

ICG

ANNUAL REPORT AND ACCOUNTS

2014







For 25 years, ICG has been trusted by investors. Trusted to offer the right products. Trusted to take the right risks. Trusted to specialise and stay close to our assets. Trusted to deliver returns.

IN THIS REPORT

HOW WE ARE MOVING FORWARD

Over the page, our Chairman and CEO offer their thoughts on 2013/14, and 25 years of ICG.

This year's Annual Report is different. We've taken the opportunity offered by the introduction of the new 'strategic report' regulations to improve structure and flow, and to make sure that we are reporting on the things that are material to our audience.

The graphic below shows how we have arranged this year's Strategic report.



The first part of our Strategic report focuses on our long term objectives, our strategy for meeting them, our performance so far, and our underlying business model.

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CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

The 25th year of ICG's existence marks an important step in the transformation of the Group.



JUSTIN DOWLEY
Chairman



CHRISTOPHE EVAIN
Chief Executive Officer

The 25th year of ICG's existence marks an important step in the transformation of the Group. From a niche European mezzanine investment firm, we have evolved into a specialist asset manager providing mezzanine finance, private debt, leveraged credit and minority equity to mid market corporates in Europe, Asia and the US and to real estate in the UK. This has been achieved through significant, yet disciplined, investment in people, systems and infrastructure. More importantly, this was only made possible by leveraging our enviable investment track record based on selective and active portfolio management, as well as an access to capital resources that few of our competitors enjoy.

In many respects, this past year has given us confidence in the success of our strategy.

WAVE OF LIQUIDITY LEADS TO A RECORD BREAKING YEAR

We have had a record fundraising year and realised a record amount of cash for our fund investors and balance sheet, aided by the increased availability of capital in the economy. As a result we are managing €13.0bn of assets in third party funds and proprietary capital, up 0.4% on March 2013.

As historically low levels of interest rates induced investors to search for higher yielding assets, we were able to raise €3.8bn of third party money, up 69% compared to our previous highest fundraising effort. First time funds and new strategies represent 45% of the total raised, spearheaded by Senior Debt Partners, our European direct lending strategy, and our first US CLO. Another key measure of success is the ability to close funds at their hard cap – the maximum permitted size. Both our ICG Longbow III mezzanine fund at £700m and our Senior Debt Partners strategy at €1.7bn, closed at that hard cap level. The Group was also a leading issuer of European CLOs during the year, raising €1.3bn from three fundraisings, two of which were upsized during the fundraising process. This momentum has continued into the new financial year as our US Private Debt Fund had a \$450m first close, including \$200m from ICG.

The strong year of realisations, which follows a period of low realisations, has provided further evidence of our ability to generate good cash returns from our portfolio and continue to enhance our track record. We have realised over £1.1bn of cash for our balance sheet and £2.7bn to our fund investors during the year. This includes through the full, or partial, repayment of 12 of the Group's opening top 20 assets and the corresponding positions in our mezzanine funds, achieving an average money multiple on those assets of 2.1x. We have retained a minority equity position in many of these assets which we expect to realise in the next few years. As many of these investments were made when the balance sheet invested more than the third party mezzanine funds in any given deal, the impact of these realisations



13.0
€bn

Assets under management



158.7
£m

Profit before tax

has been felt most strongly on the size of our balance sheet portfolio. Whilst the short term impact of these successful realisations reduces our volume of assets under management, the returns generated further enhance our track record and help to lay the ground for ongoing future fundraising success, as evidenced by our momentum in growing third party AUM during the year.

The more benign environment in debt markets makes the investment market more competitive for our teams and generating attractive opportunities, whilst maintaining our historic credit discipline, has become more challenging. During the year we nevertheless invested a record £630.8m on behalf of our mezzanine funds, £524.3m on behalf of our Senior Debt Partners strategy and £330.0m on behalf of our real estate funds. In addition, ICG co-invested £212.4m alongside our mezzanine funds and committed £181.1m of capital to our credit and real estate funds. All these funds have been deploying capital at, or ahead of, investors' expectations without compromising our rigorous investment discipline and process. This is testament to our teams' ability to originate local transactions and their propensity to offer innovative financing solutions.

A small number of weaker assets within our investment portfolio continue to underperform and we took specific provisions against a number of these assets during the year. The level of provisions against our weaker assets, borne out of the financial crisis, should gradually reduce as we actively manage these remaining weaker investments. Elsewhere the portfolio is performing solidly, and the assets we have restructured during the year are showing signs of improving performance.

DIVIDENDS AND CAPITAL MANAGEMENT

We are committed to financial discipline, both in terms of the quality of investment and strategic allocation of resources, as well as ensuring that an appropriate capital structure is maintained, all targeted to generate strong returns for shareholders. We allocate capital to strategies which are expected to create long term value, whilst having consideration to maintaining broad access to financing sources and debt markets, and ensuring sufficient robustness for the Group to withstand periods of market stress.

We seek to maximise the value of the business by applying balance sheet capital in three main ways, namely:

1. Continuing to invest in well established strategies such as European mezzanine and CLOs
2. Investing in strategies that have been established but continue to mature such as Longbow and Senior Debt Partners
3. Providing capital to incubate selective new strategies that expand ICG's geographical and product offering such as the Nomura partnership and US Private Debt funds

The investment of balance sheet capital in a broader range of fund management products will create sustainable earning streams as these strategies mature. As this occurs, the Fund Management Company will be generating a greater level of reliable earnings which the Board strongly believes will translate into strong shareholder returns. This will enable the Group to improve its return on equity over the medium term.

We consider it important that the Group maintains a strong balance sheet position with a consistent access to the debt markets. Accordingly, considerations such as maintaining a strong and stable credit rating and the financial covenants to lenders are factored into the Board's assessment of the Group's capital structure.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

continued

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*Our business model
and 25 year track
record leave us well
positioned for growth.*

”

We also understand the value that shareholders place on regular and sustainable dividend payments and we remain committed to a dividend policy linked to cash core income. In addition to this, we perform an ongoing assessment of the Group's capital requirements with reference to the above factors over a three year horizon and should there be any capital surplus to requirements, we will look to return capital to shareholders at the appropriate time.

Following a review of cash core income over a three year period, the Board recommend a final dividend of 14.4p per share, making a total of 21.0p per share for the year, up 5% on last year. If approved at the Annual General Meeting (AGM), the dividend will be paid on 28 July 2014 to shareholders on the register on 13 June 2014. The Board has decided to maintain the dividend reinvestment plan (DRIP). Whilst the Group currently is investing significant capital into the development of the strength and breadth of the Fund Management business, after a record year of realisations we believe that there is scope to reduce the capital base at this time. We therefore announce our intention to launch a share buyback programme of up to £100m which will be conducted via market purchases over the coming 12 months.

OUR EMPLOYEES

Our people are critical to the business developing as a third party asset manager and achieving our strategic priorities. On behalf of the Board, we thank them wholeheartedly for the enormous efforts they have made during the last year. Without their commitment we would not have been able to raise and invest our funds, manage our assets successfully and open up attractive new markets to facilitate the continued growth of our business.

LOOKING AHEAD

Our strong balance sheet, scalable infrastructure and dedicated global distribution team mean we are well positioned to continue to develop as a third party asset manager.

Our product pipeline is stronger than ever before which is underpinning the momentum in our fundraising. In addition to raising money for well established products, like European CLOs, during the year ahead we aim to continue to expand our geographical and product offering. We are currently in the market with a US private/mezzanine debt fund, an Australian senior loans fund and our third Asia Pacific fund. Preparations are also ongoing for a domestic Japanese mezzanine fund in partnership with Nomura, an alternative credit product, following a recent team hire, and US CLOs.

We are focused on managing our portfolio, with a particular focus on the small number of weaker assets, to maximise value for our investors. The continued availability of debt means our investment teams will need to maintain their investment discipline in the competitive environment and we will continue to see a steady stream of realisations.

For the last 25 years we have built upon the vision of our four founders. Whilst we are proud of our accomplishments, the achievements of the last year mean that we are confident that we are building for another 25 years of success.



JUSTIN DOWLEY
Chairman



CHRISTOPHE EVAIN
Chief Executive Officer

Strategic report

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MOVING FORWARD

We are moving away from our traditional role as a principal investor and towards a role as a manager of third party funds.

PROGRESSING ICG'S TRANSITION TO AN ASSET MANAGER

ICG continues its transition to being a manager of third party funds from being a principal investor.

The decision to develop the Group as a third party asset manager recognised the opportunity to use the investment skill and balance sheet strength of the business to generate long term growth.

The investment skills of ICG as a third party asset manager are underpinned by three platforms:

- The recently recruited dedicated marketing and distribution team who sell our products into the market and develop longstanding and meaningful investor relationships
- The infrastructure teams which are of sufficient scale to meet the demands of a growing business in an increasingly complex regulatory environment
- The balance sheet which permits participation in, and shows Group support for, a much greater product range than ever before by investing, as appropriate, in selective products

Not only does this strategic direction allow the Group to deliver long term growth and attractive returns, but diversified sources of recurring fee income will increase the stability of the Group's performance.

At the heart of the transition to a third party asset manager is the realisation of assets where ICG acted as a principal investor and the redeployment of that capital in the broadened product range. Realisations are by nature lumpy and the timing is rarely within the Group's control. When the Group commits capital to new funds it is drawn down as the fund gets invested. This can take up to five years depending on the product. This variation in timing gives rise to inherent challenges in managing the Group's capital. A strong balance sheet is a competitive advantage in our market, and acts as an enabler to achieving our ambitions, allowing the Group to be competitive in regulated markets.

TRANSITION TIMESCALES AND PROGRESS

Since ICG began its transition to an asset manager in 2010 we have successfully established an in house distribution capability, expanded our product range and further developed a scalable infrastructure team. In March 2010 the balance sheet represented 26% of all assets managed, in March 2014 this has reduced to 18% and the continued growth of our product base will see this percentage fall further.

The Group has three separate but interlinked strategic priorities:

- Grow assets under management
- Invest selectively
- Manage portfolios to maximise value

This section, together with the sections set out on pages 2 to 4 comprise the Strategic report.



JUSTIN DOWLEY
Chairman



CHRISTOPHE EVAIN
Chief Executive Officer

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We have successfully established a dedicated distribution capability, expanded product range and scalable infrastructure team.

”

STRATEGIC OBJECTIVES



1

We aim to grow the profits of our fund management business by increasing AUM. We will build on our strong track record, in house distribution team and balance sheet strength to:

- Maximise the existing product portfolio
- Expand our client base and existing products geographically
- Expand our product range in existing geographies

2

We aim to invest our AUM on a selective basis to maximise risk adjusted returns using:

- The sector specialisations of our credit teams
- Our local network of originators
- A disciplined approach to considering each investment opportunity

3

We aim to manage portfolios to maximise our returns, thereby building on our strong track record and generating capital to invest in new products. We aim to do this by:

- Reviewing each investment's performance at least quarterly
- Engaging regularly with management and sponsors
- Proactively working out problems where appropriate

PERFORMANCE AND PRIORITIES

We have identified a number of key performance indicators (KPIs), which, taken together, measure the progress we have made in meeting our strategic objectives.

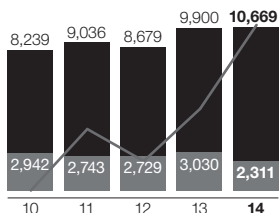
1

GROW OUR ASSETS UNDER MANAGEMENT (AUM)

KPI

Total AUM (€m)

■ Total third party AUM
■ IC — New AUM



€13.0bn

OVERVIEW

The Group earns fees on assets under management – once they are either committed or invested, depending on the fund.

The growth in assets under management, by raising new funds (including jointly managed funds) is a lead indicator of revenue growth for the business.

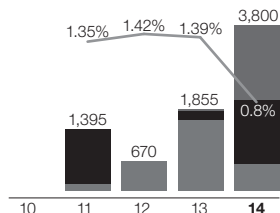
REVIEW OF PERFORMANCE

Assets under management have remained flat during the year as the record fundraising has been offset by the realisation of assets in older funds. This has particularly impacted the size of the Investment Company portfolio. Going forward, we expect that fundraising will exceed realisations and lead to an increase in AUM.

KPI

Fee rate on new AUM (%)

■ CLOs and liquid strategies (€m)
■ Direct investment credit fund (€m)
■ Direct investment mezzanine funds (€m)
— Weighted average fee rate on new AUM



0.8%

OVERVIEW

We monitor the average weighted fee rate to ensure that new AUM is profitable.

Fees reflect the risk/return profile of the underlying asset and are typically higher for direct investment funds.

REVIEW OF PERFORMANCE

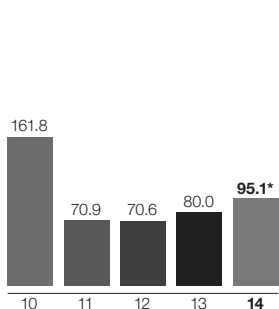
During financial year 2014 our fundraising was substantially for specialist credit funds and CLOs. These lower fee products typically generate a higher marginal profit for the Group as the asset management platform is more scalable. This contrasts to the preceding years where mezzanine funds, which attract higher fees, dominated fundraising.

3

MANAGE PORTFOLIOS TO MAXIMISE VALUE

KPI

Impairments (€m)



£95.1m

OVERVIEW

Impairments are charged when there is a reduction in the value of an interest bearing asset.

Impairments impact the performance and returns of a fund. An indicator of fund performance is the level of impairments incurred in the Investment Company portfolio.

REVIEW OF PERFORMANCE

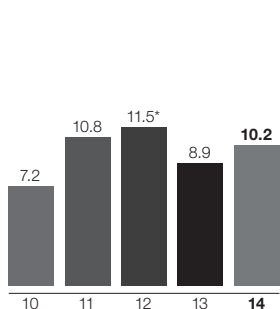
A small number of weaker assets within our investment portfolio continue to underperform and we took specific provisions against a number of these assets during the year.

The level of provisions should reduce as we have gradually worked through the remaining weaker assets and portfolio difficulties borne out of the financial crisis.

*Excluding £17.3m on a restructured asset for which a corresponding uplift is reported through unrealised gains

KPI

Return on equity (ROE) (%)



10.2%

OVERVIEW

Group ROE is a key indicator of our ability to maximise returns from our business. However, in any given year, our ROE is impacted by the timing of realisations and impairments, which by their nature are irregular.

Over the medium term the Group is looking to improve its ROE.

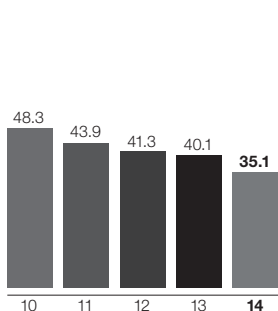
REVIEW OF PERFORMANCE

Our success at realising our assets over the year has crystallised value for the Group. The cash generated has been used to reduce our outstanding debt and this, together with the investment in growth initiatives, has impacted short term ROE.

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

KPI

FMC operating margin (%)



35.1%

OVERVIEW

The operating margin of the Fund Management Company (FMC) is a measure of the efficiency and scalability of the business.

As the Group has invested substantially in its growth, the return on this investment is measured through the operating margin.

REVIEW OF PERFORMANCE

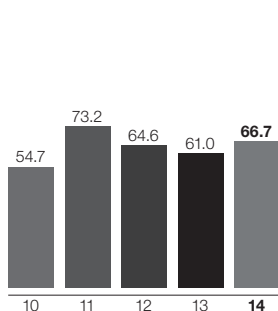
We have invested in an in house distribution team and new product initiatives in recent years. This, combined with an increase in new funds charging fees on an invested capital basis has impacted the operating margin. As we invest recently raised money, and raise new and successive funds, we expect operating margins to increase.

2

INVEST SELECTIVELY

KPI

Investment performance (%)



66.7%

OVERVIEW

A measure of investing selectively is the investment performance of our funds. However, as a specialist asset manager, reliable comparable data is not readily available.

For the funds where we originate assets the best indicator of the quality of our investment decisions is the underlying EBITDA performance of our portfolio companies.

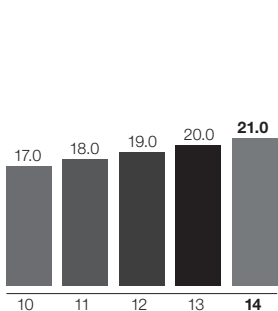
REVIEW OF PERFORMANCE

The Group expects at least 60% of the portfolio companies in its mezzanine direct investment funds to report results above the prior year.

The performance in the current financial year has been supported by the improving economic environment.

KPI

Dividend per share (p)



21.0p

OVERVIEW

Our ability to pay dividends and return value to shareholders is a measure of our ability to generate returns from our Investment Company portfolio and managing third party funds.

Further details of the economic model of the business are provided on page 12.

REVIEW OF PERFORMANCE

The Group has a dividend policy, based on cash core income. Over the last five years we have generated sufficient returns from our business to grow the dividend year on year.

PRIORITIES FOR 2015

- The Group aims to maintain and build on its third party fundraising momentum across a broader range of products than ever before:

 - Existing strategies – launching the third Asia Pacific fund and further CLOs
 - New geographies – US debt, Australian Senior Loans and Japanese mezzanine
 - New products – Alternative Credit

The first time funds will contribute incremental fee streams to the Group and increase the operating leverage of the Fund Management Company.
- The Group has generated significant capital to deploy on funds raised over the last two years, and has ambitious fundraising targets for FY15. We aim to deploy the capital raised in line with the required investment run rate, subject to finding investment opportunities with the appropriate risk/return balance. The Group will maintain its disciplined approach to investment in a highly competitive market.
- The Group aims to maximise returns in older funds by realising assets to crystallise value for the balance sheet and our fund investors. The timing remains uncertain as it is rarely in the Group's control. During FY15 we will continue to actively manage our portfolios and to proactively work with management and sponsors on working out problems.

BUSINESS MODEL

HOW WE CREATE VALUE

WHAT WE DO AND WHY

We are a specialist asset manager of mezzanine finance, private debt, leveraged credit and minority equity. We manage €13.0bn of assets in third party funds and proprietary capital, providing finance to private corporates and real estate. We manage these assets using our large, experienced and specialist investment teams operating from our head office in London and our strong local network of overseas offices.

What we do is not unique, but the breadth and depth of our experience make us a specialist amongst asset managers, with an enviable track record of generating attractive returns for our investors.

Our outstanding track record, built up over 25 years, means that we are trusted by our investors to meet their expectations by taking

appropriate, considered risks when investing. We seek to balance risk and return, using detailed research and credit analysis to inform our judgement and create well diversified investment portfolios. We make full use of the specialist industry experience of our credit fund teams and the insights, knowledge and relationships of our local investment teams to identify attractive investments. Once invested, we continue to manage actively our portfolio to maximise returns.

Our balance sheet, along with our experienced, specialist, local investment teams, enables us to access and profit from opportunities unavailable to many other fund managers and financial institutions.



RISK MANAGEMENT

At every point in the value chain we manage key risks to deliver our strategy. Read more on page 28

Cash generated from the business is both reinvested in the business to facilitate future growth and returned to shareholders, principally in the form of dividends. In the last three years we have returned £223.2m to shareholders through dividends.

