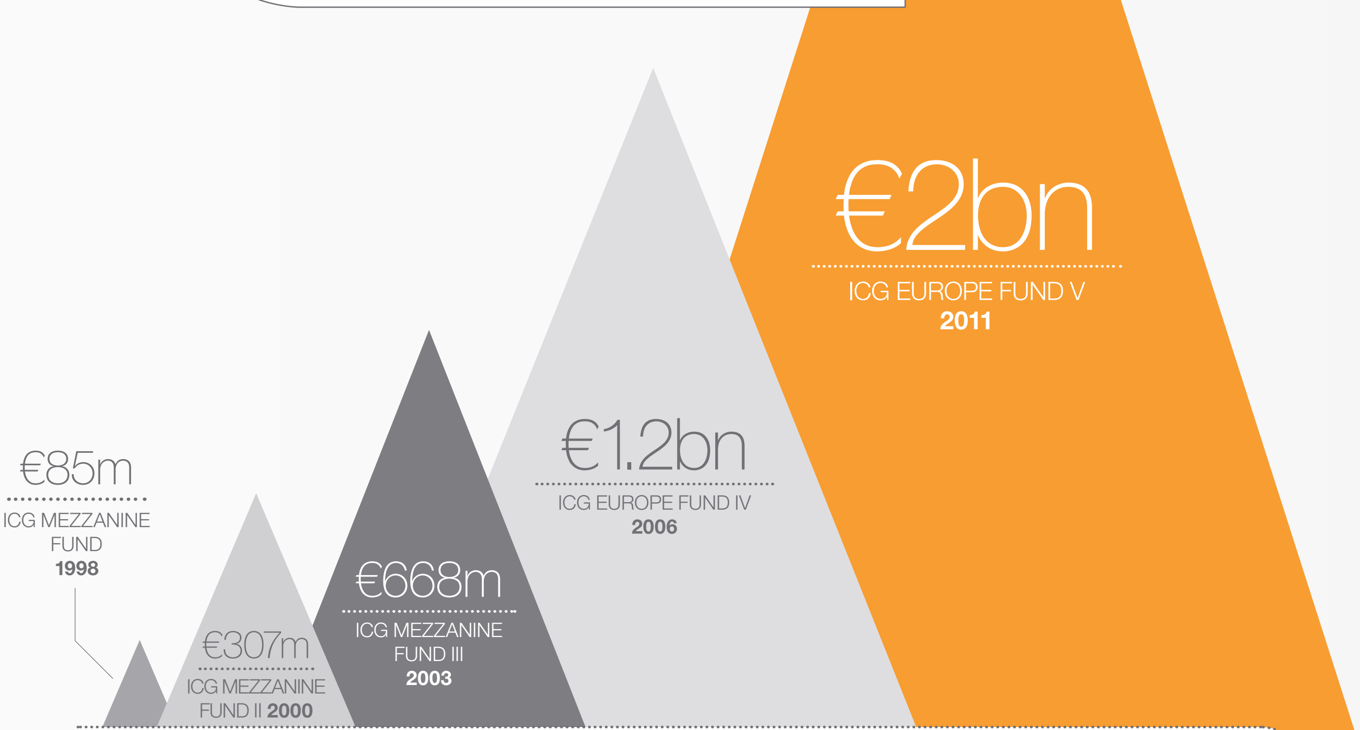
Our most diverse investor base

Investment strategy

- ICG Europe Fund V capitalises on the Group's highly successful European investment strategy, built up over 24 years.
- The fund will invest in support of buyouts, refinancing and sponsorless investment opportunities in European midmarket companies.

Portfolio managers:

Benoît Durteste and Rolf Nuijens



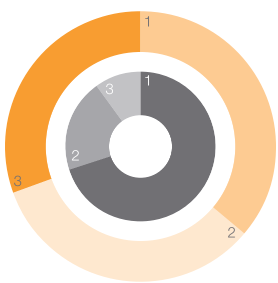
European Mezzanine third party funds raised since 1998

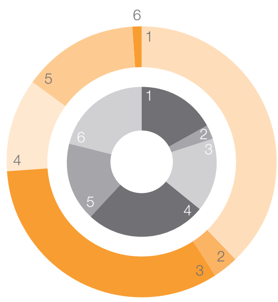
Fundraising

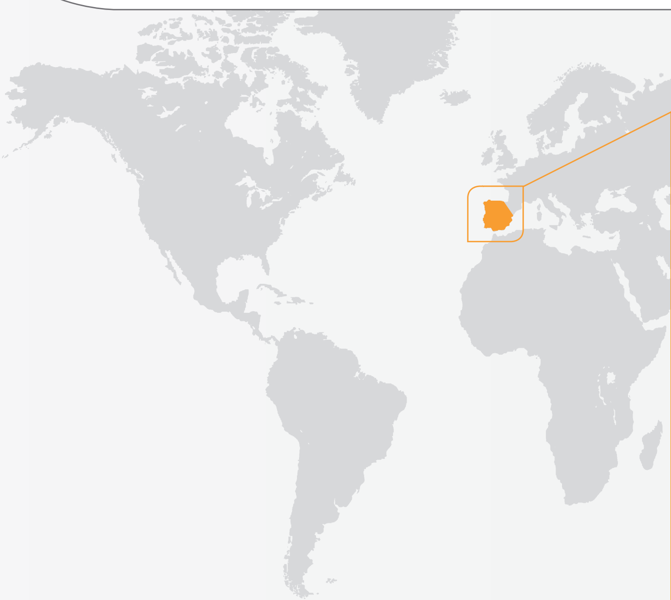
- ICG Europe Fund V held its final close in December 2012, exceeding its €2bn target (€500m of which is committed by the Investment Company) by €500m. At the time ICG Europe Fund V constituted the largest fund of its type to be raised since 2007.
- ICG Europe Fund V attracted investment from both a far wider geographical base and a more diverse set of investors than have past offerings. The fund has a broad global base of support evenly split between North America, Asia Pacific and EMEA, and the banks were replaced by long term investors such as pension funds and sovereign wealth funds.

ICG European Fund Investor Geography	2006	Fund V
1 Europe/Middle East	70%	38%
2 Asia Pacific	20%	30%
3 North America	10%	32%

ICG European Fund Investor Type	2006	Fund V
1 Pension Funds	17%	38%
2 Foundations	3%	3%
3 Sovereign Wealth Fund	16%	33%
4 Asset managers	26%	11%
5 Insurance companies	17%	14%
6 Banks	21%	1%







How we are investing

Esmalglass – Itaca

Discovering value

Our role

Our local team knew the asset well and identified the opportunity early, taking advantage of a stagnant Spanish lending market – we had a longstanding relationship with the sponsor, and so were able to approach them with a credible financing option. ICG underwrote the full €105m Private Senior Loan and €6.6m of equity at a historically low entry valuation to support the secondary buyout by Investcorp.

Our rationale

Esmalglass – Itaca is a leading global producer of pigments for the ceramic tile industry, with a strong, experienced and committed management team. Headquartered in Spain, the company is a truly global business with significant emerging market exposure and negligible Spanish revenues. The company has industry leading profit margins and solid cash flow generation which, combined with an attractive valuation and low leverage multiples, makes for a very attractive risk reward profile.

Office location: **New York**

Business review

Contents

Business review:

Our markets

As central banks have continued their aggressive quantitative easing policies, this year has seen a noticeable return of liquidity in global debt markets. However, the impact has differed significantly across regions and for different sizes of borrower.

Larger European companies have had improved access to debt, particularly through capital markets, but the sustainability of this recovery is questionable. During the financial year there was an absence of significant new fund issuance in Europe and the ever closer expiration periods of CLOs leave a significant funding gap in syndicated loan markets. Whilst the relatively apathetic large leveraged buyout (LBO) market continues to be supported by the reducing rump of these CLOs which are still active, all of this residual capacity will disappear between 2013 and 2014. There are early signs that the European CLO market may be returning, but it is unlikely to be sufficient to replace the run off of the older CLOs, as European regulators have imposed new capital rules which should only make it possible for the stronger fund managers to sponsor new vehicles. While in the short term the loan market remains sufficiently well supplied, there is some uncertainty as to the medium term prospects of this market as a reliable funding source in the absence of sufficient new fund issuance.

The high yield market has been strong, allowing the largest companies to find alternative and relatively cheap sources of finance. With interest rates at very low levels for the foreseeable future we expect this market to stay strong for some time. However, we have seen volatility in this part of the market, demonstrating there are limitations to the expectation that this source of finance could be the sole answer to the funding gap.

Meanwhile, small and midsized companies and LBOs have traditionally relied on the bank market. European bank lending is constrained by the pressures on capital and liquidity as well as the need for banks to refocus on their domestic markets. A considerable imbalance in supply and demand has arisen in that part of the market, providing investors with the potential for attractive risk adjusted returns in the direct lending space. This is particularly true of the midmarket where companies do not have access to the syndicated loan and high yield markets that are available to the larger companies.

We continue to see disparity between the uncertain supply and the increasing demand for LBO debt, as well as general corporate debt. We expect this situation to persist for a long period of time providing our mezzanine and direct lending businesses with attractive investment opportunities.

Risk/return characteristics of private debt assets are now at a very attractive level and, as a result, institutional investors are increasingly attracted by this well protected, well priced and growing asset class. We believe that experienced specialist asset managers, such as ICG, will play a leading role in reshaping the European debt market in the coming years by providing institutional investors access to higher yielding assets.

Our people

Jeff Boswell
Portfolio Manager

Joined ICG in 2008 from Investec where he was Head of Acquisition Finance and Senior Portfolio Manager for Investec's Gresham Capital CLO programme. He established Investec's Acquisition Finance department in 2004. Over 15 years' experience in the financial services markets; Jeff is a CFA Charterholder and a Chartered Accountant.

Business review:

Our markets continued

Our people

Max Mitchell
Portfolio Manager for ICG Senior Debt Partners fund

Joined ICG in 2001 from Arthur Andersen Corporate Finance. Over 15 years' experience, Max has worked in ICG's mezzanine business in Europe and Asia Pacific for 11 years and now manages ICG's Senior Direct Lending fund in London. Max is a Chartered Accountant.

The UK real estate market shows similar characteristics in that whilst there is an availability of financing for prime location assets in the London area, elsewhere there continues to be a significant funding gap. Banks, for instance, have made a timid return to the real estate lending market and have tended to focus on prime location assets, with limited investment appetite beyond this.

In contrast to the European markets, the US debt markets are fully functioning and therefore more competitive, assisted by a less restrictive regulatory environment. Finding yield is more challenging in a well funded market but the buyout market is growing and with it demand for traditional mezzanine. In addition, the US institutional loan market reopened during the year and a significant amount of capital has been raised by new CLOs. Even though pricing levels are competitive, investors have remained disciplined in their risk appetite. With a strong team now in place, ICG will be in a position to take advantage of the recovery in the mezzanine market as well as the broader credit market.

Local Asia Pacific banks were less significantly impacted by the financial crisis. The buyout market remains open and we are well placed in the region with a solid pipeline of investment and product opportunities. The investment pipeline in our core markets remains strong, particularly in China and Australia. However, transactions in the region, especially in China, typically have a longer gestation and execution timetable than in Europe and the US.

Elsewhere, the withdrawal of international banks from the Australian senior debt market has left a funding gap in the market for institutional investors. We have already begun preparations to provide an institutional product to meet this demand. In addition, there are increasing opportunities in the wider Asia Pacific region, outside of our traditional heartlands, and we continue to expand the geographical scope of our business.

Fundraising market

The fundraising environment is improving due to the increased liquidity in the market and the search for yield. That said, investors continue to be cautious and are increasingly selective in their choice of investment partners. For many investors, that leads to concentrating and deepening asset manager relationships and, while there are advantages with highly diversified platforms we believe in the merits of being specialised. We are finding that our long term track record, specific investment propositions and higher yield strategies are resonating well. Investors are searching for this combination of disciplined active management, credit quality and attractive yield.

We have increasingly seen demand from a diverse range of pension schemes, insurance companies and sovereign wealth funds for high quality investment opportunities in the credit space. These types of institutions contributed to our extremely successful fundraising of ICG Europe Fund V, where we attracted a wide variety of investors across all geographies and have shown strong interest in our Senior Debt Partners fund. Further, the development of our global distribution capability is enabling us to compete for mandates from those investors who want to manage a concentrated number of relationships, each with a global network.

Operating review

We have continued to make progress towards achieving our strategic objectives:

1 Grow our Fund Management Company

2 Invest selectively

3 Manage our portfolio to maximise value

Grow our Fund Management Company 1

A key measure of the growth of the FMC is the increase in AUM. In this respect the last 12 months have been very successful.

In the year to 31 March 2013 we raised €2.3bn in new money across multiple products. This is the most third party money we have ever raised in a single financial year and, together with the benefit of a low number of realisations, has resulted in a 13% increase in AUM in the year to €12.9bn at 31 March 2013. This includes €9.9bn of third party funds. As a result third party fees increased 16% to £77.4m in the year as we have been able to retain our pricing structures.

Our enhanced distribution capabilities, due to the investment made in our marketing and distribution team over the last two years, leave us well positioned to continue raising funds across products and geographies. In addition, we are now able to market ourselves to investors who are looking to mandate a small number of partners who have a global reach. This growth potential is further underpinned by a strong balance sheet which provides the FMC with access to seed capital.

An important driver to attract new and repeat investors is the ongoing performance of our existing funds. Based on the latest available information, the majority of our funds continue to demonstrate top quartile performance compared to private equity funds.

Mezzanine and equity funds

Third party mezzanine and equity funds under management, including ICG Longbow, have increased by 33% to €4,928m primarily due to the final close of our flagship fund, ICG Europe Fund V, at its hard cap of €2.5bn. This is well in excess of the original target of €2.0bn and constitutes the largest fund of its type to be raised since 2007. ICG Europe Fund V is comprised of a €500m commitment from ICG and €2.0bn from third parties and is currently 26% invested.

ICG Europe Fund V will have a significant impact on our long term fee income with a run rate over the five year investment period of €23.0m per annum, gradually reducing over the following five years as we realise the Fund.

ICG Europe Fund V has a more geographically balanced investor base than its predecessor funds which were predominantly raised from European institutions. The investor base in ICG Europe V is almost evenly split between the US, Europe and Asia Pacific. Furthermore, our investor base has been further strengthened by the diversity of investor type, with a much smaller portion of commitments from capital constrained banks. These have been replaced by traditional institutional investors, such as pension and sovereign wealth funds. This provides a strong base for future fundraising.

Elsewhere, preparations for a dedicated North America fund are well advanced and we have begun to prepare for the successor fund to Intermediate Capital Asia Pacific Fund II 2008 (ICAP08), which is currently 55% invested.

Our people

Martin Wheeler
ICG Longbow Board member

Jointly founded ICG Longbow in 2006. Prior to this he was a founding member of GMAC's UK Commercial Mortgage business established in 2002. Martin, who is a qualified surveyor (MRICS), has over 22 years' experience in property asset management, direct investing roles and property finance.

Operating review continued

ICG Longbow

Our investment in ICG Longbow continues to deliver ahead of expectations.

During the year ICG Longbow completed investing its £242m second mezzanine fund and followed this with the launch of a new fund, ICG Longbow Fund III. This has a target size of £500m and a maximum size of £700m. A first close in December 2012 of £215m, which included a £50m commitment from the Investment Company, and is expected to close at its £700m maximum size shortly.

Elsewhere, the team have capitalised on their strong track record, extensive sourcing network and the lack of available senior debt in the UK real estate market, by raising a £105m listed senior debt fund, ICG Longbow Senior Secured UK Property Debt Investments Limited.

Credit funds

Third party credit funds under management have remained flat at €4,972m. During the year we have added €516m to AUM through the launch of new funds and segregated mandates. This offsets the run off of our older CLO funds.

Our Senior Debt Partners fund is a closed end fund combining our existing expertise in originating investment opportunities and our knowledge of the European senior debt market. The fund will invest in senior secured loans in European midmarket companies. These direct investment opportunities are originated and structured by a dedicated team, supported by our existing and established local network. There was a first close in March 2013 and a further close is expected in the first half of the new financial year. The fund has a €1bn target size.

Our Total Credit fund was launched on 13 July 2012 with €50m of seed capital from ICG. The fund has shown a strong performance since its launch, with net asset value (NAV) up 15%. A good track record will enable us to attract further third party funds to the product.

Our open ended High Yield Bond Fund continues to build on its very strong track record, generating a gross return of 41% since its inception on 31 December 2009. This is a testament to our ability to invest selectively.

Our people

Garland Hansmann
Portfolio Manager for ICG High Yield Fund

Joined ICG in 2007 from Credit Suisse Asset Management where he was European Head of Credit Research and in charge of managing CSAM's high yield portfolio. Over 18 years' experience in asset management, Garland is a CFA Charterholder and member of the UK Society of Investment Professionals.

Invest selectively

2

The year to 31 March 2013 was a strong investment year for the Group. We invested £782.2m, including £261.9m for our Investment Company.

Ongoing economic uncertainty and the lack of availability of senior debt meant deal flow in the wider European market was slow in 2012, although this has picked up since. However, our local network of experienced investment professionals was able to generate and complete seven European transactions during the course of the financial year, a tremendous achievement in this slow market.

We supported the management led buyouts of ATPI, a UK corporate travel and management business with a focus on need-to-work travel, and Symington's, a UK food business with a focus on value and convenience products. In continental Europe, we were the sole debt provider for the acquisition of Esmalglass by Investcorp. Esmalglass is a leading supplier of key intermediate products for the ceramics industry worldwide with significant exposure to emerging markets. Further investments included the senior debt of Icopal, an international manufacturer of roofing and water proofing products; a £256m portfolio of performing senior loans from a European bank acquired on attractive terms; an investment in the UK pension's advisory company Punter Southall and an investment in Norwegian road side assistance company, Viking. Following these transactions, ICG Europe Fund V is 26% invested within the first 18 months and is well on track to maintain this investment rate.

Since the year end we have supported, subject to regulatory clearance, the management led buyout of Euro Cater A/S, the largest food distributor in Denmark. This continues the momentum of investing ICG Europe Fund V.

The diversity of these investments demonstrates that in the current European market there are few standard mezzanine deals. As a result our local investment teams have to work harder to source transactions and structure them in a way that meets the requirements of all parties.

Our Asia Pacific and US teams have also completed one transaction each in the period.

In Asia Pacific, we supported the acquisition of SCF, a leading provider of specialist containers in the Australian market. This is the second ICG sponsorless transaction in Australia and took ICAP 08 to 55% invested. To allow the remaining capacity to be invested, the Fund approved the extension of the investment period by one year to April 2014.

In the US, we have backed KRG Capital Partners' acquisition of Convergint Technologies, investing in subordinated debt and equity. Convergint Technologies is one of the leading commercial security and life safety system integrators in North America.

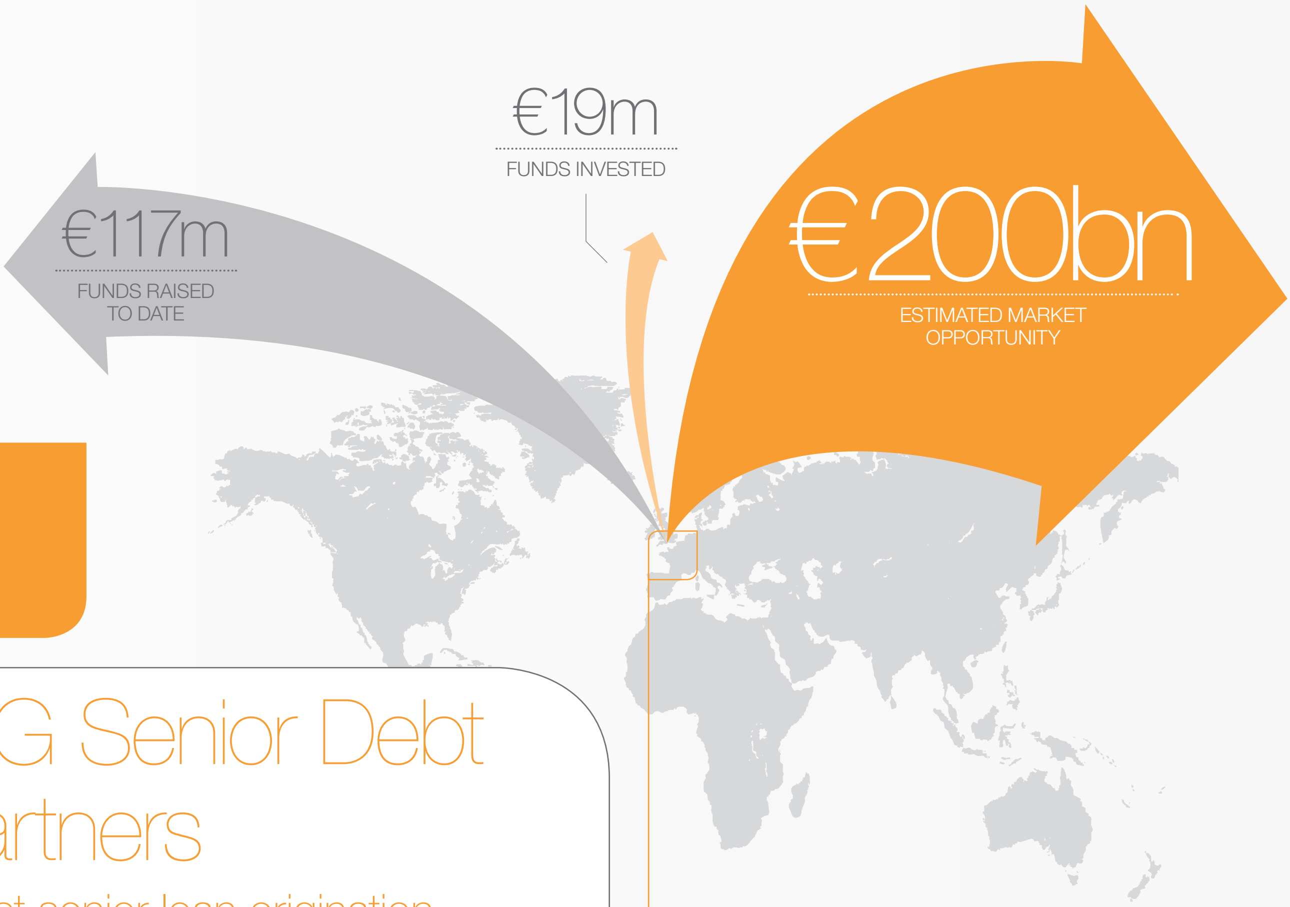
Our European credit funds business continues to see a good pipeline of new opportunities, aided by improved deal activity in the middle market and a buoyant high yield market. In particular, our Senior Debt Partners fund benefits from a strong current pipeline of deals, attractively priced and structured, of which we expect to close a number over the course of 2013.

We continue to see a strong pipeline of new investments and have significant capital to deploy. However, we will remain extremely selective and maintain our historical rigour in investment decisions.

Our people

Rolf Nuijens
Head of North Europe

Joined ICG in 1998, and is responsible for Northern Europe investments. Prior to this he worked for HAL Investments, a private equity firm in The Netherlands. Over 19 years' experience gained within the European private equity industry.



Case study

ICG Senior Debt Partners

Direct senior loan origination

Investment strategy

- ICG's Senior Debt Partners' fund exploits our expertise in originating investment opportunities and our knowledge of the European senior debt market.
- This fund will invest in senior secured loans in European midmarket companies. These direct investment opportunities are originated and structured by a dedicated team, supported by our established local network.
- To date, €117m has been raised (including €25m from ICG) and interest levels among potential investors are high.

Portfolio managers:

Max Mitchell and Jeff Boswell

How we are investing

AIM Aviation

A strong relationship with management

Our role

The key to unlocking this opportunity was the strength of the relationship which ICG built with AIM Aviation's management and sponsors. This factor, in combination with our ability to execute on a tight timescale, secured for us the opportunity to invest. We are the company's largest lender, providing £30m (between three ICG funds) of senior debt alongside two banks.

Our rationale

AIM Aviation is dedicated to the design and manufacture of cutting edge aircraft interiors. The company has a leading market position, exposure to high growth sectors and low operating leverage. Long term relationships (and contracts) with its key customers ensure excellent revenue visibility.

Manage our portfolio to maximise value 3

The Investment Company's portfolio continues to demonstrate resilience, with 61% of our portfolio companies by number (75% on a value weighted average basis) performing above or at the same level as the previous year. There are no changes to the names of our weaker assets and we are engaged in a small number of restructurings, primarily amongst our French portfolio. Our investment teams are actively engaged in restructurings in order to protect our investments which can lead to us having greater involvement in these companies.

Gross provisions of £141.1m were significantly more than the £83.5m last year. The first half saw material provisions taken against two assets which account for £86.2m of the total. The second half saw a lower level of provisions offset by write backs on five assets which have seen a strong operational recovery. Together, this has resulted in net impairments for the year of £80.0m compared to £70.6m in the prior year.

Whilst we do not expect that aggregate net provisions will exceed our long term average in the foreseeable future, single name events do periodically occur. Furthermore, the negotiation stance of individual parties in restructuring negotiations is becoming increasingly unpredictable making it difficult to forecast the outcome of these negotiations with any degree of certainty.

Our portfolio is well positioned to withstand further economic pressure, with an average leverage of 4.7 times EBITDA. This is much lower than the 5.8 times of late 2008. Furthermore, businesses and sponsors have had to focus on profitability and cash generation in recent years thereby improving the underlying resilience of these businesses. Our 20 largest assets which account for 50% of our portfolio by value are performing well, as are our new investments.

Repayments over the year were at a low level given the slowness of the European buyout market. We realised £128.8m of principal repayments and £28.7m of PIK for the Investment Company during the year. Since the year end £73.6m of principal and £46.6m of PIK has been realised.

In recent months, private equity sponsors are increasingly looking to exit or refinance a number of their investments, with a number of processes having already begun. Visibility on timing remains unclear as sales transactions continue to be delayed due to a valuation gap between buyers and sellers. However, we do expect the number of realisations to increase during the next 12 months with businesses taking advantage of cheaper refinancing options or current sponsors having to return cash to their investors and therefore realise assets, even at lower valuations than they expected.

Key priorities for the current year

Our key priorities include a focus on targeting new third party money with our broad range of products across geographies. In particular, our enlarged distribution team will be aiming to significantly increase the size of our Senior Debt Partners fund and to make further progress with our Total Credit fund during the course of the year.

Elsewhere, preparations for the launch of a dedicated US product are nearing completion and early planning is underway for a successor fund to ICAP 08. We will aim to advance both opportunities during the next 12 months.

Our recent fundraising achievements mean that we have a lot of capital available to deploy. We therefore expect to maintain our current investment rate subject to finding investment opportunities with the appropriate risk/return balance. We will maintain our historical investment discipline.

The recent increase in liquidity in the market could result in a significant increase in realisations during the year. These realisations will come from either portfolio companies refinancing their existing debt or sponsors exiting their investments.

Business review:

Financial review

This review provides an overview of the Group's financial performance, position and cash flow for the year and as at the year to 31 March 2013.

Overview

The Group's profit before tax for the year was £142.6m (2012: £243.8m). This comprises profit before tax of the FMC of £40.4m (2012: £37.7m) and profit before tax of the IC of £102.2m (2012: £206.1m). Included in the profit of the IC and Group are the impact of the fair value movements on hedging derivatives of £5.7m (2012: £nil) in the current year and in FY12 a £45.0m one off release of previously accrued costs in relation to the legacy Medium Term Incentive Scheme (MTIS). Excluding these items the Group profit before tax for the year was £148.3m (2012: £198.8m) and the profit before tax of the IC was £107.9m (2012: £161.1m).

Throughout this review all numbers are presented excluding these adjusting items, unless otherwise stated.

The decrease in Group and IC profit before tax for the year can be attributed to lower capital gains as a result of lower exits during the year and a reduction in net interest income, principally due to a lower average IC loan book.

£40.4m

FUND MANAGEMENT COMPANY PROFIT BEFORE TAX

Taxation charge for the year was £18.8m (2012: £56.2m). This includes a prior year one off tax credit of £9.0m relating to the final payments made under the MTIS. Excluding the effect of this the effective tax rate is 20% (2012: 20%).

The Group generated a ROE of 8.9% (2012: 11.5%), which has been impacted by a low level of realisations in the current year. The Group continues to aim to deliver mid teens ROE over the financing cycle. Earnings per share for the period were 33.6p (2012: 39.2p). Cash core income for year was £39.9m (2012: £113.5m) due to a lower level of realisations.