HOW OUR BUSINESS MODEL HAS EVOLVED

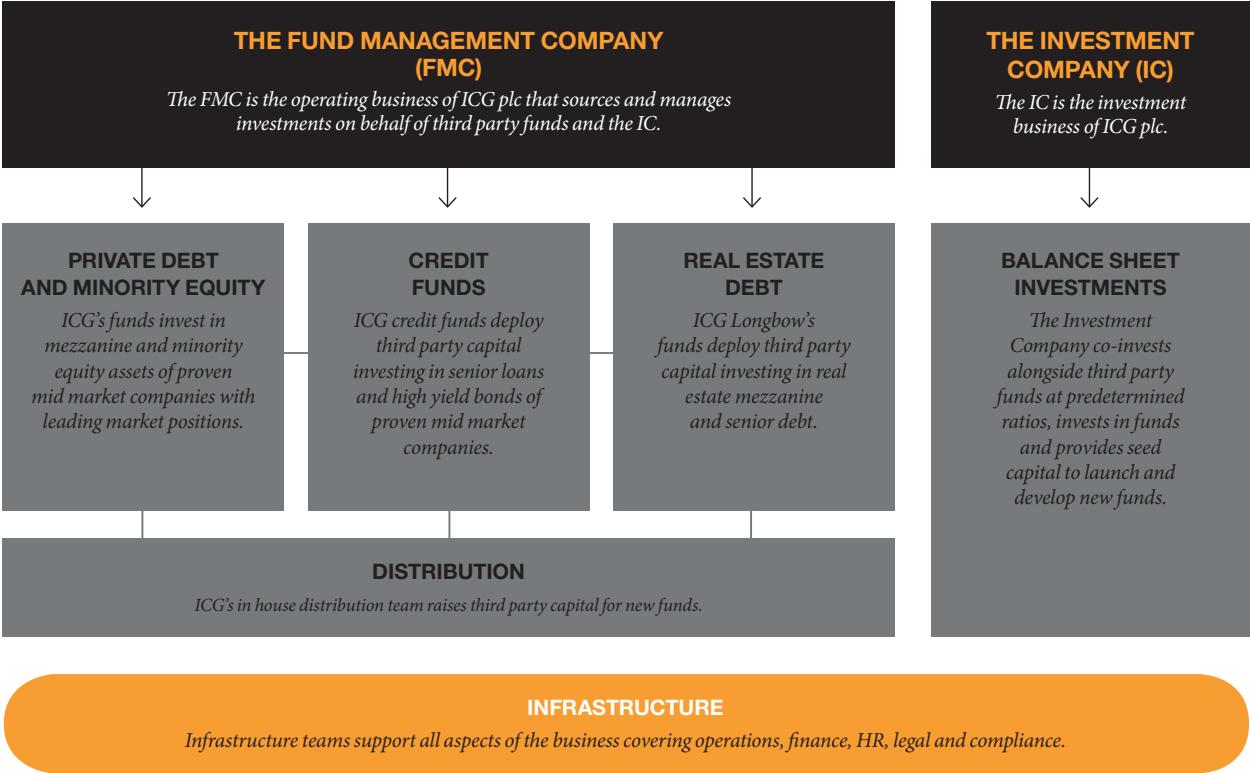
Our business model is evolving to reflect the Group's strategic shift towards becoming predominantly a third party asset manager. We are organised into two businesses, the Fund Management Company (FMC) and the Investment Company (IC), which are supported by a common infrastructure platform.

The IC is at the heart of ICG's principal investor origins. It uses our balance sheet funding to provide long term support to the FMC's third party funds, either through a predetermined co-investment ratio, fund investment or seed capital. Increasingly the IC's resources are being used to launch and develop new funds, thereby facilitating the expansion of the Group's product suite, in response to market opportunities, and growth of the FMC.

The FMC is the operating business of the Group, sourcing and managing investments on behalf of third party funds and the IC. The transition to being a third party asset manager will result in the FMC becoming a greater contributor to Group profitability, with predictable revenue streams and increasing operating leverage. The evolution of the business model to grow the FMC has included the development of a dedicated in house distribution team to build investor relationships and source investment into our funds.

Both the IC and FMC are supported by a common, scalable infrastructure platform to support the growth of the business in an increasingly complex regulatory environment.

HOW WE ARE STRUCTURED

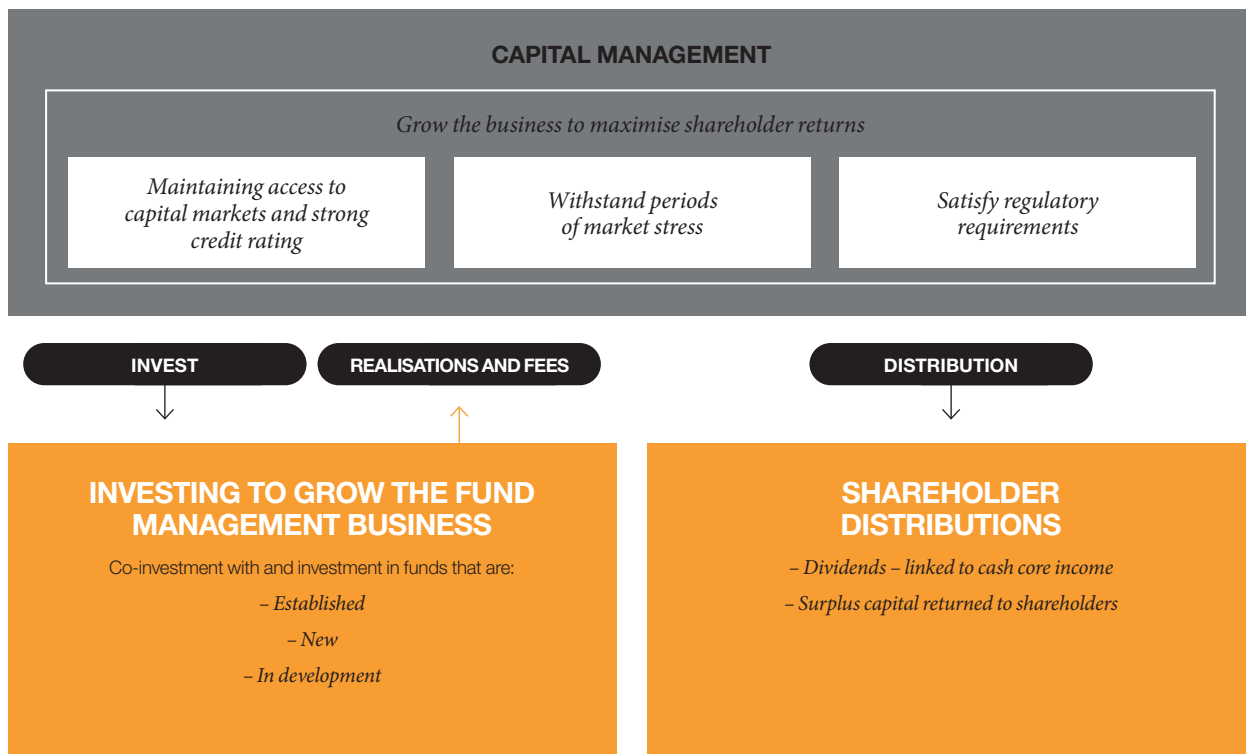


BUSINESS MODEL
continued

We are committed to financial discipline, both in terms of the quality of investment and strategic allocation of resources, as well as ensuring that an appropriate capital structure is maintained. Capital is allocated to strategies that are expected to create long term value. Consideration is given to maintaining broad access to financing sources and to debt markets, to regulatory requirements and to ensure the Group is sufficiently robust to withstand periods of market stress.

We will seek to maximise shareholder value by utilising our available capital to prioritise investment in opportunities which over a number of years will add sustainable income streams to the business and optimise our return on equity.

We understand the value that shareholders place on regular and sustainable dividend payments and we remain committed to a dividend policy linked to cash core income (see page 132 for definition). In addition, to the extent that we believe there is any material excess capital, we will return capital to our shareholders.





OUR KEY RESOURCES AND RELATIONSHIPS

You can read more about the key resources and relationships that enable our business model to function on page 36

RESOURCES

- *Investment management skills*
- *Distribution capabilities*
- *Scalable infrastructure*

RELATIONSHIPS

- *Third party investors*
- *Key finance counterparties*
 - *Regulators*
- *Asset sourcing networks*
- *Asset owners and management*

OUR COMPETITIVE ADVANTAGES

The combination of our outstanding investment track record over 25 years, expanding product range and the support of a strong balance sheet are significant differentiators when raising third party money.

Our client relationships, enhanced by the presence of our own distribution team, have continued to grow in breadth and depth, with recent fundraisings having a more geographically and institutionally diverse investor base. Our dedicated marketing and distribution team should enable us to build stronger and broader relationships which will further support us achieving our strategic priority of growing assets under management.

We have a consistent investment culture across all our products. This is based on a disciplined investment process, core credit principles and with a strong focus on capital preservation.

Each investment opportunity is assessed on its own merits and in the context of the expected risk and return requirements of the fund. Particularly we consider limiting the downside risk of the investment and the underlying focus is on generating cash returns through the life of the asset. Our investment strategy is underpinned by rigorous risk analysis.

We have local teams and sector specialists who speak the languages and understand the dynamics of the markets in which they operate. These investment teams have established our reputation as a trusted and experienced partner with innovative structuring skills. Our investments are tailored to provide a financing solution that fits the cash flows of the underlying asset to maximise value for our investors. Our local teams have built longstanding relationships with local sponsors, banks, advisers, and management teams, providing deal flow and early access to investment opportunities.

Post investment monitoring is a key focus of both our investment teams and the Investment Committees. Our investment professionals and credit analysts are responsible for attending management meetings, reviewing management data and following industry trends.

We typically seek Board attendance rights from portfolio companies in our mezzanine funds, currently attending approximately 85% of the Boards of our portfolio companies. Board representation assists in effective portfolio management of illiquid assets as it provides access to management, additional insight into financial information and gives the opportunity to build and strengthen relationships with stakeholders. These relationships have provided a significant number of both follow-on and new investment opportunities for our funds.

Close monitoring of investments enables us to identify risks within the portfolio at an early stage. Our investment professionals have experience in default situations and in the recovery of investments. We use this experience to engage proactively in restructuring situations and thereby maximise our returns from these investments. Our investment and monitoring processes have supported our outstanding track record since inception, with our funds performing strongly against their peers.

Our portfolio management and realisation decisions are not driven by short term considerations. We support our investments over the long term. The availability of flexible capital, both from our balance sheet and the funds, supports sponsors and management in achieving profit and cash generation which enables us to achieve outstanding returns on realisation. This has been the basis of our long term success.

The realisation of our existing portfolio of investments not only generates cash returns for existing investors, but also acts as a source of investment opportunities for new funds. The speed and flexibility with which we are able to complete these transactions is enhanced by our relationships with management and deep understanding of the investment.

OUR MARKETS

Change in the global economic environment, particularly in the availability of investment capital, is the most significant market driver influencing the delivery of the Group's strategic priorities. Market conditions which support the Group's fundraising efforts to grow assets under management typically create a more competitive environment in which to invest selectively.



These changing dynamics in the financing market have given the Group a favourable landscape against which to fundraise and grow assets under management.



MARKET REVIEW

As has become increasingly the case over the past five years, the single most important factor driving our markets is the impact of non conventional monetary policies. As central banks have stepped in to stimulate growth and balance the absence of government latitude in economic policy, financial markets have been gradually flooded with liquidity. This increased level of cash in the market, combined with interest rates driven to historically low levels, and a decline in the banks' appetite to lend to mid market corporates have given rise to a new lending landscape. As an alternative asset manager, there are significant opportunities offered by this market to continue our growth and development.

FUNDRAISING MARKET

The fundraising market has become increasingly favourable to well established fund managers as institutional investors – corporate pension funds, insurance companies, local authorities, sovereign wealth funds and other financial institutions – have significant cash available to deploy. In order to compensate for the poor returns generated by traditional asset classes such as equities and fixed income, in which these institutions predominantly invest, they also allocate capital to alternative asset classes more and more. These have the benefit of providing portfolio diversity as well as increasing the return potential by taking more risk. This shift is exacerbated by the

significant growth in market liquidity which pushes further the appetite of investors for alternative asset classes.

As at the end of March there were over 2,100 private equity type funds in the market targeting an aggregate of \$750bn in commitments, of which 26% were targeted towards mezzanine and real estate strategies. There is little doubt that the combination of liquidity and a more frantic search for yield have made fundraising less challenging than in the aftermath of the financial crisis. In spite of this, we still see investors continuing to favour caution and those established fund managers who can evidence a long established and reliable track record. This cautiousness is evidenced in the time taken to raise first time funds, which generally remains high.

These changing dynamics in the financing market have given the Group a favourable landscape against which to fundraise and grow assets under management. Further, by broadening our product range and geographical footprint, we have become increasingly attractive to investors seeking to award multi-strategy or geographically diversified mandates.

CREDIT MARKET

Whilst there continues to be significant differences between the regions, sectors and asset classes in which we operate there are some common features that provide a broad context to these markets.

Over the last four years bank lending into the mid market has declined sharply. Whilst banks have not completely withdrawn from corporate assets or real estate lending, we expect that their appetite to lend to mid market corporates and real estate will remain muted.

Financing history tends to show that financing gaps do not extend for lengthy periods. As banks reduced their exposure, they left a void which is now being filled by institution led financing and specialist asset managers such as ICG, supported by a healthy fundraising market. New institutional entrants into the market combined with growing investor confidence in the stability of the Eurozone are now creating an increasingly competitive environment in the loan and high yield markets. The availability of senior debt and sponsors' unused capital means the demand for traditional mezzanine financing remains low. Further, the competition for assets means that both pricing and terms are under pressure in Europe. In this market, the combined strength of our local origination teams, innovative structuring skills and sector specialists come to the fore as and we are able to continue to source deals for our originated funds, while limiting any pressure on terms.

European CLO issuance, which had been fairly modest since the financial crisis, has made a limited comeback. Those institutions that have been able to issue CLOs are the larger institutions, like us, who have the capacity to meet the regulatory requirement to invest at least 5% of any fund. The recovery of the market is also hindered by the uncertainty surrounding the treatment of investments into CLOs by US banks. In spite of this relatively slow recovery, there has been no shortage of liquidity in the syndicated loan market. CLOs are the most prevalent form of loan investment vehicles but across European markets institutional investors have been increasingly active, buying loans directly, or through separately managed accounts. As the bond market continued to be extremely liquid, larger companies have had little difficulty getting financed. The buyout market has been impacted by the combined competition of corporate M&A activity and a buoyant IPO market, rather than from the lack of available financing.

The direct lending market has been more attractive as this is the segment which has suffered the most from the gradual withdrawal of the banks. 2014 has seen more normalised conditions with an increased number of direct lending funds compensating for the weakness of bank finance. Lending conditions overall remain attractive and conducive to the development of a lending strategy for the long term.

The UK commercial real estate market is seeing an increased level of activity. To date this has been across the risk spectrum, with attractive opportunities in senior debt and whole loans as well as mezzanine. The banks have begun lending, but they remain minority players, have lengthy approval processes and appear to be limiting their support to their core client base.

The US market is buoyant with high levels of inflows into CLOs and mutual funds. The CLO market is still very active despite the uncertainty surrounding the implementation of part of the Dodd-Frank Act which restricts certain US banks from holding bonds, including CLO debt tranches, as an investment. The very liquid credit markets combined with well capitalised sponsors make the competition for assets, particularly for larger companies, quite intense. Sponsors are well capitalised and whilst the new deal flow has increased from 2012, there remains a very limited supply.

Across the Asia Pacific market there has been steady growth. Principal sources of capital for investment are the banks, local sovereign wealth and pension funds. Only Australia has an embryonic institutional debt market. The region is relatively well funded with ample liquidity for investment making competition for assets high, particularly companies with enterprise values in excess of \$200m. The supply of new deals is limited, and the current focus is the optimisation of financing structures for existing buyouts and maximising returns to the equity sponsors. In this complex and diverse market, origination skills and length of experience are particularly important and allow our team to continue winning new business.

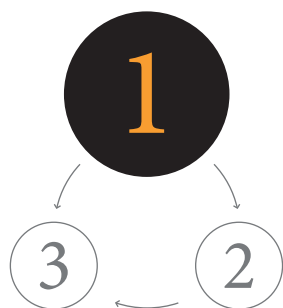


Additional capital issued by central banks since 2008

OPERATING REVIEW

Record fundraising year across products and a record period of realisations leaves third party AUM up 8%.

GROW OUR ASSETS UNDER MANAGEMENT



A key measure of the success of our strategy to grow the fund management business is our ability to grow assets under management. New AUM (inflows) is our best lead indicator to sustainable future fee streams and therefore increasing the profitability of the FMC.

At €3.8bn, we have had another record breaking fundraising year, raising more third party money in a single financial year than ever before, across multiple products and in multiple geographies. Of this, 45% of the fundraising was in relation to first time funds, introducing brand new sustainable fee streams to the Group. As these funds charge fees on invested capital the fees will ramp up during the investment period. This is further evidence that the investment made in recent years is helping us to deliver our strategy.

After a sustained period of low realisations, we saw a significant increase in the number of realisations during the year. The cash generated from these realisations is proving to be a competitive advantage enabling the Group to invest in developing a broad range of new products.

In the year to 31 March 2014, AUM increased 0.4% to €13.0bn as the outflows from the high level of realisations offset the fundraising inflows. As expected, the impact of realising the older, pre 2010, assets has been felt principally by the balance sheet portfolio, down 24%, as the balance sheet had contributed more than third party funds to each investment. Third party funds have increased 8% to €10.7bn.

THIRD PARTY MEZZANINE FUNDS

Third party mezzanine funds under management have decreased by 16% to €3.7bn in the period due to the realisation of assets in the older European and Asia Pacific funds.

On the fundraising front, since the year end we have had a \$450m first close on our US Private Debt fund, which included \$200m from ICG. We have also recently begun to market our third Asia Pacific fund and we expect a first close during FY15.

Preparations are also well advanced for the launch of a domestic Japanese mezzanine fund through our 50:50 partnership with Nomura. This strategic partnership was signed in November 2013 and will facilitate the structuring and distribution of new domestic mezzanine investments and funds in Japan.

CREDIT FUNDS

Third party credit funds under management have increased 15% to €5.7bn, with the new AUM of €3.0bn raised in the year outstripping the runoff of our older CLO funds and a reduction in private mandates.

The growth of AUM is directly attributable to the success of our direct lending product, Senior Debt Partners, which raised €1.3bn during the year. Aligned to this product is a mandate of £163m (€191m) of Business Finance Partnership funds received from HM Treasury, which will be invested in mid



market companies across the UK. Since the year end, a further €0.3bn of AUM has been raised closing the strategy at its maximum permitted size of €1.7bn, well in excess of the €1.0bn target.

The European CLO market has made a tentative return during the year. Our strong balance sheet is proving to be a competitive advantage in this market as the European Capital Requirements Directive requires institutions to contribute at least 5% to the CLOs they manage. During the financial year we raised a total of €1.3bn in three CLOs making us the largest issuer in Europe over this period. We also took the opportunity to extend existing fee streams by using the new CLOs to acquire assets from the redemption of the Eurocredit Opportunities Parallel Fund and the partial redemption of ICG Eos Loan Fund 1 Limited. Offsetting the new AUM was the runoff of older funds, the net impact being a reduction in European CLO AUM of €0.1bn.

Over the last two years, we have invested in expanding our US presence which has enabled us to raise our first dedicated US product during the year, a \$371m US CLO, including \$41m from ICG. This gives us a strong base from which to raise further CLOs and leverage our investment in the product.

Our multi-asset credit strategies fund Total Credit continues to build a strong track record since its inception. The fund has seen a 25% increase in NAV since it was launched in July 2012 and returned 10% in the year. This is a good platform from which our distribution team can raise third party funds.

We continue to invest in broadening our product range and have recently hired a team to support the launch of an alternative credit fund. Elsewhere, we are marketing an Australian Senior Loans fund for which the balance sheet is currently warehousing assets.

REAL ESTATE FUNDS

Third party real estate funds under management have increased 139% in the year to €1.3bn as our UK real estate business, ICG Longbow, continues to perform strongly.

During the year we closed the third ICG Longbow mezzanine fund at its maximum permitted size of £700m, including £50m from ICG. This was well above our original target of £500m and considerably more than the predecessor fund which raised £242m.

We continue to seek to build on our UK real estate investment skills with an expanded product offering. This has led to ICG Longbow being awarded a £150m segregated mandate from a UK pension fund during the year and the recruitment of a small team with an expertise in German real estate.



Record fundraising year across products and a record period of realisations leaves AUM at €13.0bn.



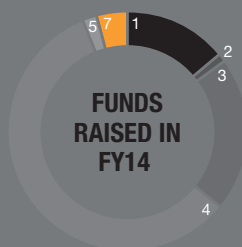
Third party funds raised in the year

FUNDS OVERVIEW

FUNDRAISING

Investor diversity

The Group is seeking to establish and build relationships with fund investors across a broad range of asset classes. This year the distribution team has been particularly successful in building relationships with pension funds and insurance companies as banks withdraw from the market.



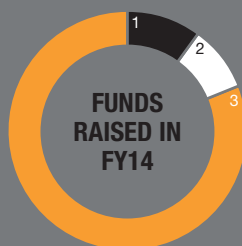
1	Asset manager	14%
2	Fund of funds	1%
3	Insurance companies	21%
4	Pension	58%
5	Sovereign wealth funds	2%
6	Bank	–
7	Other	4%



1	Asset manager	11%
2	Fund of funds	11%
3	Insurance companies	16%
4	Pension	31%
5	Sovereign wealth funds	23%
6	Bank	4%
7	Other	4%

Geographic diversity

With staff based across Europe, Asia, America and the Middle East, our distribution team is able to reach more investors across the globe. The Group is seeking a geographically diverse investor base. Funds raised during FY14 have been particularly suited to European investors and this is reflected in the geographic profile.