AUM as at 31 March 2013 increased to €12,930m (£10,911m) from €11,408m (£9,507m) as at 31 March 2012.

As at 31 March 2013, the balance sheet has unutilised debt facilities of £355m. During the year the balance sheet was refinanced through the extension of £640m of bank facilities for a further three years. In addition, the Group raised £80m with its second retail bond. This second retail bond has a maturity of eight years and bears interest at 6.25%. Since the year end the momentum in continuing to refinance our balance sheet and diversify our sources of financing has continued. We have raised a further $150m from private placements and signed £100m of new facilities to 2016, which includes a £67m rollover of an existing facility and a new relationship bank.

Philip Keller
Chief Financial Officer

Our people

Kevin Cooper
ICG Longbow
Board member

Jointly founded ICG Longbow in 2006. Prior to this he was a founding member of GMAC's UK Commercial Mortgage business established in 2002. Kevin, who is a qualified banker (ACIB), has over 25 years' experience in various credit and lending businesses specialising in structured property finance.

The Group had net current liabilities of £409.4m at the end of the year (2012: net current asset £6.9m). The increase is attributable to £462.5m of existing debt facilities expiring in the new financial year. As outlined above, these have already been replaced with new facilities which have a start date that coincides with the roll off of the current facilities.

The Board has recommended a final dividend of 13.7p per share (2012: 13.0p), which will result in a full year dividend of 20.0p per share (2012: 19.0p per share).

Profit and loss account

Fund Management Company

Assets under management

AUM as at 31 March 2013 increased by 13% to €12,930m (£10,911m) (2012: €11,408m (£9,507m)). The movement in exchange rates has positively impacted AUM denominated in GBP by 2% compared to 31 March 2012.

Third party AUM increased by 14% to €9,900m (2012: €8,679m). This increase comprised €2,260m of new funds raised, offset by €1,057m of realisations and a €18m positive impact of foreign exchange on the value of the Group's non Euro denominated funds.

Third party AUM includes €4,928m (2012: €3,714m) in relation to Mezzanine funds AUM, including ICG Longbow of €533.1m (2012: €254.3m), and €4,972m (2012: €4,965m) in relation to Credit funds AUM.

Mezzanine funds AUM has increased 33% primarily due to additional funds raised on ICG Europe Fund V of €1,418m. ICG Europe Fund V closed in December 2012 at its hard cap of €2.5bn, including €0.5bn investment commitment from the IC. The increase in AUM as a result of ICG Europe Fund V offset the expiration of the Recovery Fund 08 investment period during the year.

ICG Longbow raised an additional £320m of funds through ICG Longbow Fund III which raised £215m at its first close in December 2012, including a £50m IC commitment, and a listed senior debt fund which raised £105m in January 2013.

Credit funds AUM are flat on 2012 as realisations on the older CLO funds of €510m have been offset by new funds raised in the period of €516m.

The IC investment portfolio is £2,696m (2012: £2,352m), this includes £183.0m (2012: £77.8m) of seed equity and debt in ICG's Credit Funds. The increase in seed capital is principally due to investment in ICG's Total Credit Fund and Senior Debt Partners.

Fee income

Fee income increased by 10% in the year to £100.7m (2012: £91.2m). This comprises fee income from third parties of £77.4m (2012: £66.7m), up 16%, and the IC management fee of £23.3m (2012: £24.5m).

Mezzanine and equity funds third party fee income totalled £58.2m (2012: £43.5m). The increase in third party fee income is attributable to the £26.2m of fees earned from ICG Europe Fund V in the year, a £22.5m increase on the prior year. This includes catch up fees paid in respect of the prior year of £7.0m. There was £0.3m of carried interest in the current year as compared to £7.0m in 2012.

Credit funds third party fee income was £19.2m (2012: £23.2m). Fee income in the prior year included a catch up on deferred fees from subordinated products from previous financial years of £1.7m and £1.6m of performance fees. Fee income on the older credit funds continues to decrease as they are in realisation.

Other income

Other income of £1.9m (2012: £3.3m) includes interest and dividends on CDO assets.

Business review:
Financial review continued

£102.2m

INVESTMENT COMPANY PROFIT BEFORE TAX

Operating expenses
Operating expenses of the FMC were £61.8m (2012: £56.4m), including salaries and incentive scheme costs. Salaries were £20.9m (2012: £19.1m) following the investment in the distribution team and US business. Other administrative costs of £26.3m (2012: £23.8m) have increased 10.5% year on year as the placement fees incurred on raising ICG Europe Fund V have begun amortising. The cash cost of placement fees will reduce for future fundraisings as our in house distribution team undertakes more of these activities.

Investment Company
Profit before tax for the IC was £107.9m (2012: £161.1m).

Balance sheet investments
The balance sheet investment portfolio at 31 March 2013 of £2,696m is 15% up on last year's £2,352m. This includes £183.0m (2012: £77.8m) of seed capital in ICG's Credit Funds.

During the year the balance sheet made net investments of £133.1m, which included £261.9m new and follow on investments and total repayments of £128.8m. Investments of £78.7m are held by ICG Europe Fund V Jersey Limited, the coinvest entity. New investments in the period include Symington's and Esmalglass in Europe, SCF in Asia Pacific and Convergint in the US.

Proceeds on full exits in the year totalled £56.5m, arising from the repayments of Dako, Mayborn, Meyn and Team Systems. Total rolled up interest received on all repayments (full and partial) was £28.7m.

In addition, the Sterling value of the portfolio increased by £60.1m due to the appreciation of Sterling. The portfolio is 63% Euro denominated and 13% US dollar denominated. Sterling denominated assets only account for 12% of the portfolio.

The investment portfolio comprises £1,246m (46%) of senior mezzanine and senior debt, £427m of junior mezzanine investments (16%) and £840m of equity investments (31%). It excludes amounts invested in ICG's credit funds mentioned above. The equity comprises £504m of non-interest bearing equity and £336m of interest bearing equity.

Net interest income
Net interest income of £159.7m (2012: £183.9m) comprises interest income of £214.3m (2012: £242.3m), cost of funding from the FMC of £0.4m (2012: £0.4m) less interest expense of £55.0m (2012: £58.8m). The timing of investments and exits in the current and prior year resulted in a decrease in the average IC portfolio during the year. This contributed £20.0m of the decrease in net interest income. Interest income includes cash interest income of £72.4m (2012: £84.8m) and rolled up interest income of £141.9m (2012: £157.5m).

Our people

Simon Peatfield
Portfolio Manager

Joined ICG in 2008 from Prudential M&G where he spent five years in the Structured Credit Products team managing cash CDOs invested in High Yield Bonds, Leveraged Loans, ABS and Private Placements. Over 13 years' industry experience, Simon is an Investment Management Certificate holder.

Our people

Salvatore Gentile
Head of North America

Joined ICG in 2012 to head up ICG's North American operations. Salvatore was previously a Senior Managing Director and partner at the Blackstone Group where he was a co-founder of the Blackstone Corporate Debt Group. Over 24 years of investment experience.

Other income

Other income, principally waiver and prepayment fees, amounted to £1.4m (2012: £1.5m).

Operating expenses

Excluding a cost of £25.7m in the prior year relating to the final year of the MTIS scheme, operating expenses amount to £25.3m (2012: £27.2m), of which incentive scheme costs of £18.1m (2012: £18.5m) are the largest components. Other staff and administrative costs were £7.2m compared to £8.7m last year.

The management fee on IC investments managed by the FMC reduced to £23.3m (2012: £24.5m) as a result of the reduction in the average size of the loan book.

Capital gains

Capital gains in the year totalled £73.0m (2012: £118.0m) of which £14.1m were realised (2012: £73.8m) and £58.9m unrealised (2012: £44.2m).

The Group added £118.6m to the value of the equity portfolio, of which an estimated two thirds is driven by the recent strength of the equity market. Of this, £58.9m is recognised as an income statement movement and £59.7m as a movement in reserves.

Impairments

Net impairments for the period were £80.0m (2012: £70.6m). Gross impairments amounted to £141.1m (2012: £83.5m), of which £86.2m is in relation to two assets impaired in the first half. Recoveries of £61.1m (2012: £12.9m) have been taken on a number of assets which saw a strong operational recovery during the period, one of which underwent a successful restructuring post the balance sheet date.

Group cash flow, debt and capital position

Cash flow

Operating cash out flow (excluding taxes paid) for the year was £84.4m (2012: £426.6m net inflows).

The decrease in the net cash flows is largely as a result of lower exits and increased investments undertaken as compared to the prior year. Included in the operating cash flow are the final MTIS payments and capital gains on sales of investments.

Interest income received during the year was £92.0m (2012: £198.1m). During the year, realisation of rolled up interest decreased to £28.7m (2012: £113.3m) due to the lower level of realisations. Interest expense paid was £59.0m (2012: £50.4m), including £18.6m (2012: £5.6m) of fees paid on arranging and maintaining bank facilities. Dividend income was £4.3m (2012: £9.0m).

Third party fee income received amounted to £77.9m (2012: £70.9m). Operating expenses were £101.6m (2012: £126.4m), including final payments in respect of the MTIS of £39.0m (2012: £54.1m).

Tax expense paid was £45.4m (2012: £66.6m). Repayments, syndication proceeds and recoveries totalled £112.3m (2012: £246.7m). The decrease is largely as a result of lower levels of exits during the year.

During the year the Group invested £261.9m, compared to £121.9m in the prior year, funded by the drawdown of bank facilities. This further contributed to the decrease in cash flow during the year.

Financial review continued

Capital and debt position

Shareholders' funds increased by 8% to £1,562.9m (2012: £1,450.7m). This includes an uplift to reserves of £59.7m from fair valuing investments in unlisted shares and dividend distributions of £74.9m.

Total debt was £1,155m (2012: £979m). Net debt to shareholders' funds as at 31 March 2013 increased to 74% from 66% in the prior year, which is attributable to an increase in net investments during the year.

Financial outlook

For the FMC, continued fundraising activity across a number of products is expected to increase underlying fee income further. The current year fee income includes one off catch up fees on ICG Europe Fund V. Whilst these will not reoccur in the new financial year there is the increased potential for performance fees as older funds realise their assets. The investment in the Group's infrastructure and global distribution team is now substantially complete and contributing to the fundraising momentum. The FY14 results will reflect the annualisation of the operating investment made during the previous 12 months and further growth in the US.

For the IC, whilst we do not expect that aggregate net provisions will exceed our long term average in the foreseeable future, single name events do periodically occur and it is increasingly difficult to forecast the outcome of restructuring negotiations. We expect net interest income to continue to track in line with the movement in the average loan book. The current economic environment has created an opportunity for sponsors to exit their assets. As long as this continues the Group is expecting to see an increased number of realisations. This will place downward pressure on the loan book which we expect to be partially offset by the investment pipeline and the investment in seed capital that will fuel the growth of the FMC.

Our people

Dagmar Kent Kershaw
Head of Credit Fund Management

Joined ICG in 2008, following 10 years at Prudential M&G as founder and Head of Structured Credit Products, and previously Head of Debt Private Placements. Over 20 years' experience in credit and structured finance markets, including previous roles in credit markets at Scotiabank and NatWest Bank.

Principal risks and uncertainties

Risk management is the responsibility of the ICG Board, which has put in place the following risk management structures:

Executive Committees and Management Boards

The Executive Committee

Comprises the Managing Directors of ICG, who each have a specific area of responsibility.
The Executive Committee has general responsibility for ICG's resources, implementation of strategy agreed by the Board of Directors, financial and operational control and managing the business worldwide.

The Mezzanine and Minority Equity Investment Committee

Is chaired by Christophe Evain, CEO and Chief Investment Officer (CIO). The Chairman selects up to seven members among two pre-defined lists of senior investment professionals including Managing Directors and senior members of the mezzanine and equity business. One of these members will be nominated as a sponsor member, to reflect the specificities of the investment (geography, size, nature of the transaction). The Committee members are responsible for reviewing and approving all investment proposals presented by investment executives in accordance with the Investment Policy set by the Board. The approval of the Board is required for large investments according to pre set thresholds. The Mezzanine and Minority Equity Investment Committee also reviews and manages potential and actual conflicts of interest, reviews quarterly performance reports of our portfolio companies, and coordinates management plans for individual assets as necessary.

The Credit Funds Investment Committee

Is chaired by Christophe Evain, CEO and CIO. The Chairman selects up to five members among two pre-defined lists of senior investment professionals including Managing Directors and senior members of the Credit Funds Management team. One of these members will be nominated as sponsor member, depending on the specificities of the investment (geography, size, nature of the transaction). The Committee members are responsible for reviewing and approving all investment proposals presented by credit executives in accordance with the Investment Policy. The Credit Funds Investment Committee also reviews and manages potential and actual conflicts of interest, reviews the quarterly performance reports of our credit funds' portfolio companies, and coordinates management plans for individual assets as necessary.

By chairing both Investment Committees, the CIO ensures the Company's Global Investment Strategy is applied consistently across the firm.

The ICG Longbow Management Board

Is chaired by David Hunter, an independent appointment of ICG. ICG and ICG Longbow's Management each appoint three representative members, currently Christophe Evain, Philip Keller and Mark Crowther for ICG and Martin Wheeler, Kevin Cooper and Graeme Troll for ICG Longbow. The Management Board oversees the activities of ICG Longbow.

The ICG Longbow Investment Committee

Is chaired by Graeme Troll and is comprised of members representing the senior investment professionals and credit and risk functions of ICG Longbow. The Committee is responsible for reviewing and approving all investment proposals relating to ICG Longbow's commercial real estate debt funds. The Committee also reviews and manages potential conflicts of interest, reviews the quarterly performance reports of investments, and coordinates management plans for individual assets as necessary.

The Treasury Committee

Comprises four members including the CFO, Financial Controller, and Group Treasurer and is responsible for ensuring compliance with the Group's Treasury Policy, reporting any breach of policy to the Risk Committee, monitoring external bank debt and bank covenants, approving and monitoring hedging transactions and approving the Group's list of relationship banks.

Non Executive Committees

There are four Non Executive Committees in place to support the Board's functions: the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee. Their membership and roles are described in the Corporate Governance section of this Annual Report.

Our key risks, and the ways in which we mitigate them, are outlined on the following pages.

Business review:

Principal risks and uncertainties continued

Business risks

Business risk is defined as the risk of loss resulting from the failure to meet strategic objectives.

Risk	Impact	Mitigation
Credit risk **The performance of the Group's funds and investment portfolio is affected by a number of factors. The Group may experience poor investment performance (both in absolute terms and relative to the performance of portfolios managed by competitors and relative to other asset classes) due to the failure of strategies implemented in managing the portfolio assets.**	The amount of assets under management and the performance of the investment portfolio may also be affected by matters beyond the Group's control, including conditions in the domestic and global financial markets and the wider economy, such as the level and volatility of bond prices, interest rates, exchange rates, liquidity in markets, credit spreads, margin requirements, the availability and cost of credit and the responses of governments and regulators to these economic and market conditions. Adverse movements in any of the global conditions described above could result in losses on investments from the Group's own balance sheet in the investment portfolio and reduced performance fees received on third party funds, all of which, individually or taken together, could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. The majority of third party funds currently managed by the Group are not marked to market and, therefore, market valuations have limited immediate impact on the amount of assets under management.	ICG has a disciplined investment policy and all investments are selected and regularly monitored by the Group's Investment Committees. ICG limits the extent of credit risk by diversifying its portfolio assets by sector, size and geography.
Fundraising risk **The Group may be unable to raise future investment funds from third parties.**	This could limit the Group's capacity to grow AUM and could decrease the Group's income from management, advisory and performance fees and carried interest. The Group's ability to raise investment funds from third parties depends on a number of factors, including the appetite of investors, the general availability of funds in the market and competitor fundraising activity. Certain factors, such as the performance of financial markets or the asset allocation rules or regulations to which such third parties are subject, could inhibit or restrict the ability of certain third parties to provide the Group with investment funds to manage or invest in the asset classes in which the Group invests. Furthermore, loss of investor confidence in the Group or in the alternative investment sector generally, whether because of changes in investor risk appetite, investor liquidity requirements, regulatory and fiscal changes, poor relative or absolute performance of the Group's investment or alternative investment funds generally, or for any other reason, could lead to an adverse impact on the Group's performance or financial position.	ICG has a long track record in developing credit related investment products for institutional investors. The Group has built a dedicated fundraising team to grow and diversify its institutional client base by geography and type.

Our business 2 – 17
Business review 18 – 37
Funds and portfolio 38 – 45
Governance 46 – 76
Financial statements 77 – 112
Intermediate Capital Group plc Annual Report 2013

Business risks continued

Risk	Impact	Mitigation
Liquidity and funding risk **Liquidity and funding risk is the risk that ICG will be unable to meet its financial obligations as they fall due because assets held cannot be realised.**	The level of repayments on the Group's loan portfolio and consequently on the realisation of rolled up interest as well as delays in realising minority interests could have a negative impact on the Group's investment capacity. In addition, there can be no assurance that the Group will be able to secure borrowings or other forms of liquidity in the longer term on commercially acceptable terms or at all. Failure to secure borrowings or other forms of liquidity on commercially acceptable terms may adversely affect the Group's business and returns. The Group's ability to borrow funds or access debt capital markets in the longer term is dependent on a number of factors including credit market conditions. Adverse credit market conditions may make it difficult for the Group to refinance existing credit facilities as and when they mature or to obtain debt financing for new investments. In addition, the cost and terms of any new or replacement facilities may be less favourable and may include more onerous financial covenants.	The Group maintains a portfolio of investments that has both a diversified range of maturities and a suitable mix of cash paying and non cash paying investments in order to minimise the risk that a significant proportion of its assets would face concurrent adverse conditions for repayments and realisations. In addition the Group maintains a prudent funding strategy. It is our policy to maintain diverse sources of medium term finance and to ensure that we always have sufficient committed but unutilised debt facilities.

Market risks

Risks relating to the Group and its business.

Risk	Impact	Mitigation
General market conditions	The Group's strategy and business model are based on an analysis of assumptions regarding its operating environment. This includes market evaluations and the identification and assessment of external and internal risk factors. Significant unexpected changes or outcomes, beyond those factored into the Group's strategy and business model may occur which could have an adverse impact on the Group's performance or financial position.	The Executive Committee regularly reviews the likely impact of potential changes in the operating environment and seeks, when appropriate, advice from external experts to support their review.

Principal risks and uncertainties continued

Market risks continued

Risk	Impact	Mitigation
Interest rate risk The Group and some of the Group's portfolio companies are exposed to fluctuations in interest rates which could adversely affect the Group's returns.	The Group has a mixture of fixed and floating rate assets, which are funded with a mixture of equity and borrowings. A failure to match borrowings by type or maturity or the failure or inappropriate use of derivative financial instruments for the purpose of hedging could have an adverse impact on the Group's returns and financial condition. In addition, many of the Group's portfolio companies rely on leverage to finance their business operations and increase the rate of return on their equity. Investments in highly leveraged entities are inherently more sensitive to interest rate movements. Therefore, a significant increase in interest rates could adversely affect the returns and financial condition of the Group's portfolio companies and may even lead to some of the Group's portfolio companies breaching financial or operating covenants in their credit agreements or default on their debt.	The Group seeks to minimise interest rate exposure by matching the type, maturity and currency of its borrowings to those of a group of assets with a similar anticipated holding period. The Group's Investment Committees take into account the ability of each portfolio company to successfully operate under a different interest rate environment both before validating the investment and during the life of the investment.
Foreign exchange risk The Group is exposed to fluctuations in exchange rates which could adversely affect the Group's returns and financial condition.	The Group reports in Sterling and pays dividends from Sterling profits. The underlying assets in the Group's portfolio are principally denominated in Euros, and to a lesser degree in US dollars and other currencies. Changes in the rates of exchange of these currencies may have an adverse effect on the value of the Group's investments and any undrawn amount of the Group's debt facilities. Although the Group has in place measures to mitigate the foreign exchange risk on its assets and liabilities, to the extent that any structural currency exposures are unhedged or unmatched, such exposure could adversely affect the Group's returns and financial condition. Failure by a counterparty to make payments due under derivative financial investments may reduce the Group's returns.	The Group seeks to reduce structural currency exposures by matching loans and investment assets denominated in foreign currency with borrowings or synthetic borrowings in the same currency. In addition, the Group has used and continues to use derivative financial instruments and other instruments on a limited basis, as part of its foreign exchange risk management, to hedge a proportion of unrealised income recognised on a fair value basis. The Group spreads its derivative contracts across a number of counterparties and regularly evaluates the counterparty risk. The Group seeks to transact only with sound financial institutions.
Concentration risk The Group is exposed to concentration risk if its investment portfolio is exposed to undue geographical or sector specific concentration. Further, the Group is exposed to concentration risk when it is reliant on a small number of banks to provide balance sheet funding.	The Group invests only in certain geographies, industries and sectors. If investment in any one geography, industry or sector becomes unduly concentrated the Group could suffer increased impairment to its investment performance or increased financial loss as a consequence of adverse market, economic or environmental conditions impacting that particular geography, industry or sector. In addition, the Group sources a significant proportion of its balance sheet funding from a small number of banks. The Group could suffer impairment to its ability to make investments or financial loss in the event of failure of one, or more, of the relationship banks.	The Group has in place an investment policy and robust investment process designed to maintain appropriate diversification of the investments made. In addition, the Group seeks to increase the proportion of its balance sheet funding from non bank sources such as private placements and the issuance of bonds. Further, the Group's Treasury Policy and procedures are designed to diversify bank-sourced balance sheet funding in terms of quantum and maturity.

Operational risk

Operational risk is the risk arising from the people, systems and processes through which the Group operates.

Risk	Impact	Mitigation
Loss of staff **If the Group cannot retain and motivate its senior investment professionals and other key employees, the Group's business could be adversely affected.**	The Group's continued success is highly dependent upon the efforts of the Group's investment professionals and other key employees. The Group's future success and growth depends to a substantial degree on the Group's ability to retain and motivate key employees, the market for whom is very competitive. The Group may be unable to retain such key employees or to continue to motivate them. The Group's investment professionals possess substantial experience and expertise in investing and are responsible for locating, executing and monitoring the Group's investments. The loss of even a small number of the Group's investment professionals could jeopardise the Group's ability to source, execute and manage investments as well as affect recoveries on troubled assets, which could have a material adverse effect on the Group's business.	The Group attempts to reward its investment professionals and other key employees in line with market practice. In 2009 the Group's Remuneration Committee commissioned PricewaterhouseCoopers to review the compensation structure of ICG and to advise upon appropriate benchmarking against which remuneration could be set. Following this review, new remunerations schemes were approved by shareholders at the 2010 AGM. These schemes are aligned with the Group's strategy and in line with the appropriate benchmark and comply with the UK Financial Conduct Authority (FCA) remuneration code.
Regulatory risk **Exposure to new regulatory regimes or changes to existing regulatory regimes under which the Group operates or a breach of applicable regulation to which the Group is subject could damage the Group's reputation and affect the Group's compliance costs, returns and financial condition.**	The Group operates in a number of jurisdictions and its business, particularly the fund management part of the business, is subject predominantly to the regulatory regimes of the United Kingdom and Hong Kong from where core regulated activities are currently undertaken. The Group's strategy anticipates that it will undertake regulated fund management activities in other jurisdictions as it grows and, as a result, will over time become exposed to an increased number of other regulatory regimes. The FCA is the Group's lead regulator. This will remain the case as long as the Group is headquartered in the United Kingdom. The FCA and other regulatory authorities, have broad regulatory powers dealing with all aspects of financial services, including the authority to grant, and in specific circumstances to vary or cancel permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. If the Group were to breach any such laws or regulations, including those to which it had not previously been subject, it would be exposed to the risk of investigations, fines, temporary or permanent prohibition from engaging in certain activities, suspensions of personnel or revocation of their licenses and suspension or termination of regulatory permissions to operate. While the Group currently operates within the relevant regulatory framework, either its expansion to new jurisdictions or changes in that existing framework will increase costs and time spent on this area, and increases the risk of failing to identify applicable requirements or the risk of a breach due to the enhanced volume of requirements.	The Group has in place a team of dedicated compliance professionals that supports the Board in meeting its regulatory responsibilities which includes, but is not limited to, identifying the laws and regulations to which the Group's activities are exposed and establishing policies and procedures to ensure compliance with those regulations. To assist in this the Compliance team will draw on the expertise of local law firms and compliance consultants in order to identify applicable regulations as well as assist in the formulation of appropriate policies and procedures. In addition, the Group has in place a governance structure supported by a risk framework that seeks to identify, control and mitigate material risks faced by the Group, which includes regulatory risks. The adequacy of controls in place is periodically assessed by a variety of methods including tailored risk-based monitoring programmes designed to specifically address regulatory and reputational exposure for each of the regulatory regimes to which the Group is exposed.

Business review:

Corporate social responsibility

£500k

5 YEAR COMMITMENT FROM ICG TO IMPETUS – PRIVATE EQUITY FOUNDATION THINKFORWARD PROGRAMME

Overview

Principles of corporate social responsibility (CSR) are fully incorporated into ICG's business practices. Both in terms of providing a framework for ICG to operate in a responsible way, and as an investor. This section provides some insights in how we deploy CSR in practice across the business.

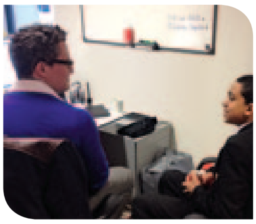
ICG is committed to conducting its business and tax affairs in an open and transparent way. We comply with our tax obligations globally and in 2013, ICG paid corporate income taxes of £45.4m. Further information on tax can be found in our financial statements on page 100.

Responsible investing

ICG believes that Environmental, Social and Governance (ESG) criteria can positively impact investment performance as well as wider society. ESG policies are incorporated into our investment philosophy and process. This includes discussions with the businesses that we invest in, about how they deploy ESG practices and policies. All ESG activities across ICG are supervised by ICG's ESG Committee. In addition ICG is a signatory of the United Nations Principles for Responsible Investment (UNPRI).

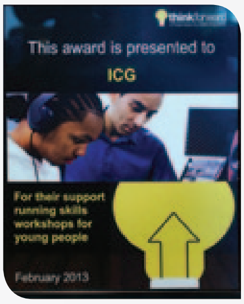
The aim of the UNPRI is to ensure that ESG issues are considered during the investment process and in subsequent monitoring. ICG acknowledges that ESG issues can affect the performance of investment portfolios. Investing practices which incorporate ESG issues can be both financially profitable and profitable for society as a whole. ICG incorporates ESG policies where appropriate in the investment process. This includes discussions with the businesses that we invest in, about how they deploy ESG practices and policies, and understanding the ESG impacts of our entire portfolio.

For more information on UNPRI please visit www.unpri.org.



^ **Think Forward** students are introduced to different roles within ICG

> **CFO Philip Keller** discusses the office environment and his experience at the July 2012 Think Forward Workshop.



Environment

ICG recognises that all businesses have a responsibility to protect the environment and understand the impact their operations have on the environment. ICG will be participating in the Carbon Disclosure Project, which operates under the Climate Disclosure Standards Board (CDSB) as the recognised authority for measuring the impact businesses have on the environment. The CDSB links financial and climate change related reporting, helping companies evaluate the risk and opportunities that climate change represents to their strategy, and ultimately providing information that helps filter out what is of most value to investors in understanding how climate change affects a company's financial performance and condition. For more information on the Carbon Disclosure Project please visit www.cdproject.net

Social and community

ICG's corporate social and community policy is founded in a belief that ICG's business operations should positively impact society. Either through responsible investment practices which incorporate ESG factors or through our contribution to the communities in which we operate around the world, our social and community programme is grounded in promoting opportunities to young people, through education or work experience. In practice this means making a contribution to education, creating work experience opportunities and encouraging employees to participate in these programmes. ICG runs an internship programme which offers four places each year. Young graduates who have achieved academically but do not come from corporate backgrounds are encouraged to apply for the positions. The internship offers the opportunity to rotate through ICG's key business areas, providing that difficult first step on the career ladder.

In addition ICG has made a five year commitment to be a corporate sponsor of the Private Equity Foundation's Think Forward programme. Think Forward places coaches in schools where there are young people who have been identified as "at risk" of dropping out of education or training and becoming "Neets" (not in education, employment or training). The coaches work with the young people to prevent disengagement and work with each individual to help achieve their goals, providing support both at school and at home.

For more information about Think Forward please visit http://www.privateequityfoundation.org/our-work/think-forward/

ICG facilitates an environment where employees can participate in activities which contribute towards a social purpose. In practice, this is through charitable giving, active participation and through the application of their knowledge, skills and resources to support local good causes. ICG matches monies raised by employees through fundraising activities.