1	Asia Pacific	10%
2	USA and Canada	9%
3	Europe and Middle East	81%



1	Asia Pacific	31%
2	USA and Canada	12%
3	Europe and Middle East	57%

Direct investment funds

Fund	Mezzanine Fund 2003	European Fund 2006	Europe Fund V	Recovery Fund 2008	Minority Partners 2008	ICAP 2005	ICAP 2008	Senior Debt Partners 2008
Third party money	€1,420m	€1,750m	€2,000m	€840m	€120m	\$300m	\$600m	\$589m
Estimated money multiple	1.6x	1.5x	1.6x	1.5x	1.9x	1.6x	1.6x	1.2x
% carry*	25% 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	20% of 15 over 6

*Total carry is a fixed percentage of the fund gains. For example, in Mezzanine Fund 2003 the carry is 20% of gains and the Group is entitled to 25% of this. Carry is triggered when fund returns exceed a hurdle, for Mezzanine Fund 2003 this is 8%.



FUND TYPE KEY

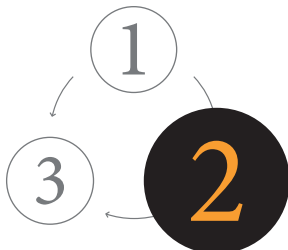
M MEZZANINE **C** CREDIT FUNDS **R** REAL ESTATE

FUNDS OVERVIEW

FUND TYPE	CURRENT FUNDS	FY14		FY13	
		STATUS	AUM(€)	STATUS	AUM(€)
M	ICG Mezzanine Fund III 2003	Realisation	103.3	Realisation	216.6
M	ICG Europe Fund IV 2006	Realisation	682.4	Realisation	1,145.3
M	ICG Europe Fund V	Investment	2,000.0	Investment	2,000.0
M	ICG Minority Partners Fund 2008	Realisation	20.1	Realisation	20.1
M	ICG Recovery Fund 2008	Realisation	420.1	Realisation	439.9
M	Intermediate Capital Asia Pacific Fund II 2008	Realisation	435.7	Investment	466.9
M	Intermediate Capital Asia Pacific Mezzanine Fund I 2005	Realisation	16.3	Realisation	106.4
C	Confluent I Ltd	Realisation	165.6	Investment	387.7
C	Eos Loan Fund I	Realisation	237.2	Realisation	838.0
C	Eurocredit CDO II B.V. 2000	Redeemed	0.0	Realisation	11.3
C	Eurocredit CDO III 2003	Realisation	80.9	Realisation	165.3
C	Eurocredit CDO IV 2004	Realisation	103.2	Realisation	165.3
C	Eurocredit CDO V PLC 2006	Realisation	316.9	Realisation	467.2
C	Eurocredit CDO VI PLC 2006	Realisation	334.0	Realisation	444.6
C	Eurocredit CDO VII 2007	Realisation	393.8	Investment	455.2
C	Eurocredit CDO VIII PLC 2007	Realisation	260.9	Realisation	401.0
C	Eurocredit Opportunities Fund I PLC 2005	Realisation	103.7	Realisation	132.4
C	Eurocredit Opportunities Parallel Funding I	Realisation	2.5	Realisation	375.8
C	St Paul's CLO I B.V. 2010	Investment	277.8	Investment	287.0
C	St Paul's II (CLO)	Investment	387.5	-	-
C	St Paul's III (CLO)	Investment	528.8	-	-
C	St Paul's IV (CLO)	Investment	419.8	-	-
C	US CLO I	Investment	238.7	-	-
C	European Investment Fund I	Investment	72.7	Investment	71.8
C	European Investment Fund II	Investment	93.0	Investment	97.8
C	ICG European High Yield Bond Fund I	Fundraising	54.3	Investment	49.3
C	ICG European Loan Fund	Fundraising	45.6	Investment	73.4
C	Segregated Mandates	Investment	7.9	Investment	364.2
C	ICG Senior Debt Partners Fund I	Fundraising	1,381.5	Fundraising	92.0
C	ICG Total Credit Fund	Fundraising	211.2	Fundraising	92.0
R	Longbow UK Real Estate Debt Investments II	Realisation	193.3	Realisation	228.4
R	ICG Longbow Senior Secured UK Property Debt Investments Limited	Investment	111.6	Investment	109.2
R	ICG Longbow UK Real Estate Debt Investments III	Investment	787.3	Fundraising	195.5
R	Longbow Senior Debt Fund	Fundraising	181.7	-	-
TOTAL			10,669.3		9,899.6

OPERATING REVIEW
continued

INVEST SELECTIVELY



We have a good pipeline of investment opportunities and significant capital to deploy. However, we will remain extremely selective and maintain our historical rigour in making investment decisions.



The investment environment is highly competitive and our teams have to work hard to source and execute transactions. We are therefore delighted to have continued the pace of investment during the year across all our direct investment funds whilst at the same time maintaining our credit discipline. Our ability to commit and deploy capital quickly is proving to be a key advantage in this competitive market.

The total amount of capital deployed on behalf of the direct investment funds where we originate deals was £1.5bn in the year, a 185% increase on the prior year. In addition, our Investment Company invested a total of £393.5m in the year, compared to £261.9m in the prior year. The investment rate for Senior Debt Partners and ICG Longbow Real Estate III has a direct impact on FMC income as fees are charged on an invested capital basis.

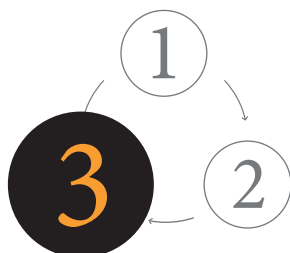
The direct investment funds are investing at the required pace. We closed eight deals in ICG Europe Fund V during the year, taking the fund to 58% invested, halfway through its investment period, and completed one further deal since the year end. Our ICG Longbow Real Estate Fund III is 37% invested after signing a further 10 deals, with nine months left of its investment period and Senior Debt Partners is 42% invested completing 17 deals, a third of the way through its investment period. Our Asia Pacific Fund II was 77% invested at the end of its investment period after signing three further deals during the year. We have also completed one deal in North America.

Our top 10 individual investments made during the year across the direct investment funds are:

Company	Fund	Industry	Country	£m*
Euro Cater	Europe V	Retail	Denmark	169.4
Zenith	SDP	Business services	UK	84.9
Vitaldent	Europe V	Healthcare	Spain	84.7
Apem	Europe V	Electronics	France	79.1
Mec3	Europe V	Food products	Italy	73.8
Nora	Europe V	Building materials	Germany	71.7
Westbury Street Holdings	Europe V	Catering	UK	70.0
Inenco	Europe V	Business services	UK	67.5
Ideal Stelrad	SDP	Industrial materials	UK	66.5
Leaders	SDP	Management services	UK	64.0
Total				831.6

*Total amount invested on behalf of the fund and our balance sheet.

MANAGE PORTFOLIOS TO MAXIMISE VALUE



We have a good pipeline of investment opportunities and significant capital to deploy. However, we will remain extremely selective and maintain our historical rigour in making investment decisions

After a period where companies were unable to access debt, we saw an increased availability of finance in the market during the year. This provided the opportunity for a number of companies to refinance their existing debt facilities and led to a record year for realisations with the full or partial repayment of 12 of our top 20 assets. The pace of realisations stabilised in the second half of the financial year and this rate has continued into the new financial year.

We have realised over £1.1bn of cash for our Investment Company during the year. In most cases we have retained our minority equity positions in our realised assets. As a result, the average internal rate of return from the assets realised in the year of 14% will increase once these assets are fully exited. This makes our portfolios some of the best performing of their respective vintages, generating good returns for our fund investors and cementing our excellent track record.

Net realised capital gains in the period of £140.8m are primarily due to the exit from Allflex, a company the balance sheet had been invested in since 1998. Elsewhere there has been a low level of realised capital gains as companies within our portfolios have refinanced rather than undergone a full exit process. As the performance of the underlying companies improves thereby increasing their valuation, combined with the

return of the IPO market and the pressure of sponsors to return cash to their investors, we expect the number of full exits to increase.

The Investment Company's portfolio continues to demonstrate resilience, with 67% of our portfolio companies by number (75% on a value weighted average basis) performing above or at the same level as the previous year. Our investment teams have been actively engaged in the restructuring of six portfolio companies during the year. Since their restructuring these companies are beginning to show signs of improved performance. There remains a small number of weaker companies within the portfolio who continue to underperform and show no signs of recovery. The fair value of our equity portfolio increased £32.9m during the year.

During the year we took asset specific impairments against our weaker assets, resulting in gross provisions of £133.6m compared to £141.1m in the last financial year. This includes a provision of £17.3m taken on the restructuring of an asset with a corresponding uplift in unrealised capital gains. After write backs of £21.2m during the year, and excluding the provision against the restructured asset, net impairments were £95.1m compared to £80.0m last year. Whilst we do not expect that aggregate net provisions will exceed our long term average in the foreseeable future, to the extent that they are required, provisions are likely to remain lumpy as we continue to closely monitor our weaker assets.

KEY PRIORITIES FOR THE CURRENT YEAR

In the year ahead we aim to maintain and build on our third party fundraising momentum across a broader range of products than ever before:

- Existing strategies – launching the third Asia Pacific fund and further CLOs
- New geographies – US debt, Australian Senior Loans and Japanese mezzanine
- New products – Alternative Credit

The first time funds will contribute incremental fee streams to the Group and with the successor funds increasing the operating leverage of the Fund Management Company.

We have generated significant capital to deploy in new funds raised over the last two years, and have ambitious fundraising targets for FY15. We aim to deploy the capital raised in line with the required investment run rate, subject to finding investment opportunities with the appropriate risk/return balance. We will maintain our disciplined approach to investment in a highly competitive market.

We aim to maximise returns in older funds by realising assets to crystallise value for the balance sheet and our fund investors. The timing of these realisations remains uncertain as they are rarely in the Group's control. Since the year end, Applus+, our largest single asset, has listed, triggering the repayment of the majority of our investment. During FY15 we will continue to actively manage our portfolios and to proactively work with management and sponsors on working through problems to enhance performance and maximise returns.

FINANCIAL REVIEW

This review provides an overview of the Group's financial performance, position and cash flow for the year ending 31 March 2014.



PHILIP KELLER
Chief Financial Officer



Profit after tax

The information presented in this review excludes the balance sheet impact of consolidating the US CLO (see note 5 to the financial statements).

OVERVIEW

During the year we made strong underlying progress in the development of our fund management business, although this is not yet readily visible in the FMC profit. The IC also had a strong year with record levels of realisations and cash generation. Overall, the Group's profit before tax for the year was up 11% at £158.7m (2013: £142.6m).

	Unadjusted		Adjusted	
	2014 £m	2013 £m	2014 £m	2013 £m
Fund Management Company	35.0	40.4	35.0	40.4
Investment Company	123.7	102.2	140.1	107.9
Profit before tax	158.7	142.6	175.1	148.3
Tax	(21.3)	(18.8)	(21.3)	(18.8)
Profit after tax	137.4	123.8	153.8	129.5

The adjusted profit of the IC and Group excludes the impact of the fair value charge on hedging derivatives of £16.4m (2013: £5.7m). Throughout this review all numbers are presented excluding this adjusting item.

The effective tax rate for the period is 13% (2013: 13%). The effective tax rate benefits from the current year release of £8.6m of tax risk provisions and, in the prior year, the impact of a £9.0m credit relating to termination payments made in the prior year under the Medium Term Incentive Scheme. Excluding these non recurring credits, the effective tax rate was 19% (2013: 20%).

The Group generated an adjusted ROE of 10.2% (2013: 8.9%), an increase on prior year reflecting higher profit after tax driven by higher capital gains and dividend income in the period. Adjusted earnings per share for the period were 39.9p (2013: 33.6p).

The Group has continued to diversify its sources of financing, signing £266.0m of new facilities during the year. This, combined with the cash generated from realisations and facilities previously signed becoming available, has resulted in £678.3m of unutilised cash and debt facilities at 31 March 2014.

The movement in the Group's unutilised cash and debt facilities during the year is detailed as follows:

	€m
Headroom at 31 March 2013	355.2
Bank facilities matured	(632.6)
Private placements matured	(146.9)
Secured floating rate notes matured	(153.3)
New bank facilities available	498.5
New private placements	89.9
New medium term note	40.3
Movement in cash and drawn debt	628.7
Other (including FX)	(1.5)
Headroom at 31 March 2014	678.3

The Group had net current assets of £217.0m (2013: £409.4m net current liabilities) at the end of the year. The increase in net current assets is driven by cash from a strong year of realisations being used to repay borrowings.

The Board has recommended a final dividend of 14.4p per share (2013: 13.7p), which will result in a full year dividend of 21.0p per share (2013: 20.0p). In addition, the Board has announced its intention to buy back up to £100m of its share capital over the coming 12 months.

ASSETS UNDER MANAGEMENT

AUM as at 31 March 2014 increased to €12,980m (2013: €12,930m) as fundraising offset a 24% reduction in the IC investment portfolio and a 16% reduction in our mezzanine funds. AUM by business line is detailed below, where all figures are quoted in €m.

	2014 €m	2013 €m	Change %
Mezzanine and equity funds	3,678	4,395	(16)
Real estate funds	1,274	533	139
Credit funds	5,717	4,972	15
Total third party AUM	10,669	9,900	8
IC investment portfolio	2,311	3,030	(24)
Total AUM	12,980	12,930	0

There were two significant trends underlying the movement in AUM during the year. The Group achieved record levels of inflows into our real estate and credit funds, offset by the realisation of assets in our older mezzanine funds and CLOs. This is illustrated in the AUM bridge below.

	Mezzanine and equity funds €m	Real estate funds €m	Credit funds €m	Total third party AUM €m
At 1 April 2013	4,395	533	4,972	9,900
Additions	–	875	2,972	3,847
Realisations	(704)	(59)	(2,210)	(2,973)
FX and other	(13)	(75)	(17)	(105)
At 31 March 2014	3,678	1,274	5,717	10,669

The €3.8bn of new AUM includes €1.7bn relating to first time funds, of which €1.3bn is Senior Debt Partners, our direct lending strategy. The advantage of first time funds is that they introduce a new long term revenue stream to the business. Furthermore, given that a strategy will typically reach maturity on its third fund the fee stream growth from any new strategy will be more visible into the medium term. The development of ICG Longbow, our UK real estate business, illustrates this point as their third fund closed during the year at £700m, upscaled 189% from their £242m second fund. Once fully invested the third fund will generate an annualised £8.0m of fee income compared to £2.6m on the second fund.

The IC investment portfolio was impacted by realisations as the balance sheet contributed more than third party funds to each investment prior to 2010. A total of 80% of the assets realised in our mezzanine and equity funds were 2008 or earlier investments. Likewise the older vintage CLOs were also impacted by realisations.



The Board has announced its intention to buy back up to £100m of its share capital over the coming 12 months.



FINANCIAL REVIEW
continued



Fee income

FUND MANAGEMENT COMPANY

FEE INCOME

Third party fee income increased 2% in the year to £78.9m (2013: £77.4m), although total fee income decreased by 1% in the year to £99.6m (2013: £100.7m) as a consequence of the reduction in size of the IC portfolio, as detailed below.

	2014	2013	Change
	£m	£m	%
Mezzanine and equity funds	53.6	55.2	(3)
Real estate funds	6.4	3.0	113
Credit funds	18.9	19.2	(1)
Total third party funds	78.9	77.4	2
IC management fee	20.7	23.3	(11)
Total fee income	99.6	100.7	(1)

Mezzanine and equity third party fees include £13.9m of carried interest (2013: £0.3m) earned across European Mezzanine Fund 2003 and Asia Pacific Fund 2005 as the realisation of assets from these vintages helped trigger the performance hurdles. Also included is £1.2m (2013: £7.0m) of ICG Europe Fund V catch up fees received in respect of prior periods.

Fees for our real estate and credit products are typically charged on an invested basis, although this has little impact for the CLOs which are invested quickly. The money raised during the year will have an annualised fee impact of £23.2m once those funds are fully invested. These funds contributed £6.3m of fees during FY14.

Real estate third party fee income has increased 113% with the investment of the ICG Longbow Fund III and Senior Debt Fund.

Credit funds third party fee income on the older credit funds continues to decrease as these funds are in their realisation phase. This is offset by increased fee income on more recently launched strategies such as Senior Debt Partners and Total Credit, generating fees as those funds are invested.

OPERATING EXPENSES

Operating expenses of the FMC were £65.5m (2013: £61.8m), including salaries and incentive scheme costs. Salaries were £23.5m (2013: £20.9m) as average headcount has increased from 161 to 195. This increase is directly related to investing in the growth areas of the business – building the US platform, extending the credit fund product offering and supporting the growth of our real estate business. Other administrative costs of £28.4m (2013: £26.3m) have increased more slowly at 8% year on year as we have increased IT and occupancy costs from our newly opened office in Singapore and the expansion of our US team.

INVESTMENT COMPANY



Balance sheet investment portfolio

BALANCE SHEET INVESTMENTS

The significant level of realisations during the year has resulted in the balance sheet investment portfolio reducing to £1,914m at 31 March 2014. The full or partial realisation of 28 of the Group's assets, including 12 of the top 20, has left a well funded balance sheet to meet the demands of a growing business. The expansion of our product suite will place additional demands on our capital to seed new funds. In addition, the Group's expanding footprint means that we are undertaking more regulated activities which also place demands on our capital. The impact of the realisations is illustrated in the investment portfolio bridge below:

	£m
At 1 April 2013	2,696
New and follow on investments	393
Accrued interest income	133
Realisations	(1,121)
Impairments	(112)
FX and other	(75)
At 31 March 2014	1,914

Realisation include the return of £757.4m of principal and the crystallisation of £226.4m of rolled up interest and £137.4m of realised capital gains.

Investments in the period comprise £181.1m of capital invested in our credit and real estate funds and £212.4m co-investment alongside our mezzanine funds for new and follow on investments. New investments in the period include Euro Cater, Vitaldent and Mec3 in Europe, and Cura in Australia.

The Sterling value of the portfolio decreased by £77.8m due to foreign exchange movements. The portfolio is 69% Euro denominated and 12% US dollar denominated. Sterling denominated assets only account for 10% of the portfolio.

An analysis of the portfolio by instrument is outlined below.

	2014 £m	% of total	2013 £m	% of total
Senior mezzanine and senior debt	665	35	1,246	46
Junior mezzanine	77	4	427	16
Interest bearing equity	302	16	336	12
Non interest bearing equity	581	30	504	19
Co-investment portfolio	1,625	85	2,513	93
Seed capital in credit funds	289	15	183	7
Total balance sheet portfolio	1,914	100	2,696	100

The non interest bearing equity component of the portfolio has increased in the year. This is in part due to the Group retaining its minority equity position in assets it has otherwise been refinanced out. It is also reflective of the Group undertaking more sponsorless transactions requiring it to invest more in non interest bearing equity.

FINANCIAL REVIEW
continued



Capital gains

INVESTMENT COMPANY *continued*

NET INTEREST INCOME

Net interest income of £133.8m (2013: £159.7m) comprises interest income of £178.8m (2013: £214.7m), less interest expense of £45.0m (2013: £55.0m). Interest income was below the prior year due to a decrease in the average IC portfolio. Cash interest income represents 31% (2013: 34%) of the total. The Group utilised the cash generated from the realisations to reduce its borrowings leading to a reduction in interest expense.

DIVIDEND INCOME

Two equity investments made one-off distributions following a refinancing of their debt during the year. This led to an increase in dividend income from £2.4m to £19.7m.

OPERATING EXPENSES

Operating expenses of the IC amount to £36.6m (2013: £25.3m), of which incentive scheme costs of £22.6m (2013: £18.1m) are the largest component. Other staff and administrative costs were £14.0m compared to £7.2m last year, a £6.8m increase. Of this, £2.6m relates to the cost of business development, primarily the establishment of a US credit team and our Japanese operations, and £1.6m of one off employee costs.

The management fee on IC investments managed by the FMC reduced to £20.7m (2013: £23.3m) as a result of the reduction in the average size of the loan book.

CAPITAL GAINS

Capital gains in the period totalled £149.4m (2013: £73.0m) of which £122.1m were realised (2013: £14.1m), principally Allflex, and £27.3m unrealised (2013: £58.9m).

There was a £32.9m increase to the portfolio by fair valuing equity and warrants. Of this, £27.3m (2013: £58.9m) is recognised as an income statement movement and £5.6m (2013: £59.7m) as a movement in reserves. A total of £18.7m (2013: £nil) of unrealised gains previously recognised in the income statement were realised in the year.

IMPAIRMENTS

Net impairments for the period were £95.1m (2013: £80.0m), which excludes a provision of £17.3m taken on a restructured asset. The write off of the debt instrument resulted in a corresponding uplift to the equity instrument reported through unrealised capital gains. Gross impairments amounted to £133.6m (2013: £141.1m), of which £106.1m is in relation to three French assets and one Italian asset. There were recoveries of £21.2m (2013: £61.1m) in the period, principally due to one asset.

GROUP



Total cash generated from operating activities



Overall, our strong balance sheet leaves us well positioned to invest in growing our asset under management capabilities.



CASHFLOW AND DEBT POSITION

Operating cash inflow for the year was £568.0m (2013: £84.4m outflow). The increase in the cash inflows is largely as a result of increased repayment activity compared to the prior year, as analysed below.

Total cash receipts were £973.9m higher than last year. This is driven by increased repayment activity which has resulted in the repayment of rolled up interest and the receipt of dividends from two portfolio companies which have refinanced.

Interest paid was 36% lower, in line with lower average borrowings. Included in operating expenses in the prior period were the final payments of £39.0m in respect of legacy incentive schemes.

The cash generated from operating activities in the period was used to pay down debt. Total debt was £587m (2013: £1,155m). Total debt to shareholders' funds as at 31 March 2014 decreased to 39% from 74% at 31 March 2013, as a result of the cash generated in the period.

CAPITAL POSITION

Shareholders' funds decreased by 4% to £1,508.1m (2013: £1,563.2m) in the year, due to £78.2m dividend payment in the period. The capital gain on Allflex was recycled from AFS reserves to the income statement on realisation and consequently has had minimal impact on shareholders' funds in the period.

FINANCIAL OUTLOOK

We have a strong pipeline of products and therefore expect our fundraising momentum to continue. During the next 12 months we anticipate closes on our US debt and Asia Pacific mezzanine funds, further European and US CLOs and new product launches, including an alternative credit fund. This is expected to result in an increase in third party AUM. The quality of the Group's fee base will be further enhanced by this fundraising and by investing the funds raised during the last financial year.

We do not expect to see the FMC operating margins benefit from the increased fee income during the current year as this is offset by the annualisation of the investment made during the last 12 months. Operating leverage of the business is likely to improve once the Group has invested, and therefore earning fees, on the funds raised.

The level of provisions should reduce with a reduction in the number of underperforming assets.

Overall, our strong balance sheet leaves us well positioned to invest in growing our fund management capabilities. We also expect the loan book to stabilise with a steady rate of realisations and continuing our investment pace.

	2014 £m	2013 £m
Cash in from realisations and dividends	934.6	148.2
Cash in from fees and cash pay interest	357.4	169.9
Total cash receipts	1,292.0	318.1
Cash interest paid	(37.8)	(59.0)
Cash paid to purchase loans and investments	(512.1)	(260.6)
Cash movement in assets held in warehouse or for syndication	(81.4)	18.7
Operating expenses paid	(92.7)	(101.6)
Total cash paid	(724.0)	(402.5)
Total cash generated from operating activities	568.0	(84.4)

MANAGING RISK TO DELIVER OUR STRATEGY

Effective risk management is critical to enable us to deliver our strategic priorities.

OUR APPROACH

Risk management is the responsibility of the Board and is integral to the ability of the Group to deliver on its strategic priorities. The Board establishes the culture of effective risk management throughout the business by identifying and monitoring the material risks, setting risk appetite, and determining the risk tolerances of the Group.

The Board is responsible for establishing and maintaining appropriate systems and controls to manage risk within the Group and to ensure compliance with regulation.

The Group's risk management systems are regularly monitored by the Risk Committee under delegation from the Board. The Risk Committee is responsible for overseeing the effectiveness of the internal control environment of the Group. Details of the activities of the Risk Committee in this financial year can be found in the Risk Committee report on page 60.

IDENTIFYING AND MONITORING MATERIAL RISKS

Material risks are identified through a detailed analysis of individual processes and procedures (bottom up approach) and a consideration of the strategy and operating environment of the Group (top down approach).

The bottom up review encompasses the identification, management and monitoring of risks in each area of the business and ensures risk management controls are embedded in the business' operations. The Risk Committee monitors these processes, reviewing the Risk Register and reporting material risks to the Board.

In identifying risks, consideration is also given to risks identified by other asset managers in the sector and regulatory expectations. The materiality and severity of each risk is assessed through a combination of each risk's likelihood of an adverse outcome and its impact. In assessing impact, consideration is given to financial, reputational and regulatory factors, the impact on management resources and risk mitigation plans established.

The top down review, led by the Risk Committee, evaluates the material risks of the Group with reference to its strategy and the operating environment.

The Group considers its material risks are as follows:

BUSINESS RISK (INCLUDING CREDIT RISK)

The risk of loss resulting from the failure to meet the business's strategic priorities.

MACROECONOMIC RISK

The financial risk of loss arising as a result of economic uncertainty, macroeconomic or political factors.

LIQUIDITY RISK

The risk of loss resulting from an inability to meet financial commitments as they fall due.

OPERATIONAL RISK

The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.



TOP DOWN
Review process



<i>Sets strategic objectives</i>	<i>Defines risk appetite</i>	<i>Monitors risk via KRIs</i>
<i>Executive and business unit management</i>	<i>Investment Committees, Treasury Committee and Compliance</i>	<i>Internal audit function to be established in FY15</i>

BOTTOM UP
Review process

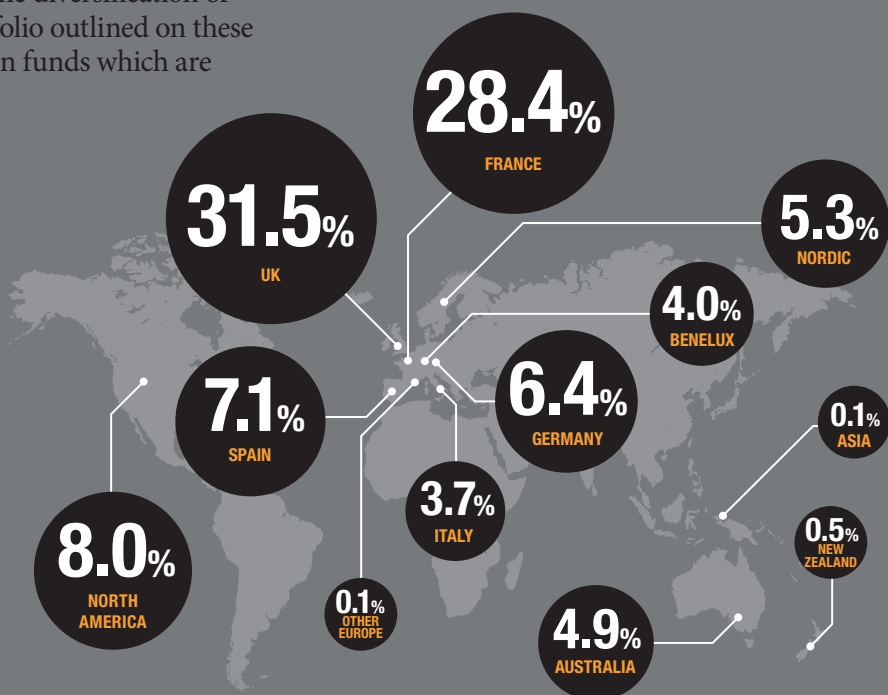
BUSINESS

GROUP SUPPORT

FUNDS AND PORTFOLIO

MACROECONOMIC RISKS

Our diversified balance sheet portfolio of assets enables us to mitigate the impact of any sector or country specific macroeconomic risk. The diversification of the Investment Company portfolio outlined on these pages excludes the investment in funds which are themselves diversified.



PORTFOLIO BY SECTOR

SECTOR	%
Financial services	22.9%
Business services	12.0%
Construction materials	10.7%
Telecoms, media and technology	7.4%
Retail	6.9%
Entertainment and leisure	5.3%
Healthcare	5.2%
Food and consumer products	5.0%
Utilities and waste management	4.3%
Transport	4.3%
Real estate	3.4%
Automotive	2.7%
Manufacturing and engineering	2.5%
Pharmaceuticals and chemicals	2.3%
Packaging	2.2%
Portfolio	1.7%
Publishing and advertising	1.2%



TOP 20 ASSETS

	COMPANY	SECTOR	YEAR	COUNTRY	£M*
1	<i>Applus+</i>	<i>Business services</i>	2007	Spain	114.7
2	<i>Gerflor</i>	<i>Construction materials</i>	2011	France	92.4
3	<i>Materis</i>	<i>Construction materials</i>	2006	France	61.0
4	<i>SAG</i>	<i>Utilities</i>	2008	Germany	49.8
5	<i>Feu Vert</i>	<i>Automotive</i>	2007	France	43.6
6	<i>N&W Global Vending</i>	<i>Retail</i>	2008	Italy	43.0
7	<i>Fort Dearborn</i>	<i>Packaging</i>	2010	US	40.4
8	<i>Nocibé</i>	<i>Retail</i>	2006	France	40.2
9	<i>Eurocater</i>	<i>Retail</i>	2013	Denmark	33.9
10	<i>AAS Link</i>	<i>Financial services</i>	2007	Australia	33.9
11	<i>Fraikin</i>	<i>Transport</i>	2007	France	33.8
12	<i>Inspecta</i>	<i>Business services</i>	2007	Finland	33.6
13	<i>Intelsat</i>	<i>Telecoms, media and technology</i>	2008	US	31.6
14	<i>Flaktwoods</i>	<i>Telecoms, media and technology</i>	2007	France	30.6
15	<i>Casa Reha</i>	<i>Healthcare</i>	2008	Germany	28.9
16	<i>Motip Dupli</i>	<i>Pharmaceuticals and chemicals</i>	2006	Netherlands	28.9
17	<i>AVR</i>	<i>Waste management</i>	2006/7	Netherlands	27.4
18	<i>Mennisez</i>	<i>Food and consumer products</i>	2006	France	26.2
19	<i>Tractel</i>	<i>Manufacturing and engineering</i>	2007	France	25.4
20	<i>Courtepaillie</i>	<i>Retail</i>	2011	France	25.1

*Total carrying value on ICG balance sheet at 31 March 2014. Includes equity stake listed below where relevant.

TOP 10 EQUITY ASSETS

	COMPANY	SECTOR	£M*
1	<i>Gerflor</i>	<i>Construction materials</i>	71.6
2	<i>Applus+</i>	<i>Business services</i>	40.6
3	<i>AAS Link</i>	<i>Financial services</i>	33.9
4	<i>Intelsat</i>	<i>Telecoms, media and technology</i>	31.6
5	<i>AVR</i>	<i>Waste management</i>	27.4
6	<i>Mennisez</i>	<i>Food and consumer products</i>	26.2
7	<i>Minimax</i>	<i>Electronics</i>	24.9
8	<i>Parkeon</i>	<i>Business services</i>	16.5
9	<i>Bureau Van Dijk</i>	<i>Publishing and advertising</i>	16.4
10	<i>Ethypharm</i>	<i>Pharmaceuticals</i>	14.1

*Carrying value on ICG balance sheet at 31 March 2014, included in the top 20 where relevant.

TOP 10 INTEREST BEARING ASSETS

	COMPANY	SECTOR	£M*
1	<i>Applus+</i>	<i>Business services</i>	74.1
2	<i>Materis</i>	<i>Construction materials</i>	61.0
3	<i>SAG</i>	<i>Utilities</i>	48.5
4	<i>N&W Global Vending</i>	<i>Retail</i>	43.0
5	<i>Feu Vert</i>	<i>Automotive</i>	39.2
6	<i>Fort Dearborn</i>	<i>Packaging</i>	35.2
7	<i>Inspecta</i>	<i>Business services</i>	33.6
8	<i>Nocibe</i>	<i>Retail</i>	32.3
9	<i>Fraikin</i>	<i>Transport</i>	27.0
10	<i>Flaktwoods</i>	<i>Telecoms, media and technology</i>	25.4

OUR APPETITE FOR RISK



SETTING RISK APPETITE AND TOLERANCES

The Board acknowledges and recognises that in the normal course of business the Group is exposed to risk and that it is willing to accept a level of risk in managing the business to achieve its strategic priorities. As part of its risk management processes, the Board considers its risk appetite in terms of the tolerance it is willing to accept in relation to each material risk based on key risk indicators.

The material risks and key risk indicators (including tolerance levels at which management would take action) are as follows:

HEADLINE RISK: BUSINESS	
MATERIAL RISKS	KEY RISK INDICATORS
Failure to raise new third party funds	New third party funds raised in a 12 month period is more than 50% below the prior year
1	
Failure to deploy committed capital	On any fund, a request for an extension of the investment period
2	
Failure to maintain acceptable relative investment performance across the majority of funds	Less than 50% of portfolio companies in direct investment funds perform above the prior year
3	
Failure to execute the business strategy due to uncontrolled growth	The number of active initiatives that require additional resources or represent a substantial drain on existing resources
1	
HEADLINE RISK: MACROECONOMIC	
MATERIAL RISKS	KEY RISK INDICATORS
Loss as a result of a macroeconomic downturn or economic uncertainty	Deterioration in any one or more of a wide range of economic indicators
2 3	
HEADLINE RISK: LIQUIDITY	
MATERIAL RISKS	KEY RISK INDICATORS
Failure to refinance debt as it falls due	30% of total debt falling due within 18 months
Failure of ICG to meet its debt covenants	Forecast covenant breach
HEADLINE RISK: OPERATIONAL	
MATERIAL RISKS	KEY RISK INDICATORS
Unplanned loss of one or more key employees	A breach of any 'Key Man' clause or the unplanned departure of key employees
2 3	
Reputational damage due to a regulatory failing by a regulated jurisdiction	Any reportable breach
1	



PRINCIPAL RISKS AND UNCERTAINTIES

EXTERNAL RISKS

RISK	IMPACT	MITIGATION AND MOVEMENT IN THE YEAR
MACROECONOMIC RISK ↓		
<p><i>Failure to execute the Group's strategic priorities due to unforeseen macroeconomic changes</i></p> <p>2 3</p>	<p>Adverse macroeconomic conditions could reduce the opportunity to deploy capital and impair the ability of the Group to manage effectively its portfolios, reducing the value of future management fees, investment income, performance fees and carry.</p>	<p>The Board regularly receives detailed market reports, reviewing the latest developments in the Group's key markets. The Investment Committees receive ongoing detailed and specific market reviews for each investment.</p> <p>During the year economic indicators in the Group's key markets have shown improvement.</p>
LIQUIDITY RISK ↓		
<p><i>Failure to refinance debt as it falls due</i></p>	<p>An ongoing failure to refinance its liabilities could result in the Group failing to meet its payment obligations as they fall due. As a result the Group would not be a going concern.</p>	<p>The Group has a policy which seeks to ensure that debt funding is obtained from diversified sources and that the repayment profile is managed to minimise material repayment events.</p> <p>During the year the Group has continued to extend and diversify its sources of funding.</p>
OPERATIONAL RISK ↑		
<p><i>Reputational damage due to a regulatory failing</i></p> <p>1</p>	<p>The Group's ability to raise new funds and operate its fund management business would be impaired as a result of a regulatory failing.</p>	<p>The Group has a governance structure in place, supported by a risk framework that allows for the identification, control, and mitigation of material risks resulting from the geographical and product diversity of the Group. The adequacy of the systems and controls the Group has in place to comply with the regulations, safeguard the Group from the threat of cybercrime and to mitigate the risks that these represent is periodically assessed. This includes a tailored compliance monitoring programme that specifically addresses regulatory and reputational risks.</p> <p>The increased breadth of the marketing activities, the expansion of the Group's product portfolio, and increasing product complexity has led to increased regulatory risk.</p>

PRINCIPAL RISKS AND UNCERTAINTIES
continued

INTERNAL RISKS

RISK	IMPACT	MITIGATION AND MOVEMENT IN THE YEAR
BUSINESS RISK ↓		
<p><i>Failure to raise third party funds</i></p> <p>1</p>	<p>A failure to raise new funds would reduce the Group's long term income from fund management fees, performance fees and carried interest.</p>	<p>The Group has built dedicated fundraising and scaleable infrastructure teams to grow and diversify its institutional client base by geography and type.</p> <p>The Group has expanded its product portfolio to address a range of investor requirements and continues to build a strong product pipeline.</p> <p>A record level of fundraising was achieved during the year across a range of products.</p>
BUSINESS RISK →		
<p><i>Failure to deploy capital committed</i></p> <p>2</p>	<p>Failure to deploy capital reduces the value of future management fees, investment income, performance fees and carried interest.</p>	<p>The rate of investment is kept under continued review by the Investment Committees and senior management to ensure acceptable levels are maintained in current market conditions.</p> <p>In an increasingly competitive landscape the Group has continued to deploy funds in line with the expected run rate during the year.</p>
BUSINESS RISK →		
<p><i>Failure to maintain acceptable relative investment performance across the majority of funds</i></p> <p>3</p>	<p>Failure to maintain adequate performance in the open ended funds may result in investors reducing or cancelling their commitments, reducing AUM and fund management fees.</p>	<p>ICG has a disciplined investment policy and all investments are selected and regularly monitored by the Group's Investment Committees. Disciplined credit procedures are applied both before and during the period of investment. ICG limits the extent of credit risk by diversifying its portfolio assets by sector, size and geography.</p> <p>Continued focus by senior management and executives ensures maximum recovery is achieved.</p> <p>During the year the Group has maintained its investment performance.</p>
BUSINESS RISK →		
<p><i>Failure to execute the business strategy due to uncontrolled growth</i></p> <p>1</p>	<p>Failure to grow in a controlled way may result in losses, failings or reputational damage as a result of risks in relation to products or regulations we do not fully understand or the acquisition or development of products for which we have inadequate resources to fully implement and support.</p>	<p>The Group has a structured framework that considers and assesses the commercial benefits, risks and resource needs of all new initiatives. Significant initiatives are subject to Board approval and all new initiatives are overseen by the Executive Committee.</p>



RISK	IMPACT	MITIGATION AND MOVEMENT IN THE YEAR
LIQUIDITY RISK ↓		
<p><i>Failure of ICG to meet its debt covenants</i></p>	<p>In the event that the Group breached its covenants, the lenders could potentially call on their commitments.</p>	<p>The Group continually monitors forecast covenant levels. The Board reviews the forecast and actual position on a regular basis.</p> <p>During the year the Group has not identified any forecasted covenant breach.</p>
OPERATIONAL RISK →		
<p><i>Unplanned loss of one or more key employees</i></p> <p>2 3</p>	<p>Breach of any 'Key Man' clause or unexpected loss of one or more key employees could result in the Group having to stop making investments for the relevant fund or may impair the ability of the Group to raise new funds.</p>	<p>The Group rewards its investment professionals and other key employees in line with market practice. Senior investment professionals receive long term incentives and carried interest as part of their remuneration. The Group periodically engages external consultants to benchmark the rewards offered by the Group to ensure they remain attractive and competitive.</p> <p>The Group has an appraisal and development process for all its employees to ensure that individuals remain sufficiently motivated and appropriately competent to ensure the ongoing operation and development of the business.</p> <p>During the year the Group's performance has not been impacted by the loss of any employee.</p>

OUR RESOURCES AND RELATIONSHIPS

Our business model can only function because it is supported by several critical resources and relationships.

OUR RESOURCES AND RELATIONSHIPS

Our people are our key resource and instrumental in the delivery of our strategic objectives. It is through our people that over the last 25 years we have generated a brand and track record making us a well known and highly respected fund manager in our core markets. Evidence of the quality of our business has been recognised as we have received six awards during the last year.

The contribution of our people to the value of our business is demonstrated through our:

- Investment management skills
- Distribution capabilities
- Scalable infrastructure

OUR PEOPLE MANAGE THE INVESTMENT PROCESS

The Group has a consistent investment culture across its products. We deliver a disciplined investment process, demonstrate core credit principles and are focused on capital preservation. Our rigorous risk analysis and engagement with our portfolio management processes continue throughout the life of the investment, encompassing regular reviews, active management of the investment and a proactive approach to realisation.