< **ICG CSR team** host Think Forward students in ICG offices and local business area.

Office location: **Singapore**

Funds and portfolio

Contents

Our investment culture

Our people

Chris Heine
Head of Asia

Chris joined ICG in 2006 from CVC Asia Pacific where he spent seven years since its inception. He manages ICG's Asia Pacific mezzanine business. Chris has over 20 years' experience with a number of financial institutions in Asia.

Our investment culture

ICG is a leading specialist asset manager providing private debt, mezzanine finance, leveraged credit and minority equity. With 24 years of mezzanine investing experience we are one of the leading independent mezzanine providers in the world. Furthermore we are one of the largest managers of European senior loans and high yield bonds with 14 years of investing experience in this field.

We structure and provide mezzanine finance, leveraged credit and minority equity deploying capital from the ICG plc balance sheet and on behalf of our third party fund investors. ICG manages third party funds in mezzanine, senior debt, real estate, high yield bonds and related assets. Common to all of these asset classes is our ability to originate, assess and price risk across the capital structure of sub investment grade companies.

We invest across a company's capital structure depending on where we identify the potential value and subsequent returns for our investors. We do not apply a fixed investment structure, instead we configure a capital solution to fit the cash flow generation of the underlying business in order to maximise value for our investors.

ICG's network of 63 investment executives based in 10 countries provides us with a powerful advantage based on local insights, knowledge and relationships. Our local network enables us to:

- successfully source, select, structure and execute investment opportunities through established local relationships and so deliver superior returns
- conduct in-depth, experienced investment selection and pricing of risk via rigorous credit analysis. Fundamental analysis and corporate information is the key to unlocking market inefficiencies, mispricings and superior returns
- carry out effective portfolio management with local investment executives who know their local markets, cultures and jurisdictions and can handle challenging situations
- deploy robust recovery strategies for underperforming investments, through active involvement with portfolio companies' management teams and significant stakeholders

Mezzanine investment philosophy

We invest alongside financial sponsors and management teams with a focus on midmarket companies in Europe, Asia Pacific and the US. We seek a prudent balance of risk and return for our investors and this balance determines which part of the capital structure we invest in. Returns are generated through debt coupon – cash, payment in kind, pay-if-you-can or pay-if-you-want – and through equity, either through equity warrants associated with mezzanine or standalone equity.

A key strength is our ability to adapt our financing approach to each investment opportunity. ICG has led the market through a very reactive and flexible approach, structuring ad hoc solutions and products and introducing innovative instrument features.

By controlling each instrument in which we invest, we provide certainty and stability in a capital structure. If syndication is required this is typically to one of our limited partners or financing partners but ICG is always the primary contact point for management and shareholders.

We are "take and hold" investors with the intention to hold our investments to maturity, investing in the business and its management team for the medium to long term. By investing for longer periods and by having board representation, either as an observer or director, a deeper mutual understanding is generated between ICG, management and shareholders. We are often a repeat investor in a business as businesses are sold in secondary transactions. We represent continuity and stability to those management teams and businesses.

We believe in a local approach to investment. Our local executives originate and execute transactions and retain a monitoring responsibility throughout the life of the investment. This ensures continuity and better communication between ICG, management and shareholders.

Our investment culture continued

Mezzanine investment strategy

We believe that, given its position in the capital structure, mezzanine as an asset class has a number of key attributes that make it an attractive investment opportunity:

- the cash yield on mezzanine loans can provide an annual cash distribution to investors
- creditor protections on mezzanine loans provide significant security and stability of returns to mezzanine investors
- attractive upside returns are available from the equity participation available to mezzanine investors

We focus on midmarket companies with enterprise values between €150m and €1bn with leading market positions, led by strong management teams. As a mezzanine investor with a strong focus on protecting its invested principal and minimising defaults across its portfolio, ICG looks to create a well-diversified portfolio by investment instrument, industry sector, geography and investment size, with the aim of delivering an attractive balance of risk and returns.

When reviewing investments we utilise not only the market intelligence and company-specific information provided by our large network of investment executives and the current investment portfolio, but also our 24 years' accumulated direct investment experience.

We aim to apply our core credit principles and strong focus on recovery of our invested principal consistently across investments and we strive for a consistent approach in relation to deal execution when partnering with private equity sponsors, management teams, banks and advisors across Europe, Asia Pacific and the US.

ICG Longbow real estate philosophy

ICG Longbow's investment philosophy centres on four principles.

Firstly, we seek to preserve capital investments by achieving diversity in our portfolio at the loans level, avoiding specific risk assets and targeting assets where value creation at the property level will de-risk the loan over time.

Secondly, we employ an income-focused approach to investing, so as to take most of the return on our loans during the loan lifetime via coupon.

Thirdly, we align our philosophy with the borrower's situation by investing on a "participate in value creation" basis via profit share agreements.

And finally we invest on the basis of property fundamentals, applying a "stock picking" approach based on sustainable cash flow, revenue per square foot analysis and underlying liquidity in properties.

ICG Longbow real estate strategy

ICG Longbow seeks to capitalise on the market opportunities in the UK commercial real estate debt market focusing on:

- providing mezzanine finance to leading UK property companies with a proven track record
- value creation
- providing senior finance to support acquisition of under-managed properties, often from distressed or motivated vendors
- opportunistically acquiring high quality loans from the secondary market at discounted prices

In putting this strategy into place, ICG Longbow leverages its extensive network of relationships with UK property companies, advisors and lenders. Coupled with its localised market knowledge, rigorous structuring, underwriting process and "stock picking" approach, ICG Longbow generates a defensive portfolio in all of its funds.

ICG Longbow believes that significant opportunities to originate real estate senior and mezzanine debt will be available as a long term trend, as traditional lenders continue to exit or reduce exposure to the market. In light of the current conditions of the debt market and building on its proven approach, ICG Longbow believes that attractive returns can be achieved by providing financing to UK real estate companies with a strong track record in value creation and market timing.

CFM investment philosophy

We believe that risk in the European leveraged finance market is persistently mispriced due to three structural inefficiencies:

- Rating changes – New issue pricing is based on ratings at the "prevailing market rate" rather than the underlying risk over a bond's life. Up to 80% of high yield bonds undergo a rating change, demonstrating that the pricing based on the initial rating risk can change
- Transparency – Leveraged finance is a specialist market requiring complex investment decisions but it has less published information than more widely researched public markets. This creates market inefficiencies
- Risk appetite – Non-credit related factors such as risk appetite, strategic asset allocation and the overall liquidity of financial markets influence the credit markets. These changes in supply and demand impact leveraged finance for non-credit related reasons

We seek to exploit these inefficiencies to create returns above the expected market returns. Our rigorous bottom-up research provides a real information advantage that drives our investment selection, significantly lowers our default rates and enables better management of recoveries.

Market cyclicality offers opportunities for longer term investors with the experience and conviction to invest when prices are overcompensating for risk. We believe that these pricing anomalies take time to resolve themselves and therefore a medium to long term investment horizon is essential for capturing returns in excess of market expectations.

CFM investment strategy

We believe in fundamental analysis and in depth information. This is the key to unlocking the inefficiencies caused by lack of transparency and persistent mispricings. We have the largest team of dedicated leveraged finance professionals in Europe providing fundamental analysis; six local European offices accessing local intelligence; and 24 years of relationships with financial partners providing extensive access to management teams and company information.

Our people

Andreas Mondovits
Head of Marketing and Client relations

Joined ICG in 2012 from UBS Global Asset Management, where he spent over 10 years in senior distribution and marketing roles, latterly as Global Head of Business Development for Global Real Estate. Over 20 years' experience in senior sales and marketing roles in financial institutions and the FMCG industry.

Funds and portfolio:

Funds overview

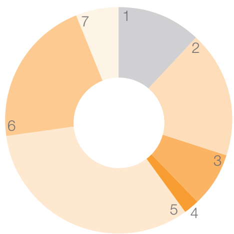
Fundraising

Investor diversity

ICG's investment in our distribution team over the last two years has resulted in greater institutional diversification. Targeted marketing has resulted in less reliability on short term investors such as banks and greater investment from longer term investors such as sovereign wealth funds and pension funds. This is a trend we expect to continue for future fundraising.

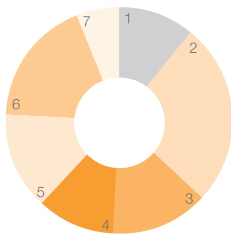
Funds raised in FY13

		%
1	Asset Manager	12%
2	Bank	18%
3	Fund of Funds	8%
4	Insurance companies	2%
5	Pension	33%
6	Sovereign Wealth Funds	21%
7	Other	6%



Across all funds

		%
1	Asset Manager	11%
2	Bank	26%
3	Fund of Funds	14%
4	Insurance Companies	11%
5	Pension	14%
6	Sovereign Wealth Funds	18%
7	Other	6%

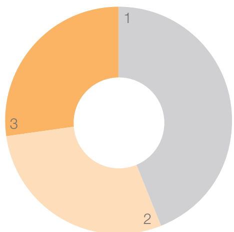


Geographic diversity

With staff based across Europe, Asia, the Middle East and America, our distribution team is able to reach more investors across the globe. As a result, the funds raised in FY13 are more balanced across North America, Asia Pacific and EMEA than ever before. With dedicated resources around the world, we have the ability to build and sustain long term relationships resulting in a better ability to meet the specific needs of each investor.

Funds raised in FY13

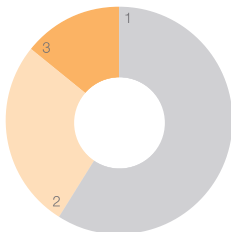
		%
1	Europe/Middle East	44%
2	Asia Pacific	29%
3	North America	27%



Note: In relation to tradeable funds, analysis is based on original investor.

Across all funds

		%
1	Europe/Middle East	59%
2	Asia Pacific	27%
3	North America	14%



Mezzanine funds

Fund	Mezzanine Fund 2003	European Fund 2006	Europe Fund V	Recovery Fund 2008	Minority Partners 2008	ICAP 2005	ICAP 2008
Third party money	€1,420m	€1,750m	€2,000m	€840m	€120m	$300m	$600m
Estimated money multiple	1.4 x	1.4 x	1.6 x	1.4 x	2.1 x	1.7 x	1.3 x
% Carry*	28% of 20 over 8	20% of 20 over 8	20% of 20 over 8	20% of 20 over 8	20% of 20 over 8	25% of 20 over 8	20% of 20 over 8

*Total carry is 20% of the fund gains. Of this, the Group is entitled to a percentage, for example in Mezzanine Fund 2003 this is 28%. There is a threshold of a rate of return of 8% which triggers carry.

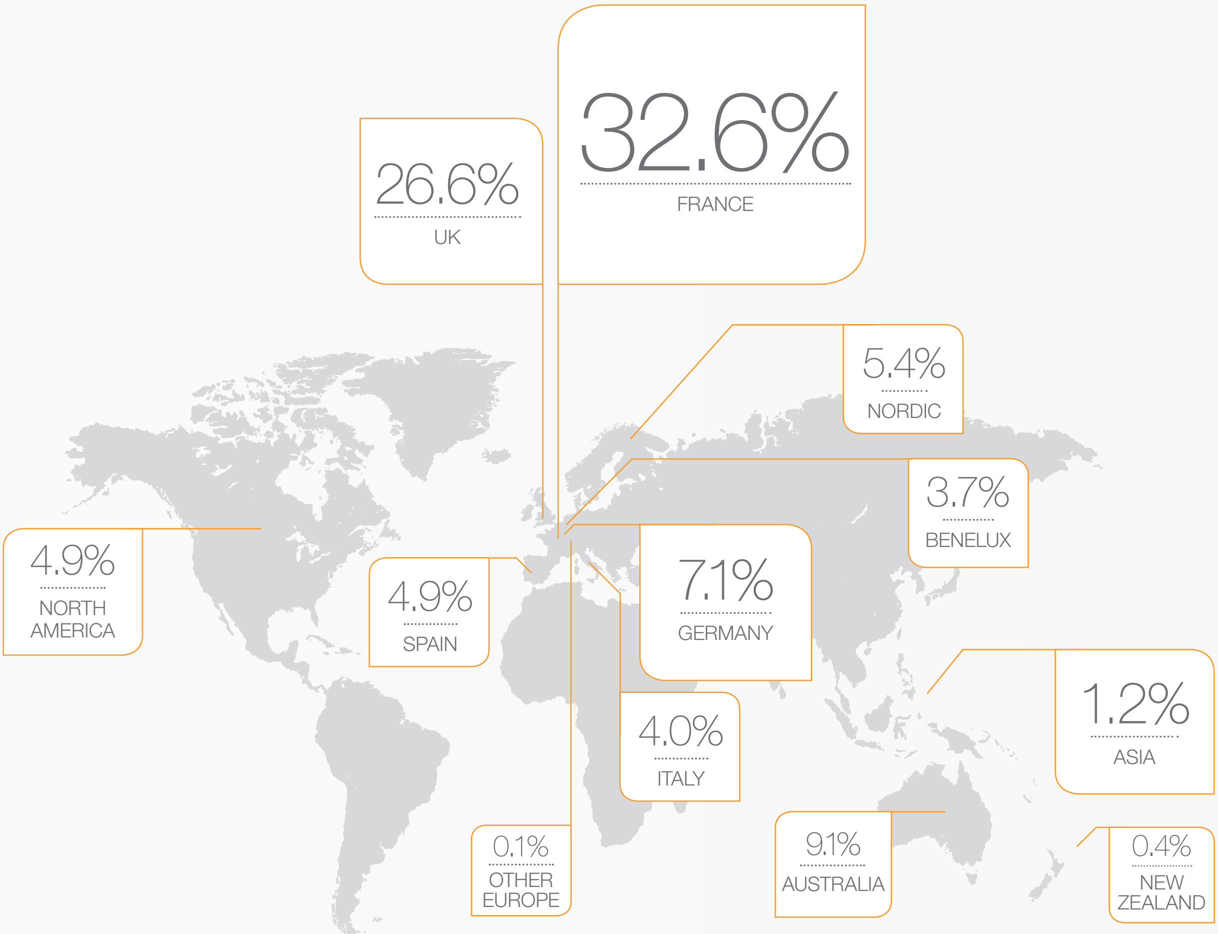
Fund type key

M Mezzanine C Credit Funds L Longbow

Funds summary

Fund Type	Name	FY13 Status	FY13 AUM(€)	FY12 Status	FY12 AUM(€)
M	ICG Mezzanine Fund III 2003	Realisation	216.6	Realisation	288.6
M	ICG Europe Fund IV 2006	Realisation	1,145.3	Realisation	1,246.9
M	ICG Europe Fund V	Investment	2,000.0	Fundraising	584.7
M	ICG Minority Partners Fund 2008	Realisation	20.1	Realisation	20.1
M	ICG Recovery Fund 2008	Realisation	439.8	Investment	763.0
M	Intermediate Capital Asia Pacific Fund II 2008	Investment	466.9	Investment	449.6
M	Intermediate Capital Asia Pacific Mezzanine Fund I 2005	Realisation	106.4	Realisation	106.7
C	Confluent I Ltd	Investment	387.7	Investment	428.9
C	European Investment Fund I	Investment	71.8	Investment	57.7
C	European Investment Fund II	Investment	97.8	Investment	94.7
C	Eos Loan Fund I	Realisation	838.0	Investment	952.8
C	Eurocredit CDO I B.V. 1999	Redeemed	–	Realisation	4.4
C	Eurocredit CDO II B.V. 2000	Realisation	11.3	Realisation	74.9
C	Eurocredit CDO III 2003	Realisation	165.3	Realisation	232.6
C	Eurocredit CDO IV 2004	Realisation	165.3	Realisation	202.4
C	Eurocredit CDO V PLC 2006	Realisation	467.2	Investment	527.0
C	Eurocredit CDO VI PLC 2006	Realisation	444.5	Investment	451.1
C	Eurocredit CDO VII 2007	Investment	455.2	Investment	462.7
C	Eurocredit CDO VIII PLC 2007	Realisation	401.0	Realisation	478.2
C	St Paul's CLO I B.V. 2010	Investment	287.0	Investment	286.0
C	Eurocredit Opportunities Fund I PLC 2005	Realisation	132.4	Realisation	152.6
C	Eurocredit Opportunities Parallel Funding I	Realisation	375.8	Realisation	427.0
C	ICG European High Yield Bond Fund I	Investment	49.3	Investment	46.6
C	ICG European Loan Fund	Realisation	73.4	Investment	71.9
C	Segregated Mandates	Investment	364.2	Investment	13.0
C	ICG Senior Debt Partners Fund I	Fundraising	92.0	–	–
C	ICG Total Credit Fund	Fundraising	92.0	–	–
L	Longbow UK Real Estate Debt Investments II	Realisation	228.4	Investment	230.9
L	Longbow UK Real Estate Debt Investments I	Redeemed	–	Realisation	5.4
L	Rockpoint Fund III JV	Redeemed	–	Realisation	18.0
L	ICG Longbow Senior Secured UK Property Debt Investments Limited	Investment	109.2	–	–
L	ICG Longbow UK Real Estate Debt Investments III	Fundraising	195.5	–	–
	Total		**9,899.4**		**8,678.4**

Investment company portfolio



Portfolio by geography

During the year ICG made nine investments globally and completed four full and one partial exits. The portfolio is invested across a diversified range of industries with a wide geographical spread.

Our investment teams are based in 10 countries across the world giving them access to local opportunities upon which we are able to react quickly.

Portfolio by sector

	%
Business services	20.8%
Financial services	17.3%
Healthcare	11.9%
Telecoms, media and technology	7.1%
Construction materials	6.8%
Entertainment and leisure	6.5%
Shipping and transport	5.4%
Retail	4.6%
Food and consumer products	3.6%
Utilities and waste management	3.3%
Pharmaceuticals and chemicals	2.9%
Manufacturing and engineering	2.5%
Pubilshing and advertising	2.2%
Packaging	2.0%
Automotive	2.0%
Portfolio investment	1.1%

Top 20 assets

	Company	Sector	Year	Country	£m*
1	Médi Partenaires	Healthcare	2007	France	**120.1**
2	Allflex	Business services	1998	UK	**106.7**
3	Applus+	Business services	2007	Spain	**102.5**
4	AAS Link	Financial services	2007	Australia	**97.4**
5	Elis	Business services	2007	France	**97.0**
6	Attendo	Healthcare	2007	Sweden	**87.7**
7	Materis	Construction materials	2006	France	**77.9**
8	Gerflor	Construction materials	2011	France	**75.7**
9	Minimax	Electronics	2006	Germany	**63.4**
10	BAA	Shipping and transport	2006	UK	**58.9**
11	Ethypharm	Pharmaceuticals	2007	France	**48.7**
12	SAG	Utilities	2008	Germany	**47.7**
13	Eos Loan Fund I	Portfolio investment	2010	UK	**45.2**
14	Westbury Baxter	Food and consumer products	2011	UK	**44.5**
15	Hoyts	Entertainment and leisure	2007	Australia	**43.7**
16	Feu Vert	Automotive	2007	France	**42.5**
17	Lowenplay	Leisure	2008	Germany	**41.6**
18	Fort Dearborn	Packaging	2010	US	**40.8**
19	Nocibe	Retail	2006	France	**40.4**
20	Team Systems	Business services	2010	Italy	**40.2**

* Carrying value on ICG balance sheet at 31 March 2013. Includes equity stake listed below where relevant.

Top 10 equity assets

	Company	Sector	£m*
1	Allflex	Business services	**106.7**
2	AAS Link	Financial services	**62.2**
3	Gerflor	Construction materials	**56.1**
4	Eos Loan Fund I	Portfolio investment	**45.2**
5	Intelsat	Telecoms, media and technology	**38.0**
6	Applus+	Business services	**34.4**
7	Riverland Jersey	Portfolio investment	**30.7**
8	AVR	Waste management	**24.9**
9	Team Systems	Business services	**23.2**
10	Mennisez	Food and consumer products	**21.6**

* Carrying value on ICG balance sheet at 31 March 2013.

Top 10 PIK assets

	Company	Sector	£m*
1	Médi Partenaires	Healthcare	**70.4**
2	Veda Advantage	Financial services	**36.1**
3	Hoyts	Entertainment and leisure	**35.7**
4	AAS Link	Financial services	**35.2**
5	Sicurglobal	Business services	**33.4**
6	AST	Financial services	**30.0**
7	Westbury Baxter	Food and consumer products	**23.3**
8	Attendo	Healthcare	**19.5**
9	Gaucho	Entertainment and leisure	**19.3**
10	Ethypharm	Pharmaceuticals	**16.5**

Office location: **Paris**

Governance

Contents

Chairman's introduction

Justin Dowley
Chairman

UK Corporate Governance Code

The Group recognises, and is committed to, the highest standards of corporate governance. Other than on one occasion, throughout the year ended 31 March 2013, the Group has been in compliance with the provisions of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council. The event of non-compliance with the Code occurred at a meeting of the Audit and Risk Committee in May 2012, when due to the unavoidable absence of one of the members of that Committee, a meeting was held with only two members of the Committee in attendance rather than three. The two Non Executive Directors subsequently appointed during the year have been made members of that Committee such that it has a membership of four, and at all future meetings at least three of the members will be in attendance.

Details on how we have applied the Principles of the Code can be found in this Corporate Governance section and also in the Remuneration report on pages 56 to 67. A copy of the Code is publicly available on the Financial Reporting Council's website (www.frc.org.uk).

The Board's responsibilities and processes

The Board is responsible to the shareholders for the overall management of the Group. The Board's main roles are to provide leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed and to ensure that the necessary financial and human resources are in place for the Company to meet its objectives and thus increase shareholder value.

There is a formal schedule of matters reserved for Board approval, which include:

- approval of the Group's overall business strategy, planning and annual budget;
- assessment of internal controls and risk management;
- approval of the Group's half year and annual financial statements and dividend policy;
- presenting a balanced and understandable assessment of the Company's position and prospects to the shareholders through the Chairman's and Chief Executive's statement, the Business review, the Financial review and the financial statements;
- appointments to the Board and Executive Committee;
- capital expenditure decisions; and
- changes in employee incentive schemes.

At each Board meeting there is a full financial and business review which includes the comparison of performance to date against the Board's previously approved annual budget.

Each Board member receives a comprehensive Board pack at least five days prior to each meeting which incorporates a formal agenda together with supporting papers for items to be discussed at the meeting. Further information is obtained by the Board from the Managing Directors and other relevant members of senior management, as the Board, particularly its Non Executive Directors, considers appropriate.

All Directors have access to the advice and services of the Company Secretary and may take independent professional advice at the Company's expense in the furtherance of their duties. The appointment/removal of the Company Secretary would be a matter for the Board.

The Board appreciates the importance of the continued professional development of the Directors.

Those Non Executive Directors who have joined during the year have taken part in an induction process to gain an understanding on the Group's business, including briefings, training sessions and one-on-one meetings with the Executive Directors and a number of other senior employees.

The Non Executive Directors, at least annually, hold meetings in the absence of the Managing Directors and, separately, in the absence of the Chairman. Each Non Executive Director has an appointment letter with the Company and their appointments are reviewed periodically.

Governance:

Board of Directors

Justin Dowley

Chairman

Justin Dowley qualified as a chartered accountant with PriceWaterhouse in 1980. From 1981 until 2011 his career was in investment banking: he was a founder partner of Tricorn Partners, Head of Investment Banking at Merrill Lynch Europe and a Director of Morgan Grenfell. He is a Non Executive Director of Melrose Industries PLC and is also a Director of a number of private companies including Ascot Authority (Holdings) Limited.

Chairs ICG's Nominations Committee and is a member of the Remuneration Committee.

Joined: **2006**

Christophe Evain

Managing Director and CEO

Christophe has been CEO of ICG since 2010; he had worked at ICG for 16 years prior to this and was responsible for opening ICG's offices in Paris, Hong Kong and New York. Before ICG, Christophe held a number of roles in leading financial institutions including Banque de Gestion Privée, National Westminster Bank and Crédit Lyonnais' specialising in leverage and structured finance. Graduate of Dauphine University, Paris.

Chairman of the Investment Committee and the Executive Committee.

Joined: **1994**

Benoît Durteste

Managing Director

Benoît Durteste is Head of European Mezzanine and a Fund Manager for ICG Recovery Fund 2008 and ICG Europe Fund V. He joined ICG in September 2002 from Swiss Re where he worked as a Managing Director in the Structured Finance division in London. Prior to Swiss Re, Benoît worked in the Leveraged Finance division of BNP Paribas for six years and for GE Capital, notably as CFO of one of their portfolio companies. Benoît is a graduate of the Ecole Supérieure de Commerce de Paris.

Member of the Investment Committee and the Executive Committee. Responsible for European Mezzanine.

Joined: **2002**

Philip Keller

Managing Director and CFO

Philip has been CFO of ICG for seven years. Prior to ICG, Philip was Finance Director of ERM, a global environmental consultancy, where he was part of a management team that led two leveraged buyouts in 2001 and 2005. He previously held a number of financial directorships at GlaxoSmithKline and Johnson & Johnson. Chartered Accountant and graduate of Durham University.

Member of the Investment Committee and The Executive Committee. Responsible for finance, human resources and operations.

Joined: **2006**

Peter Gibbs

Non Executive Director

Previously Chief Investment Officer of Merrill Lynch's Investment Management activities outside the US and prior to this Co-Head of Equity Investments worldwide. He has wide experience in the asset management and investment management sectors and currently serves as a Non Executive Director of Friends Life Group plc, Impax Asset Management Group plc, and Aspect Capital Limited, Director of Merrill Lynch (UK) Pension Plan Trustees Ltd and as a Director of UKFI.

Chairs ICG's Remuneration Committee and is a member of the Audit Committee, the Risk Committee and the Nominations Committee.

Joined: **2010**

Lindsey McMurray

Non Executive Director

Lindsey has been a private equity investor for more than 15 years with a particular focus on the Financial Services sector. For seven years, she has been Head of Equity Finance at RBS's Special Opportunities Fund, a £1.1bn private equity fund which has maintained top quartile performance. Prior to RBS, Lindsey was a Partner at Cabot Square Capital, Ltd., a London-based private equity firm, for six years. There she focused on operating investments in real estate and other asset backed investments, together with investments in the financial services sector.

Member of the Remuneration Committee, the Audit Committee, Risk Committee, and the Nominations Committee.

Joined: **2012**

Kevin Parry

Non Executive Director

Chief Financial Officer at Schroders plc, the FTSE 100 asset management and private banking group, from January 2009 until May 2013 and Chairman of their Audit Committee from 2003 to 2008. Previously Chief Executive at Management Consulting Group plc and a managing partner at KPMG. Kevin is a Chartered Accountant with extensive experience of auditing and advising large international groups.

Chairs ICG's Audit Committee and the Risk Committee, member of the Remuneration Committee and the Nominations Committee and Senior Independent Director.

Joined: **2009**

Kim Wahl

Non Executive Director

Owner and Chairman of the investment firm Stromstangen AS since 2004. Kim was Deputy Chairman and co-founder of the European private equity firm IK Investment Partners from 1989 to 2009, and previously was a Corporate Finance Associate with Goldman, Sachs & Co. Board member of UPM-Kymmene Oy, the Aspelin-Ramm Group AS, Kavli Holding AS and Trient Asset management AS. Member of the Industrial Advisory Board of IK Investment Partners. Co-Founder and Chairman of the Voxtra Foundation.

Member of the Remuneration Committee, the Audit Committee, the Risk Committee and the Nominations Committee.

Joined: **2012**

Corporate governance

The roles of the Chairman and Chief Executive

The Chairman of the Board, Justin Dowley, leads the Board in the determination of its strategy and in achieving its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day to day business of the Group. The Chairman facilitates the effective contribution of Non Executive Directors and ensures that there is effective communication with the Group's shareholders.

The Chairman was considered independent at the date of his appointment as Chairman and continues to be so.

The Chief Executive Officer, Christophe Evain, has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive is supported in his role by the Executive Committee, which supports him in carrying out the responsibilities delegated to him by the Board.

The Executive Committee comprises the Managing Directors and meets on a regular basis to consider operational matters and the implementation of the Group's strategy. No one Managing Director is able to significantly affect the running of the Company without consulting his colleagues.

In accordance with the Code, the Board has adopted a formal division of responsibilities between the Chairman and the CEO, with the intention to establish a clear division of responsibilities between the running of the Board and the executive responsibility for the running of the Company's business.

Senior Independent Director

Kevin Parry holds the position of Senior Independent Director of the Company. In accordance with the Code, any shareholder concerns not resolved through the usual mechanisms for investor communication can be conveyed to the Senior Independent Director.

Board of Directors

As at 31 March 2013, the Board comprised three Managing Directors, an independent Non Executive Chairman and four independent Non Executive Directors. Following a rigorous review in accordance with the Code, the Board considers all five of its Non Executive Directors to be independent in character and judgement and that they each provide effective challenge both within and outside Board meetings. The Non Executive Directors are as follows:

- Justin Dowley was appointed as a Non Executive Director in February 2006 and as Non Executive Chairman in July 2010.
- Kevin Parry was appointed as a Non Executive Director in June 2009.
- Peter Gibbs was appointed as a Non Executive Director in March 2010.
- Kim Wahl was appointed as a Non Executive Director in July 2012.
- Lindsey McMurray was appointed as a Non Executive Director in September 2012.

The Non Executive Directors are considered to be of the appropriate calibre and experience to bring significant influence to bear on the Board's decision making process.

The Chairman has acted as a Non Executive Director of Melrose Industries PLC during the year. We do not consider this appointment to have any adverse impact on his ability to perform his role effectively as Chairman of the Board.

The Board meets at least six times a year, with additional meetings being held as required.

The following table shows the number of Board and Committee meetings held during the year and the attendance record of individual Directors. Jean-Daniel Camus and James Nelson left the Board during the year, while Benoît Durteste, Kim Wahl and Lindsey McMurray have attended meetings since their respective appointments.

Board and Committee meetings

	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee
Number of meetings held	9	4	5	1
Justin Dowley	9	4*	5	1
Christophe Evain	9	4*	5*	1*
Philip Keller	9	4*	5*	1*
Benoît Durteste	7	3*	4*	0
Peter Gibbs	8	3	5	1
Kevin Parry	7	4	4	0
Kim Wahl	6	3*	3	0
Lindsey McMurray	5	3	3	0
Jean-Daniel Camus	2	0	1	1
James Nelson	2	1	2	1

* Attended these meetings at the invitation of the relevant Chairman but was not a member of the relevant Committee.

The principal matters considered by the Board during the year included:

- the Group strategic plan, budget and financial resources;
- review of the compliance policies;
- regular review of the investment portfolio and any areas of concern;
- communication of our financial results for the interim and year end;
- review of current compensation structures;
- independence of Non Executive Directors;
- succession planning for roles within the Group, both at Board level and in respect of other senior managers; and
- corporate responsibility initiatives and performance.

Board performance

In line with the effective governance requirements of the Code, the Board reviews its own performance annually. The assessment covers the functioning of the Board as a whole, the functioning of the Executive Committee, the evaluation of individual Directors and includes a review of the effectiveness of the Board Committees. The Non Executive Directors, led by the Senior Independent Director, and taking into accounts the views of Executive Directors, are responsible for evaluating the performance of the Chairman. The Board considers the results of the performance evaluation when making its recommendations regarding the re-election of Directors.

The Board also employs the services of an external independent third party for these purposes. The most recent independent Board evaluation undertaken in April 2013 considered the effectiveness and performance of the Board in relation to: Board composition, expertise and dynamics; time management and Board support; strategic oversight; risk management and internal control; and succession planning and human resource management. The independent Board evaluation concluded that the Board was effective in all areas.

Election and re-election of Directors

The Company's current Articles of Association provide that a Director appointed by the Board shall retire at the Annual General Meeting following his appointment and that at each Annual General Meeting of the Company one third of the Directors must retire by rotation. The Board has decided that in accordance with the Code, each of the Directors will retire and offer theirself for re-election at each year's Annual General Meeting.

In relation to the Directors who are standing for re-election, the Chairman is satisfied that, following formal performance evaluation, each Director continues to be effective and demonstrates commitment to their role.

Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association allow the Directors to authorise conflicts of interest and the Board has adopted a policy and effective procedures for managing and, where appropriate, approving potential conflicts of interest.

Corporate governance continued

Board Committees

The Board is supported in its decisions by five principal Committees, which are described below. The Terms of Reference of each of the Board Committees, together with the Directors' service agreements, the terms and conditions of appointment of Non Executive Directors and Directors' deeds of indemnity, are available for inspection at the Company's registered office during normal business hours. Each Committee has access to such external advice as it may consider appropriate. The Company Secretary acts as Secretary of the Nominations Committee; the Group's Head of Human Resources acts as Secretary to the Remuneration Committee at the invitation of the Chairman of that Committee; and the Group's Financial Controller acts as Secretary to the Audit Committee at the invitation of the Chairman of that Committee.

The Risk Committee has been recently constituted in order to allow greater oversight of the internal controls of risks by the Company. This role was carried out in previous years by the Audit and Risk Committee (now known as the Audit Committee), but the functions and focuses of these committees have been split as from March 2013 to allow enhanced oversight and control.

The Terms of Reference of each committee are considered regularly by the respective committee before being referred to the Board for approval.

Audit Committee

The Audit Committee consists of four independent Non Executive Directors, these being Kevin Parry (Chairman of the Committee), Peter Gibbs, Lindsey McMurray and Kim Wahl. The Managing Directors and Chairman of the Board are not members of the Audit Committee but are normally invited to attend. Deloitte LLP, the Company's auditor, is also invited to attend and has direct access to Committee members. The Board is satisfied that the Chairman of the Committee has recent and relevant financial experience, as do other members of the Committee. The Committee meets regularly, at least four times a year, and is responsible for:

- selecting and recommending the appointment and re-appointment of the external auditor to the Board, approving their terms of reference and fees;
- reviewing the performance of the external auditor and ensuring appropriate rotation of audit partner;
- reviewing the independence of the external auditor and the relationship between audit and non audit work performed by the external auditor. Procedures are in place to ensure that all significant non audit work performed by the auditor in excess of £50k is approved in advance by the Committee and they assess whether such appointments impair, or appear to impair, the auditor's judgement or independence. The procedures set out the categories of non audit services which the external auditor will and will not be allowed to provide to the Group, including those which are pre-approved by the Committee and those which require specific approval before they are contracted for, subject to de minimis levels. The Audit Committee also undertakes an annual evaluation to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. The results of the evaluation were last reported to the Board in September 2012;
- reviewing the annual and interim accounts before they are presented to the Board, in particular any significant issues arising from the audit; accounting policies and clarity of disclosures; compliance with applicable accounting and legal standards; and issues regarding a significant element of judgement;
- reviewing the provisioning policy for the investment portfolio on a six monthly basis; and
- monitoring the integrity of the financial statements of the Company, including its annual and half yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

During the year the Audit Committee fulfilled the duties of an Audit and Risk Committee. Set out below are the main matters discussed during the course of the year. Some of these discussions will, in future, be held in the Risk Committee.

Financial reporting

- Reviewed and discussed with the executive management and the external auditors the interim statement and annual report and accounts, with a particular focus on accounting policies, disclosures and consistency with the non financial reports included in those reports
- Received presentations from leading analysts as to the effectiveness of communication of the report and accounts, and ensured that opportunities for improvement were reflected in this report and accounts
- Reviewed the methodology for assessing provisions against investments and concurred with a sample of the provisions that had been determined by the Investment Committees
- Reviewed the level of pre and post tax provisions against investments and other past events, assessing their adequacy in the light of the disclosed risks and uncertainties

Auditing

- Evaluated the independence and objectivity of the external auditor and the effectiveness of the audit process. The auditor provided non-audit services in the form of tax advisory and other assurance services not related to the audit of the financial statements. The external auditor was used to provide these services since they are widely recognised as a market leader in these areas, have a reputation for quality, and have a local presence in the countries in which the services were performed. Audit objectivity and independence was safeguarded in these instances through the advice being provided by partners and staff who have no involvement in the audit of the financial statements plus an independent audit partner reviewing any audit work in these areas. No services were provided pursuant to contingent fee arrangements. An analysis of fees paid to Deloitte LLP is shown in note 9 on page 99.
- Reviewed and discussed the scope of the external audit plan taking account of professional obligations, guidance and Group specific issues
- Reviewed the level of auditing materiality with the auditors
- Discussed the recommendations for control enhancements made by the external auditors and received implementation plans from executive management
- Discussed the audit findings with the auditors and executive management in the context of the audit materiality that had been agreed at the planning stage of the audit
- Met with the auditors in the absence of executive management to ensure they had received all the information they required and to permit them to draw any matters to the attention of the Audit Committee that they had not addressed in the presence of management
- Assessed the quality of the external auditors
- Considered the potential timing of any audit tender

Risk

- Regularly reviewed the risks faced by the Group and changes to those risks and the relative importance of the risks. In particular, the Committee discussed the risks associated with the instabilities in the Eurozone and the impact on ICG's extensive exposure to the Euro
- Reviewed the anti-money laundering, anti-bribery and corruption and whistleblowing procedures of the Group
- Reviewed the risk management of and operational control over the funds under management
- Reviewed the effectiveness of the internal control environment of the Group
- Reviewed the anti-conflict of interest procedures as between FMC and IC
- Liaised with the Remuneration Committee particularly in respect of provisioning and the transitional arrangements associated with the remuneration schemes
- Reviewed the need for an internal audit function and given the internal control processes and procedures that are currently in place, and the relative size and geographical spread of the business, it remains appropriate and proportionate for the Company not to have an internal audit function.
- Reviewed the resource commitment and output of the compliance and risk functions
- Reviewed the Treasury Committee activity and policy limits
- Reviewed regulatory developments and the changes in applicable regulation associated with the expansion of activities.

The Committee

- Reviewed the quality of the Audit Committee's work
- Reviewed whether the Committee should be split so that risk comprised a separate Committee
- Reviewed the terms of reference of the Committee
- Reviewed the Committee's rolling agenda

The reviews were generally based on a written paper allowing the Committee members to challenge and debate the reports. All reviews were completed to the Committee's satisfaction.

In light of the quality of audit work and service received from Deloitte, the Committee decided that an audit tender is not currently appropriate and that the matter of whether to hold an audit tender should be reconsidered in line with the timing of the rotation of the audit partner.

The Committee has asked management to diligently monitor the level of compliance resource in the light of the expansion of the business and for a similar reason anticipates out-sourcing internal audit work in 2013/14.

The Committee recommended the formation of a separate Risk Committee.

Risk Committee

The Risk Committee, created in March 2013, consists of five Non Executive Directors, these being Kevin Parry (Chairman of the Committee), Peter Gibbs, Justin Dowley, Kim Wahl and Lindsey McMurray. Managing Directors are not members of the Risk Committee but are normally invited to attend to the extent appropriate. The Committee is responsible for reviewing the effectiveness of the Company's internal controls and risk management systems, and considering annually whether there is a need to establish an internal audit function; reviewing and approving the statements to be included in the annual report concerning internal controls and risk management; reviewing internal reports on the effectiveness of systems for internal financial control, financial reporting and risk management; and reviewing the Company's procedures for detecting fraud and for handling, in confidence, allegations from whistleblowers and ensuring these procedures allow proportionate and independent investigation of such matters and appropriate follow up action.

Remuneration Committee

The Remuneration Committee consists of five Non Executive Directors, these being Peter Gibbs (Chairman of the Committee), Kevin Parry, Justin Dowley, Kim Wahl and Lindsey McMurray. Managing Directors are not members of the Remuneration Committee but are normally invited to attend to the extent appropriate. The Committee supports the Board in determining the level of remuneration of the Chairman of the Board (in his absence) and reviews the remuneration policy applicable to senior management. Further details regarding remuneration policy and payments made can be found in the Report of the Remuneration Committee on pages 56 to 67.

Nominations Committee

The Nominations Committee consists of five Non Executive Directors, these being Justin Dowley (Chairman of the Committee), Kevin Parry, Peter Gibbs, Kim Wahl and Lindsey McMurray.

The Committee is responsible for considering the composition of the Board to ensure that the balance of its membership between Managing Directors and Non Executive Directors is appropriate. Appointments of Managing Directors and Non Executive Directors are made as necessary as a result of discussions by the Committee and are subject to full Board approval and election or re-election at a general meeting of the shareholders.

Prior to any appointment to the Board, the Nominations Committee considers the balance of skills, experience, independence and knowledge appropriate to determine the requirements and necessary capabilities of the role. In addition, any new Director normally meets all existing Directors prior to appointment.

The Committee does not have a formal policy on background or diversity of Board members. In considering candidates for the Board, it will always seek to appoint the candidate with the most appropriate skills and experience regardless of their background or gender.

Executive Committee

The Executive Committee consists of the three Managing Directors of ICG, each of whom has a specific area of responsibility. The Executive Committee has general responsibility for ICG's resources, determining strategy, financial and operational control and managing the business worldwide. Christophe Evain is Chief Executive Officer and in addition to his strategic and operational remit he chairs the Company's Investment Committees in his role as the Chief Investment Officer. He is also responsible for the Company's credit funds business. Philip Keller is Chief Financial Officer and is responsible for finance and infrastructure. Benoît Durteste, appointed to the Board on 21 May 2012, took over responsibility for the mezzanine and minority equity business from that date.

The Board has delegated the following responsibilities to the Executive Committee:

- the development and recommendation of strategic plans for consideration by the Board that reflect the longer term;
- objectives and priorities established by the Board;
- implementation of the strategies and policies of the Group as determined by the Board;
- monitoring of operating and financial results against plans and budgets;
- monitoring the quality of the investment process; and
- developing and implementing risk management systems.

Relationships with shareholders

The Company recognises the importance of communication with its shareholders, particularly through interim and annual reports and the AGM. The Chief Executive, Chief Financial Officer and the Chairmen of the Board and each of its Committees will be available to answer shareholders' questions at the AGM. The numbers of proxy votes lodged in connection with the Company's AGM are announced following the conclusion of the relevant meeting.

The Board is happy to enter into a dialogue with institutional shareholders based on a mutual understanding of objectives, subject to its duties regarding equal treatment of shareholders and the dissemination of inside information. The Chief Executive Officer and the Chief Financial Officer meet institutional shareholders on a regular basis, and the Chairman periodically contacts the Company's major shareholders and offers to meet with them. The Board as a whole is kept fully informed of the views and concerns of the major shareholders. When requested to do so, Non Executive Directors will attend meetings with major shareholders.

Internal control

The Board has overall responsibility for the Company's internal control system and reviews its effectiveness at least annually. Such a system of control is in place to give reasonable, but not absolute, assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are prevented or detected within a timely period.

Through the regular meetings of the Board and the schedule of matters reserved to the Board or its duly authorised Committees, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority.

The Board annually considers and approves a strategic plan and budget. In addition there are established procedures and processes in place for the making and monitoring of investments and the planning and controlling of expenditure. The Board also receives regular reports from the Executive Committee on the Company's operational and financial performance, measured against the annual budget as well as regulatory and compliance matters.

The Company has in place arrangements whereby employees may raise matters of concern in confidence about possible improprieties in matters of financial reporting or other matters.

The Board has considered the need for an internal audit function, but has decided that because of the nature of the current internal control system and size of the Company it cannot be justified at present. The Board will review this decision next year. In addition to the regular risk reports discussed at the Risk Committee's meetings, the Board undertakes a formal periodic assessment of the risk management and control arrangements in order to form a view on the overall effectiveness of the system of internal control. The Board has authorised the Executive Committee to undertake external reviews of the emerging risks, where required, with a view to assisting the growth of the Company's business.

The rationale for the system of internal control is to maximise effectiveness for the commercial management of the business and to provide the Board with regular and effective reporting on the identified significant risk factors. The Board is responsible for determining strategies and policies for risk control, and management is responsible for implementing such strategies and policies.

The Board confirms that an ongoing process for identifying, evaluating and managing the Group's significant risks has operated throughout the year and that, up to the date of the approval of the Directors' report and financial statements, the Board continues to apply the procedures necessary to comply with the requirements of the Turnbull Committee guidelines "Internal Control – Guidance for Directors on the Combined Code".

The key elements of this process are:

- core values, Company standards and controls which together comprise the Company's high level principles and controls, with which all staff are expected to comply;
- manuals of procedures, compliance and policies applicable to all business units;
- the identification of the major business risks facing the Company and the development of appropriate policies for the management of those risks. The Board recognises that the internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives;
- the employment of experienced and professional staff of the highest calibre both by recruitment and promotion to fulfil allotted responsibilities;
- strategic risks are considered by both the Board and the Executive Committee in the context of an agreed strategic framework. A strategy paper and plan are produced annually to address the strategic challenges of the Group and these are approved by the Board;
- a detailed financial plan is developed for the year ahead and comprehensive monthly reports covering actual and planned performance are provided to the Board by the Group's finance function;
- regular treasury reports are made to the Board which analyse the funding requirements of the Company, track liquidity and monitor the Company's compliance with its interest and exchange rate policies;
- a compliance and legal function whose role is to monitor and report to the Board on the Company's regulatory compliance;
- a well defined procedure governing the approval, monitoring and sale of investments incorporating appropriate levels of authority and post investment reviews; and
- regular reports are made on the Company's fund management activities including new fundraising, conflicts of interest and portfolio performance.

Going concern statement

The Directors have at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of preparing the financial accounts.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions including future projections of profitability, cash flows and capital resources.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review on pages 21 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 26 to 30. In addition, note 3 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors believe that the Group and Company are well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors continually monitor the debt profile of the Group and Company, and seek to refinance senior facilities a substantial period before they mature. The Group and Company have £462.5m of facilities due to mature within the next 12 months. Facilities have already been established to cover these maturities as well as cater for the ongoing funding requirements of the business.

Report of the Remuneration Committee

Remuneration Committee Chairman's Letter

Dear Shareholder

It has been a year where the Group has made significant progress towards the delivery of its long term strategy albeit it has also been a year where as a result of a low level of realisations in the portfolio the cash core income has been depressed. In determining the appropriate level of remuneration for Managing Directors, the Remuneration Committee has given careful consideration to their performance, in particular in relation to the achievement of corporate and financial objectives for FY13, which support the longer term strategy of ICG including:

- The successful close of ICG Europe Fund V at the hard cap of €2.5bn
- The successful launch of the ICG Longbow real estate funds
- Low levels of realisations in the portfolio depressing cash core income to £39.9m
- Robust performance of the portfolio against a difficult economic environment
- Further development of the Sales and Marketing infrastructure across the Group
- Significant development of the US investment resource
- Record levels of AUM up 13% to €12.9bn

In summary, whilst important fundraising targets were met and a number of initiatives were progressed which will be essential for future growth, profits and, most importantly, cash profit were both lower than last year.

The Committee is very much aware of the constraints in the wider pay market, the keen focus of shareholders and the public on executive reward as well as the competitive environment for specialist investment talent. We place equal importance on internal equity as on external comparison when determining appropriate compensation levels.

In previous Remuneration Reports we have described a period of transition since 2010 as we have implemented our revised incentive schemes. We have now moved out of the transition period so that all variable pay for FY13 falls under the umbrella of the Annual Award Pool.

In July 2010, shareholders approved the Annual Award Pool, being 30% of cash profits. This cap on incentive awards operates on a rolling average basis so that it can be exceeded in some years provided that, over a five year period, the aggregate value of incentive awards is no more than 30% of the aggregate cash profit.

In FY12 the Committee determined that the Annual Award Pool should be 18% (£29.5m), some £20.0m below the 30% of cash profits cap.

During FY13, the opportunities for realisations have been limited and consequently our cash profit (on which the Annual Award Pool is based) was substantially lower. However, it has been a successful year in other respects and it is important to maintain the level of investment in our people. Accordingly, the Committee has agreed that an aggregate value of £22.1m (FY12 £29.5m) may be delivered to employees in incentives in respect of FY13. This is a 25% reduction in the level of incentive awards for FY13 (compared with FY12) despite the 10% increase in the number of employees in our schemes over the year (from 141 to 155). Over the two years (FY12 and FY13) the Annual Award Pool is around 33% of cash profits. The Remuneration Committee confirms that it will remain within the overall 30% of cash profits over the rolling five year period. More details of the rolling average incentive pay outs as a percentage of cash profit is set out on page 60.

As disclosed in last year's Remuneration Report the Medium Term Incentive Scheme ("MTIS") was closed and the final payment from the Scheme was made in June 2012.

During the course of the year, the Committee has undertaken a review of the remuneration of the Managing Directors, comparing their overall remuneration with that of individuals holding similar posts in other private equity and financial services organisations. The Committee is comfortable that the remuneration policy provides remuneration that is consistent with that of the Managing Directors' peers.

We do not anticipate any major changes to our remuneration policy in the near future as the Annual Award Pool arrangement is beginning to get established.

I would like to thank shareholders for their support over the past 12 months and I look forward to further opportunities for dialogue over the course of the coming year.

Peter Gibbs
Chairman of the Remuneration Committee

Contents of the FY13 Remuneration Report

We have structured the remuneration report in five parts:

1 Remuneration policy for FY13 and FY14

This section explains the Remuneration policy that is in operation in the Financial Year under review, FY13, and the current Financial Year, FY14. This policy is in line with that approved by shareholders in July 2010.

Remuneration principles

Five guiding principles are reflected in the design of the executive compensation arrangements

1 Alignment between staff and shareholders	Annual Award Pool (30% of cash profit) for expected value of awards ensures long term affordability
2 Support the long term corporate strategy	Balance Sheet Carry awards reflect the long term corporate strategy to invest successfully and maximise returns. Key staff remunerated to grow value in the FMC
3 Promote staff equity ownership	The majority of executive remuneration is in the form of equity and shareholding guidelines have been introduced
4 Transparent	All aspects of remuneration are clear to employees and openly communicated to employees and shareholders
5 "Cash on cash"	The "cash on cash" principle ensures that employees are only rewarded for realised gains

Basic salary in FY14

The Managing Directors received salary increases of 2.94% with effect from 1 April 2013. In determining the base salary increases the Committee considered the range of salary increases applying across the Group. The average basic salary for all other staff has increased by an average of 3.32% from FY13 levels, depending on their role.

Pensions and benefits

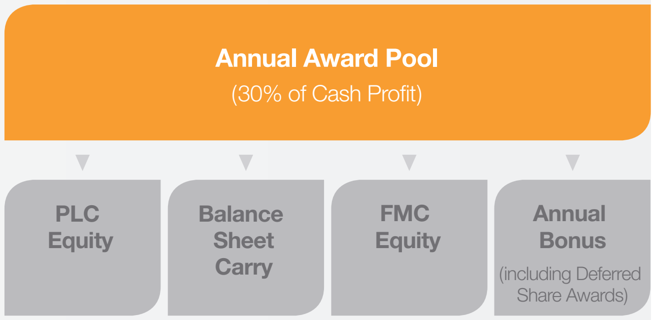
All UK employees are entitled to a pension allowance which is generally paid into ICG's stakeholder pension plan. The pension allowance available to Managing Directors is 15% of basic salary. Other benefits receivable by the MDs were life assurance, private medical insurance and income protection.

Annual Award Pool

The central feature of the remuneration policy is the Annual Award Pool. All incentives are governed by an overall limit expressed in terms of cash profit.

The Annual Award Pool is up to 30% of cash profits over a rolling five year period and is a cap on the aggregate value of variable compensation that can be provided. The percentage may be exceeded in any year but must not be exceeded on an aggregate average basis over five years.

The annual bonus, all awards under the Intermediate Capital Group plc Omnibus Plan ("Omnibus Plan") and the Balance Sheet Carry Plan must fall within the Annual Award Pool (details of which are set out on page 60). Carried Interest on third party funds is not regarded as part of the variable compensation costs of ICG and does not form part of the Annual Award Pool.



Cash profit is defined as pre-incentive operating profit (including net provisions) adjusted for unrealised gains, rolled up interest and fair value movement on derivatives.

At the end of each performance year the Committee is asked to approve the final Annual Award Pool as well as the final awards and payments for Managing Directors and other members of executive management within their remit.

Annual Bonus

This scheme is designed to reward employees for increasing the Company profits, managing the cost base, employing sound risk and business management.

Annual bonus awards are allocated on the basis of individual performance with mandatory deferral into Deferred Share Awards of 50% of bonuses over £100,000 for Executive Directors. Deferred Share Awards are made under the Omnibus Plan the details of which are set out below.

Omnibus Plan and Balance Sheet Carry

The Omnibus Plan provides for three different award types to be made over Company shares: Deferred Share Awards, PLC Equity awards and FMC Equity awards. Awards under the Omnibus Plan are subject to the overall "cash on cash" limit when they are granted so a further performance condition is not necessary.

Deferred Share Awards

This plan provides a vehicle for any deferred element of the Annual Bonus. The award is over shares in the Company which vest after one, two and three years. Dividend Equivalents accrue to participants during the vesting period.

Good Leaver treatment (automatic vesting) applies in circumstances of death, disability and ill health. The treatment of other leavers will be subject to Committee discretion.

Report of the Remuneration Committee continued

1 Remuneration policy for FY13 and FY14 continued

Omnibus Plan and Balance Sheet Carry continued

PLC Equity Awards

These awards are designed to reward senior employees for increasing long term shareholder value and will align their interests with shareholders. The award is over shares in the Company.

This scheme forms the largest proportion of the remuneration of Managing Directors, but other senior staff are also eligible to participate.

Awards are made at the end of the performance year on a discretionary basis, based on performance as determined by the annual appraisal process.

Dividend Equivalents accrue to participants during the vesting period.

These awards vest one third on 1 June following each of the third, fourth and fifth anniversaries of grant. Good Leaver treatment applies in circumstances of death, disability and ill health (where vesting will be automatic) and redundancy (where vesting will occur at the normal vesting date). The treatment of other leavers is subject to Committee discretion.

FMC Equity Awards

These awards are designed to incentivise those employees charged with accelerating the expansion of our alternative fund management business. The award is over shares in FMC. The value of a share is determined by an independent valuation. The shares vest one third on 1 June following each of the first, second and third anniversaries of grant. A holding period applies until the third anniversary of grant.

On the third anniversary, all vested shares are automatically "exchanged" for Company shares of an equivalent value. No further restrictions apply.

Good Leaver treatment (automatic vesting) applies to both unvested awards and (prior to the end of the holding period) vested awards in circumstances of death, disability and ill health, and, in respect of vested awards only, redundancy. The treatment of other leavers is subject to Committee discretion.

Balance Sheet Carry Plan

This arrangement encourages investment executives to seek the required returns on investments, whilst minimising defaults and losses.

It takes the form of an "in house" carry arrangement (i.e. on the returns from investments made by the Company on its balance sheet) and awards will pay out by reference to a year of investment ("vintage") and therefore take losses into account.

Awards vest one third on 1 June following each of the first, second and third anniversaries of the start of the vintage year and payment is made on the realisation of investments, once a hurdle rate of return has been achieved on these investments. The hurdle rate is fixed by the Committee prior to making the first awards in each vintage, calculated as the base rate plus 4% per annum, with a floor of 5% per annum.

After repayment of capital and the payment of the related hurdle rate of return to the Company, participants become entitled to catch up until they have received up to 20% of the aggregate returns on investments in that vintage. Thereafter, participants are entitled to receive up to 20% of any further returns on those investments.

Leaver provisions are consistent with Private Equity industry standards. In summary, Good Leaver treatment (accelerated vesting) applies to both vested and unvested awards in circumstances of death, disability and ill health, and in respect of vested awards only, redundancy. The treatment of other leavers will be subject to Committee discretion.

The Intermediate Capital Group plc SAYE Plan 2004

UK employees are offered the opportunity to save a regular amount each month over 36 months and receive a bonus at the end of the saving contract (subject to HMRC guidelines). At maturity, employees can exercise their option and purchase shares in ICG at the discounted price set at the launch of the plan or receive the accumulated cash.

Carried interest over third party funds

Because of the nature of the business undertaken by the Company, investors into its funds expect that the Company offers the types of incentive arrangements that are offered by its competitors for talent. Accordingly, there are a number of carried interest schemes operated by the Company.

Carried interest is a share of the profits of a successful fund that is paid to the Company as a manager of the fund and certain employees who are involved in the management of the fund. Although carried interest is a cost to external investors, they value the fact that it aligns the interests of the fund management team with their own, encouraging the best returns to be obtained.

The Company currently operates carried interest on the following funds:

- ICG Mezzanine Fund 1998;
- ICG Mezzanine Fund 2000;
- ICG Mezzanine Fund 2003;
- Intermediate Capital Asia Pacific Mezzanine Fund 2005;
- ICG European Fund 2006;
- Intermediate Capital Asia Pacific Fund 2008;
- ICG Minority Partners Fund 2008;
- ICG Recovery Fund 2008; and
- ICG Europe Fund V.