Our investment professionals are specialists, with the skills required to understand and assess the relevant risks and opportunities for their product, to originate investments and

then manage those assets to realise returns for investors. Successful application of those skills has supported the development of our longstanding track record.

We value the local knowledge of our investment professionals. We believe that this is crucial to maintain a strong flow of investment opportunities and to effectively manage our investments. Our teams speak the local languages, understand local laws and customs and have the necessary depth of relationships required to operate successfully.

OUR PEOPLE DISTRIBUTE OUR PRODUCTS

Our dedicated distribution team is embedded within the business. Our relationships with third party fund investors have strengthened since the team was established in 2011. The team has increased investor awareness of our products, expanding our fund investor network both geographically and by investor type. This enhanced network promotes continuous engagement and supports the development of investment products which provide solutions to investors.

Our distribution team have replicated the local model established by the investment business. Their local market knowledge, supported with an understanding of what the Group can offer, are giving us access to new investors.

OUR PEOPLE MANAGE OUR SCALABLE INFRASTRUCTURE

Our infrastructure teams support the whole business, ensuring consistency and quality of service to our counterparties and fund investors. They have established, manage and continue to develop systems and controls to support our investment activities and effectively report on the performance and activities of the Group and our funds.

Our employees have the market skills, knowledge and relationships to support the business as we progress our strategic priorities, expanding both our product range and our geographical coverage.

OUR PEOPLE MANAGE OUR KEY RELATIONSHIPS

Building and maintaining our key relationships is essential to both support the growth of the business and deliver our strategic objectives.

1 Grow assets under management

The Group is expanding and strengthening its relationships with third party investors. Our products offer investors an opportunity to diversify their portfolio and generate yield. We are continuously engaged with our investors to understand their current and future needs and to ensure that we have the products to meet these requirements.

The availability of balance sheet capital to co-invest and to support product development is underpinned by our relationships with our key finance



Top: Harpley Tower Hamlets Pupil Referral Unit pupils attend a *ThinkForward* workshop at the Group's London office

Bottom: Pupils from Oaklands School, Bethnal Green being escorted around the Aldgate Tower development in the City of London by ICG volunteers

counterparties. These include banks, bondholders, other lenders and rating agencies.

Our active compliance team works with the business and our regulators to both identify and manage regulatory risk and also to promote best practice within the marketing, investment and infrastructure teams. The profile of this area is increasing as we expand our product range.

2 Invest selectively

Our investment professionals manage the relationships necessary to originate and source investment opportunities for our funds. These relationships include financial advisers, banks and other investment managers. Our reputation, built up over 25 years, has generated strong, supportive, asset sourcing networks.

3 Manage portfolios to maximise value

We invest money across the capital structure of companies and property assets. We seek to develop strong relationships both with owners and the management teams. Our investment teams have local market knowledge and access to the Group's extensive sector and market experience to support those businesses. Attendance at board meetings of originated corporate investments both increases our knowledge of the business and allows our investment professionals to develop strong relationships with management teams.

OUR RESPONSIBILITY TO OUR PEOPLE

To successfully deliver our strategic priorities the Group is focused on engaging with and motivating its employees. The current engagement of our people is demonstrated by our staff retention rate of 90.5%.

Effective two way communication with our people is essential to build and maintain engagement. We have a number of formal and informal channels to achieve this. These include monthly whole business briefings, an intranet and regular team and manager meetings.

The Group conducts regular, confidential, employee surveys to identify the areas of the business in need of further development, and those areas that are performing well. The last survey was conducted in 2012 and demonstrated that the Group was

performing well above financial services norms. It also demonstrated clear progress on the initiatives identified in the prior survey.

The Group considers that training and development are essential to attract and retain people of the highest calibre and has always invested significantly in this. We are committing to enhancing the knowledge and skills of our people and nurturing their talent. We run an extensive programme of internal and external training to develop and enhance core skills, increase technical competency and to develop future leaders.

The ongoing development of our people is supported by our performance management system. This provides a regular forum for employees and managers to review performance against agreed objectives and to identify areas for further development.

Our people are offered access to a range of benefits designed to attract, develop and retain talented employees. We ensure our levels of overall remuneration are market competitive. Benefits include: pension savings, healthcare and health screening, life assurance, child care vouchers, travel insurance, share save scheme, gym membership and cycle to work schemes.

The Group supports flexible working, with 5.2% of employees benefitting from these arrangements. Our employee initiated turnover is 7.5%.

DIVERSITY AND VALUES

The permanent employee population of 189 represents 24 different nationalities. Of our permanent employees 66 are women and 123 men. We do not record the religion or ethnicity of employees. The senior management team (excluding the Group's Board) comprises two women and four men and ICG's Board comprises eight individuals of which one is a woman.

We are committed to providing a safe and healthy work environment for our people where diversity is valued, where everyone is treated fairly and with dignity and respect, regardless of age, gender, race, sexual orientation, disability, religion or beliefs. We do not tolerate discrimination of any nature and comply fully with appropriate human rights legislation. We aim for employees to have a sense of wellbeing and we promote a working culture where employees can freely question practices and suggest alternatives.

500
£k

5 year commitment from ICG to Impetus – PEF ThinkForward programme

OUR RESOURCES AND RELATIONSHIPS *continued*



OUR RESPONSIBILITY TO OUR COMMUNITY

Our social and community policies and practices are grounded in promoting opportunities to young people, through education or work experience. In practice this means making a contribution through creating work experience opportunities across the Group and supporting a charity (ThinkForward) which helps young people make the often difficult transition from education to the workplace. In addition, employees are encouraged to donate time to activities supporting ThinkForward or have the opportunity to receive matched contributions for their fundraising efforts for other charities.

The Group runs an internship programme which offers a number of placements for young graduates who have achieved academically but are not readily able to access opportunities in the financial sector. The fully funded internship offers the opportunity to rotate through ICG's key business areas, building a strong understanding of our business model with the opportunities to specialise in a specific role. The internship programme is expected to provide that difficult first step on the career ladder. The programme is now in its second year, 100% of its first cohort having successfully secured a permanent job in their chosen field.

The Group has made a five year, £500k commitment to Impetus-PEF's ThinkForward programme. ThinkForward was set up by the Private Equity Foundation (now merged with Impetus to form Impetus-PEF) in 2010 to dramatically reduce the risk of young people becoming NEETs (not in education, employment or training). According to Impetus-PEF, 15% of young people are failing to make a successful move from education into employment. The charity places

dedicated coaches in schools where there are young people who have been identified as 'at risk' of becoming NEETs. The coaches work with individuals to help them achieve their goals, providing support both at school and at home.

The Group's commitment has provided funding to support a full time coach for the Harpley Tower Hamlets Pupil Referral Unit. The coach works with young people to support them to maximise their opportunities while in full time education and to improve their chances of a successful transition into long term employment. ICG is the first company to make such a commitment to a Pupil Referral Unit and is very proud of its association.

For more information about Impetus-PEF please visit: <http://impetus-pef.org.uk>

For more information about ThinkForward please visit: <http://think-forward.org.uk>

For more information about Tower Hamlets Pupil Referral Unit please visit: www.towerhamletspru.org.uk

OUR RESPONSIBILITY TO OUR ENVIRONMENT

ICG recognises that businesses have a responsibility to protect the environment and understand the impact their operations have, and we take appropriate measures to limit our energy use and carbon output.

The Group is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible. The Group's carbon emissions result predominantly from business travel. Using Defra/DECC's GHG conversion factors for company reporting, emissions for the year to 31 March 2014 were 4,438 tonnes of CO₂.

Operational scope	Greenhouse gas emission source	2014	Units
Direct emissions (Scope 1)	On-site air conditioning refrigerant loss	14	Tonnes CO ₂ e
Indirect emissions (Scope 2)	Purchased electricity/heat	870	Tonnes CO ₂ e
Indirect emissions (Scope 3)	Business travel: flights and rail	3,554	Tonnes CO ₂ e
Total		4,438	Tonnes CO₂e
Emissions per FTE		20.6	Tonnes CO ₂ e per FTE

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

OUR STRATEGY IN ACTION

Over the next few pages, we demonstrate our strategy in action, highlighting the different ways in which we are growing our assets under management – growth which will mean we begin our 25th year in great shape.

We are maximising our existing product portfolio, having issued three new European CLOs during the year.

We are offering our products in new geographies, expanding into the US, the world's largest debt market.

And we are building on our global success with new products – recently closing a new €1.7bn Senior Debt Partners product which offers investors access to the European senior secured loan market.



MAXIMISING THE EXISTING...

THEN...

ICG issued its first European CLO in September 1999 at €417m, making it the first vehicle of its kind in the European loan market.

THE WALL STREET JOURNAL

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THURSDAY, AUGUST 12, 1999

INTERNET ADDRESS: <http://wsj.com>

Collateralized Debt Obligation Fund May Lift Europe Junk-Bond Market

By MICHAEL R. SENT,
Staff Reporter of
THE WALL STREET JOURNAL

London — In what could give a boost to Europe's young and growing junk-bond market, Morgan Stanley Dean Witter & Co. and a British finance firm are launching a 400-million-euro (\$428.4 million) high-yield collateralized debt obligation fund, Europe's first.

While highly developed as a major source of funding for noninvestment-grade companies in the U.S., the so-called junk-bond market is still in infancy in Europe. For instance, since 1997, new-issue volume in the U.S. has totaled \$330.9 billion, compared with \$35.4 billion in Europe, according to Morgan Stanley.

Collateralized debt obligation, or CDO, funds could be a catalyst for further growth in Europe's high-yield market, which has been tied to finance risky new ventures, especially in the telecommunications and cable industries. And because they are closed-end, the funds could also add stability to the market by preventing investors from cutting and running during periods of high volatility, such as that which followed Russia's default last August.

"This is a positive development in the maturation of the European high-yield market; it will bring new investors into that market and help it to grow,"

said Edward Ocampo, a managing director at Morgan Stanley, which is arranging the new fund and has brought in major European institutions as investors.

Mr. Ocampo said his firm estimates that more than \$70 billion is invested in CDO and similar funds, of which \$25 billion was supplied in the first half of this year. Bankers estimate that about 15% to 20% of all recent U.S. high-yield bonds were financed by CDOs.

The new fund, which is called EuroCredit CDO I, will be managed by the London-based Intermediate Capital Group PLC. ICG will purchase the assets that will serve as the collateral for the fund.

CDOs are essentially special-purpose vehicles designed to invest in a diversified portfolio of subinvestment-grade assets. The investments in CDOs are financed through the sale of different classes of securities, which supply the capital for the funds' investment in the junk bonds.

Unlike most high-yield funds, which invest in junk securities issued by noninvestment-grade companies, a CDO fund is split into various segments, or tranches, representing different categories of riskiness. In that way, the fund will appeal to investors with different appetites for risk and different investment objectives.

For instance, EuroCredit CDO I will invest in a variety of noninvestment-grade European assets, which will consist of junk bonds and different categories of loans. The portfolio will be financed by the sale of five classes of bonds, which will range from high-grade Triple-A and Double-A to noninvestment-grade Single-B to unrated.

The bonds issued by the fund will be listed on the Luxembourg Stock Exchange, and because the fund is

1999

...PRODUCT PORTFOLIO

NOW...

15 years later ICG is still a market leader in this product category, issuing three new European CLOs during the course of the financial year raising a total of €1.3bn, with St Pauls III being the largest European CLO of the year at €550m. This represents 14% of the total market, which issued €9.6bn in the same period.

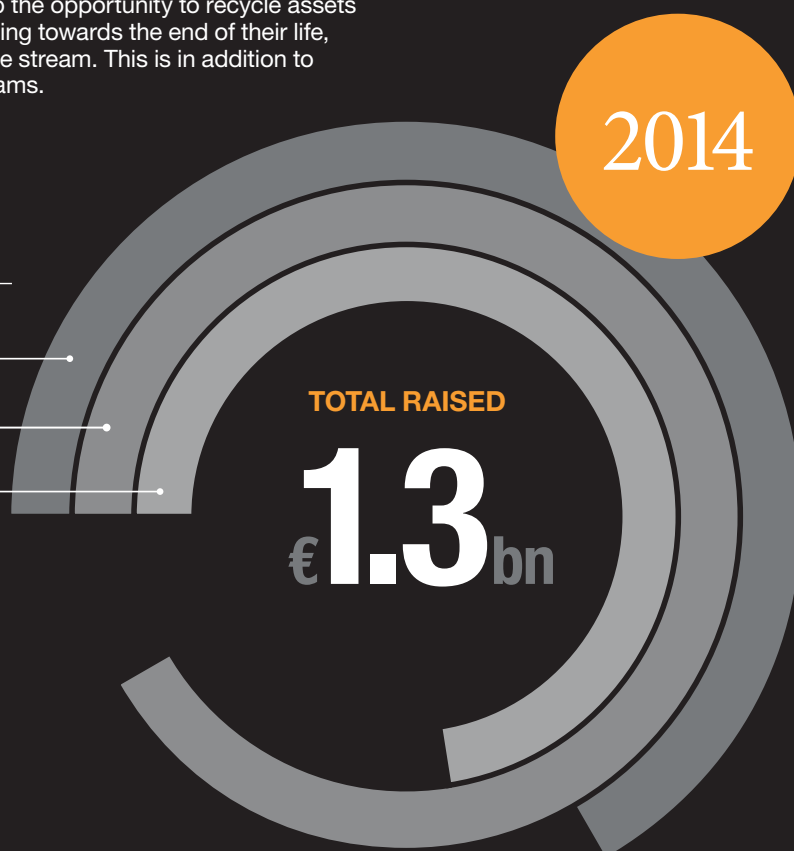
New regulations require ICG to use its capital to invest at least 5% in each vehicle. This makes the availability of the balance sheet resources a key competitive advantage. The three new European CLOs have also given the Group the opportunity to recycle assets from older CLOs which are coming towards the end of their life, thereby extending an existing fee stream. This is in addition to adding new assets and fee streams.

EUROPEAN CLOs

ST PAULS II

ST PAULS III

ST PAULS IV



2000

IN FINANCE

04 December 2000

FINANCIAL NEWS

Issue 480

Issuers seek alternative to junk

Jeremy Adams

Juicy deal fees, a never-ending conveyor belt of new jobs, huge bonuses creating millionaire twenty-something telecoms analysts - Europe's junk market has fulfilled a lot of bankers' dreams in its short life. But it has not fulfilled all of investors' expectations and potential issuers are now turning their backs on the market in favour of alternative products like mezzanine debt.

Investors setting up high yield funds three years ago were told to expect a flurry of high yielding bonds from under-invested, emerging companies, with long, long maturities in which the only risk is leverage. Many high yield bond market participants who have spent time working at the US market like to put out the line: "You know the best high yield deals are made the old, good, old-fashioned way."

It is true that European issuers have been successful in raising money through debt, but the market has suffered two further blows since 1998. First, the UK and Germany launched their debt, 10% and 12% respectively, which has led to a large group of UK banks being forced to buy out and merge of their counterparts. In the case of the UK, the merger of the two banks, which was completed last month, means that many companies had given up on the idea of raising money through debt. The banks themselves, in turn, were forced to sell off some of their assets to meet their obligations to their shareholders.

Mezzanine debt is a type of loan that sits just below senior loans in the company's capital structure and usually includes equity warrants. The cost of mezzanine has traditionally been 10% to 12% over the cost of bank loans. It is also far more flexible than bank loans and is often used to get round the fact that companies often have to raise money in a hurry. Mezzanine debt is also far more flexible than bank loans and is often used to get round the fact that companies often have to raise money in a hurry.

The European market has long been a small, select London market, dominated by specialists like Intermediate Capital Group, Mezzanine Management and Fins Mezzanine. The European market has long been a small, select London market, dominated by specialists like Intermediate Capital Group, Mezzanine Management and Fins Mezzanine.

OFFERING OUR PRODUCTS...

THEN...

ICG launched in 1989 with the sole objective of becoming Europe's leading independent specialist arranger and provider of mezzanine finance, the focus being on the UK and European markets.

...IN NEW GEOGRAPHIES

NOW...

25 years later ICG has expanded its debt and CLO products into the world's largest debt market, by launching dedicated US products for the first time. After opening an office in New York in 2007, the Group used its balance sheet capital to invest in its first US asset in 2008. Since 2012, the New York team has been strengthened. The 17 investment professionals have over 150 years' experience investing in the US market. Together, ICG's experience of the products and the local market knowledge of the team have been the foundations to the Group's US expansion, resulting in a \$371m US CLO closing in March 2014 and marketing underway for a US debt fund.

– FUND V – MEZZANINE FUND

– LONGBOW III – PROPERTY DEBT FUND

– LONGBOW SENIOR SECURED UK PROPERTY DEBT INVESTMENT – LISTED VEHICLE

– ST PAULS CLOS II, III, IV

– TOTAL CREDIT – MULTI STRATEGY CREDIT FUND

– EUROPEAN LOAN FUND

– HIGH YIELD BOND FUND

2014

– US FUND I

– ICG US CLO 2014-1

– ICAP II – ASIA PACIFIC MEZZANINE FUND

– AUSTRALIAN SENIOR LOANS

25
YEARS

CASE STUDY

Growing assets under management

BUILDING ON OUR GLOBAL SUCCESS...

ICG
MEZZANINE
OUR SINGLE OBJECTIVE

IN OUR FIRST YEAR OF BUSINESS
WE HAVE INVESTED OVER £60,000,000

Company	Total Investment	Mezzanine Capital
LEASING AND FINANCE SERVICES LIMITED	£5,000,000	£2,000,000
WORLD WIDE BUSINESS SERVICES	£41,400,000	£7,250,000
ROYAL CANADIAN MOUNTED POLICE	£31,000,000	£8,200,000
SAVING GROUP	£54,000,000	£15,000,000
LESTER TRADING SERVICES LTD	£155,000,000	£20,000,000
NEW BRIDGE HOTEL	£50,000,000	£15,000,000
WORTHINGTON GROUP	£36,800,000	£6,000,000
INDUSTRIAL ASSOCIATION OF BRISTOL LIMITED	£17,000,000	£5,000,000
INTERMEDIATE GROUP	£375,000,000	£42,400,000
YARDI GIBBS LIMITED	£43,000,000	£12,350,000

INDEPENDENT PROVIDER OF MEZZANINE TO THE MARKET

ICG INTERMEDIATE CAPITAL GROUP LIMITED
49 BOW LANE, LONDON EC4M 9DL TELEPHONE 01-329 0434

*Executive directors: Tom Barham Jean-Loup de Gersigny Andrew Jackson James Odgers
Member of the Association of Mezzanine Investors

1989

THEN...

ICG began in 1989 with a single product – mezzanine finance. In its first year it invested £60m in 10 deals. It was not until 2000 that its first third party European mezzanine fund was raised. In total, 13 institutional investors committed €388m.

2014

NOW...

25 years later ICG has closed a €1.7bn Senior Debt Partners product which has been established to provide investors with an opportunity to access the European senior secured loan market, a specialist private debt asset class. As a new product European Senior Debt Partners brings together the Group's existing knowledge of the European senior debt market gained through its CLOs product and the origination skills of its local European teams, which are at the heart of the mezzanine product. At €1.7bn, the amount raised is 70% more than the targeted €1bn and over the original maximum size of €1.5bn.

...WITH NEW PRODUCTS

SENIOR DEBT PARTNERS





Governance

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CHAIRMAN'S INTRODUCTION



JUSTIN DOWLEY
Chairman

“

Our strong governance framework is integral to our business.

”

Dear Shareholder

Your Board is committed to maintaining high standards in the area of corporate governance. Throughout the year to 31 March 2014, the Group was in compliance with the provisions of the UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council. A copy of the Code is publicly available on the Financial Reporting Council's website www.frc.org.uk

The Board is responsible to the shareholders of the Company as a whole, and manages the Group for the benefit of those shareholders. To achieve this the Board must provide leadership of the Group within a framework of controls which enable risk to be assessed and managed, and which ensure that the necessary financial and human resources are in place for the Company to meet its objectives and thus increase shareholder value. In fulfilling these roles we aim to exercise correct supervision while fostering a corporate culture that permits growth and empowers the entrepreneurial spirit of our employees.