These funds are managed by the Company for external investors, and no payments are made to carried interest holders until these investors have been returned their initial capital contribution and an internal rate of return (IRR) of 8% (the "Hurdle") on the whole of the fund.

Once the returns exceed the Hurdle, a high proportion of these cash flows (80%) are allocated to carried interest holders, until they have received 20% of all aggregate cash flows from the fund (known as "catch up"). Carried interest holders then receive 20% of any further returns.

How do the elements of remuneration for FY13 and FY14 align with ICG's remuneration principles?

		Principle			
Element of remuneration	**Alignment**	**Support the long term corporate strategy**	**Promote staff share ownership**	**Transparent**	**Cash on cash**
Salary	–	Sufficient to ensure that variable pay can be reduced to zero	–		
Annual Bonus (including Deferred Share Awards)	Portion awarded as Deferred Share Awards aligns with overall shareholders interests	Rewards contribution to achievement of ICG strategy	Deferred Share Awards deliver ICG shares		Aggregate expected value of awards is subject to Annual Award Pool driven by cash profit
PLC Equity	Rewards creation of overall shareholder value	Rewards creation of overall shareholder value	Delivers ICG shares	All aspects of remuneration are clear and openly communicated to employees and shareholders	Subject to Annual Award Pool and payments only made in respect of realised gains
FMC Equity	Rewards creation of shareholder value in FMC	Rewards creation of shareholder value in FMC	Delivers ICG shares		Payments only made in respect of realised gains
Balance Sheet Carry	Ensures management is exposed to outcome of investment decisions	Encourages staff to invest successfully and maximise returns and recoveries	–		
Carried Interest on third party funds	Rewards creation of value for third party investors	Encourages staff to invest successfully and maximise returns and recoveries	–	–	–

2 Remuneration for FY13 explained

Basic salary in FY13

The Managing Directors were awarded a 3.66% increase in their basic salaries for FY13 from the FY12 level. Mr Durteste's salary upon joining the Board was brought in line with other Managing Directors. The average basic salary increase for other staff was 3.77% from FY12 levels, depending upon their roles.

Executive Directors	FY12 Salary (£000's)	FY 13 Salary (£000's)	% Increase
Christophe Evain	328	340	3.66%
Philip Keller	328	340	3.66%
Benoît Durteste	–	340	–

Pensions and benefits

Each Managing Director is paid an additional gross annual amount to be paid into any one or more pension plans of his choice up to a maximum annual amount equal to 15% of basic annual salary. There have been no changes in the terms of Managing Directors' pension entitlement during the year. In respect of all other employees either: (a) an additional gross annual amount is paid to them which they use to contribute to any one or more pension plans of their choice; or (b) the Company makes contributions into a designated pension plan.

Other benefits provided to Managing Directors include medical insurance, permanent health insurance and disability insurance.

Awards made from the Annual Award Pool

The Remuneration Committee has approved the calculation of the Annual Award Pool and the methodology and assumptions used to determine the value of awards for FY13.

The Pre-Incentive Cash Profit for the year was £10,130,000. This is lower than in previous years due to the low level of realisations during the year.

The Annual Award Pool is calculated as a cumulative average of 30% of Pre Incentive Cash Profit from the year ending 31 March 2012 until the year ending 31 March 2016 after which it is calculated as a five year rolling average. The 30% cap may be exceeded in certain years as long as, over a five year period, on average the Annual Award Pool does not exceed 30% of Pre-Incentive Cash Profit. The value of aggregate variable compensation agreed by the Remuneration Committee for FY13 is £22.1m (FY12 £29.5m). This represents 33% of the cumulative average percentage of Pre-Incentive Cash Profit over the last two years.

The Company continues to grow new products and capabilities in a number of new markets and the Remuneration Committee feel it is essential that we are able to retain and attract the best talent. The management team is confident that realisations will increase with greater levels of liquidity in the market and that the consequent increase in cash profit in FY14 will generate a larger Annual Award Pool in respect of the year ending 31 March 2014 which will bring the cumulative average back below the 30% threshold. The Committee reconfirms that it will maintain an overall 30% average over five years measured from 1 April 2011.

The split between elements of variable remuneration for Managing Directors for FY13 is estimated as:

1 PLC Equity	
PLC Equity maintains alignment between Managing Directors and overall shareholder value and comprises the majority of Managing Directors' remuneration	68%
2 Balance Sheet Carry	
Balance Sheet Carry links remuneration to the performance of ICG's balance sheet investments based upon an estimated value of award at time of grant	16%
3 Annual Bonus	
The allocation of annual bonus includes the element that will be delivered in Deferred Share Awards	16%

Old Remuneration Schemes Share options in FY13

There are a number of share option schemes currently in existence at the Company. No new awards have been made under these schemes in the last three years but the awards made in previous years are still in existence until they either lapse or are exercised.

The schemes are:

- The ICG 2001 Approved Executive Share Option Scheme (Approved ESOS); and
- The ICG 2001 Unapproved Executive Share Option Scheme

Market value options may only normally be exercised between three and ten years after the date of grant if performance targets are met.

- The Key Executive Retention Share Plan (KERSP).

Nil cost options could be granted to key executives under the KERSP up to an amount equal to 15% of the value of the MTIS pool. The options were subject to achievement of a performance condition measured from the date of grant to the vesting date.

The performance conditions for the Approved ESOS and the KERSP were growth in core income per share and growth in earnings per share respectively. The Committee considers that performance conditions attaching to the options granted were appropriate. No value is delivered to participants if performance is below threshold performance.

3 Remuneration in detail for FY13

Directors' remuneration – audited

Details of Managing Directors' remuneration for the year are as follows:

Executive Directors	Basic salaries £000	Cash bonus[1] £000	Pension scheme allowances £000	Benefits in kind £000	**Total for year ending 31 March 2013 £000**	Total for year ending 31 March 2012 £000
Christophe Evain	340.0	147.5	51.0	7.6	**546.1**	2,433
Philip Keller	340.0	115.0	51.0	6.0	**512.0**	1,749
Benoît Durteste[2]	285.9	128.0	42.9	6.6	**463.4**	n/a
Former Executive Directors[3]						5,012
Total emoluments of Executive Directors					**1,521.5**	9,194

1 In addition the following amounts will be awarded in May 2013 as Deferred Share Awards: Christophe Evain £47,500, Philip Keller £15,000, Benoît Durteste £28,000

2 Benoît Durteste was appointed on 21 May 2012. His total emoluments reflect the period of employment as a Director.

3 The emoluments paid to former Managing Directors in relation to the closure of MTIS for FY12 amounted to £4.4m as follows: Paul Piper £1,708,466 (2012: £1,015,260), Andrew Phillips £1,591,527 (2012: £945,925), Tom Bartlam £452,594 (2012: £120,344), Andrew Jackson £368,166 (2012: £832) and Jean Loup de Gersigny £368,166 (2012: £120,344).

Fees paid to Non Executive Directors were:

				Committee Chairman/Membership			
Non Executive Directors	Board membership fees £000	Non Executive Committee Chairman fees £000	Senior Independent Director fee £000	Audit £000	Remuneration £000	Total for year ending 2013 £000	Total for year ending 2012 £000
Justin Dowley (Chairman)	–	150.0	–	–	5.0	155.0	155.0
Jean-Daniel Camus[1]	13.8	–	–	1.4	1.4	16.6	60.0
Peter Gibbs	50.0	20.0	–	5.0	–	75.0	70.4
James Nelson[1]	13.8	–	–	1.4	1.4	16.6	65.1
Kevin Parry	50.0	10.0	5.0	–	5.0	70.0	70.0
Kim Wahl[2]	36.4	–	–	–	3.6	40.0	–
Lindsey McMurray[3]	26.4	–	–	2.6	2.6	31.6	–
						404.8	420.5

1 Jean-Daniel Camus and James Nelson retired on 10 July 2012.

2 Kim Wahl joined on 10 July 2012.

3 Lindsey McMurray joined on 20 September 2012.

Share option scheme – audited

For options granted to Directors in 2009/10, the performance condition was:

Average growth in adjusted Pre-tax Cash Profit	Proportion of option exercisable
<3% per annum above RPI	Nil
3% per annum above RPI	1/3
4% per annum above RPI	2/3
5% per annum above RPI or more	All
And on a straight line basis in between	

3 Remuneration in detail for FY13 continued

At 31 March 2013, the following Managing Directors had share options in the Company, which had not been exercised. The number of shares over which options are held is:

Managing Directors	As at 31 March 2012	Exercised during the year	Granted during the year	Lapsed during the year	At 31 March 2013	Exercise price	Exercise periods From	Exercise periods To
Christophe Evain	73,699	–	–	73,699	–	£3.256	Apr-05	Apr-12
	76,766	76,766	–	–	–	£3.322	Jun-06	Apr-13
	73,982	–	–	–	73,982	£4.731	Jun-07	Apr-14
	111,997	–	–	–	111,997	£4.286	Jun-08	Apr-15
	99,090	–	–	–	99,090	£4.844	Jun-09	Jun-16
	282,472	282,472	–	–	–	£2.23	Jun-12	Jun-19
Philip Keller	4,992	–	–	–	4,992	£6.008	Dec-09	Dec-16
	176,447	–	–	–	176,447	£6.008	Dec-09	Dec-16
	282,472	282,472	–	–	–	£2.230	Jun-12	Jun-19
Benoît Durteste	67,840	–	–	–	67,840	£5.05	Jun-09	Jun-16

Christophe Evain exercised his options on the 8 March 2013. The market price on the date of exercise was £4.03835, and the total gain on exercise was £565,799.

Philip Keller exercised his options on 7 March 2013. The market price on the date of exercise was £4.01361, and the gain on exercise was £503,820.

KERSP option scheme – audited

At 31 March 2013, the following Managing Directors had nil cost options in the Company under the KERSP scheme, which had not been exercised. The number of shares over which options are held is:

Managing Directors	At 31 March 2012 (or later date of appointment)	Exercised during the year	Lapsed during the year	At 31 March 2013	Exercise price	Exercise periods From	Exercise periods To
Christophe Evain	32,142	–	10,714	21,428	Nil	May-10	May-18
	53,243	–	13,310	39,933	Nil	Jun-11	Jun-19
	118,855	–	23,771	95,084	Nil	Jun-12	Jun-20
Philip Keller	25,484	–	6,371	19,113	Nil	Jun-11	Jun-19
	54,024	–	10,804	43,220	Nil	Jun-12	Jun-20
Benoît Durteste	20,576	–	6,858	13,718	Nil	May-10	May-18
	84,092	–	21,022	63,070	Nil	Jun-11	Jun-19
	69,151	–	13,830	55,321	Nil	Jun-12	Jun-20

20% of the options granted vest each successive year starting four years from the date granted. Amounts brought forward in respect of the 2006 options (exercisable from May 2011 onwards) have been amended to reflect the five year vesting period over which the options will lapse. Options may be exercised only if the Company achieves a growth in EPS of 5% per annum from the date granted to the applicable vesting date.

Directors' share options – audited

The market price of each share on the nearest working day to each of 1 April 2012 and 31 March 2013 was £2.895 per share and £4.231 per share respectively. The highest and lowest share prices during the year were £4.266 and £2.273 respectively.

3 Remuneration in detail for FY13 continued

Omnibus Plan – audited

At 31 March 2013, the following Managing Directors held PLC Equity Awards over ICG plc shares under the Omnibus Plan, which was approved by shareholders in July 2010:

Managing Directors	As at 31 March 2012	Granted in June 2012	At 31 March 2013	Vesting date	Award price
Christophe Evain	–	257,422	257,422	1/6/15	£2.330
	–	257,422	257,422	1/6/16	£2.330
	–	257,423	257,423	1/6/17	£2.330
	181,917	–	181,917	1/6/14	£3.335
	181,917	–	181,917	1/6/15	£3.335
	181,918	–	181,918	1/6/16	£3.335
	235,153	–	235,153	2/6/13	£2.580
	253,153	–	235,153	2/6/14	£2.580
	253,154	–	235,154	2/6/15	£2.580
Philip Keller	–	171,614	171,614	1/6/15	£2.330
	–	171,614	171,614	1/6/16	£2.330
	–	171,615	171,615	1/6/17	£2.330
	121,278	–	121,278	1/6/14	£3.335
	121,278	–	121,278	1/6/15	£3.335
	121,279	–	121,279	1/6/16	£3.335
	156,769	–	156,769	2/6/13	£2.580
	156,769	–	156,769	2/6/14	£2.580
	156,769	–	156,769	2/6/15	£2.580
Benoît Durteste	–	85,807	85,807	1/6/15	£2.330
	–	85,807	85,807	1/6/16	£2.330
	–	85,808	85,808	1/6/17	£2.330

These shares vest in three equal tranches at the end of each of the third, fourth and fifth anniversaries of the date of grant. Dividend equivalents accrue to participants during the vesting period.

At 31 March 2013, the following Managing Director held Deferred Share Awards over ICG plc shares under the Omnibus Plan

Managing Director	As at 31 March 2012	Granted in June 2012	Vested during year[1]	At 31 March 2013	Vesting date	Vesting Price	Award price
Philip Keller	33,351	–	33,351	–	2/6/12	£2.41	£2.58
	33,351	–	–	33,351	2/6/13	–	£2.58

1 In addition to the shares vested above, a further 4,464 dividend equivalent shares also vested.

These shares vest in three equal tranches at the end of each of the first, second and third anniversaries of the date of grant. Dividend equivalents accrue to participants during the vesting period.

As 31 March 2013, the following Managing Director held FMC Equity Awards over FMC shares under the Omnibus Plan, which was approved by shareholders in July 2010:

Managing Director	As at 31 March 2012	Granted in June 2012	At 31 March 2013	Release date	Award price
Benoît Durteste	3,158	–	3,158	June 2013	£190.0
	2,857	–	2,857	June 2014	£245.0

These shares vest in three equal tranches at the end of each of the first, second and third anniversaries of the date of grant, but do not release until the third anniversary of grant.

Report of the Remuneration Committee continued

3 Remuneration in detail for FY13 continued

Balance Sheet Carry Plan – audited

At 31 March 2013, the following Managing Directors held Balance Sheet Carry points under the Balance Sheet Carry Plan which was approved by shareholders in July 2010:

Managing Directors	As at 31 March 2012	Points granted in June 2012	Points held at 31 March 2013
Christophe Evain	948.0	436.0	1,384.0
Benoît Durteste	2,418.0	4,076.0	6,494.0
Philip Keller	633.0	291.0	924.0

No value has been attributed to these awards at the year end as the value will fluctuate in line with the underlying performance of the investment.

Shareholder dilution

For all awards made during the FY11 financial year and subsequent financial years, the Company has and intends in the future to use market purchased shares to satisfy any equity settled incentive awards.

The Committee has set a dilution limit for FMC Equity Awards (the "FMC Equity Pool") of 20% of the issued share capital of the FMC that may be made the subject of FMC Equity Awards.

Employee Benefit Trust

The Company established the Intermediate Capital Group plc 2002 Employee Benefit Trust which may be used to hold shares and cash in conjunction with employee incentive schemes established by the Company from time to time.

Carried interest on third party funds

The Company has established for its executives, including the Managing Directors, carried interest arrangements under which between 60% and 80% of the carried interest negotiated by the Company in respect of managed funds raised since 21 January 1998 is available for allocation to its executives. Although these arrangements are not a long term incentive scheme (as the costs of these arrangements are borne by the investors in such funds) the Company sought, and obtained, approval from its shareholders for such arrangements at an Extraordinary General Meeting on 21 January 1998. Reconfirmation of the approval of the carried interest arrangements was obtained from shareholders at the Annual General Meeting held on 27 May 2003.

It is not possible to put a monetary value on these interests, as they are dependent upon the performance of the relevant funds in the future. No amounts will be payable until the third party investors in the funds have had all their capital returned, plus a minimum return. The allocation of carried interest entitlements as at 31 March 2013 was as follows:

	ICG Mezzanine Fund 1998	ICG Mezzanine Fund 2000	ICG Mezzanine Fund 2003	Intermediate Capital Asia Pacific Mezzanine Fund 2005	ICG European Fund 2006	Intermediate Capital Asia Pacific Fund 2008	ICG Minority Partners Fund 2008	ICG Recovery Fund 2008	ICG Europe Fund V
Managing Directors	13.4%	12.9%	12.4%	9.5%	16.9%	17.4%	21.1%	18.1%	16.3%
Former Managing Directors	27.5%	16.0%	25.1%	21.6%	14.5%	4.3%	21.0%	7.0%	0.0%
Other executives	20.6%	27.9%	37.5%	43.9%	48.6%	58.3%	37.9%	54.9%	63.7%
ICG	38.5%	43.2%	25.0%	25.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Further details on each of these funds can be found on page 42.

Our business 2 – 17
Business review 18 – 37
Funds and portfolio 38 – 45
Governance 46 – 76
Financial statements 77 – 112

4 Directors' terms of appointment

Managing Directors' contracts

Managing Directors have one year "rolling" contracts which are deemed appropriate for the nature of the Company's business. The Company is obliged to pay damages for wrongful termination. No other payments are made for compensation for loss of office. The Company will continue to provide all Managing Directors, along with all other employees, with healthcare and prolonged disability and life assurance cover.

The details of the service contracts for Managing Directors serving during the year are shown below.

Managing Directors	Date of agreement	Notice periods	Non compete provisions	Compensation on termination by the Company without notice or cause
Christophe Evain	30 May 2006	12 months	Restraint period of 12 months	The salary for any unexpired period of notice. The cost to the Company (ignoring NI contributions) of providing insurance benefits for the same period.
Philip Keller	12 October 2006	12 months	Restraint period of 12 months	The salary for any unexpired period of notice. The cost to the Company (ignoring NI contributions) of providing insurance benefits for the same period.
Benoît Durteste	21 May 2012	12 months	Restraint period of 12 months	The salary for any unexpired period of notice. The cost to the Company (ignoring NI contributions) of providing insurance benefits for the same period.

Shareholding requirements

In addition to the alignment between the Managing Directors and Senior employees and shareholders provided by the Balance Sheet Carry awards, PLC Equity Awards, FMC Equity Awards and Deferred Share Awards, further alignment will be provided by a minimum shareholding policy of two times salary for Managing Directors and one times salary for other senior employees. A period of up to three years from 1 April 2012 has been permitted to build up to the required shareholding.

Compliance with these shareholding guidelines will be assessed by the Committee and may have an impact on the future remuneration of Managing Directors and partners.

Following the end of the period for Managing Directors to build up their shareholding, the extent to which the shareholding guidelines have been satisfied by each Managing Director will be set out in the remuneration reports for subsequent years.

Non Executive Directors

The remuneration of the Non Executive Directors is determined by the Board within the limits set out in the Articles of Association, which currently limits the total amount paid to Non Executive Directors to £600,000. In arriving at these levels of fees, the Committee relies upon objective research from PricewaterhouseCoopers LLP ("PwC") and Deloitte LLP which contains up to date relevant information for similar companies. The fees payable in FY13 are shown below:

Role	Fee (p.a)
Chairman	£150,000
Non Executive Director	£50,000
Audit Committee (Chair)	£10,000
Remuneration Committee (Chair)	£20,000
Nominations Committee (Chair)	£0
Audit/Remuneration Committee (Member)	£5,000
Nominations Committee (Member)	£0
Senior Independent Director	£5,000

Fees are reviewed annually and the fee rates applicable for FY13 were unchanged from 1 April 2011.

Non Executive Directors cannot participate in any of the Company's share schemes.

Report of the Remuneration Committee continued

4 Directors' terms of appointment continued

Non Executive Directors do not have contracts of service and are not eligible to join the designated Group pension plan. Details of Non Executive Directors' letters of appointment are as follows:

Non Executive Directors	Date appointed	Last re-elected
Justin Dowley	February 2006	July 2012
Peter Gibbs	March 2010	July 2012
Lindsey McMurray	September 2012	n/a
Kevin Parry	June 2009	July 2012
Kim Wahl	July 2012	n/a

Jean-Daniel Camus and James Nelson retired on 10 July 2012.

5 Remuneration Committee

Composition, remit and operation

The Committee is authorised by the Board to determine and agree the framework for the remuneration of the Chairman of the Company, the Managing Directors and such other members of the executive management as it is instructed by the Board to consider and is also responsible for determining the total individual remuneration package of each Managing Director, having given due regard to the contents of the Code, as well as the Listing Rules. The Committee is responsible for determining targets for any performance related pay schemes operated by the Company as well as the policy for pension arrangements for each Managing Director. The Committee is responsible for the overall remuneration policy for all the Company's staff and takes into account the requirement that the Remuneration arrangements should:

- be consistent with and promote sound and effective risk management, and did not encourage excessive risk taking;
- be in line with business strategy, objectives, values and long term interests of the Company;
- include measures to avoid conflict of interest;
- take into account the long term interests of shareholders, investors and other stakeholders; and
- be formulated on the basis of advice from ICG Group's compliance function, particularly in relation to performance measurement.

The Committee comprises five independent Non Executive Directors:

- Peter Gibbs (Chairman)
- Justin Dowley
- Lindsey McMurray
- Kevin Parry
- Kim Wahl

None of the Committee members have any personal financial interests (other than as shareholders or investors in ICG funds), conflicts of interest arising from cross directorships or day to day involvement in running the business.

The Company therefore considers that it complies with the Code recommendations regarding the composition of the Committee.

The Committee meets at least three times a year and more frequently if necessary. Managing Directors attend the meetings by invitation and the Committee consults the Managing Directors about its proposals and has access to professional advice from outside the Company. The Head of Human Resources also attends the meetings by invitation. No Director is involved in any decisions as to their own remuneration.

A table showing the number of Committee meetings held during the year and the attendance record of individual Directors can be found in the Corporate Governance section on page 51.

Advisers to the Committee

PwC has been appointed by the Committee and advises the management of ICG on remuneration issues. PwC also provides advice to the Committee on other HR issues on request.

Mayer Brown and Ashurst advised the Committee on a broad range of legal issues for the Group during the year to 31 March 2013. These advisors were appointed by the Company.

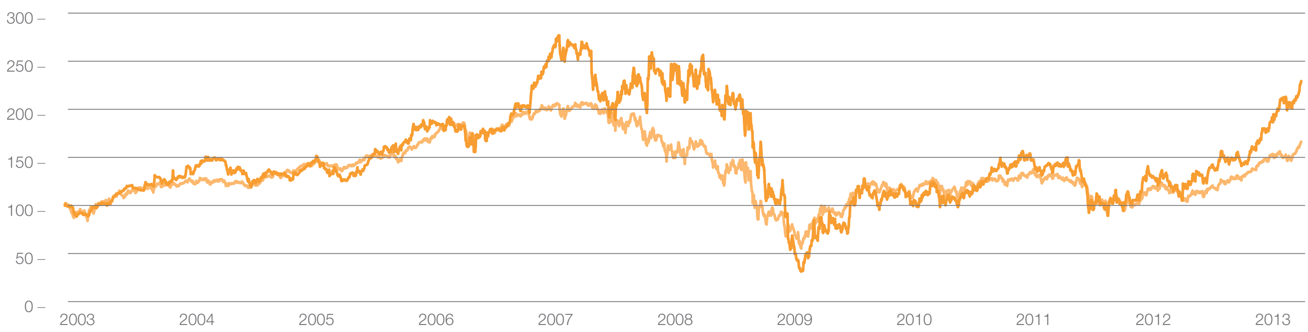
The following topics were discussed and addressed as required:

Meetings	Topics addressed
May	Review and approval of compensation recommendations for FY12 and awards for FY13 taking into account advice from the Group's compliance function in relation to performance measurement Review of FMC valuation MTIS closure discussions
July	Fund V carried interest allocations
November	Review of KPIs Review of bonus commitments Review of EBT arrangements
January	Review of emerging trends within remuneration regulation and governance Review of EBT arrangements Approval of Remuneration Committee annual timetable ICG Remuneration Policy annual review Review and approval of off cycle awards for FY13
March	Review of Annual Award Pool Review of the asset allocation for Balance Sheet Carry Disclosure requirements discussion Amendments to Omnibus and Balance Sheet Carry Rules Review of EBT arrangements Review of MD's KPIs and appraisal process

6 Performance graph and other regulatory information

The graph below shows a comparison between the Company's total shareholder return performance and the financial services companies in the FTSE All Share index. The graph compares the value, at 31 March 2013, of £100 invested in Intermediate Capital Group plc on 1 February 2002 with the value of £100 invested in the FTSE All Share Financials Index over the subsequent 10 years. This index has been chosen to give a comparison with the average returns that shareholders could have received by investing in a range of other major financial services companies.

Performance graph



— Intermediate Capital Group — FTSE All Share Financials

Source: Thomson Reuters Datastream

Audited information

The sections relating to Directors' remuneration, Omnibus Plan, the BSC Plan, Share Option Scheme and KERSP Scheme are required to be, and have been, audited by the Company's auditor, Deloitte LLP.

The Chairman of the Committee will be available to answer questions on any aspect of the remuneration policy at the Annual General Meeting.

This report was approved by the Board of Directors on 22 May 2013.

Signed on behalf of the Board of Directors by:

Peter Gibbs
Chairman of the Remuneration Committee

22 May 2013

Directors' report

The Directors present their annual report and the audited financial statements for the 12 months ended 31 March 2013.

Principal activities and business review

The principal activities of the Group are those of providing mezzanine and equity finance to companies throughout Europe, Asia Pacific and North America along with the management of third party funds.

The Group's profit before taxation was £142.6m (2012: £243.8m). The Directors consider the state of the Company's affairs to be satisfactory.

The review of the Group's business (as required by section 417 of the Companies Act 2006) including its likely future development is contained in "Our business", the "Business review" and on pages 39 to 45, which are incorporated into this report by reference, together with this report itself. The Corporate Governance Statement, set out on pages 50 to 55, forms part of this report. The Pillar 3 disclosure is available on the shareholder's section of the Company's website www.icgplc.com.

Investment process

The Group has a defined and disciplined investment process for all mezzanine and equity investments. Investments are sourced by ICG's network of investment professionals in Europe, Asia Pacific and the US from financial partners (including private equity sponsors, banks and professional advisors) and/or directly with the management teams of companies. Investment teams assess all investment opportunities against ICG's investment criteria and present potential investments to the Investment Committee with details of pricing, leverage, capital structure and a full commercial background of the company. The Investment Committee is responsible for approving the Group's investments in opportunities and will guide the investment teams on due diligence and set financial parameters. Extensive due diligence is then undertaken by advisors, retained by the equity sponsor or appointed directly by ICG, covering the management team, the market, financial and legal review, sustainability and corporate social responsibility issues. The due diligence focuses on the protection of principal and interest and assessing the future value of the equity. Once completed, a further Investment Committee meeting is held to review all available information and reach a consensus – unanimous approval is required before an investment can be made.

A similar process is followed for all credit fund investments, with a two-step Investment Committee process approving trading limits for all new investments. The process works on a shorter time frame with the team usually benefiting from pre-agreed documentation and a prepared due diligence set of information. In order to effectively manage potential conflicts of interests between both ICG's businesses, namely mezzanine investment and credit fund management, two separate and independent Investment Committees have been set up: the consideration of new mezzanine loans or equity investments for approval and monitoring of performance of existing mezzanine loans and equity investments has been delegated to the Mezzanine and Minority Equity Investment Committee. The Committee is chaired by Christophe Evain, CEO and CIO. The consideration of new senior debt, second lien debt and high yield investments has been delegated to the Credit Funds Investment Committee. This Committee is chaired by Christophe Evain, CEO and CIO. All investments are reviewed by the corresponding Investment Committee. The approving Committees, comprise up to seven additional members for mezzanine investment and five additional members for credit fund management. The CIO selects the members among two predefined lists of people including Managing Directors and senior investment executives. One of these members will be nominated as Sponsor member, depending on the specificities of the investment (geography, size, nature of the transaction). By chairing both Investment Committees, the CIO ensures consistency in the Global Investment Strategy of the firm.

Key performance indicators ("KPIs")

Details of the KPIs are shown in the Business review on pages 12 to 15.

Post balance sheet events

Material events since the balance sheet date are described in note 31.

Directors

The Directors who served during the year were as follows:

- Justin Dowley (Non Executive Chairman)
- Christophe Evain (Chief Executive Officer)
- Philip Keller (Managing Director)
- Benoît Durteste (Managing Director)
- Kevin Parry (Senior Independent Non Executive Director)
- Peter Gibbs (Non Executive Director)
- Kim Wahl (Non Executive Director)
- Lindsey McMurray (Non Executive Director)
- Jean-Daniel Camus (Non Executive Director)
- James Nelson (Non Executive Director)

Jean-Daniel Camus and James Nelson retired from the Board on 10 July 2012.