The Corporate Governance report on the following pages gives details on this important area. Some of the steps we took to fulfil this responsibility during the last financial year were:

- Receiving detailed reports on new areas of business – the Board is keen to ensure that areas of significant expansion are monitored, and has received detailed presentations from a number of business unit heads about their strategy and operations
- Overseeing geographical expansion – the Group has opened a new office in Tokyo and expanded its operations in a number of other jurisdictions, including the United States and Australia. This has required extensive awareness of and compliance with local legal and regulatory requirements

- Conducting a Board evaluation – this process, moderated by an external firm, generated 360 degree feedback for each Director and highlighted areas for the Board to focus on in future to ensure proper oversight of the Group
- Splitting the Risk Committee from the Audit Committee – this separation, which took place in March 2013, has enabled the members of the Risk Committee to take a more focused look at some of the key risks facing our Group. This has been combined with the introduction of a rolling agenda for these committees (and the Remuneration Committee) to ensure that all relevant matters are reviewed on a regular basis
- Continuing regular shareholder meetings – members of the Board have regularly met with a number of shareholders to deliver updates on the performance and strategy of the Group's business and to allow shareholders to air any concerns

Three new Directors, including two new Non Executive Directors, joined the Board in the prior financial year, and so the year covered by this report has been their first full year on the Board. Each of them is a full contributor at Board meetings, and as they have gained experience in Board proceedings, our discussions have become ever more robust and detailed.

Our strong governance framework will remain integral to our business model during the coming financial year as we seek to grow our assets under management and deliver growth for our shareholders without compromising our risk management and internal controls.

JUSTIN DOWLEY
Chairman
23 May 2013

BOARD OF DIRECTORS



JUSTIN DOWLEY

Chairman

Justin Dowley qualified as a Chartered Accountant with Price Waterhouse 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 the National Crime Agency 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 and the Risk Committee.

Joined: **2006**



CHRISTOPHE EVAIN

Managing Director and CEO

Christophe Evain 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, he 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 Executive Committee and Chief Investment Officer.

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, he 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. He is a graduate of the Ecole Supérieure de Commerce de Paris.

Member of the Executive Committee. Responsible for European mezzanine.

Joined: **2002**



PHILIP KELLER

Managing Director and CFO

Philip Keller has been CFO of ICG for eight years. Prior to ICG, he 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 in the GlaxoSmithKline and Johnson & Johnson Groups. Chartered Accountant and graduate of Durham University.

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

Joined: **2006**



PETER GIBBS

Non Executive Director

Peter Gibbs was 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 Resolution Group, UKFI, and Aspect Capital Limited and as a Director of Bank of America Merrill Lynch (UK) Pension Plan Trustees Ltd.

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 McMurray has been a private equity investor, specialising in financial services, for more than 18 years. Since 2007, Lindsey has led the team managing the £1.1bn RBS Special Opportunities Fund (SOF). Prior to this she was a partner at private equity firm Cabot Square Capital Ltd. She serves as a Non Executive Director on the Boards of a number of SOF portfolio companies including Shawbrook Bank, Banca Sistema and Moneycorp and is a trustee of the Future First charity. She is a graduate of Strathclyde University.

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

Joined: **2012**



KEVIN PARRY

Non Executive Director

Kevin Parry is a Non Executive Director of Daily Mail and General Trust plc. He was 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, he is a Chartered Accountant with extensive experience of auditing and advising large international groups. He is Deputy Chairman of the Royal National Children's Association and is a member of the Court of the Chartered Accountants livery company.

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

Joined: **2009**



KIM WAHL

Non Executive Director

Kim Wahl is the owner and Chairman of the investment firm Stromstangen AS established in 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. He is a board member of UPM-Kymmene Oy and DNB Bank ASA and a 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

Thorough oversight by the Group's Directors is at the core of our corporate governance philosophy

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, and is also responsible for effective communication with the Group's shareholders.

The Chairman was considered independent at the date of his appointment as Chairman.

The Chief Executive Officer, Christophe Evain, oversees 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 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 2014, the Board comprised three Managing Directors, a Non Executive Chairman and four independent Non Executive Directors. Having duly considered their independence in accordance with the Code, the Board considers each 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 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 and the National Crime Agency during the year. We do not consider these appointments 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 BOARD'S RESPONSIBILITIES AND PROCESSES

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

- The Group's strategic plan, budget and financial resources
- The Group's performance and outlook
- Presentations on new products of the Group and the expansion to new jurisdictions
- The capital structure of the Group
- Opportunities for the Group to expand by acquisition and by launching new products
- A review of compliance policies
- A regular review of the investment portfolio
- Communication of our financial results for the interim and year end
- A review of current compensation structures
- The independence of Non Executive Directors
- A board performance evaluation
- Succession planning for roles within the Group, both at Board level and in respect of other senior managers
- Terms of reference for each of the Committees of the Board
- Corporate Responsibility initiatives and performance

The following table shows the number of Board and Committee meetings held during the year and the attendance record of individual Directors.

BOARD AND COMMITTEE MEETINGS

	Board	Audit Committee	Risk Committee	Remuneration Committee	Nominations Committee
Number of meetings held	6	5	4	4	2
Justin Dowley	6	4*	3	4	2
Christophe Evain	6	3*	4*	4	N/A
Philip Keller	6	5*	4*	4	1*
Benoît Durteste	6	4*	3*	4	N/A
Peter Gibbs	6	5	4	4	2
Lindsey McMurray	6	4	3	4	2
Kevin Parry	6	5	4	4	2
Kim Wahl	5	5	3	4	2

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

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 or 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. The focus in this area this year has been on informing the Board about areas of expansion for the Group, and consequently the Board has received detailed presentations from a number of business heads about their plans.

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.

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 account 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. This exercise was carried out in May 2014 and the feedback obtained was collated and presented to the Board for a detailed discussion. The evaluation did not identify any significant areas for concern and the Board is satisfied with its performance and that of its members, and also the performance of its Committees. Certain points raised during this exercise will be addressed at Board meetings during the forthcoming financial year.

In 2013, the Board also employed the services of an external independent third party for these purposes. This 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 stand 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 of the other Directors continues to be effective and demonstrates commitment to their role. In the case of the Chairman, the Non Executive Directors are satisfied that he continues to be effective and demonstrates commitment to his 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*



Our Committees supplement Board proceedings and allow for more detailed scrutiny of key issues.



BOARD COMMITTEES

The Board is supported in its decisions by five principal Committees. The reports of the Audit Committee, the Risk Committee and the Remuneration Committee can be found at pages 54, 60 and 62 respectively, while details of the other two Committees are 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; the Group's Financial Controller acts as Secretary to the Audit Committee; and the Group's Compliance Officer acts as Secretary to the Risk Committee. Each Committee's Secretary serves at the invitation of the Chairman of that Committee.

The Terms of Reference of each Committee are considered regularly by the respective Committee and referred to the Board for approval.

NOMINATIONS COMMITTEE

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

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.

In July 2013, the Committee reviewed and updated their policy on the background and diversity of Board members. The policy provides that, 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 considering candidates, appointments should be made relative to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise, and the Committee will seek to ensure that long lists and short lists of possible appointments to the Board reflect that position. The Committee will always seek to appoint the candidate with the most appropriate skills and experience regardless of their background, gender, race, marital status, age, disability, religious belief or sexual orientation. The Committee and the Board are committed to diversity both at Board level and throughout the organisation.

The Committee is aware of the recommendations of the Davis Report on gender diversity at Board level. While it remains supportive of increased gender diversity at Board level, it may not always be in the best interest of shareholders to prioritise this above other factors. The Committee will consider the Davis Report's recommendations, along with all other appropriate factors, when making future recommendations to the Board.

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 oversees the Group's Investment Committees in his role as the Chief Investment Officer. He is also responsible for the Group's credit funds business. Philip Keller is Chief Financial Officer and is responsible for finance and infrastructure. Benoît Durteste has responsibility for the European mezzanine and minority equity business of ICG.

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
- 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 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'. For further details of the risks relating

to the Group, please see pages 28 to 35 and the report of the Risk Committee on pages 60 and 61.

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.

The Directors have made this assessment in light of the £678.3m cash and unutilised debt facilities following a period of high realisations, no significant bank facilities maturing until 2016, and after reviewing the Group's latest forecasts for a period of two years from year end.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 10 to 21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 22 to 27. In addition, note 3 to the financial statements includes 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 in the current economic environment.

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 no facilities due to mature within the next 12 months.

AUDIT COMMITTEE REPORT



KEVIN PARRY
Chairman of the Audit Committee

Dear Shareholder

During the year we have focused on the complexity of regulation, particularly concerning audit rotation and tendering, and the communication of this Committee's work to you. The changes have, in part, broadened the Committee's work and, in part, formalised pre-existing review procedures.

I have remained conscious of the need to ensure that contemporary developments do not detract from our established focus on judgemental areas of accounting and the quality of the control environment.

The Board established a separate Risk Committee at the end of the 2013 financial year. The taking and control of risk is a fundamental aspect of operating in the financial sector. Good auditing requires a sound understanding of the Group's risks, our appetite for risk taking and mitigations to limit downsides. Consequently, during the course of the current year, the Audit Committee has worked closely with the Risk Committee and the Remuneration Committee with the aim of effectively covering pertinent topics in one or other forum.

The following pages set out the Audit Committee report for financial year 2014. The report is structured into four parts:

1. Committee governance: roles and responsibilities, composition and effectiveness
2. Review of the year: the significant financial reporting and auditing issues we addressed
3. Internal controls: the assessment of the adequacy of the control framework
4. External auditors: ensuring their independence, effectiveness and objectivity; and their appointment

The report sets out in detail the significant issues considered during the year. From my perspective the most important issues were:

- Valuation of the portfolio and assessment of impairments – the valuation of unquoted illiquid assets and any impairment requires considerable professional judgement. Consequently, the Committee undertakes a comprehensive review at each balance sheet date challenging management's assessments based on established processes and a judgemental sample of direct file reviews
- Tax provisioning – the Group has some historical employee related tax issues that were put in place when businesses undertook more aggressive tax planning than your Directors would contemplate today. In order to avoid conflicts of interest, the Chairmen of the Remuneration and Audit Committees constituted an ad hoc team overseeing communications with HM Revenue and Customs, and current and former employees. Professional advice and opinions were provided by internal and external tax lawyers and tax accountants as well as by HMRC. The accounting treatment has been carefully considered in the light of remaining uncertainties, also drawing on the advice of experts. See note 11 to the financial statements
- Security of data and the procedural formalities of the IT department – we reviewed our expectations of IT capabilities and the need for security and continuity of service in light of the growth of the Group and the prevalence of cybercrime. Both best practice and the law emphasise data security and integrity. Based on a comprehensive review by specialist consultants, we were advised that the IT function would benefit from additional resource and a wider international perspective to provide greater likelihood of the continuity and security of service. The resource has been recruited

- Relationship with the external auditors
 - it is fundamental that our auditors are independent of management and provide robust challenge to the financial reporting and disclosures. Based on our enquiries, we are satisfied that Deloitte LLP and the incumbent audit partner are effective and that they have robust processes for maintaining their objectivity and independence in accordance with our and their procedures. We have commenced planning for future audit partner and firm rotation
- Requirement for an internal audit function
 - the Committee have continued to monitor the need for an independent internal audit function. During the year we continued our practice of undertaking ad hoc internal audits using part-time resource but have now concluded that there needs to be either a properly outsourced or a dedicated internal auditor operating to a structured programme

In the year ahead the Committee will continue to monitor new developments in regulation, particularly as they impact audit tendering, and to consider the audit risks associated with new business initiatives arising from the continued development of the Group.

I would be pleased to discuss the Committee's work with any shareholder.

KEVIN PARRY

Chairman of the Audit Committee
23 May 2014

COMMITTEE GOVERNANCE

On behalf of the Board, the Committee encourages and seeks to safeguard high standards of integrity and conduct in financial reporting and internal control.

ROLE AND RESPONSIBILITIES

The Committee meets regularly, at least four times a year, and is responsible for:

- Selecting and recommending the appointment and reappointment of the external auditor, approving their terms of reference and fees
- Reviewing the performance of the external auditor and ensuring the rotation of audit partner to an individual with relevant experience and skills
- Reviewing the independence of the external auditor and the relationship between audit and non audit work performed by the external auditor
- Reviewing the annual and interim accounts before they are presented to the Board, in particular addressing 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
- Monitoring the integrity of the financial statements of the Group, 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

The Committee has fulfilled its responsibilities during the year.

COMPOSITION

The Committee consists of independent Non Executive Directors only. The current members are Kevin Parry (Chairman of the Committee), Peter Gibbs, Lindsey McMurray

and Kim Wahl. Full details of their attendance at Committee meetings can be found in the Corporate Governance section on page 51. Biographical details can be found on pages 48 and 49.

The Committee members have a wide range of business and financial experience, including risk management, fund management and investment, regulation and compliance, M&A, tax and international business practices. These skills enable the Committee to fulfil its terms of reference in a robust and independent manner. Kevin Parry, a Chartered Accountant, was recently the Chief Financial Officer at Schroders plc and was previously a managing partner at KPMG. The Board considers that he has recent and relevant financial experience for the purposes of the Code.

The Managing Directors and Chairman of the Board are not members of the Committee but regularly attend meetings at the invitation of the Chairman of the Committee, together with Deloitte LLP, the Company's auditor.

The Committee meets the external auditors without the management present twice a year to ensure that they are receiving full cooperation from management, obtaining all the information they require and are able to raise matters directly with the Audit Committee if they consider it is desirable to do so.

EFFECTIVENESS

The Committee reviews its terms of reference and effectiveness annually. The 2014 review adopted a more comprehensive questionnaire than previously and was completed by all Audit Committee members and regular Group attendees. The review included best practice questions. The results confirmed that the Committee continues to operate effectively, fulfils its terms of reference and receives reliable and trustworthy information from management and auditors. Based on the results of the review the Audit Committee members would like more training on market developments and this will, in future, be undertaken with the Risk Committee.

AUDIT COMMITTEE REPORT
continued

REVIEW OF THE YEAR

SUMMARY OF MEETINGS IN THE YEAR

The Committee held four meetings during the year in line with the financial reporting dates. In addition there were three sub-committee meetings between March and May to review drafts of the 2014 Annual Report which included new disclosure and reporting requirements.

These three meetings were the culmination of much preparatory discussion and work over a number of months and were timed so as to avoid structural presentational issues detracting from the review of detailed content issues near to the Annual Report's publication date.

Over the course of the year the Committee considered and discussed the following significant matters.

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
FINANCIAL REPORTING		
<i>The content of the annual, semi-annual and quarterly financial reporting needs to be appropriate, complying with laws and regulation.</i>	We determined there were no important changes to IFRS in the EU; we reviewed the accounting policies for continued appropriateness and consistency. The Committee requested a paper on the accounting treatment and disclosure of new and complex transactions, including any judgement areas. This included the consolidation of US Collateralised Loan Obligations (CLOs) and whether the Group controlled any portfolio companies following restructurings.	We concluded that the accounting policies (see pages 99 to 104) are appropriate and, based on our enquiries of management and auditors, are being properly applied. We also concluded that the areas of judgement (see pages 103 and 104) are properly explained. We gained comfort from financial management and the auditors that the Group complied with reporting requirements.
<i>Taken as a whole, the Annual Report needs to be fair, balanced and understandable so that it is relevant to readers. This is a new requirement for 2014.</i>	We held preparatory discussions with management to determine the format of the Annual Report and then assigned responsibilities for the content of the Report and its overall cohesion and understandability. We subsequently received confirmation that those responsibilities had been fulfilled and commented extensively on design and detailed content. We used the Executive Directors', the external auditors and the Committee's knowledge to review a late draft for overall fairness, balance and understandability prior to final approval by the Board.	We consider that this year's Annual Report benefits from the new guidance and believe it will increase understanding of the Group. We recommended to the Board that it could confirm it has met the new requirements (see page 86). We will monitor feedback for future enhancements.
<i>Investments represent 84% of our total assets. 50% are carried at fair value and 50% are carried at amortised cost. As the assets are mainly unquoted and illiquid, (see note 17 to the financial statements), considerable professional judgement is required in determining their valuations and associated provisions.</i>	We reviewed a detailed paper on the valuation process management have undertaken and the judgements made in determining the value of the portfolio. In addition to reliance on executive management procedures and the work of the auditors, the Committee continued its practice of a member of the Committee (who is selected in rotation) reviewing a small judgemental sample of the investments including a file review and challenge of management. The Committee accordingly gained substantive evidence of the appropriateness of reliance on compliance with the Group's valuation procedures.	The Committee concurred with the valuations and did not determine there was a need for any adjustment.

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
<i>Provisions are required for actual and potential liabilities that cannot be quantified accurately as to timing or quantum.</i>	We reviewed the Group's legal, tax and other exposures. It was determined that the biggest judgements concerned tax and in particular employee taxation (see covering letter to this Committee's report). The Committee received feedback from the ad hoc group, challenging its views based on professional advice.	The Committee determined that there remains uncertainty over the quantum of the settlement that it anticipates concluding with HMRC and accordingly it is premature to amend existing estimates which are quantified in note 11 to the financial statements. The Committee's current assessment is that the provision is more likely to be prudent than insufficient.
<i>Income recognition and cash flows are not entirely aligned which can result in income being recognised prematurely or too late. This can arise from restructurings as well as from new investments.</i>	We were briefed on the internal control systems, including frequent reconciliations that are in place to ensure the accounting for income is appropriate. We also reviewed issues arising from prior periods that were potentially relevant to the 2014 financial year.	We concluded that there was no current year misstatement and that the impact of prior year issues was minor.
<i>The Group needs to be a going concern. The whole basis of accounting assumes that the Group can continue to operate for the foreseeable future.</i>	We reviewed the Board papers on financing. The time spent on this topic was reduced this year because the tightness of financing experienced in prior years no longer prevails.	The Committee concluded that the Group is comfortably funded and is a going concern (see page 53).

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
AUDITING		
<i>The auditor needs to be independent of management to report on the truth and fairness of the Annual Report without conflicts of interest.</i>	We reviewed the standing policies on services that can be provided by Deloitte (see External Auditors on page 59) for their continued appropriateness as to scope and fees. We received confirmations from management and Deloitte of adherence and agreed the adherence to the fees paid. We also reviewed the audit fees in the context of the size and complexity of the audit.	We concluded that with only minor amendments, our policy remains appropriate and in line with best practice. We determined that the Group audit fee needed to increase from £0.5m to £0.7m to reflect the scope and complexity of work undertaken by Deloitte. We anticipate the need for a further fee increase in 2015.
<i>The audit process needs to be effective so that the auditor's opinion is robust.</i>	We ensured through enquiry that Deloitte had a good understanding of the risks faced by the Group, that they took full account of professional guidance and designed audit procedures that were specific to the Group. We ensured that the procedures were designed to pick up material errors and frauds and reflected on the Audit Quality Review findings and its generic recommendations. The Group risks are set out on pages 28 to 35 and the key audit risks are set out in the Audit report on page 88. We monitored progress from planning to the final opinion at each Audit Committee through private meetings, discussion at Audit Committees and through written reports.	We are satisfied that the audit is effective. The Committee decided it could improve its own procedures by receiving oral reports directly from selected overseas partners of Deloitte. This will commence with a report from the Asia Pacific partners based in Sydney and Singapore at the conclusion of their local audits.

AUDIT COMMITTEE REPORT

continued

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
AUDITING CONTINUED		
<i>The audit is conducted to an appropriate level of materiality to ensure that there is strong comfort that the financial statements are true and fair.</i>	<p>ICG has volatile profitability due to capital gains and losses and impairments. We determined in conjunction with Deloitte that it is appropriate to base materiality on 10% profit before capital gains and losses and impairments and that individual capital gains and losses should be audited in their entirety.</p> <p>The FY14 profit is overstated by £0.4m as a result of prior year audit differences. The Committee has deemed this amount immaterial.</p>	<p>The audit materiality was set at 10% of profit before capital gains and losses equivalent to £12m (2013: £16m). This is equivalent to 7.6% (2013: 11.2%) of pre-tax profits. The Committee considered this provides appropriate comfort as to the quantification of the robustness of Deloitte's audit opinion.</p>
<i>The audit is properly conducted in practice. This ensures that the audit findings are discussed with the Committee.</i>	<p>We received a memorandum on the audit findings and discussed its content with Deloitte in the Committee with and without management being present. The audit did not result in any changes to the reported profit. A number of disclosures were enhanced on the recommendation of the auditors to provide clarity. A number of useful control enhancements around formalising and documenting our existing practices for loans and receivables were recommended. No fraud was identified.</p>	<p>We were satisfied with the outputs of the audit and have tasked financial management with implementing the recommended enhancements to the control environment.</p>

In addition to the significant matters addressed above, the Committee maintained a rolling agenda of items for its review including financial crime, whistleblowing and the finance function's capabilities. No issues of significance arose.

INTERNAL CONTROLS

Risk management and internal control matters are the responsibility of the Group's Risk Committee. Its report is set out on pages 60 and 61.

The Group has an established control framework as described on page 28. The framework is designed to manage but not eliminate risks and is designed to provide reasonable but not absolute assurance against material losses or misstatements. The Group is expanding and this adds to complexity and risk. To date, there has been no internal audit function but ad hoc reviews have either been outsourced or conducted by other control functions such as Compliance. This has been a subject of regular review by the Audit Committee in

the context of the Group's complexity, the norm for the financial sector and regulatory expectations and standards.

For example, in 2014 there was a review of the IT function. This was commissioned from a consultancy with deep IT expertise. It raised a number of important issues highlighting limitations of the current arrangements. Issues raised around data security and disaster recovery planning were promptly addressed where possible and extra skilled staff were engaged in respect of matters that would take time to resolve and improve, typically requiring system enhancements or geographic relocation.

In the light of the benefit attained from the IT report and the increasing size of the Group, the Audit Committee has determined that it is necessary to have either a properly planned outsourced Internal Audit function or an internal auditor who is an employee. Further there should be a two year audit programme of work that has a rolling agenda with time for flexibility to address any issues that emerge. The marginal direct cost is estimated to be £0.2m.

The Audit Committee will oversee the installation of the Internal Audit function in the 2015 financial year and there will be a direct line of report to the Audit Committee Chairman. If the function is outsourced to one or more providers, Deloitte which is our external auditor, will be precluded from the work.

EXTERNAL AUDITORS

Deloitte LLP has been the Company's external auditor since its commencement of trading. In accordance with professional and regulatory standards the lead audit partner has changed regularly since that time to safeguard the independence and objectivity of the audit process. The most recent audit partner rotation was in 2010 and the current audit partner's five year term will end at the conclusion of the 2015 audit. We have been monitoring audit regulatory developments determined by the FRC, Competition Commission and the EU. The EU has recently approved legislation that will require us to change our audit firm by no later than after the 2020 year end. We await the final requirements from the Competition Commission later this year. Absent any major service or quality issues, the desirability of a change of auditors is a delicate balance between a 'fresh pair of eyes' and accumulated knowledge applied to produce a robust audit. Consequently, based on our understanding of legislation, we anticipate that Deloitte will rotate their audit partner after the 2015 audit and then, in good time for the 2020 year end, the audit will be tendered and rotated to another firm of auditors. It is proposed that David Barnes will succeed Calum Thomson as our audit partner, and we are satisfied that he has the experience and industry knowledge to be the lead audit partner. The timing of auditor rotation will be kept under annual review and if legislation changes, or if the UK determines different rotation rules to the EU regulations, or there are any concerns as to Deloitte's independence, the quality of their audit or the service levels, the audit tender and rotation might be undertaken sooner.

The Committee 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 assessment focuses on quality of service and so aims to be broader than just reaching views on a particular audit. This assessment is based on the results of questionnaires completed by the Committee members, the Executive Directors and other relevant senior management. The results of the evaluation were last reported to the Audit Committee in September 2013. Having completed the review, and discussed its findings with the auditors, the Committee remains content with Deloitte's work whilst identifying some areas for service improvement: feedback on the prudence of impairments and tax provisions and advance information on the reasons for cost overruns. The Audit Committee discussed the output with Deloitte and they have assured the Committee they will seek to address the areas where they can improve the service delivery.

The Committee regularly monitors non audit services being provided to the Group by its external auditor to ensure there is no impairment to their independence or objectivity. Stringent procedures are in place to ensure that all significant non audit work performed by the auditor in excess of £50,000 is approved in advance by the Committee. Engagements are only approved if they do not and will not 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 minimus levels.

During the year the Group paid £401,000 to Deloitte LLP for the provision of corporate non audit services. Of this, £92,000 is in respect of services in their capacity as auditors and £309,000 in the form of tax compliance and advisory services not related to the audit of the financial statements. These were provided by Deloitte as they are judged to be a market leader in these areas, having a reputation for quality, and having 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 that have no involvement in the audit of the financial statements. The advice was not dependent on a particular accounting treatment and the outcome or consequences of the advice did not have a material effect on the Group's financial statements. No services were provided pursuant to contingent fee arrangements. A detailed analysis of fees paid to Deloitte LLP is shown in note 9 on page 119. EU audit legislation introduces certain restrictions on the provision of non audit services including a 70% non audit services fee cap. The restrictions on non audit services will become effective two years from the date of entry into force of the regulation; as such, it is expected to be in force for the 2016 financial year.

RISK COMMITTEE REPORT



KEVIN PARRY
Chairman of the Risk Committee

Dear Shareholder

During the year we have focused on the risks impacting the Group, particularly those arising from the Group's geographic expansion and consequently increased exposure to regulation.

The Board established a separate Risk Committee at the end of the 2013 financial year. The identification, control, mitigation and reporting of risks is a fundamental aspect of operating in the financial sector. Good practice requires a sound understanding of the Group's risks, our appetite for risk taking and mitigations to limit downsides. Consequently, during the course of the current year, the Risk Committee has worked closely with the Audit Committee with the aim of effectively covering pertinent topics in one or other forum.

The following pages set out the Risk Committee report for the financial year. The report considers:

1. Committee governance: our scope and terms of reference
2. Review of the year: the significant risk issues we addressed

COMMITTEE GOVERNANCE

ROLE AND RESPONSIBILITIES

The Committee meets regularly, at least three times a year, and is responsible for:

- Keeping under review the effectiveness of the Group's risk management systems
- Reviewing and approving the statements to be included in the Annual Report concerning risk management
- Reviewing any reports on the effectiveness of systems risk management
- Reviewing the Group's procedures for identifying, assessing, controlling and mitigating the material risks faced by the Group and to ensure these procedures allow proportionate and independent investigation of such matters and appropriate follow up action

COMPOSITION

The Committee consists of Non Executive Directors only. The current members are Kevin Parry (Chairman of the Committee), Justin Dowley, Peter Gibbs, Lindsey McMurray and Kim Wahl. Full details of their attendance at Committee meetings can be found in the Corporate Governance section on page 51. Biographical details can be found on pages 48 and 49.

The Committee members have a wide range of business and financial experience, including risk management, fund management and investment, regulation and compliance, M&A, tax and international business practices. These skills enable the Committee to fulfil its Terms of Reference in a robust and independent manner.

The Managing Directors of the Board are not members of the Committee but attend meetings at the invitation of the Chairman of the Committee.

REVIEW OF THE YEAR

Set out below are the significant issues considered during the year:

- Specific risks arising from the Group's exposure to new regulations and from undertaking activities in new jurisdictions – during the year the Group drew closer to undertaking activities in a number of jurisdictions, predominantly the United States, Singapore and more recently, Japan. In all instances this attracts new regulation and exposes the Group to new regulatory regimes. Consequently, the Committee has been kept informed of the development of policies and procedures to satisfy the respective regulations and has challenged management's assessments of the adequacy of the proposed policies and procedures. The Committee will undertake geographic reviews in the future to assess the Group's compliance with regulatory reporting
- Material risks – the Group uses a risk scorecard as part of its risk framework that summarises the material risks faced by the Group, the tolerance of the Group to each respective risk, and key risk indicators that indicate, for each risk, the extent to which the tolerance is being approached or has been exceeded. The Committee has overseen and challenged the Group's management of material risks by reference to the risk scorecard which has been presented to the Committee periodically during the year
- Material risks – toward the end of the year the Committee has overseen a high level review of the material risks faced by the Group. In recognition of the Group's transition toward an alternative asset manager, the Committee challenged whether the material risks faced by the Group remained wholly relevant. This exercise, which is ongoing, has re-affirmed the majority of the prevailing material risks while highlighting the need to add or remove a small number of material risks

- ICAAP – during the year, the Committee reviewed the capital adequacy of the Group having regard to all risks facing the Group as required under the Internal Capital Adequacy Assessment Process ('ICAAP') of the FCA. The 'Pillar 3' disclosures required to be made public as a result are available on the Company's website at www.icgplc.com

In the year ahead the Committee will continue to monitor the risks faced by the Group in delivering its strategic objectives, in particular risks arising from the exposure to new regulations or developments in regulation and risks associated with new business initiatives arising from the continued development of the Group.

I would be pleased to discuss the Committee's work with any shareholder.

KEVIN PARRY

Chairman of the Risk Committee
23 May 2014

DIRECTORS' REMUNERATION REPORT



PETER GIBBS
Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present the Directors' remuneration report for the financial year ended 31 March 2014. This is in a different format from previous years, reflecting the new requirements brought in by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

In accordance with the new regulations, the Directors' remuneration report is in three parts: this statement, the Directors' remuneration policy and the Annual report on remuneration. The Directors' remuneration policy will be put to a binding shareholder vote at the Annual General Meeting (AGM) on 23 July 2014; the Annual report on remuneration (together with this statement) is subject to an advisory vote at the AGM in the same way as in the past.

Our remuneration philosophy is to reward our employees in a similar manner to private equity businesses so that we are able to recruit and retain people of the right calibre to achieve our business objectives. All variable remuneration earned by our staff (other than third party carry and similar arrangements which do not give rise to a liability on the Company) is payable out of the Annual Award Pool (AAP) which we target at an average of 30% of cash profit over a rolling five year period. Cash profit is an important measure of how well we're running our business.

There have been no major changes in the way that we remunerate our staff during the course of 2013/14 although we have made minor amendments to the definition of cash profit to ensure that the remuneration of existing staff was not adversely affected by the development of our in house distribution team and to correct an anomaly relating to the treatment of rolled up interest. These are detailed later in the report.

Business performance has been much improved in FY14:

- Third party assets under management up 8% to €10.7bn
- Record level of fundraisings at €3.8bn
- Record level of realisations bringing in proceeds of £1.1bn
- Cash core income increasing to £231.7m versus £39.9m in FY13
- Strong progress in delivering product and geographic diversification
- Significant investment in new staff – average headcount increased by 21.1%

This has had a significantly positive impact on the AAP which is £101.7m this year (compared with a negative £3.2m in FY13 which, in turn, showed a decline from £49.5m from FY12). We are not proposing to distribute the full amount of the AAP available for FY14. The proposed incentive awards for FY14 are estimated at 14.8% of cash profit, resulting in a three year rolling average of 20.6% since the inception of the Plan in FY12.

Cash profit, by its very nature, is highly volatile and for this reason we measure the AAP on a rolling basis over a five year period. The Remuneration Committee believes that 30% is an appropriate rolling average percentage of cash profit to distribute as variable pay under the AAP at the present time but, if changes in the Group's business model indicate that a different percentage is warranted, the Remuneration Committee would enter into dialogue with major investors to determine what that level should be.

We are comfortable that staff reward remains strongly linked to the performance of the business and that:

- The link of the AAP to cash profit ensures staff remain focused on the delivery of successful investment outcomes
- A significant proportion is delivered in shares to align employee interests with those of shareholders
- The majority of the variable pay is subject to deferral of which an element is linked to the performance of the Investment Company

Although we have not consulted shareholders on any specific aspect of remuneration this year we have regular dialogue with our major shareholders when we discuss remuneration.

I hope that you will find our new look report informative. I look forward to your support at the AGM where I will be happy to address any questions you may have.

PETER GIBBS
Chairman of the Remuneration Committee
23 May 2014

DIRECTORS' REMUNERATION POLICY

This section describes the remuneration policy for Managing Directors that has been in operation since 2010 and which is intended to continue to apply from the date of the 2014 AGM, subject to shareholder approval at that meeting.

ANNUAL AWARD POOL

The central feature of ICG's remuneration policy is the AAP. All incentives awarded across the Group under:

- The Omnibus Plan
- The Balance Sheet Carry Plan
- Any performance fees paid to the Fund Management Company (FMC) that are distributed to employees

are governed by an overall limit that is currently 30% of cash profit over a rolling five year period. This percentage may be exceeded in any year but must not be exceeded on an aggregate average basis over five years.

Cash profit is defined as profit before tax and incentive schemes, adjusted so that:

- Interest income and capital gains are only recognised on a cash basis
- Net impairments are only recognised on principal investment
- Fair value movement of derivatives is excluded

A further adjustment is made to cash profit to reflect the remuneration cost of our in house distribution team. The variable pay of all employees (including the distribution team) is awarded out of the expanded AAP.

The current AAP limit is considered by the Committee to be appropriate for our existing business model. As the Group's business develops and expands into new markets and products, the Committee will assess the ongoing appropriateness of the 30% limit. Should it be determined that the limit should be amended, the Committee will engage with shareholders.

AWARDS FALLING WITHIN THE ANNUAL AWARD POOL

The Omnibus Plan provides for three different award types to be made over ICG shares: Deferred Share Award, PLC Equity Awards and FMC Equity Awards. FMC Equity Awards are not made to individuals who are Managing Directors. In addition, performance fees receivable by the FMC together with any other incentives funded by ICG are distributed under the umbrella of the AAP. Only Third Party Carry (TPC) and similar arrangements in respect of ICG direct investment funds or business acquisitions that do not give rise to a cost or liability to the Company are outside of the AAP.

The policy is based on the following remuneration principles.

REMUNERATION PRINCIPLES

Five guiding principles are reflected in the design of the staff compensation arrangements.

ALIGNMENT BETWEEN STAFF AND SHAREHOLDERS

AAP (30% of cash profit cap on expected value of awards ensures long term affordability)

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

PROMOTE STAFF EQUITY OWNERSHIP

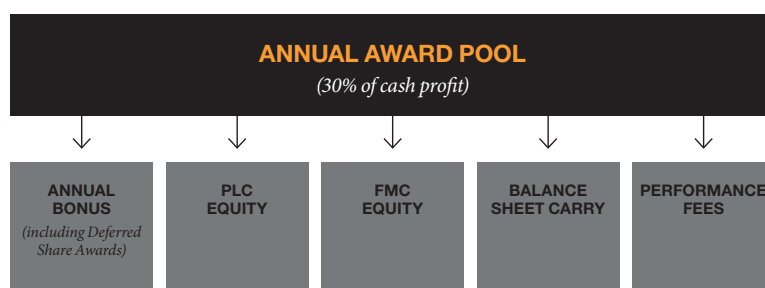
The majority of executive remuneration is in the form of equity; and shareholding guidelines have been introduced

TRANSPARENT

All aspects of remuneration are clear to employees and openly communicated to employees and shareholders

'CASH ON CASH'

The 'cash on cash' principle ensures that employees are only rewarded for realised gains



DIRECTORS' REMUNERATION POLICY

continued

FUTURE POLICY TABLE

The table below outlines each element of the remuneration policy for the Directors of the Company.

SALARY	
PURPOSE AND LINK TO STRATEGY	OPPORTUNITY
Adequate to recruit and retain Managing Directors who will drive the business forward	Base salaries for the Managing Directors for the 2014/15 financial year are set out on page 79.
Designed to be sufficient to ensure that employees do not become dependent on their bonuses	In considering base salary increases, the Committee considers the range of salary increases applying across the Group and local market levels
Reflects local competitive market levels	Increases do not normally exceed the average staff increase, except in the case of a change of role or responsibility
OPERATION	PERFORMANCE CONDITIONS
Paid monthly	None
Normally reviewed annually	
BENEFITS	
PURPOSE AND LINK TO STRATEGY	OPPORTUNITY
Appropriate to recruit and retain Managing Directors who will drive the business forward	Provision and level of benefits are competitive and appropriate in the context of the local market
Reflects local competitive market levels	
OPERATION	PERFORMANCE CONDITIONS
Benefits currently receivable by Managing Directors include life assurance, private medical insurance and income protection	None
PENSION	
PURPOSE AND LINK TO STRATEGY	OPPORTUNITY
Adequate to recruit and retain Managing Directors who will drive the business forward	The pension allowance available to Managing Directors is 15% of basic salary
Helps Managing Directors to provide for their retirement	
OPERATION	PERFORMANCE CONDITIONS
All Managing Directors are entitled to a pension allowance payable each month with salaries	None

ANNUAL BONUS AND DEFERRED SHARE AWARDS

PURPOSE AND LINK TO STRATEGY

Rewards employees for delivering cash profits, managing the cost base, employing sound risk and business management

OPERATION

Awards are made after the end of the financial year

The annual bonus is awarded as cash and deferred shares

Managing Directors will receive 50% of bonuses over £100,000 as Deferred Share Awards

Shares normally vest one third in each of the first, second and third years following the year of grant subject to continuing service. The Committee has discretion to vary the date of vesting if necessary or desirable for regulatory or legislative reasons

In the event of a change in control (other than an internal reorganisation) shares vest in full

Dividend equivalents accrue to participants during the vesting period and are paid at the vesting date

OPPORTUNITY

A Managing Director's annual bonus and Deferred Share Award are drawn from the AAP which is capped

PERFORMANCE CONDITIONS

A Managing Director's annual bonus is drawn from the AAP, and so is directly determined by reference to the Group's cash profit for the relevant financial year

A Managing Director's annual bonus entitlement is also based on performance against objectives, which are derived from the Group's key performance indicators

No further performance conditions apply to Deferred Share Awards

PLC EQUITY AWARD

PURPOSE AND LINK TO STRATEGY

Rewards senior employees for increasing long term shareholder value

Aligns the interests of senior employees with those of shareholders

OPERATION

Awards are made after the end of the financial year

The awards are over shares in the Company

Shares normally vest one third in each of the third, fourth and fifth years following the year of grant unless the Executive leaves for cause or to join a competitor. The Committee has discretion to vary the date of vesting if necessary or desirable for regulatory or legislative reasons

In the event of a change in control (other than an internal reorganisation) shares vest in full

Dividend equivalents accrue to participants during the vesting period and are paid at the vesting date

OPPORTUNITY

A Managing Director's PLC Equity Award is drawn from the AAP which is capped

PERFORMANCE CONDITIONS

A Managing Director's PLC Equity Award is drawn from the AAP, and so is directly determined by reference to the Group's cash profit in the relevant financial year

A Managing Director's PLC Equity Award is also based on performance against objectives, which are derived from the Group's key performance indicators

No further performance conditions apply to the PLC Equity Awards

DIRECTORS' REMUNERATION POLICY

continued

FMC EQUITY AWARD

PURPOSE AND LINK TO STRATEGY

Incentivises those employees charged with accelerating the expansion of the Company's fund management business

OPERATION

Awards are made after the end of the financial year

The awards are over shares in FMC

Shares normally vest one third in each of the first, second and third years following the year of grant subject to continuing service. The Committee has discretion to vary the date of vesting if necessary or desirable for regulatory or legislative reasons

A holding period applies until the third year following the year of grant, at which time all vested FMC shares are automatically 'exchanged' for Company shares of an equivalent value

In the event of a change in control (other than an internal reorganisation) shares vest in full

The value of a share is determined by an independent valuation every year

OPPORTUNITY

All employees are eligible to participate in the FMC Equity Award scheme. No awards have been made under this plan to any individual while they have been a Managing Director and it is not intended that any will be made to Managing Directors in the future

PERFORMANCE CONDITIONS

FMC Equity Awards are drawn from the AAP, and so are directly determined by reference to the Group's cash profit in the relevant financial year

Awards are based on performance against objectives, which are derived from the Group's key performance indicators

No further performance conditions apply to FMC Equity Awards

BALANCE SHEET CARRY PLAN

PURPOSE AND LINK TO STRATEGY

Encourages investment executives to optimise returns on investment, whilst minimising defaults and losses

OPERATION

Takes the form of an 'in house' carry arrangement (i.e. on the returns from investments made by the Group on its balance sheet)

Awards will pay out by reference to the overall outcome for 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 subject to continuing service

In the event of a change in control all awards vest

Payment is made on the realisation of investments, once a hurdle rate of return has been achieved on these investments

After repayment of capital and the payment of the related hurdle rate of return to the Group, participants become entitled to receive catch up payments 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 that vintage

OPPORTUNITY

A Managing Director's Balance Sheet Carry allocation is drawn from the AAP which is capped