The Company's Articles of Association contain provisions for the periodic retirement of Directors. However, in accordance with the provisions of the UK Corporate Governance Code the Board has decided it would be appropriate for all Directors to submit to reappointment every year.

Accordingly Justin Dowley, Christophe Evain, Philip Keller, Kevin Parry and Peter Gibbs retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

During the year, Benoît Durteste was appointed to the Board as a Managing Director on 21 May 2012 and was re-elected at the Annual General Meeting of the Company held on 10 July 2012. Accordingly Benoît Durteste retires by rotation at the next Annual General Meeting and, being eligible, offers himself for re-election. Also during the year, Kim Wahl was appointed to the Board as a Non Executive Director on 10 July 2012 and Lindsey McMurray was appointed to the Board as a Non Executive Director on 20 September 2012.

The Company's Articles of Association provide that any Director appointed by the Board shall retire at the next Annual General Meeting of the Company following such appointment. Accordingly, Kim Wahl and Lindsey McMurray will each retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

The composition of each of the Committees of the Board and the Chairperson of each Committee are detailed on pages 48 and 49.

Directors' interests

The Directors who held office at 31 March 2013 and their connected persons, as defined by the Companies Act, had the following interests in the ordinary shares of the Company:

	31 March 2013 Number of 20p ordinary shares	31 March 2012 Number of 20p ordinary shares
Justin Dowley (Chairman)	119,639	119,639
Christophe Evain (CEO)	671,383	781,627
Philip Keller	234,776	152,158
Benoît Durteste	54,400	49,068
Peter Gibbs	–	–
Kevin Parry	–	–
Kim Wahl	–	–
Lindsey McMurray	–	–

There have been no changes to the Directors' interests in shares at 31 March 2013 as set out above as at 22 May 2013.

Directors' share options

Details of Directors' share options are provided in the Report of the Remuneration Committee on pages 62 and 63. Other than the interests of Benoît Durteste in shares of ICG FMC Limited disclosed on page 63, during the financial year ending 31 March 2013, the Directors had no interests in the shares of any subsidiary company. No Company shares were issued under the Executive Share Option Schemes during the year.

Significant shareholdings

As at 22 May 2013 the Company had been notified or otherwise become aware of the following interests pursuant to the Disclosure Rules and the Transparency Rules representing 3% or more of the issued share capital of the Company:

Institution	Number of shares	Percentage of voting rights
Aviva Investors	28,491,692	7.1
F&C Asset Management plc	22,668,174	5.6
Newton Investment Management	19,280,769	4.8
Baillie Gifford & Co Ltd	17,162,132	4.3
Cazenove Capital Management	16,390,741	4.1
LSV Asset Management	15,445,358	3.8
Legal & General Investment Management	14,427,778	3.6
BlackRock Investment Management	12,965,560	3.2

Dividend

The Directors recommend a final net dividend payment in respect of the ordinary shares of the Company at a rate of 13.7p per share (2012: 13p), which when added to the interim net dividend of 6.3p per share (2012: 6p), gives a total net dividend for the year of 20p per share (2012: 19p). The amount of dividend paid in the year was £74.9m (2012: £70.1m).

Trade creditors and suppliers

It is Group policy to agree and clearly communicate terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms, based upon the timely receipt of an accurate invoice. The Group does not follow any code regarding terms of payment. During the financial year our trade creditor days, based upon the ratio of amounts that were owed to trade creditors at the year end to the aggregate amounts invoiced by trade creditors during the year, were 13 days (2012: 21 days).

Auditor

A resolution for the reappointment of the current auditor, Deloitte LLP, will be proposed at the forthcoming AGM. Details of auditor's remuneration for audit and non audit work are disclosed in note 9 to the accounts.

Directors' report continued

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Charitable and political contributions

During the year the Group made charitable donations of £21,203 (2012: £38,000) principally to local charities serving the communities in which the Group operates. During 2013, we ran three workshops as part of our commitment to the Private Equity Foundation's (PEF) ThinkForward programme. The PEF is a foundation backed by private equity firms and their advisors. Their mission is to empower young people, by investing both money and expertise from the private equity community, to help charities achieve a significant change in their impact. £19,000 was donated in 2012.

The Group also allows employees to take two days paid leave a year to devote to charitable causes supported by the Group under its Corporate Social Responsibility programme, further details of which are given on pages 36 and 37. No contributions were made during the current and prior year for political purposes.

Directors' indemnity

The Company has entered into contractual indemnities with each of the Directors pursuant to the amendment to the Company's Articles of Association authorised at the 2010 AGM and these remain in force. The Company also provides Directors' and Officers' insurance for the Directors.

Acquisition of shares by Employee Benefit Trust

During the year the Intermediate Capital Group Employee Benefit Trust 2002, purchased 3,984,457 (2012: 4,813,531) ordinary shares in the Company (having an aggregate nominal value of £796,891.40 (2012: £962,706.2)) for a consideration of £13.3m (2012: £12.9m), which was funded by the Company. The shares were purchased in order to hedge the Company's future liabilities in relation to the vesting of awards under the Company's long term incentive plans.

This represented 1.0% (2012: 1.2%) of the Group's share capital at 31 March 2013.

Share capital and rights attaching to the Company's shares

As at 31 March 2013 the issued share capital of the Company was 402,056,200 ordinary shares of 20p each. Certain key matters regarding the Company's share capital are noted below:

- Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise as the Company may from time to time by ordinary resolution determine or, in the absence of any such determination, as the Board may determine. All shares currently in issue are ordinary shares of 20p each carrying equal rights.
- At a general meeting of the Company every member present in person or by a duly appointed proxy has one vote on a show of hands and on a poll one vote for each share held.
- The Intermediate Capital Group Employee Benefit Trust 2002 holds shares which may be used to satisfy options and awards granted under the Company's employee share schemes including its long term incentive plans. The voting rights of these shares are exercisable by the Trustees in accordance with their fiduciary duties.
- The notice of any general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.
- No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if:

  (A) he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares); and

  (B) he or any interested person has failed to supply the Company with the information requested within 14 days where the shares subject to the notice (the "default shares") represent at least 0.25% of their class or in any other case 28 days after delivery of the notice. Where the default shares represent 0.25% of their class, unless the Board decides otherwise, no dividend is payable in respect of those default shares and no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.

- The Directors may refuse to register any transfer of any share which is not a fully paid share, although such discretion may not be exercised in a way which the Financial Conduct Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws or the UK Takeover Code); and
- pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require approval of the Company to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

At the 2012 Annual General Meeting the Directors were given the power to allot shares and grant rights to subscribe for, or convert any security into, shares: up to an aggregate nominal amount of £26,679,347 and, in the case of a fully pre-emptive rights issue only, up to a total amount of £53,358,694.

A resolution will be proposed to renew the Company's authority to allot further new shares at the forthcoming AGM. In accordance with the institutional guidelines issued by the Association of British Insurers (ABI), the proposed new authority will allow the Directors to allot ordinary shares equal to an amount of up to one third of the Company's issued ordinary share capital as at 21 May 2013 plus, in the case of a fully pre-emptive rights issue only, a further amount of up to an additional one third of the Company's issued share capital as at 21 May 2013. The authority for Directors to allot shares in the Company's shares is renewed annually and approval will be sought at the forthcoming AGM for its renewal.

The Director's authority to effect purchases of the Company's shares on the Company's behalf is conferred by resolution of shareholders. At the 2012 AGM the Company was granted authority to purchase its own shares up to an aggregate value of approximately 10% of the issued ordinary share capital of the Company as at 22 May 2013. The authority to effect purchases of the Company's shares is renewed annually and approval will be sought at the forthcoming AGM for its renewal.

Powers of Directors

Subject to its Articles of Association and relevant statutory law and to such direction as may be given by the Company by special resolution, the business of the Company is managed by the Board, who may exercise all powers of the Company whether relating to the management of the business or not.

The Company's Articles of Association give power to the Board to appoint Directors. The Articles also require any Directors appointed by the Board to submit themselves for election at the first AGM following their appointment and for one third of the Company's Directors to retire by rotation at each AGM. Directors may resign or be removed by an ordinary resolution of shareholders. Notwithstanding the above, the Company has elected, in accordance with the UK Corporate Governance Code to have all Directors reappointed on an annual basis.

Change of control agreements

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid apart from the usual payment in lieu of notice.

There are no significant agreements to which the Group is a party that take effect, alter or terminate upon a change of control of the Group following a takeover bid, other than:

1) The multicurrency forward start revolving loan facility agreement of £250m dated 1 July 2009 where a change of control is an event of default and gives lenders the right, but not the obligation, to cancel their commitments to the facility and declare the loans repayable on demand.
2) The two Private Placement arrangements totalling £222m dated between 28 June 2004 and 28 February 2007 where a change of control gives rise to a downgrade in the credit rating and the loans are thereafter repayable on demand.
3) The Private Placement arrangement totalling £34m dated 26 June 2008 and the Private Placement arrangement totalling $150m dated 8 May 2013 where a change of control in the Company gives rise to an event of default under the agreements. The loans are thereafter repayable on demand.
4) The loan facility agreement of £250m dated 1 June 2009 and amended and restated 1 July 2009 where a change of control gives lenders the right, but not the obligation, to cancel their commitments to the facility and declare the loans repayable on demand.

Directors' report continued

Change of control agreements continued

5) The employee share schemes, details of which can be found in the Report of the Remuneration Committee on pages 56 to 67, Awards and options under the 2001 Approved and Unapproved Executive Share Option Schemes and SAYE Plan 2004 become exercisable for a limited period following a change of control whereas awards under the KERSP will only become exercisable if the Remuneration Committee so decides. Awards and options under the Omnibus Plan and the BSC Plan vest immediately on a change of control.
6) Three bilateral loan facility agreements totalling £640m agreed in May and June 2012 and two further bilateral loan facility agreements totalling £100m agreed in May 2013 where a change of control gives lenders the right, but not the obligation, to cancel their commitments to the facility and declare the loans repayable on demand.
7) £75m private placement arrangements signed on 9 November 2011 under which a change of control triggers an immediate prepayment obligation of all outstanding principal, accrued interest and all other amounts due under the agreement, and a further private placement agreement for €11m agreed in November 2012 on the same terms.
8) The terms and conditions of the £35m retail bond issue which took place in December 2011 sets out that following a change of control event, investors have the right but not the obligation to sell their notes to ICG if the change of control results in either a credit ratings downgrade from investment grade to non-investment grade, or a downgrade of one or more notches if already non-investment grade, no credit ratings being in existence.
9) The terms and conditions of the £80m retail bond issue which took place in September 2012 sets out that following a change of control event, investors have the right but not the obligation to sell their notes to ICG if the change of control results in either a credit ratings downgrade from investment grade to non-investment grade, or a downgrade of one or more notches if already non-investment grade, no credit ratings being in existence.

Annual General Meeting

A number of resolutions will be proposed at the Annual General Meeting ("AGM") as ordinary and special business as follows:

Resolutions 15 to 17 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions. To pass special resolutions 75% or more of the votes cast must be in favour. Voting on all resolutions will be by way of poll.

Resolutions

Financial Statements and Reports – Resolution 1

The Directors are required to present to shareholders at the AGM the financial statements and reports for the year ended 31 March 2013.

Directors' Remuneration Report – Resolution 2

The Directors are required to seek approval of the shareholders for the Directors' Remuneration Report for the year ended 31 March 2013. The resolution is an advisory vote, as permitted by law, and no entitlement to remuneration is made conditional on the resolution being passed. The Report of the Remuneration Committee is on pages 56 to 67.

Dividend – Resolution 3

The Directors recommend a dividend of 13.7p per share. The final dividend cannot exceed the amount recommended by the Directors. If approved by shareholders, the final dividend will be paid on 24 July 2013 to those shareholders on the register as at 14 June 2013.

The Auditor – Resolutions 4 and 5

The shareholders are asked every year to approve the reappointment of the auditor, Deloitte LLP, as auditor of the Company and agree that the Directors may approve their remuneration. The Board believes that the quality of audit service provided by Deloitte LLP is appropriate and that they demonstrate independence and objectivity. Therefore they recommend shareholders vote in favour of reappointment.

Re-election of Directors – Resolutions 6, 7, 8, 9, 10, 11, 12 and 13

In accordance with the provisions of the UK Corporate Governance Code relating to the re-election of Directors, Justin Dowley, Christophe Evain, Philip Keller, Benoît Durteste, Peter Gibbs, Kevin Parry, Kim Wahl and Lindsey McMurray are retiring and will be standing for re-election at the AGM. The Chairman is satisfied that, following formal performance evaluation, each Director continues to be effective and demonstrates commitment to their role. The other Directors are satisfied that, following formal performance evaluation, the Chairman continues to be effective and demonstrates commitment to his role. The Board considers that each of the Directors brings experience and skills valuable to the Board's effective performance and that their reappointment is in the best interest of the Company. Biographies of all the Directors appear on pages 48 and 49.

Authority to allot shares – Resolution 14

The Directors may allot relevant securities only if authorised to do so by shareholders. The authority granted at the 2012 AGM is due to expire at this year's AGM. Resolution 14 seeks to renew this authority for a period until 30 September 2014, or the date of the 2014 AGM, whichever is the earlier.

Paragraph (a) of Resolution 14 will allow the Directors to allot ordinary shares up to a maximum nominal amount of £26,800,000 representing approximately one third of the Company's existing issued share capital and calculated as at 21 May 2013 (being the latest practicable date prior to publication of the Notice of AGM). In accordance with the latest institutional guidelines issued by the ABI, paragraph (b) of Resolution 14 will also allow Directors to allot, including the ordinary shares referred to in paragraph (a) of Resolution 14, further ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £53,600,000, representing approximately two thirds of the Company's existing issued share capital calculated as at 21 May 2013. The Directors have no present intention of exercising this authority. However, if they do exercise the authority, the Directors intend to follow emerging best practice as regards its use (including, where appropriate, the Directors standing for re-election) as recommended by the ABI.

Issue of Shares – Resolution 15

If the Directors wish to allot equity securities or sell treasury shares for cash, the Companies Act 2006 requires that these shares are offered first to existing shareholders in proportion to their existing holdings. These requirements are known as shareholders' pre-emption rights. There may be occasions, however, when, in order to act in the best interests of the Company, the Directors need flexibility to finance business opportunities as they arise without offering securities on a pre-emptive basis. Resolution 15 asks shareholders to renew the Directors' authority to allot equity securities for cash up to an aggregate nominal value of £4,020,562 (being equivalent to approximately 5% of the ordinary issued share capital as at 21 May 2013) without the shares being offered first to existing shareholders. If given, this power will expire on 30 September 2014 or at the conclusion of the 2014 AGM, whichever is the earlier.

Repurchase of own Shares – Resolution 16

The Company may buy its own shares with the authority of shareholders. Resolution 16 seeks to renew the current authority given at the 2012 AGM. The resolution specifies the maximum number of shares that may be purchased in the markets up to a limit of 10% of the Company's issued ordinary share capital as at 21 May 2013 and the highest and lowest prices at which they may be bought. In the event that shares are purchased, they would be either cancelled (and the number of shares in issue would be reduced accordingly) or, in accordance with the Companies Act 2006, be retained as treasury shares for resale or transfer for use with the Company's employee share plans.

General Meetings – Resolution 17

Resolution 17 is required to meet the requirements of the Shareholder Rights Directive, which would otherwise require the notice period for General Meetings of the Company to be not less than 14 days.

The Shareholder Rights Directive provides that the Company must have shareholder approval to allow the Company to call General Meetings (other than an AGM) on 14 clear days' notice. The approval given at the 2012 AGM is due to expire at this year's AGM. If granted, the 2013 AGM approval will be effective until the 2014 AGM or 30 September 2014, whichever is the earlier. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a General Meeting on 14 days' notice.

It is not intended that the shorter notice period would be used as a matter of routine, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Andrew Lewis
Company secretary

22 May 2013

Directors' responsibilities

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts 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 period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions or the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Christophe Evain
Chief Executive Officer

22 May 2013

Philip Keller
Chief Financial Officer

22 May 2013

Independent auditor's report
To the members of Intermediate Capital Group plc

We have audited the financial statements of Intermediate Capital Group plc for the year ended 31 March 2013 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Report of the Remuneration Committee to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report
To the members of Intermediate Capital Group plc continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

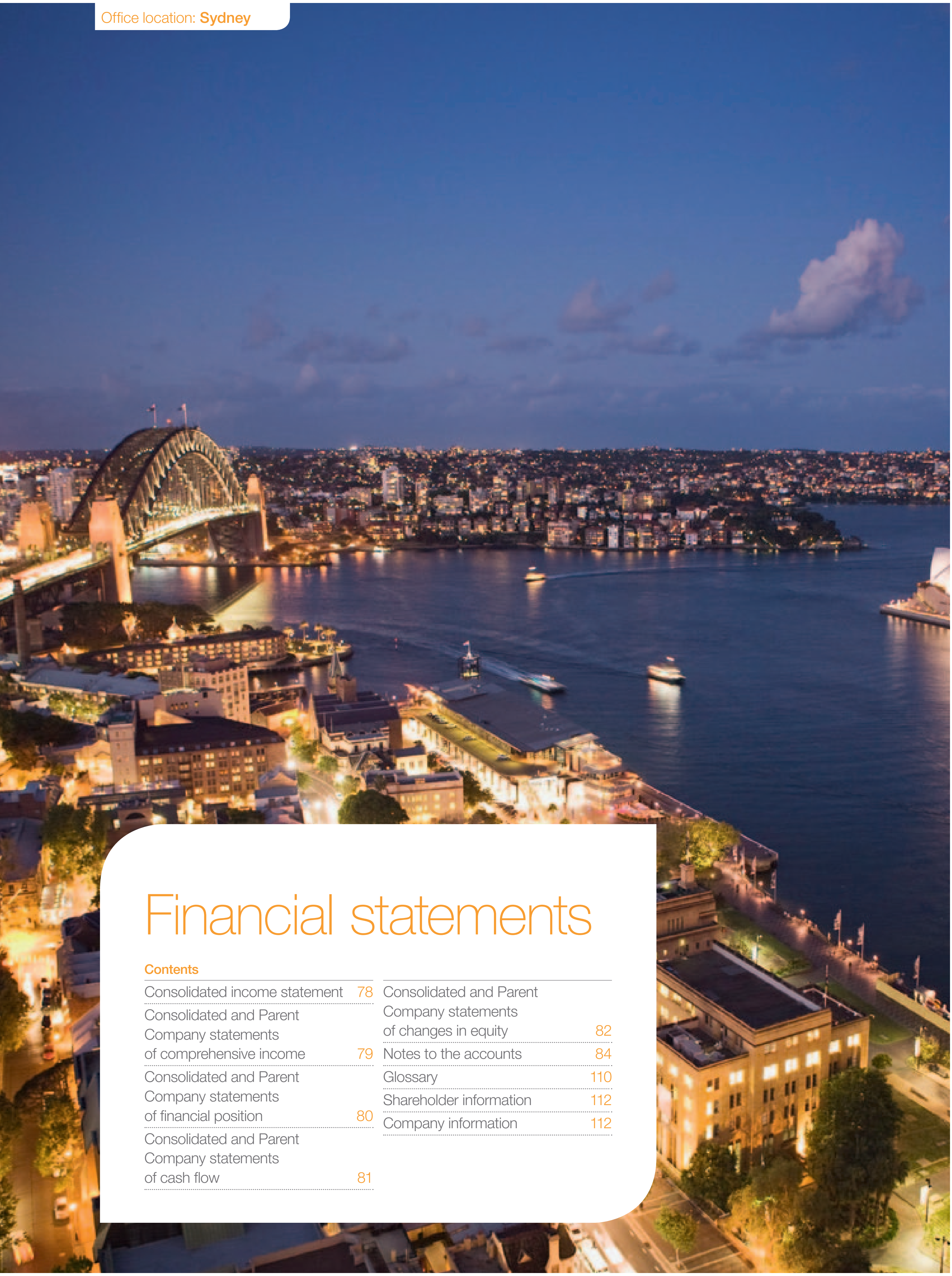
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Report of the Remuneration Committee to be audited 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

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Corporate Governance Statement in relation to going concern; and
- the part of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Calum Thomson
Senior Statutory Auditor for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
22 May 2013



Financial statements

Contents

Consolidated income statement
For the year ended 31 March 2013

	Notes	2013 £m	2012 £m
Finance income	6	218.6	251.3
Fair value movements on financial assets	7	73.0	118.0
Fee and other operating income		78.8	68.2
Total revenue		370.4	437.5
Finance costs	6	(60.7)	(58.8)
Impairments	8	(80.0)	(70.6)
Administrative expenses	9	(87.1)	(64.3)
Profit before tax		142.6	243.8
Tax expense	11	(18.8)	(56.2)
Profit for the year		123.8	187.6
Attributable to:			
Equity holders of the parent		124.4	188.3
Non-controlling interests	16	(0.6)	(0.7)
		123.8	187.6
Earnings per share	13	32.1p	47.7p
Diluted earnings per share	13	32.1p	47.6p

All activities represent continuing operations.
The accompanying notes are an integral part of these financial statements.

Consolidated and Parent Company statements of comprehensive income For the year ended 31 March 2013

Group	Notes	2013 £m	2012 £m
Profit for the year		123.8	187.6
AFS financial assets:			
Fair value movements	7	67.1	148.9
Less: Reclassification adjustment of gains recycled to profit		(7.5)	(48.3)
Exchange differences on translation of foreign operations		1.2	(0.2)
		60.8	100.4
Tax on items taken directly to or transferred from equity	24	(11.0)	(23.1)
Other comprehensive income for the year		49.8	77.3
Total comprehensive income for the year		173.6	264.9
Attributable to:			
Equity holders of the parent		174.2	265.6
Non-controlling interests		(0.6)	(0.7)
		173.6	264.9

Company	2013 £m	2012 £m
Items to be recycled to the income statement		
Profit for the year	97.8	225.8
AFS financial assets:		
Fair value movements	4.9	(4.5)
Less: Reclassification adjustment of gains recycled to profit	–	0.3
	4.9	(4.2)
Tax on items taken directly to or transferred from equity	(1.1)	1.2
Other comprehensive income/(expense) for the year	3.8	(3.0)
Total comprehensive income for the year	101.6	222.8

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

Consolidated and Parent Company statements of financial position As at 31 March 2013

	Notes	2013 Group £m	2012 Group £m	2013 Company £m	2012 Company £m
Non-current assets					
Intangible assets	14	6.6	7.8	–	–
Property, plant and equipment	15	4.6	5.6	3.9	5.2
Financial assets: loans, investments and warrants	17	2,695.8	2,352.2	1,942.9	1,666.7
Derivative financial assets	17	14.7	21.6	14.7	21.6
		2,721.7	2,387.2	1,961.5	1,693.5
Current assets					
Trade and other receivables	18	53.9	47.1	453.6	452.2
Financial assets: loans and investments	19	30.4	49.7	30.4	33.6
Debtor for current tax		0.7	–	0.5	–
Derivative financial assets	19	40.2	12.8	40.2	12.8
Cash and cash equivalents		52.5	159.3	17.0	13.2
		177.7	268.9	541.7	511.8
Total assets		2,899.4	2,656.1	2,503.2	2,205.3
Equity and reserves					
Share capital	20	80.4	80.0	80.4	80.0
Share premium account		671.7	668.0	671.7	668.0
Capital redemption reserve		1.4	1.4	1.4	1.4
Own shares reserve		(45.7)	(33.0)	–	–
Other reserves		196.4	125.9	52.4	27.7
Retained earnings		659.0	608.3	468.0	445.1
Equity attributable to owners of the Company		1,563.2	1,450.6	1,273.9	1,222.2
Non-controlling interest	16	(0.3)	0.1	–	–
Total equity		1,562.9	1,450.7	1,273.9	1,222.2
Non-current liabilities					
Provisions	21	3.6	3.9	3.6	3.9
Financial liabilities	22	688.9	892.5	416.2	493.9
Derivative financial liabilities		3.8	3.7	3.8	3.7
Deferred tax liabilities	24	53.1	43.3	8.3	14.5
		749.4	943.4	431.9	516.0
Current liabilities					
Provisions	21	0.4	0.5	0.4	0.5
Trade and other payables	23	79.0	124.1	317.7	362.0
Financial liabilities	22	472.4	83.6	472.4	83.6
Liabilities for current tax		28.4	52.6	–	19.8
Derivative financial liabilities		6.9	1.2	6.9	1.2
		587.1	262.0	797.4	467.1
Total liabilities		1,336.5	1,205.4	1,229.3	983.1
Total equity and liabilities		2,899.4	2,656.1	2,503.2	2,205.3

Company Registration Number: 02234775. The accompanying notes are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 22 May 2013 and were signed on its behalf by:

Justin Dowley
Director

Philip Keller
Director

Consolidated and Parent Company statements of cash flow For the year ended 31 March 2013

	Notes	2013 Group £m	2012 Group £m	2013 Company £m	2012 Company £m
Operating activities					
Interest receipts		92.0	198.1	70.2	163.8
Fee receipts		77.9	70.9	8.9	14.9
Dividends received		4.3	9.0	85.6	134.1
Interest payments		(59.0)	(50.4)	(51.5)	(41.7)
Cash payments to suppliers and employees		(101.6)	(126.4)	(85.7)	(112.0)
Realisation/(purchase) of current financial assets		18.7	(16.0)	(28.4)	1.5
Purchase of loans and investments		(260.6)	(121.9)	(161.2)	(94.5)
Recoveries on previously impaired assets		0.8	4.6	0.8	3.6
Proceeds from sale of loans and investments		143.1	458.7	110.2	262.2
Cash (used in)/generated from operations		(84.4)	426.6	(51.1)	331.9
Taxes paid		(45.4)	(66.6)	(43.3)	(64.9)
Net cash (used in)/generated from operating activities		(129.8)	360.0	(94.4)	267.0
Investing activities					
Proceeds (to)/from subsidiary undertakings		–	–	(66.9)	70.3
Purchase of property, plant and equipment	15	(1.3)	(1.4)	(0.8)	(1.3)
Net cash (used in)/generated from investing activities		(1.3)	(1.4)	(67.7)	69.0
Financing activities					
Dividends paid	12	(74.9)	(68.9)	(74.9)	(68.9)
Increase/(decrease) in long term borrowings		163.9	(249.7)	291.2	(249.7)
Cash outflow from derivative contracts		(53.8)	(8.9)	(53.8)	(8.9)
Purchase of own shares		(13.3)	(16.8)	–	–
Capital contributions from non-controlling interests		0.1	0.2	–	–
Proceeds on issue of shares		2.3	1.3	2.3	1.3
Net cash generated from/(used in) financing activities		24.3	(342.8)	164.8	(326.2)
Net (decrease)/increase in cash		(106.8)	15.8	2.7	9.8
Cash and cash equivalents at beginning of year		149.8	140.9	3.7	(6.4)
Effect of foreign exchange rate changes		(1.2)	(6.9)	(0.1)	0.3
Net cash and cash equivalents at end of year		41.8	149.8	6.3	3.7
Presented on the statements of financial position as:					
Cash and cash equivalents		52.5	159.3	17.0	13.2
Bank overdraft	22	(10.7)	(9.5)	(10.7)	(9.5)
Net cash and cash equivalents		41.8	149.8	6.3	3.7

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

Consolidated and Parent Company statements of changes in equity For the year ended 31 March 2013

Group	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share-based payments £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 31 March 2012	80.0	668.0	1.4	24.7	101.2	(33.0)	608.3	1,450.6	0.1	1,450.7
Profit for the year	–	–	–	–	–	–	124.4	124.4	(0.6)	123.8
AFS financial assets	–	–	–	–	59.6	–	–	59.6	–	59.6
Exchange differences on translation of foreign operations	–	–	–	–	–	–	1.2	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	–	(11.0)	–	–	(11.0)	–	(11.0)
Total comprehensive income for the year	–	–	–	–	48.6	–	125.6	174.2	(0.6)	173.6
Own shares acquired in the year	–	–	–	–	–	(13.3)	–	(13.3)	–	(13.3)
Options/awards exercised	0.4	3.7	–	(0.9)	–	0.6	–	3.8	–	3.8
Capital contribution	–	–	–	–	–	–	–	–	0.2	0.2
Credit for equity settled share schemes	–	–	–	22.8	–	–	–	22.8	–	22.8
Dividends paid	–	–	–	–	–	–	(74.9)	(74.9)	–	(74.9)
Balance at 31 March 2013	80.4	671.7	1.4	46.6	149.8	(45.7)	659.0	1,563.2	(0.3)	1,562.9

Company	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share-based payments £m	Available for sale reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2012	80.0	668.0	1.4	23.5	4.2	445.1	1,222.2
Profit for the year	–	–	–	–	–	97.8	97.8
AFS financial assets	–	–	–	–	4.9	–	4.9
Tax relating to components of other comprehensive income	–	–	–	–	(1.1)	–	(1.1)
Total comprehensive income for the year	–	–	–	–	3.8	97.8	101.6
Options/awards exercised	0.4	3.7	–	(0.9)	–	–	3.2
Credit for equity settled share schemes	–	–	–	21.8	–	–	21.8
Dividends paid	–	–	–	–	–	(74.9)	(74.9)
Balance at 31 March 2013	80.4	671.7	1.4	44.4	8.0	468.0	1,273.9

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

Group	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share-based payments £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 31 March 2011	79.8	665.7	1.4	13.1	23.7	(23.8)	490.3	1,250.2	0.2	1,250.4
Profit for the year	–	–	–	–	–	–	188.3	188.3	(0.7)	187.6
AFS financial assets	–	–	–	–	100.6	–	–	100.6	–	100.6
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Tax relating to components of other comprehensive income	–	–	–	–	(23.1)	–	–	(23.1)	–	(23.1)
Total comprehensive income for the year	–	–	–	–	77.5	–	188.1	265.6	(0.7)	264.9
Own shares acquired in the year	–	–	–	–	–	(12.8)	–	(12.8)	–	(12.8)
Scrip dividend	0.1	1.1	–	–	–	–	–	1.2	–	1.2
Options/awards exercised	0.1	1.2	–	–	–	3.6	–	4.9	–	4.9
Net loss on consideration paid in the form of shares	–	–	–	(1.5)	–	–	–	(1.5)	–	(1.5)
Capital contribution	–	–	–	–	–	–	–	–	0.6	0.6
Credit for equity settled share schemes	–	–	–	13.1	–	–	–	13.1	–	13.1
Dividends paid	–	–	–	–	–	–	(70.1)	(70.1)	–	(70.1)
Balance at 31 March 2012	80.0	668.0	1.4	24.7	101.2	(33.0)	608.3	1,450.6	0.1	1,450.7

Company	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share-based payments £m	Available for sale reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2011	79.8	665.7	1.4	12.3	7.2	289.4	1,055.8
Profit for the year	–	–	–	–	–	225.8	225.8
AFS financial assets	–	–	–	–	(4.2)	–	(4.2)
Tax relating to components of other comprehensive income	–	–	–	–	1.2	–	1.2
Total comprehensive income for the year	–	–	–	–	(3.0)	225.8	222.8
Scrip dividend	0.1	1.1	–	–	–	–	1.2
Options/awards exercised	0.1	1.2	–	–	–	–	1.3
Net loss on consideration paid in the form of shares	–	–	–	(1.5)	–	–	(1.5)
Credit for equity settled share schemes	–	–	–	12.7	–	–	12.7
Dividends paid	–	–	–	–	–	(70.1)	(70.1)
Balance at 31 March 2012	80.0	668.0	1.4	23.5	4.2	445.1	1,222.2

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

Notes to the accounts
For the year ended 31 March 2013

1. General information

Intermediate Capital Group plc is incorporated in the United Kingdom with Company registration number 02234775. The registered office is Juxon House, 100 St Paul's Churchyard, London EC4M 8BU.

The nature of the Group's operations and its principal activities are detailed in the Directors' report.

At the date of signing of these financial statements, certain new standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group. The Directors are in the process of assessing the impact of the forthcoming standards on the operations of the Group.

International Financial Reporting Standards (IAS/IFRS)		Accounting periods commencing on or after
IFRS 11	Joint Arrangements	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 28	Investments in (Amendment) Associate and Joint Ventures	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Interests in other Entities	1 January 2014
IAS 27	Separate financial (Amendment) statements	1 January 2014
IFRS 9	Financial Instruments: Classification and measurement and additions to financial liability accounting	1 January 2015

The Group did not adopt any new standards during the year.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and in compliance with Article 4 of the EU IAS Regulation.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments and non derivative financial instruments valued at fair value through profit or loss and available for sale financial assets, valued at fair value through equity.

The functional and presentational currency of the Company is Sterling.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of preparing the financial accounts.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions including future projections of profitability, cash flows and capital resources.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review on pages 21 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 26 to 30. In addition, note 3 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors believe that the Group and Company are well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors continually monitor the debt profile of the Group and Company, and seek to refinance senior facilities a substantial period before they mature. The Group and Company have £462.5m of facilities due to mature within the next 12 months. Facilities have already been established to cover these maturities as well as cater for the ongoing funding requirements of the business.

2. Significant accounting policies continued

Basis of consolidation

The Group financial statements consolidate the results of Intermediate Capital Group plc and entities controlled by the Company.

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of all assets, liabilities and contingent liabilities of the acquired business at their fair value at the acquisition date.

Adjustments are made to the financial statements of subsidiaries to ensure consistency with the accounting policies of the Group. All intra-group transactions, balances, unrealised income and expenses are eliminated.

An associate is an entity over which the Group has significant influence, but not control, over the financial and operating policy decisions of the entity. The results, assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting.

As a venture capital organisation, certain investments where the Group has a holding of greater than 20% are designated upon initial recognition as fair value through profit or loss and subsequently measured at fair value.

Employee benefit trust

The Employee Benefit Trust (EBT) acts as a special purpose vehicle, with the purpose of purchasing and holding shares of the Company for the hedging of future liabilities arising as a result of the employee share based compensation scheme. The EBT is consolidated into the Group's financial statements.

Own shares held

Shares of the Company acquired by the EBT for the purpose of hedging share based payment transactions are recognised and held at cost in the reserve for own shares. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own shares.

Investment in subsidiaries

Investments in subsidiaries in the Parent Company Statement of Financial Position are recorded at cost less provision for impairments.

Income recognition

Finance income includes interest income and dividend income. Interest income on financial assets held at amortised cost is measured using the effective interest rate method.

Dividend income is recognised in the income statement when the Group's right to receive income is established.

Fair value movements on financial assets comprises gains on disposal of available for sale financial assets and fair value gains on financial assets at fair value through profit or loss. Both are recognised as incurred.

Fund management fees and commissions are recognised in the income statement when the related service has been performed.

Finance costs

Finance costs comprise interest expense on financial liabilities, fair values losses on derivatives and net foreign exchange losses.

Interest expense on financial liabilities held at amortised cost is measured using the effective interest rate method, as outlined on page 88. The expected life of the liability is based upon the maturity date.

Operating leases

Operating lease payments, net of lease incentives, are recognised as an expense in the income statement on a straight line basis over the lease term.

Employees benefits

Contributions to the Group's defined contribution pension schemes are charged to the income statement as incurred.

The Group issues compensation to its employees under equity settled share based payment plans. Equity settled share based payments are measured at the fair value of the awards at grant date. The fair value includes the effect of non-market based vesting conditions. The fair value determined at the date of grant is expensed on a straight line basis over the vesting period. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Taxation

Tax expense comprises current and deferred tax.

Current tax

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date.

Deferred tax

Deferred tax is provided in respect of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

Notes to the accounts
For the year ended 31 March 2013 continued

2. Significant accounting policies continued

Taxation continued

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction, other than a business combination, that affects neither the tax nor accounting profit.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to be applied to their respective period of realisation, provided they are enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right of set off, when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies

Transactions denominated in foreign currencies are translated using the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary assets and liabilities denominated in a foreign currency are retranslated at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the date the fair value was determined. Non-monetary items that are measured at historical cost are translated using rates prevailing at the date of the transaction.

The assets and liabilities of the Group's foreign operations are translated using the exchange rates prevailing at the balance sheet date. Income and expense items are translated using the exchange rates at the date of the transactions. Exchange differences arising from the translation of foreign operations are taken directly to the translation reserve.

Financial assets

Financial assets are classified into the following categories, as determined on initial recognition:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include held for trading derivative financial instruments and debt and equity instruments designated as fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value with gains or losses arising from changes in fair value recognised in the income statement.

Loans and receivables

Loans and receivables are held at amortised cost. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include loans made as part of the Group's operating activities as well as trade and other receivables and cash and cash equivalents.

Loans and receivables are initially recognised at fair value including direct and incremental transaction costs and subsequently valued at amortised cost using the effective interest rate method.

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less.

Available-for-sale (AFS)

AFS financial assets are financial assets not classified elsewhere and include listed bonds and listed and unlisted equity instruments.

AFS financial assets are initially recognised at fair value. They are subsequently measured at fair value with gains and losses arising from changes in fair value included as a separate component of equity until its sale or impairment, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Impairment of financial assets

With the exception of financial assets classified as fair value through profit or loss, the Group assesses whether there is objective evidence that financial assets may be impaired at each balance sheet date. A financial asset is impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future flows.

For an investment in an equity instrument held as an AFS financial asset, a significant or prolonged decline in its fair value below cost is considered objective evidence of impairment.

If an impairment event has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Impairment losses are recognised in the income statement. If the impairment relates to AFS financial assets, the loss is recycled from equity to the income statement.

With the exception of AFS assets if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying value of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. Significant accounting policies continued

Impairment of financial assets continued

In respect of AFS financial assets, impairment losses previously recognised in the income statement are not reversed through the income statement. Any increase in value, subsequent to an impairment loss is recognised in other comprehensive income.

Offsetting of financial assets

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets held for sale

The Group classifies non-current financial assets that are expected to be recovered primarily from sale as held for sale. Non-current assets held for sale are initially recognised at cost, and subsequently measured at lower of its carrying amount and fair value less costs to sell.

Financial liabilities

All financial liabilities, with the exception of derivatives, are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Derivative liabilities are categorised as fair value through profit or loss.

Derivative financial instruments for hedge accounting

The Group holds derivative financial instruments to hedge foreign currency and interest rate exposures. Derivatives, including embedded derivatives which are not considered to be closely related to the host contract, are recognised at fair value using independent third party valuations or quoted market prices. Changes in fair values of derivatives are recognised immediately in the income statement.

Intangible assets

Goodwill

The excess of the fair value at the date of acquisition of the cost of investments in subsidiaries over the fair value of the net assets acquired which is not allocated to individual assets and liabilities is determined to be goodwill. Goodwill is initially measured at cost and is reviewed at least annually for impairment. Any impairment is recognised immediately in the Group's income statements and is not subsequently reversed.

Other intangible assets

Investment management contracts have been identified as separately identifiable intangible assets. These are measured at cost and are being amortised on a straight line basis over the expected life of the contract, currently four years.

Dividends paid

Dividends paid to the Company's shareholders are recognised in the period in which the dividends are declared. In the case of final dividends this is when they are approved by the Company's shareholders at the AGM. Dividends paid are recognised as a deduction from equity.

Significant estimates and uncertainties

The significant accounting estimates used in preparing the financial statements are considered to relate to the determination of fair values and impairment of financial instruments. The estimates and associated assumptions are based on historical experience and other relevant factors, and are reviewed on an ongoing basis. Actual results may differ from these estimates.

Determination of fair values

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arms-length transaction at measurement date.

The following methods and assumptions are used to estimate the fair values:

AFS financial assets and financial assets at FVTPL

The fair value of equity investments and warrants are based on quoted prices, where available. Where quoted prices are not available, the fair value is based on recent significant transactions on an earnings based valuation technique.

The valuation techniques applied follow the International Private Equity and Venture Capital valuation guidelines (December 2012) and include some assumptions which are not supportable by observable market prices or rates. The majority of the portfolio of unquoted shares and warrants is valued using an earnings based technique.

Earnings multiples are applied to the maintainable earnings of the private company being valued to determine the enterprise value. From this, the value attributable to the Group is calculated based on its holding in the company after making deductions for higher ranking instruments in the capital structure.

Notes to the accounts
For the year ended 31 March 2013 continued

2. Significant accounting policies continued

Significant estimates and uncertainties continued

AFS financial assets and financial assets at FVTPL continued

The Group's policy is to use reported earnings based on the latest management accounts available from the company, adjusted for non-recurring items. For each company being valued, the earnings multiple is derived from a set of comparable listed companies or relevant market transaction multiples that have been approved by the Investment Committee. A premium or discount is applied to the earnings multiple to adjust for points of difference relating to risk and earnings growth prospects between the comparable company set and the private company being valued. Across the portfolio being valued, the discount applied is generally in a range of 5% to 30% and exceptionally as high as 50%. The adjusted multiple is the key valuation input which could change fair values significantly if a reasonably possible alternative assumption was made. The sensitivity analysis of this input is disclosed in note 3.

Other derivatives

The fair value of the derivatives used for hedging purposes is derived from pricing models which take account of the contract terms, as well as quoted market parameters such as interest rates and volatilities. The Group has loans and receivables with a conversion option embedded. Given the low probability of conversion by the Group, the value attributed to these embedded derivatives is nil.

Other financial assets and liabilities

Due to their short term nature, the Directors consider the carrying value to be a good approximation of fair value.

Impairment

Impairment losses are recognised as the difference between the carrying value of the investment and the discounted value of management's best estimates of future cash flow. These estimates take into account the level and quality of the investee's earnings, the amount and sources of cash flows, the industry in which the investee operates and the likelihood of cash recovery. Estimating the quantum and timing of these future proceeds involves significant judgement. The actual amount of future cash flows and the date that they are received may differ from these estimates and consequently actual losses incurred may differ from those recognised in the financial statements.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash flows, including agency and arranging fees, over the expected life of the financial instrument. The expected life of an asset is estimated by the relevant Investment Executive using knowledge gained from close monitoring of the investment and their presence on the Board.

Provisions and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic resources will be required to settle a current legal or constructive obligation, which has arisen as a result of a past event, and for which a reliable estimate can be made of the amount of the obligation.

The Group's onerous contract provision is measured at the present value of the lower of the ongoing cost of the contract and its expected termination cost.

The Group's contingent liabilities include potential amounts, if any, for legal claims arising in the course of business. Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

3. Financial risk management

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. There are systems of controls in place to create an acceptable balance between the potential costs, should such a risk occur, and the cost of managing those risks. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities.

The Group has exposure to the following risks arising from financial instruments:

- market risk
- liquidity risk
- credit risk

This section provides details of the Group's approach to financial risks and describes the methods used by the Board to mitigate and control such risk.

Market risk

Market risk includes exposure to interest rates and foreign currency.

3. Financial risk management continued

Interest rate risk

The Group's assets include both fixed and floating rate loans and non-interest bearing equity investments. The Group's operations are financed with a combination of its shareholders' funds, bank borrowings, private placement notes, public bonds, and fixed and floating rate notes. The Group manages its exposure to market interest rate movements by matching, to the extent possible, the interest profiles of assets and liabilities and by using derivative financial instruments. As a result, the Group does not have material financial exposure to interest rate movements. The sensitivity of assets and liabilities to interest rate risk is disclosed below. The Group's sensitivity to movements is assumed by applying 100 basis points sensitivity to interest rates to the Group's forecast model, which is a change in methodology compared to the prior year.

Sensitivity to interest rate risk

	2013			2012		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Financial assets	1,376.6	1,616.0	2,992.6	1,393.3	1,215.0	2,608.3
Financial liabilities	(1,030.8)	(404.2)	(1,435.0)	(607.6)	(497.0)	(1,104.6)

The sensitivity of floating rate financial assets to the 100 basis points interest rate increase is £13.0m (2012: £13.9m) and the sensitivity of financial liabilities to the same interest rate increase is £7.7m (2012: £6.1m). There is no interest rate risk exposure on fixed rate financial assets or liabilities.

Foreign exchange risk

The Group is exposed to currency risk in relation to the translation of net assets, currency transactions and the translation of net assets, and income statement of foreign subsidiaries. The Group's most significant exposures are to the Euro and the US dollar. Exposure to market currency risk is managed by matching assets with debt to the extent possible and through the use of derivative instruments.

The Group regards its interest in overseas subsidiaries as long term investments. Consequently it does not normally hedge the translation effect of exchange rate movements on the financial statements of these businesses.

The Group is also exposed to currency risk arising on the translation of fund management fee income receipts, which are primarily denominated in Euro and US dollar. Fund management fee income is hedged to provide more certainty over the value of future cash inflows.

The sensitivity to movements in exchange rates is assumed by applying a percentage measure, based on the volatility of the applicable currency, as defined in the Group's Treasury Policy, to the net currency asset or liability at the balance sheet date. The effect of fluctuations in other currencies is considered by the Directors to be insignificant in the current and prior year. The methodology for calculating sensitivity was revised in the current year, however this is still in line with the Group's Treasury Policy. The prior year sensitivity has been prepared on this revised model. The net assets/(liabilities) by currency and the sensitivity of the balances to foreign exchange rates are shown below:

	2013				
	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Impact £m
Sterling	(208.4)	1,668.7	1,460.3	–	–
Euro	1,340.6	(1,240.4)	100.2	15%	15.0
US dollar	136.8	(92.7)	44.1	20%	8.8
Other currencies	319.2	(292.4)	26.8	–	–
	1,588.2	43.2	1,631.4		23.8

Notes to the accounts
For the year ended 31 March 2013 continued

3. Financial risk management continued

Foreign exchange risk continued

					2012
	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Impact £m
Sterling	(74.5)	1,446.8	1,372.3	–	–
Euro	1,246.3	(1,141.9)	104.4	15%	15.7
US dollar	75.9	(60.3)	15.6	20%	–
Other currencies	256.0	(215.9)	40.1	–	3.1
	1,503.7	28.7	1,532.4		18.8

The weakening of the above currencies would have resulted in an equal but opposite impact.

Liquidity risk

The Group manages its liquidity risk by maintaining headroom on its financing facilities, particularly its bank facilities.

The table below shows the liquidity profile of the Group's financial liabilities, based on contractual repayment dates of principal and interest payments. Future interest and principal cash flows have been calculated based on exchange rates and floating rate interest rates as at 31 March 2013. It is assumed that Group borrowings under its senior debt facilities remain at the level as at 31 March 2013 until contractual maturity.

Liquidity profile

	Contractual maturity analysis				
As at 31 March 2013 (£m)	Less than one year	One to two years	Two to five years	More than five years	Total
Non-derivative financial liabilities					
Private placements	160.5	12.8	182.7	67.8	423.8
Retail bond	7.5	7.5	22.4	127.5	164.9
Senior debt	326.1	75.1	33.3	–	434.5
Secured notes	3.7	3.7	11.0	303.1	321.5
Derivative financial instruments					
Derivative financial instruments	(39.6)	(7.7)	(5.6)	(0.4)	(53.3)
	458.2	91.4	243.8	498.0	1,291.4

Since the year end the Group has raised a further $150.0m from private placements and signed £100.0m of new facilities to 2016, which includes a £67.0m roll over of an existing facility and a new banking relationship.

As at 31 March 2013 the Group has unutilised debt facilities of £355.0m which consists of undrawn debt of £333.0m (2012: £827.0m) and £22.0m of unencumbered cash. This unencumbered cash is exclusive of £18.8m (2012: £28.0m) of restricted cash held by Intermediate Finance II plc.

Our business
2 – 17
Business review
18 – 37
Funds and portfolio
38 – 45
Governance
46 – 76
Financial statements
77 – 112

3. Financial risk management continued

Liquidity risk continued

Liquidity profile continued

As at 31 March 2012 (£m)	Contractual maturity analysis: Less than one year	One to two years	Two to five years	More than five years	Total
Non-derivative financial liabilities					
Private placements	20.8	157.0	151.1	76.5	405.4
Retail bond	2.5	2.5	7.4	39.9	52.3
Senior debt	5.1	218.8	–	–	223.9
Secured notes	9.5	9.5	28.5	464.3	511.8
Derivative financial instruments					
Derivative financial instruments	(12.6)	(10.6)	(7.3)	(2.0)	(32.5)
	25.3	377.2	179.7	578.7	1,160.9

The Company's profile has not been included as it materially matches that of the Group.

The Group's policy is to maintain continuity of funding. Due to the long term nature of the Group's assets, the Group seeks to ensure that the maturity of its debt instruments is matched to the expected maturity of its assets. This has been achieved by the ongoing private placement programme with notes maturing between one and five years, short term borrowings under bank facilities, two public bonds and by issuing floating and fixed rate notes.

Credit risk

Credit risk is the risk of financial loss to the Group as a result of a counterparty failing to meet is contractual obligations. This risk is principally in connection with the Group's loans and receivables due from portfolio companies.

This risk is mitigated by the disciplined credit procedures that the Investment Committee have in place prior to making an investment and the ongoing monitoring of that investment throughout its lifespan. In addition, the risk of significant credit loss is further mitigated by Group's policy to diversify its investment portfolio in terms of geography and industry sector and to limit the amount invested in any single company.

Exposure to credit risk

	2013 £m	2012 £m
Non-current financial assets	2,695.8	2,352.2
Trade and other receivables	53.9	47.1
Loans and investments – held for sale	30.4	49.7
Cash and cash equivalents	52.5	159.3
Net derivative instruments	44.2	29.5
	2,876.8	2,637.8

Notes to the accounts
For the year ended 31 March 2013 continued

3. Financial risk management continued

Credit risk continued

The Group minimises its surplus operational cash balance by the regular forecasting of cash flow requirements, debt management and cash pooling arrangements. Credit risk exposure on cash and derivative instruments is managed in accordance with the Group's treasury policy which provides limits on exposures with any single financial institution.

The Directors consider the Group's credit exposure to trade and other receivables and current assets held for sale to be low and as such no further analysis has been presented.

Maximum exposure to credit risk by geography

	2013 £m	2012 £m
UK	718.1	476.6
Europe	1,558.9	1,555.0
US	132.7	112.9
Asia Pacific	286.1	207.7
	2,695.8	2,352.2

The Group's exposure to the Euro is mitigated by the use of foreign exchange derivatives contracts, see page 89. This exposure is derived from the Group's investment portfolio being weighted towards Europe and in particular France. This is reflective of the historical focus of the business, however the more recent investment pattern has been more geographically diverse. The investment portfolio is not exposed to any single industry with investments diversified across sectors.

Impairment losses

	Group		Company	
Impairment	2013 £m	2012 £m	2013 £m	2012 £m
Balance at 1 April	517.0	581.1	353.1	384.3
Charged to income statement	141.1	83.5	96.3	54.6
Recovery of previously impaired assets	(61.1)	(12.9)	(40.1)	(11.8)
Assets written off in year	(56.7)	(114.1)	–	(63.9)
Impairments recovered on extinguishment of assets	–	(19.0)	–	(19.0)
Impairments arising through restructuring of assets	–	20.5	–	20.5
Foreign exchange	8.9	(22.1)	5.6	(11.6)
Balance at 31 March	549.2	517.0	414.9	353.1

The carrying amount of financial assets represents the Directors' assessment of the maximum credit risk exposure of the Group and Company at the balance sheet date. Impairment losses taken during the year reflect the decline in recoverability on individual assets, either as a result of company specific or general macroeconomic conditions.

The Directors believe that credit risk as a result of the concentration of significant counterparties is low as there is no individual counterparty comprising more than 10% of the Group's total exposure. The Group's largest individual exposure at 31 March 2013 was £120.0m (2012: £109.7m) to Médi Partenaires, which has been repaid in full since the year end.

3. Financial risk management continued

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (ie. unobservable inputs)

				2013
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Designated as FVTPL	103.7	–	190.0	293.7
Derivative financial instruments – warrants	–	–	40.2	40.2
Other derivative financial instruments	–	54.9	–	54.9
AFS financial assets held at fair value	–	–	350.5	350.5
	103.7	54.9	580.7	739.3
Financial liabilities at FVTPL				
Derivative financial liabilities	–	10.7	–	10.7

				2012
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Designated as FVTPL	40.3	–	57.4	97.7
Derivative financial instruments – warrants	–	–	32.6	32.6
Other derivative financial instruments	–	34.4	–	34.4
AFS financial assets held at fair value	–	–	283.4	283.4
	40.3	34.4	373.4	448.1
Financial liabilities at FVTPL				
Derivative financial liabilities	–	4.9	–	4.9

Notes to the accounts
For the year ended 31 March 2013 continued

3. Financial risk management continued

Fair value measurements recognised in the statement of financial position continued

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL £m	Derivative financial instruments £m	AFS assets £m	Total £m
At 1 April 2012	57.4	32.6	283.4	373.4
Total gains or losses in the income statement				
– Impairments	–	–	2.4	2.4
– Fair value gains	40.8	9.9	–	50.7
– Foreign exchange	2.9	0.9	–	3.8
Total gains or losses in other comprehensive income				
– Unrealised gains	–	–	50.9	50.9
– Realised gains	–	–	11.5	11.5
– Foreign exchange	–	–	10.7	10.7
Purchases	93.2	–	2.3	95.5
Realisations	(3.5)	(0.6)	(13.5)	(17.6)
Transfer between assets	(0.1)	–	0.2	0.1
Exercise of options	–	(2.6)	2.6	–
At 31 March 2013	190.7	40.2	350.5	581.4

	Financial assets at FVTPL £m	Derivative financial instruments £m	AFS assets £m	Total £m
At 1 April 2011	23.8	0.8	198.0	222.6
Total gains or losses in the income statement				
– Capital gains	–	–	(0.4)	(0.4)
– Impairments	–	–	(1.6)	(1.6)
– Realised gains	–	23.9	(5.3)	18.6
– Fair value gains	9.8	31.9	–	41.7
– Foreign exchange	(0.7)	(0.1)	–	(0.8)
Total gains or losses in other comprehensive income				
– Unrealised gains	–	–	103.2	103.2
– Realised gains	–	–	49.9	49.9
– Foreign exchange	–	–	(2.6)	(2.6)
Purchases	27.8	–	8.7	36.5
Realisations	(4.2)	(23.9)	(66.5)	(94.6)
Transfers from current financial assets	0.9	–	–	0.9
At 31 March 2012	57.4	32.6	283.4	373.4

There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases. All gains and losses included in other comprehensive income relate to unquoted equities held at the balance sheet date and are reported as changes in the AFS reserve in the Consolidated statement of changes in equity.

Our business 2 – 17
Business review 18 – 37
Funds and portfolio 38 – 45
Governance 46 – 76
Financial statements 77 – 112
Intermediate Capital Group plc Annual Report 2013

3. Financial risk management continued

Fair value

The following table shows the sensitivity of fair values grouped in Level 3 to adjusted earnings multiples in the valuation models, for a selection of the largest financial assets. It is assumed that the multiple was changed by 10% while all the other variables were held constant.

Financial assets at fair value	Value in accounts £m	Sensitivity of financial asset to adjusted earnings multiple +10% £m	–10% £m
2013			
AFS financial assets held at fair value	350.5	380.1	320.9
Financial assets designated as FVTPL	190.7	207.7	173.7
Derivative financial instruments held at fair value – warrants	40.2	47.5	32.8
	581.4	635.3	527.4
2012			
AFS financial assets held at fair value	283.4	336.9	229.9
Financial assets designated as FVTPL	57.4	66.6	48.2
Derivative financial instruments held at fair value – warrants	32.6	34.7	30.6
	373.4	438.2	308.7

Derivatives

The Group utilises the following derivative instruments for economic hedging purposes:

	Group and Company 2013			Group and Company 2012		
	Contract or underlying principal amount £m	Fair Values Asset £m	Fair Values Liability £m	Contract or underlying principal amount £m	Fair values Asset £m	Fair values Liability £m
Foreign exchange derivatives						
Forward foreign exchange contracts	1,588.3	33.6	(6.8)	1,461.1	12.0	(1.2)
Cross currency swaps	139.1	11.6	(3.8)	137.4	10.1	(3.4)
Interest rate derivatives						
Interest rate swaps	134.7	9.7	(0.1)	171.4	12.3	(0.3)
Total	1,862.1	54.9	(10.7)	1,769.9	34.4	(4.9)

Included in derivative financial instruments is accrued interest on swaps of £1.1m (2012: £0.9m).

Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements by the Financial Conduct Authority (FCA) and ensure that the Group maximises the return to shareholders through the optimisation of the debt and equity balance. The Group's strategy has remained unchanged from the year ending 31 March 2012.

The capital structure comprises debts, which includes the borrowings disclosed in note 22, cash and cash equivalents, and capital and reserves of the Parent Company, comprising called-up share capital, reserves and retained earnings as disclosed in the Consolidated statement of changes in equity.

The Group has complied with the imposed minimum capital throughout the year. The full Pillar 3 disclosures are available on the Company's website www.icgplc.com.

Notes to the accounts
For the year ended 31 March 2013 continued

4. Profit of Parent Company

As permitted by section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit for the year amounted to £97.8m (2012: £225.8m).

5. Business and geographical segments

For management purposes, the Group is currently organised into two distinct business groups, the Fund Management Company (FMC) and the Investment Company (IC). Segment information about these businesses is presented below. This is as reviewed by the Executive Committee, with the exception of £3.4m relating to gains on the investment in ICG Europe Fund V, which is presented below in fair value movements on financial assets. This is included within Net interest income for internal reporting purposes.

The Group reports the profit of the FMC separately from the profits generated by the IC. The FMC is defined as the operating unit and as such incurs the majority of the Group's costs, including the cost of the investment network, i.e. the Investment Executives and the local offices, as well as the cost of most support functions, primarily information technology, human resources and marketing. The IC is charged a management fee of 1% of the carrying value of the investment portfolio by the FMC and this is shown below as Fee income. The costs of finance, treasury, and portfolio administration teams and the costs related to being a listed entity are allocated to the IC. The cost of the Medium Term Incentive Scheme (MTIS) was charged to the IC in 2012; the scheme is no longer operational. The remuneration of the Managing Directors is allocated equally to the FMC and the IC.

Analysis of income and profit before tax

	Mezzanine Fund Management						
Year ended 31 March 2013 (£m)	Europe	Asia	US	Credit Fund Management	Total FMC	IC	Total
External fee income	51.4	6.8	–	19.2	77.4	–	77.4
Inter-segmental fee	19.3	2.6	0.9	0.5	23.3	(23.3)	–
Fund management fee income	70.7	9.4	0.9	19.7	100.7	(23.3)	77.4
Other operating income					–	1.4	1.4
Fair value movements on financial assets					–	73.0	73.0
Net interest income					(0.4)	159.7	159.3
Dividend income					1.9	2.4	4.3
Net fair value loss on derivatives					–	(5.7)	(5.7)
					102.2	207.5	309.7
Impairment					–	(80.0)	(80.0)
Staff costs					(20.9)	(3.0)	(23.9)
Incentive scheme costs					(14.6)	(18.1)	(32.7)
Other administrative expenses					(26.3)	(4.2)	(30.5)
Profit before tax					40.4	102.2	142.6

5. Business and geographical segments continued

Year ended 31 March 2012 (£m)	Mezzanine Fund Management: Europe	Mezzanine Fund Management: Asia	Mezzanine Fund Management: US	Credit Fund Management	Total FMC	IC	Total
External fee income	36.7	6.8	–	23.2	66.7	–	66.7
Inter-segmental fee	20.6	2.0	0.9	1.0	24.5	(24.5)	–
Fund management fee income	57.3	8.8	0.9	24.2	91.2	(24.5)	66.7
Other operating income					–	1.5	1.5
Fair value movements on financial assets					–	118.0	118.0
Net interest income					(0.4)	183.9	183.5
Dividend income					3.3	5.7	9.0
Net fair value gain on derivatives					–	–	–
					94.1	284.6	378.7
Impairment					–	(70.6)	(70.6)
Staff costs					(19.1)	(6.3)	(25.4)
Incentive scheme costs					(13.5)	(18.5)	(32.0)
Medium Term Incentive Scheme					–	19.3	19.3
Other administrative expenses					(23.8)	(2.4)	(26.2)
Profit before tax					37.7	206.1	243.8

Analysis of financial assets by geographical segment

	2013 £m	2012 £m
Europe	2,099.5	1,953.9
Asia	286.1	207.7
US	132.7	112.9
Credit Fund Management	176.8	77.7
	2,695.1	2,352.2

Group revenue by geographical segment

	2013 £m	2012 £m
Europe	313.4	387.8
Asia	50.2	40.0
US	6.8	9.7
	370.4	437.5

Notes to the accounts
For the year ended 31 March 2013 continued

6. Finance income and finance costs

Group Finance income	2013 £m	2012 £m
Interest income recognised under the amortised cost method	214.2	241.4
Dividend income from equity investments	4.3	9.0
Interest on bank deposits	0.1	0.9
	218.6	251.3

Interest income on interest bearing loans and investments includes £17.2m (2012: £13.6m) accrued on impaired loans.

Group Finance costs	2013 £m	2012 £m
Interest expense recognised under the amortised cost method	39.6	44.8
Fair value movements on derivatives	5.7	–
Net foreign exchange gains and losses	15.4	14.0
	60.7	58.8

7. Fair value movement on financial assets

Fair value movement of AFS financial assets

The movements recognised in other comprehensive income:	2013 £m	2012 £m
Realised gains on ordinary shares recycled to income statement	11.5	49.9
Impairments of AFS financial assets recycled to the income statement	(4.0)	(1.6)
	7.5	48.3
Unrealised gains on AFS financial assets		
– Fair value movement on equity instruments	51.3	106.9
– Fair value movement on other assets	1.7	(3.7)
Foreign exchange	6.6	(2.6)
Gains arising in the AFS reserve in the year	67.1	148.9

Fair value movements of FVTPL assets

The movements through the income statement are as follows:	2013 £m	2012 £m
Realised gains on warrants	0.8	23.9
Realised gains on assets designated as FVTPL	1.8	–
Realised gains of AFS financial assets recycled from AFS reserves	11.5	49.9
	14.1	73.8
Unrealised gains on assets designated as FVTPL		
– Fair value movement on equity instruments	39.3	9.8
– Fair value movement on warrants	9.5	31.9
– Fair value movement on other assets	10.1	2.5
	58.9	44.2
Gains arising in the income statement in the year	73.0	118.0

8. Impairment of assets

	2013 £m	2012 £m
Impairment on loans and receivables		
New and increased	50.6	69.6
Write-off	86.4	12.3
Recoveries	(58.7)	(11.4)
Total net impairment on loans and receivables	78.3	70.5
Impairment on AFS financial assets		
New and increased	2.0	1.6
Write-off	2.1	–
Recoveries	(2.4)	(1.5)
Total net impairment on AFS financial assets	1.7	0.1
	80.0	70.6

9. Administrative expenses

Administrative expenses include:

	2013 £m	2012 £m
Staff costs	56.6	83.1
MTIS release during the year	–	(45.0)
Amortisation and depreciation	3.5	4.1
Operating lease expenses	3.6	3.2
Auditor's remuneration	1.1	0.8

Auditor remuneration includes fees for audit and non audit services payable to the Company's auditor, Deloitte LLP and are analysed as follows:

	2013 £m	2012 £m
Audit fees		
Group audit of the annual accounts	0.2	0.2
The audit of subsidiaries annual accounts	0.3	0.3
Total audit fees	0.5	0.5
Non audit fees in capacity as auditors	0.1	0.1
Other non audit fees		
Taxation compliance services	0.1	0.1
Other taxation advisory services	0.2	0.1
Corporation finance transactions	0.2	–
Total other non audit fees	0.5	0.2
Total auditor's remuneration	1.1	0.8

Notes to the accounts
For the year ended 31 March 2013 continued

10. Employees and Directors

	2013 £m	2012 £m
Directors' emoluments	1.9	9.6

Employee costs during the year including Directors:		
Wages and salaries	53.1	34.6
Social security costs	2.1	2.2
Pension costs	1.4	1.3
	56.6	38.1

The average number of employees (including Directors) was:

	2013 No.	2012 No.
Investment Executives	72	71
Infrastructure	74	61
Directors	3	3
ICG Longbow	12	8
	161	143

The performance related element included in wages and salaries is £32.2m (2012: £57.2m). This is derived from the annual bonus scheme, the Omnibus Scheme, the Balance Sheet Carry Scheme and in 2012 the MTIS.

11. Tax expense

Analysis of tax on ordinary activities	2013 £m	2012 £m
Current tax		
Current period	30.9	58.9
Prior year adjustment	(10.9)	(10.2)
Deferred taxation		
Current period	2.6	7.5
Prior year adjustment	(3.8)	–
Tax on profit on ordinary activities	18.8	56.2

	2013 £m	2012 £m
Profit on ordinary activities before tax	142.6	243.8
Profit before tax multiplied by the rate of corporation tax in the UK of 24% (2012: 26%)	34.2	63.4
Effects of:		
Non-deductible expenditure	(0.1)	6.1
Current year risk provision	0.8	3.8
Tax losses not recognised	1.8	0.4
Prior year adjustment to deferred tax	(3.8)	2.9
Changes in statutory tax rates	(0.5)	0.2
Overseas tax credit	(2.7)	(10.4)
Prior year adjustment to current tax	(10.9)	(10.2)
Current tax charge for the year	18.8	56.2

The current year tax charge is lower than the standard rate of corporation tax of 24%. This is principally due to prior year adjustments of £9.0m credit relating to termination payments made under the Medium Term Incentive Scheme (MTIS).

Our business 2 – 17
Business review 18 – 37
Funds and portfolio 38 – 45
Governance 46 – 76
Financial statements 77 – 112

11. Tax expense continued

Throughout the duration of the MTIS scheme, a partial deferred tax asset was recognised based on estimations of future tax relief on cash flows under the scheme. During the current period, the final cash payments were made in respect of the termination of the scheme, enabling the final tax position to be calculated. This gave rise to a one off £9.0m credit to the tax charge.

12. Dividends

	2013		2012	
	Per share pence	£m	Per share pence	£m
Ordinary dividends paid				
Final	13.0	50.5	12.0	46.8
Interim	6.3	24.4	6.0	23.3
	19.3	74.9	18.0	70.1

The proposed final dividend for the year ended 31 March 2013 is 13.7p per share (2012: 13.0p per share) which will amount to £55.1m (2012: £50.5m). Of the £74.9m (2012: £70.1m) of dividends paid, no scrip dividends were taken (2012: £1.2m).

13. Earnings per share

Earnings	2013 £m	2012 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	124.4	188.3

Number of shares	2013	2012
Weighted average number of ordinary shares for the purposes of basic earnings per share	387,528,665	395,135,061
Effect of dilutive potential ordinary shares share options	46,245	422,943
Weighted average number of ordinary shares for the purposes of diluted earnings per share	387,574,910	395,558,004

Earnings per share (EPS)	32.1p	47.7p
Diluted earnings per share	32.1p	47.6p

14. Intangible assets

Group	Goodwill		Investment Management Contract		Total	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Cost						
At 1 April	4.3	4.3	5.1	5.1	9.4	9.4
Additions	–	–	–	–	–	–
At 31 March	4.3	4.3	5.1	5.1	9.4	9.4
Amortisation and impairment losses						
At 1 April	–	–	1.6	0.3	1.6	0.3
Amortisation during the year	–	–	1.2	1.3	1.2	1.3
At 31 March	–	–	2.8	1.6	2.8	1.6
Net book value at 31 March	4.3	4.3	2.3	3.5	6.6	7.8

Notes to the accounts
For the year ended 31 March 2013 continued

14. Intangible assets continued

Intermediate Capital Managers Limited, a subsidiary company, purchased an investment management contract from Resource Europe in December 2010 for €5.9m (£5.1m). The contract is expected to generate junior, senior and incentive fees over a four year term and was therefore capitalised, and is amortised over the contract term on a straight line basis. Amortisation of investment management contracts is recognised in the income statement as an administrative expense. Goodwill arose from the 51% equity share acquisition of Longbow Real Estate Capital in December 2010. Total consideration of £4.3m was paid for £nil net assets and liabilities.

15. Property, plant and equipment

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Furniture and equipment				
Cost				
At 1 April	11.5	10.5	10.0	8.8
Additions	0.5	1.2	0.6	1.2
Disposals	–	(0.2)	–	–
At 31 March	12.0	11.5	10.6	10.0
Depreciation				
At 1 April	7.6	5.5	5.9	4.1
Charge for the year	1.5	2.3	1.9	1.8
Depreciation on disposals	–	(0.2)	–	–
At 31 March	9.1	7.6	7.8	5.9
Net book value	2.9	3.9	2.8	4.1
Short leasehold premises				
Cost				
At 1 April	4.7	4.5	4.0	3.9
Additions	0.8	0.2	0.2	0.1
At 31 March	5.5	4.7	4.2	4.0
Depreciation				
At 1 April	3.0	2.5	2.9	2.2
Charge for the year	0.8	0.5	0.2	0.7
At 31 March	3.8	3.0	3.1	2.9
Net book value	1.7	1.7	1.1	1.1
Total net book value	4.6	5.6	3.9	5.2

16. Non controlling interests

The Group has consolidated the following companies which have non controlling interests:

	2013		2012	
	% Non-controlling interest	£m	% Non-controlling interest	£m
Longbow Real Estate Capital LLP	49%	(0.3)	49%	0.1
LREC Partners Investments No.2 Ltd	41%	–	41%	–
As at 31 March		(0.3)		0.1

	2013 £m	2012 £m
Loss retained for the year	(0.6)	(0.7)

17. Financial assets – non-current

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Loans and receivables held at amortised cost	2,010.7	1,938.5	1,479.0	1,426.7
Investment in subsidiaries	–	–	270.9	133.4
AFS financial assets held at fair value	350.5	283.4	45.0	39.8
Financial assets designated as FVTPL	294.4	97.7	136.3	58.5
Derivative financial instruments held at fair value – warrants	40.2	32.6	11.7	8.3
	2,695.8	2,352.2	1,942.9	1,666.7
Other derivative financial instruments held at fair value	14.7	21.6	14.7	21.6
	2,710.5	2,373.8	1,957.6	1,688.3

The financial assets designated as FVTPL include an investment in associate of £85.0m (2012: £nil), ICG Europe Fund V Jersey, which is an investment fund incorporated in Jersey. The Group holds a 20% investment as at 31 March 2013.

The movement in AFS financial assets during the year is set out below:

	Group		Company	
AFS financial assets	2013 £m	2012 £m	2013 £m	2012 £m
Balance at 1 April	283.4	198.0	39.8	46.1
Additions	2.3	8.7	0.8	0.8
Fair value movement	65.0	151.1	4.9	(4.2)
Realisations	(10.9)	(66.5)	(1.2)	(0.4)
Foreign exchange	10.7	(7.9)	0.7	(2.5)
Balance at 31 March	350.5	283.4	45.0	39.8

Notes to the accounts
For the year ended 31 March 2013 continued

18. Trade and other receivables

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Other receivables	29.7	35.5	10.0	19.6
Amount owed by Group companies	–	–	432.3	429.7
Prepayments	24.2	11.6	11.3	2.9
	53.9	47.1	453.6	452.2

19. Financial assets – current

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Loans and investments – held for sale	30.4	49.7	30.4	33.6
Other derivative financial instruments held at fair value	40.2	12.8	40.2	12.8
	70.6	62.5	70.6	46.4

20. Called up share capital and own shares reserve

Group and Company	2013 £m	2012 £m
Authorised		
450,000,000 (2012: 450,000,000) ordinary shares of 20p	90.0	90.0
Allotted, called up and fully paid		
402,056,200 (2012: 400,190,206) ordinary shares of 20p	80.4	80.0

The own shares reserve represents the cost of shares in ICG purchased in the market and held by the EBT. The EBT purchased an amount of 3,984,457 (2012: 4,813,531) shares of 20p each, for consideration of £13.3m (2012: £12.9m), to hedge future liabilities arising under long term incentive plans. This represented 0.99% (2012: 1.20%) of the Parent Company's share capital at 31 March 2013. 230,759 shares (2012:1,358,929) were distributed to employees on exercise for a total exercise price of £637,351 (2012: £3,837,526).

21. Provisions

Group and Company	Onerous Lease £m
At 1 April 2012	4.4
Utilisation of provision	(0.6)
Unwinding of discount	0.2
As at 31 March 2013	4.0

The provisions are expected to mature in the following time periods:

Group and Company	2013 £m	2012 £m
Less than one year	0.4	0.5
One to five years	2.3	2.0
Greater than five years	1.3	1.9
Total greater than one year	3.6	3.9
As at 31 March	4.0	4.4

The Group holds onerous lease provisions of £4.0m (2012: £4.4m) against certain leaseholds in connection with surplus space. The provision for these onerous lease contracts has been made taking into account residual lease commitments, other outgoings and sub-letting arrangements. It is envisaged that the provisions will be utilised on an even basis until 2021.

22. Financial liabilities

Group	2013 Current £m	2013 Non-current £m	2012 Current £m	2012 Non-current £m
Liabilities held at amortised cost:				
– Private placement	142.9	198.3	–	322.0
– Retail bond	–	113.5	–	34.6
– Revolving credit facility	44.8	–	74.1	–
– Bilateral facilities	–	104.4	–	–
– Syndicated bank facilities	274.0	–	–	137.3
– Floating rate secured notes	–	272.7	–	398.6
Bank overdraft	10.7	–	9.5	–
	472.4	688.9	83.6	892.5

The floating rate notes are secured on the debt portfolio of a subsidiary company, Intermediate Finance II plc. The carrying value of the portfolio is £426.3m (2012: £427.0m).

Since the year end we have raised a further $150.0m from private placements and signed £100.0m of new facilities to 2016, which includes a £67.0m roll over of an existing facility and a new banking relationship.

Company	2013 Current £m	2013 Non-current £m	2012 Current £m	2012 Non-current £m
Liabilities held at amortised cost:				
– Private placement	142.9	198.3	–	322.0
– Retail bond	–	113.5	–	34.6
– Revolving credit facility	44.8	–	74.1	–
– Bilateral facilities	–	104.4	–	–
– Syndicated bank facilities	274.0	–	–	137.3
Bank overdraft	10.7	–	9.5	–
	472.4	416.2	83.6	493.9

23. Trade and other payables

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Trade payables	1.9	14.5	0.9	3.9
Accruals	75.7	109.0	59.5	106.1
Amounts owed to Group companies	–	–	255.9	251.5
Social security tax	1.4	0.6	1.4	0.5
	79.0	124.1	317.7	362.0

Notes to the accounts
For the year ended 31 March 2013 continued

24. Deferred tax

Group	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2011	16.5	8.2	(11.8)	(0.2)	12.7
Charge to equity	–	23.1	–	–	23.1
Charge to income	0.7	–	6.7	0.1	7.5
At 31 March 2012	17.2	31.3	(5.1)	(0.1)	43.3
Prior year adjustment	(1.8)	2.1	(3.9)	(0.2)	(3.8)
Charge to equity	–	11.0	–	–	11.0
(Credit)/Charge to income	(1.7)	8.8	(4.5)	–	2.6
At 31 March 2013	13.7	53.2	(13.5)	(0.3)	53.1

Company	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2011	16.5	2.5	(11.7)	0.1	7.4
Charge to equity	–	(1.2)	–	–	(1.2)
Charge to income	0.7	–	7.7	(0.1)	8.3
At 31 March 2012	17.2	1.3	(4.0)	–	14.5
Prior year adjustment	(1.8)	–	(1.2)	(0.8)	(3.8)
Charge to equity	–	1.1	–	–	1.1
(Credit)/Charge to income	(1.7)	0.7	(2.5)	–	(3.5)
At 31 March 2013	13.1	3.1	(7.7)	(0.8)	8.3

Deferred tax has been accounted for at the substantively enacted corporation tax rate of 23% (2012: 24%). Further reductions to the main rate have been proposed to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. These further reductions in the tax rate had not been substantively enacted at the balance sheet date and therefore are not reflected in these financial statements.

As at 31 March 2013 the Group has tax losses carried forward of £18.6m (2012: £11.8m). It is not probable that these will be utilised and therefore no deferred tax asset has been recognised.

25. Share based payments

All share based payment transactions are equity-settled. The total charge to the income statement for the year was £13.6m (2012: £13.1m) and this was credited to the reserve in equity for share based payments.

Intermediate Capital Group plc 2001 Approved and Unapproved Executive Share Option Scheme

The Company had a number of share option schemes for certain employees of the Group. All options under the Intermediate Capital Group plc 2001 scheme have vested, no new options will be awarded as the scheme is now closed. Analysis of movements in the number and weighted average exercise price of options is set out below:

	Number		Weighted average exercise price (£)	
	2013	2012	2013	2012
Outstanding at 1 April	5,353,766	6,435,473	3.59	3.57
Forfeited	(1,104,558)	(565,353)	3.31	4.34
Exercised	(1,642,669)	(516,354)	3.48	2.52
Outstanding at 31 March	2,606,539	5,353,766	4.51	3.59
Of which are currently exercisable	427,198	3,161,926	2.73	4.54

The weighted average remaining contractual life is 2.96 years (2012: 4.7 years).

25. Share based payments continued

Intermediate Capital Group plc 2001 Approved and Unapproved Executive Share Option Scheme continued

Exercise price	2013 Number	2012 Number
£2.230	284,876	2,166,239
£2.947	25,601	25,601
£6.008	314,604	314,604
£4.844	790,073	901,551
£5.048	136,762	136,762
£4.286	592,830	718,829
£4.101	88,471	88,471
£4.731	321,821	428,566
£4.729	23,251	23,251
£3.322	28,250	305,962
£3.256	–	243,930

Intermediate Capital Group plc Omnibus Plan

Details of all the different types of awards under the Omnibus Plan are provided in the Report of the Remuneration Committee on pages 57 and 58.

Share awards outstanding under the Omnibus Plan were as follows:

	Number		Weighted average fair value (£)	
Deferred Share Awards	2013	2012	2013	2012
Outstanding at 1 April	843,382	546,267	3.02	2.58
Granted	434,342	503,705	2.33	3.34
Vested	(329,550)	(182,082)	2.96	2.58
Forfeited	(84,950)	(24,508)	2.58	3.16
Outstanding at 31 March	863,224	843,382	2.74	3.02

	Number		Weighted average fair value (£)	
PLC Equity Awards	2013	2012	2013	2012
Outstanding at 1 April	4,937,534	2,854,134	2.90	2.58
Granted	1,932,804	2,083,400	2.33	3.34
Outstanding at 31 March	6,870,338	4,937,534	2.74	2.90

	Number		Weighted average fair value (£)	
FMC Equity Awards	2013	2012	2013	2012
Outstanding at 1 April	81,603	40,938	217.00	190.00
Granted	44,568	40,665	245.00	245.00
Outstanding at 31 March	126,171	81,603	2.27	217.00

The fair values of awards granted under the ICG plc Omnibus Plan are determined by the average share price for the five business days prior to grant except for the FMC equity awards which are determined by an independent third party valuation.

Notes to the accounts
For the year ended 31 March 2013 continued

26. Financial commitments

The Company's outstanding commitments at 31 March 2013 were £524.7m (2012: £462.1m) and these can be called on within the next five years. This balance is largely due to the Company's commitments to ICG Europe Fund V.

27. Operating leases

At the balance sheet date, the Group and Parent Company had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Within one year	3.8	3.0	2.2	2.0
Two to five years	13.3	8.5	8.9	6.0
After five years	7.9	10.8	6.1	8.2

28. Related party transactions

All transactions between the Parent Company and its subsidiary undertakings are classified as related party transactions. All significant Company balances with subsidiary undertakings are disclosed in notes 16, 18 and 23. Aggregated significant transactions with subsidiary undertakings are as follows:

	2013 £m	2012 £m
Service charges paid	–	11.5
Dividends received	77.5	121.4

Management consider key management personnel to be the Executive Committee who are also members of the Board of Directors, and all related party transactions are disclosed in the Remuneration report.

29. Principal Group companies

The principal subsidiary undertaking of the Group are shown below. All are wholly owned, except where stated.

Name	Country of incorporation	Principal activity
Intermediate Capital Investments Ltd	England and Wales	Investment company
Intermediate Capital Managers Ltd*	England and Wales	Advisory company
Intermediate Finance II PLC	England and Wales	Provider of mezzanine
JOG Partners Limited**	England and Wales	Investment company
Intermediate Investments LLP	England and Wales	Holding company for loans and investments
Intermediate Investments Jersey Ltd	Jersey	Investment company
Intermediate Capital Asia Pacific Ltd*	Hong Kong	Advisory company
Intermediate Capital Group SAS*	France	Advisory company
Intermediate Capital Group Espana SL*	Spain	Advisory company
Intermediate Capital Nordic AB*	Sweden	Advisory company
Intermediate Capital Group Beratungsgesellschaft*	Germany	Advisory company
Intermediate Capital Group Benelux B.V.*	Netherlands	Advisory company
Intermediate Capital Australia Pty Ltd*	Australia	Advisory company
Intermediate Capital Group Inc*	United States of America	Advisory company
Intermediate Capital Group (Singapore) Pte. Limited*	Singapore	Advisory company
ICG FMC Limited	England and Wales	Holding company for funds management
Longbow Real Estate Capital LLP (51% owned)	England and Wales	Advisory company
ICG EF V Jersey Ltd	Jersey	General Partner
ICG Europe Fund V Jersey (20% owned)	Jersey	Investment company

All companies listed above have a reporting date of 31 March.

* Subsidiary of ICG FMC Limited

** JOG Partners Limited is a member of Intermediate Investments LLP.

30. Contingent liabilities

The Company and its subsidiaries may be party to legal claims arising in the course of business. The Directors do not anticipate that the outcome of any such potential proceedings and claims will have a material adverse effect on the Group's financial position and at present there are no such claims where their financial impact can be reasonably estimated. The Company and its subsidiaries may be able to recover any monies paid out in settlement of claims from third parties.

31. Post balance sheet events

Post balance sheet date of 31 March 2013 the Group realised £73.6m of principal and £46.6m of PIK interest and agreed, subject to completion, to dispose of an asset which will generate a realised capital gain of £106.0m in the new financial year.

Glossary

Term	Short form	Definition
Assets under management	AUM	Value of all funds and assets managed by the FMC.
Carried Interest	Carry	Share of profits that the fund manager is due once it has returned cost of investment and agreed preferred return to investors.
Cash core income	CCI	Profit before tax excluding fair value movement on derivatives, unrealised capital gains, impairments and unrealised rolled up interest.
Catch up fees		Fees not previously accrued on basis of income being uncertain or fees payable by mezzanine fund investors for periods prior to current close.
Collateralised Debt Obligation	CDO	Investment grade security backed by pool of non mortgage based bonds, loans and other assets. CDO values and payment are derived from a portfolio of fixed income underlying assets.
Collateralised Loan Obligation	CLO	CLO is a type of CDO, which is backed by a portfolio of loans.
Close		A stage in fundraising whereby fund is able to release or draw down the money raised to that date, to enable it to begin investing.
Employee Benefit Trust	EBT	Special purpose vehicle used to purchase ICG plc shares which is used to satisfy share options and awards granted under the Group's employee share schemes.
Financial Conduct Authority	FCA	Successor to the FSA which regulates conduct by both retail and wholesale financial service firms in provision of services to consumers.
Financial Reporting Council	FRC	UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment.
Fund Management Company	FMC	Group's operating vehicle, which sources and manages investments on behalf of the IC and third party funds.
High Yield		Sub investment grade bond that have higher risk of default but pays higher yields.
Investment Company	IC	The investment unit of ICG plc. It co-invests alongside third party funds.
Leveraged Buy Out	LBO	Acquisition which is financed by a significant amount of borrowed money. Assets of the acquired company will usually be used as collateral for loans.

Term	Short form	Definition
Medium Term Incentive Scheme	MTIS	Old incentive scheme closed in FY12.
Mezzanine		Mezzanine refers to a subordinated debt or preferred equity instrument that represents a claim on a company's assets which is senior only to equity.
Payment in Kind	PIK	Also known as rolled up interest. PIK is to be interpreted as interest accruing until maturity or refinancing, without any cash flows until that time.
Performance fees		Incentive fees based on the performance of CDO assets and carried interest income based on the performance on mezzanine funds.
Pre-incentive cash profit	PICP	Profit before tax adjusted for non cash items, fair value movement of derivatives, unrealised capital gains and unrealised rolled up interest.
Return on equity	ROE	Profit after tax divided by average shareholders' funds for the period.
Seed equity		Initial funding into the fund usually prior to third party commitments.
Turnbull Committee guidance		Guidance published by the FRC setting out best practice on internal control for UK listed companies.
UK Corporate Governance Code	The Code	Sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Shareholder information

Timetable

Ex dividend date	12 June 2013
Record date for financial year 2013 final dividend	14 June 2013
AGM and Interim Management Statement	17 July 2013
Payment of final dividend	24 July 2013
Half year results announcement for the 6 months to 30 September 2013	21 November 2013

Website

The Company's website address is www.icgplc.com
Copies of the Annual and Interim Reports and other information about the Company are available on this site.

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