Awards are made on the basis of grade and performance

PERFORMANCE CONDITIONS

A Managing Director's Balance Sheet Carry Plan award is drawn from the AAP, and so is directly determined by reference to the Group's cash profit in the previous year

The hurdle rate is fixed by the Committee, at its discretion, prior to making the first awards in each vintage. The Committee has not fixed a hurdle rate lower than 5% per annum

CARRIED INTEREST OVER THIRD PARTY FUNDS ('THIRD PARTY CARRY' OR 'TPC')**PURPOSE AND LINK TO STRATEGY**

Offers the types of incentive arrangements that are expected by fund investors and are offered by the Group's competitors for talent

Aligns the interests of the fund management teams with those of the fund investors, encouraging the best returns to be obtained, whilst minimising defaults and losses

Shadow Carry facilitates the participation by Managing Directors and other employees in TPC after the inception of the fund and after investments have been made

OPERATION

Certain employees who are involved in the management of a fund are invited to invest in the fund by acquiring interests in a carry partnership at the fair market value of the interests at the time of acquisition. The investment is made through an external structure established at the inception of the fund such that no liability arises to the Group

TPC participants receive a share of the profits arising on the realisation of investments made in that fund. No payments are made to TPC participants until the external investors have received an internal rate of return (IRR) (the hurdle) on the fund

Shadow Carry is the notional allocation of TPC interests that have not otherwise been acquired by employees. Payments are made to participants in respect of Shadow Carry when the hurdle has been met, through payroll, but are designed to mirror TPC payments in all other respects

TPC, Shadow Carry and similar arrangements that do not give rise to a cost or liability to the Company are outside the AAP

OPPORTUNITY

Awards of TPC and Shadow Carry are made to Managing Directors to reflect their seniority and involvement in the management of the relevant funds

PERFORMANCE CONDITIONS

No performance conditions are considered to attach to TPC

Because participants in Shadow Carry have not made an investment in the carry partnership, the hurdle is considered to be a performance condition

THE INTERMEDIATE CAPITAL GROUP PLC SAYE PLAN 2004**PURPOSE AND LINK TO STRATEGY**

Provides an opportunity for all employees to participate in the success of the Group

OPERATION

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 legislation)

At maturity, employees can exercise their option to acquire and purchase shares in ICG at the discounted price set at the award date or receive the accumulated cash

OPPORTUNITY

Employees may save the maximum permitted by legislation each month with this scheme

PERFORMANCE CONDITIONS

The Plan is not subject to any performance conditions, as per HMRC legislation

All UK employees are eligible to participate in the Plan

SHAREHOLDING REQUIREMENTS**PURPOSE AND LINK TO STRATEGY**

To align the interests of the Company's Managing Directors with those of shareholders

To promote share ownership

OPERATION

A Managing Director is required to acquire ownership of a number of ordinary shares in the Company with a market value equal to a multiple of two times the Director's annual base salary

OPPORTUNITY

A period of up to three years from 1 April 2012 has been agreed for Managing Directors to build up to the required shareholding

If the shareholding requirement is not met within the timeframe specified, the Board will propose a course of action to bring the Managing Director's shareholding to the required level

PERFORMANCE CONDITIONS

Not applicable

DIRECTORS' REMUNERATION POLICY

continued

FEES PAID TO NON EXECUTIVE DIRECTORS

PURPOSE AND LINK TO STRATEGY

To facilitate the recruitment of Non Executive Directors who will oversee the development of strategy and monitor the Managing Directors' stewardship of the business

OPERATION

Fees are payable to Non Executive Directors for their services in positions upon the Board and various Committees

Fees for the Chairman are determined and reviewed annually by the Committee and fees for Non Executive Directors are determined by the Board

The Committee relies upon objective research on up to date relevant information for similar companies

OPPORTUNITY

Non Executive Directors cannot participate in any of the Company's share schemes and are not eligible to join the designated Group pension plan

Fees are set and reviewed in line with market rates. Aggregate annual fees do not exceed the limit set out in the Articles of Association of £600,000

PERFORMANCE CONDITIONS

None of the Non Executive Directors' remuneration is subject to performance conditions

LEGACY REMUNERATION SCHEMES

The following remuneration schemes formed part of the Company's remuneration policy in previous years and are being phased out following a review of remuneration in 2010. No new awards will be made but some awards granted in earlier years and held by Managing Directors may vest when the approved policy is in force.

THE KEY EMPLOYEE RETENTION SHARE PLAN (KERSP)

PURPOSE AND LINK TO STRATEGY

To align the interests of the Company's Managing Directors with those of shareholders

OPERATION

The Key Employee Retention Share Plan (KERSP) was adopted on 23 May 2005, under which an amount, up to 5% of the value of the MTIS pool (a legacy incentive scheme which has now closed), may be distributed to key Managing Directors in the form of share options with an exercise price equal to nil

OPPORTUNITY

This is a legacy remuneration scheme – no new options have been awarded since June 2008

Vesting of options previously awarded is subject to the performance conditions set out below

The limit on any individual's participation is 20% of the value of their monetary remuneration in the year of award

PERFORMANCE CONDITIONS

In order to exercise these options, the Company must achieve a growth in earnings per share (EPS) of 5% per annum from the date of grant to the vesting date. It is unlikely that this performance condition will be met

NOTES TO THE POLICY TABLE

PERFORMANCE MEASURES AND TARGETS

The Annual Award Pool is determined by the Executive Committee and Remuneration Committee through an assessment of ICG's financial performance. Cash profit provides a link between income generation for shareholders and employee compensation, ensuring that excessive awards to employees are not made and that any awards that are made are affordable on a cash basis. Management information is provided to the Executive Committee and Remuneration Committee on performance to ensure that financial results are put into the context of wider performance and risk appetite.

The AAP is calculated as a cumulative average of 30% of 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 any year as long as, over a five year period, on average the AAP does not exceed 30% of cash profit. A further adjustment is made to cash profit to reflect the remuneration cost of our in house fund distribution team. This team can significantly reduce the cost of external placement agent fees. The AAP is increased by the amount of this adjustment and the variable pay of all employees (including the fund distribution team) is awarded out of the expanded AAP.

Once the AAP has been determined, it is then distributed based on an individual's contribution and performance as determined by the annual appraisal process.

DIFFERENCE IN REMUNERATION POLICY FOR ALL EMPLOYEES

All employees of ICG are entitled to base salary, benefits and (in most locations) pension. The variable compensation mix for all employees is drawn from the Annual Award Pool and is allocated according to the framework below, by reference to role, responsibility and performance.

Employee	Annual bonus	PLC Equity Award	FMC Equity Award	Balance Sheet Carry	Performance fees
Managing Director	•	•		•	
Credit Fund Management Partner	•		•		•
Investment Partner	•		•	•	•
ICG Business Infrastructure Partner	•	•			
Investment Director	•			•	•
Credit Fund Management Investment Director	•		•		•
ICG Business Infrastructure Director	•	•			•
Investment Associate Director	•			•	•
Credit Fund Management Associate Director	•		•		•
All other staff	•				

The variable compensation mix may be varied from the above if required by law or regulation.

The quantum of each of these awards is determined by the size of the Annual Award Pool, an individual's seniority, contribution and their individual performance as determined by the annual appraisal process. In addition, all UK employees are eligible to join the Intermediate Capital Group plc SAYE Plan 2004.

CARRIED INTEREST ON THIRD PARTY FUNDS

The Company has established for its executives (including 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. Those executives to whom allocations are made pay full market value for the interests at the time of acquisition so that no remuneration arises. The allocation of carried interest entitlements as at 31 March 2014 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	ICG Senior Debt Partners
Managing Directors	13.4%	4.7%	12.4%	9.5%	18.5%	21.3%	21.1%	22.0%	21.6%	20.0%
Former Managing Directors	27.5%	26.0%	25.1%	21.6%	14.5%	4.3%	21.1%	7.0%	0.0%	0.0%
Other executives	20.6%	29.3%	37.5%	43.9%	47.0%	54.4%	37.8%	51.0%	58.4%	60.0%
ICG	38.5%	40.0%	25.0%	25.0%	20.0%	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%	100.0%

These carry holdings include third party carry and shadow carry.

Further details of each of these funds can be found on page 19.

DIRECTORS' REMUNERATION POLICY

continued

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY AND EMPLOYEE VIEWS

The Remuneration Committee considers the employment conditions and the remuneration structures in place for all employees of the Group when setting the Directors' remuneration policy. This is demonstrated, for example, by the fact that a Managing Director's annual incentive award is made from the same Annual Award Pool as provides for all other employees. The Group does not consult with employees when setting the Directors' remuneration policy.

APPROACH TO RECRUITMENT REMUNERATION

ICG operates in a highly specialised and competitive market, and so competition for talent is fierce. The Committee's approach to recruitment remuneration is to pay what is sufficient to attract appropriate candidates to a role.

Newly recruited Managing Directors are offered a remuneration package similar to that of existing employees in the same job role. All Managing Directors are offered the same annual salary, benefits and pension and all participate in the Annual Award Pool and are subject to the same overall cap on incentives. Furthermore, objectives are assigned to the Managing Directors. However, it may be necessary to offer a new Managing Director a remuneration package that differs from that currently provided to the Managing Directors in order to attract the best recruit. This could include a higher base salary and relocation and/or housing benefits.

Buying out deferred bonuses and long term incentives is permitted subject to, as far as possible, the timing, delivery mechanism (i.e. shares or cash) and amounts paid out being set to reflect any former arrangement including potential forfeiture of part or all of the former arrangement. As far as possible, the value of any replacement awards will reflect the expected value of the forfeited awards.

In the event of an internal promotion to the Board, the Committee reserves the right to allow any pre-existing awards or arrangements to continue notwithstanding that these may not be consistent with the approved policy.

SERVICE CONTRACTS AND POLICY ON PAYMENTS FOR LOSS OF OFFICE

MANAGING DIRECTORS

The Company's policy is for Managing Directors to have one year rolling contracts which are deemed appropriate for the nature of the Company's business.

Service contracts are held, and are available for inspection, at the Company's registered office. The details of the service contracts for Managing Directors serving during the year are shown below.

Managing Director	Date of service contract	Last re-elected	Notice period	Non-compete provisions	Compensation on termination by the company without notice or cause
Christophe Evain	30 May 2006	17 July 2013	12 months	} Restraint period of 12 months	The salary for any unexpired period of notice plus the cost to the Company (excluding NI contributions) of providing insurance benefits for the same period
Philip Keller	12 October 2006	17 July 2013	12 months		
Benoît Durteste	21 May 2012	17 July 2013	12 months		

The Committee reserves discretion to make an annual bonus award to a Managing Director in respect of the final full year of service, taking into account the circumstances of the individual's termination of office and performance for the financial year concerned.

Details of the treatment of long term incentive awards in the case of loss of office are shown below.

Long term incentive award	Status	Death, disability, long term ill health	Redundancy	Cause or competing	Any other reason
Deferred Share Award	Unvested	Early vesting	Early vesting subject to discretion	N/A	Forfeit, subject to discretion
PLC Equity Award	Unvested	Retain with early vesting	Retain	Forfeit, subject to discretion	Retain, subject to discretion
FMC Equity Award	Vested, but not yet released	Retain with early release	Retain	Forfeit, subject to discretion	Retain, subject to discretion
	Unvested	Retain with early vesting and release	Retain, subject to discretion	Forfeit, subject to discretion	Forfeit, subject to discretion
Balance Sheet Carry Plan	Vested	Retain	Retain	Forfeit, subject to discretion	Retain, subject to discretion
	Unvested	Retain with immediate vesting	Forfeit, subject to discretion	Forfeit, subject to discretion	Forfeit, subject to discretion
Carried Interest Over Third Party Funds	Vested	Retain	Retain	Forfeit, subject to discretion	Retain
	Unvested	Forfeit, subject to discretion	Forfeit, subject to discretion	Forfeit, subject to discretion	Forfeit, subject to discretion

EXERCISE OF DISCRETION

The discretion available to the Committee under the long term incentive plans is intended to provide the Committee with flexibility to deal fairly with every eventuality. In exercising its discretion, the Committee will take into account the circumstances in which the individual has left the Company, their performance and the impact that this has had on the Company's overall performance.

NON EXECUTIVE DIRECTORS

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 shown below.

Non Executive Director	Date appointed	Last re-elected	Re-election frequency	Notice period (unless not re-elected)	Policy on payment for loss of office
Justin Dowley	February 2006	July 2013	Annual	3 months	None
Peter Gibbs	March 2010	July 2013	Annual	3 months	None
Lindsey McMurray	September 2012	July 2013	Annual	3 months	None
Kevin Parry	June 2009	July 2013	Annual	3 months	None
Kim Wahl	July 2012	July 2013	Annual	3 months	None

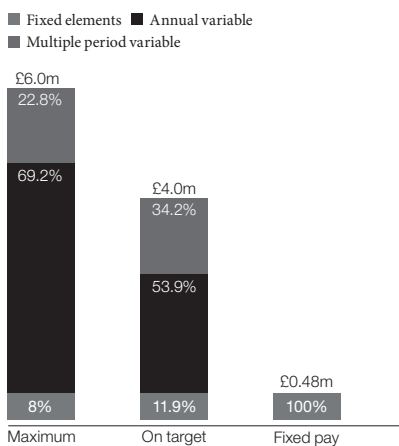
DIRECTORS' REMUNERATION POLICY

continued

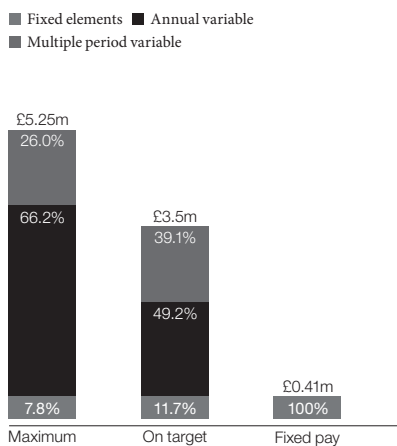
ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The total remuneration for each of the Managing Directors that could result from the proposed remuneration policy in 2014/15 under three different performance levels is shown below.

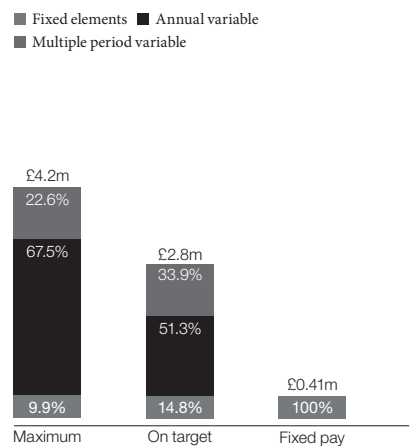
Christophe Evain



Benoît Durteste



Philip Keller



The Annual variable pay included in the chart is in respect of the following elements of pay:

- Annual bonus
- Deferred Share Award
- PLC Equity Award
- Carried Interest over third party funds. Please see page 73 for details regarding the value of carried interest

The Multiple period variable pay included in the chart is in respect of the following elements of pay:

- Balance Sheet Carry payments received
- 'Shadow' carry payments received

The value of on target remuneration for each of the Managing Directors is based on the aggregate remuneration that the Committee has agreed should be receivable in the circumstances in which the Company achieves its targets. The maximum expected opportunity is 50% above the on target remuneration, but may be exceeded in circumstances of exceptional performance outcomes.

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee is responsible for the overall remuneration policy for all the Company's staff and ensures that the remuneration arrangements should take into account the long term interests of shareholders, investors and other stakeholders.

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 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.

ANNUAL REPORT ON REMUNERATION

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

The following table shows a single total figure of remuneration in respect of qualifying services for the financial year ended 31 March 2014 for each Managing Director, together with comparative figures for the previous financial year:

Managing Directors	Salaries and fees £000		Benefits ¹ £000		Pension allowance £000		Short term incentives, available as cash ² £000		Total emoluments £000		Short term incentives, deferred ³ £000		Long term incentives ⁴ £000		Other remuneration ⁵ £000		Single total figure of remuneration	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Christophe Evain	350.0	340.0	77.1	74.6	52.5	51.0	575.0	147.5	1,054.6	613.1	3,475.0	866.0	267.8	12.5	0.0	0.0	4,797.4	1,491.6
Benoît Durteste	350.0	285.9	9.7	6.6	52.5	42.9	470.0	128.0	882.2	463.4	2,770.0	682.8	254.0	11.8	0.0	0.0	3,906.2	1,158.0
Philip Keller	350.0	340.0	13.0	11.6	52.5	51.0	399.7	115.0	815.2	517.6	2,279.7	560.7	0.0	0.0	0.0	0.0	3,094.9	1,078.3
																Fees		
																£000		
Non Executive Director																2014	2013	
Justin Dowley																180.0	155.0	
Peter Gibbs																80.0	75.0	
Kevin Parry																75.0	70.0	
Kim Wahl																64.5	40.0	
Lindsey McMurray																65.0	31.6	
Jean-Daniel Camus																0	16.6	
James Nelson																0	16.6	
																2014	2013	
Total emoluments paid to all Directors £000																3,216.5	1,965.7	

Notes to the single total figure table

1 Each Managing Director receives medical insurance (taxable), life assurance (not taxable) and income protection (not taxable). Some Managing Directors also receive the benefit of a loan from the EBT.

2 This figure represents the cash element of the annual bonus that is not deferred.

3 This figure represents the sum of the face values of each of the following awards made for the year:

- Deferred Share Award (50% of annual bonus in excess of £100,000)
- PLC Equity Award

4 The long term incentive amounts are payments received through ICG payroll during the year from BSC and shadow carry.

5 Individuals are invited to participate in Third Party Carry and must pay the fair market value for their partnership share in the Third Party Carry partnership, and therefore there is no remuneration value. The percentage of the total distributable Third Party Carry by fund awarded to the Managing Directors is shown below.

The following allocation of TPC was made in respect of the financial year.

	% of Senior Debt Partners TPC points
Christophe Evain	8.11%
Benoît Durteste	6.48%
Philip Keller	5.41%

ANNUAL REPORT ON REMUNERATION

continued

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED) *continued*

In the financial year under review, in line with the Directors' remuneration policy, the base salary payable to each Managing Director has been increased to £350,000 per annum.

Managing Director	Salaries and fees £000		
	Y/E 31 March 2014	Y/E 31 March 2013	% change
Christophe Evain	350.0	340.0	+2.94
Philip Keller	350.0	340.0	+2.94
Benoît Durteste	350.0	285.9	N/A*

*Benoît Durteste was promoted to the Board during the year ending 31 March 2013 and consequently his annual salary for that year reflects the rates of salary both before and after his Board appointment.

PERFORMANCE MEASURES AND TARGETS (AUDITED)

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 table below includes the cost of incentives drawn from the Annual Award Pool for the financial year under review and the two previous years.

FY	Cash profit £m	Annual Award Pool £m	Spend on incentives £m
2012	164.9	49.5	29.5
2013	(10.7)	(3.2)	22.1
2014	339.1	101.7	50.2

The calculation of cash profit has been reviewed and as a result adjusted. A change has been made to ensure that the provision for and receipt of rolled up interest are treated consistently. We have clarified the definition of cash profit and applied this to all years for which the Annual Award Pool has been in operation.

The cumulative spend as a percentage of profit to date is 20.6%.

As discussed in the policy table, a Managing Director's annual incentive award is governed by the size of the Annual Award Pool in addition to their individual performance as determined by the annual appraisal process. At the beginning of the financial year under review, the Company assigned each Managing Director a number of Key Performance Indicators (KPIs) broadly in the areas of fundraising and growth, investment portfolios, operational and risk management measures, people and performance management and financial performance.

The Board considers that the precise content of each of the Managing Directors' KPIs is commercially sensitive (because they would provide information to our competitors who, typically, are not required to disclose similar details), and so they are not disclosed in this report and will not be disclosed in the future.

Deferred Share Awards are made in respect of 50% of any annual bonus in excess of £100,000. The vesting of these awards is subject to a continued service condition.

Payments from shadow carry arrangements were made to certain Managing Directors during the year which are included in the single total figure of remuneration on page 73. The hurdle rate of return (8%) in respect of the relevant vintage(s) has been met.

The split between variable elements of pay from the Annual Award Pool for the Managing Directors in 2013/14 was as follows:

Elements of variable pay	%
PLC Equity	64
Balance Sheet Carry	14
Annual Cash Bonus	12
Deferred Share Award	10

FEES PAID TO NON EXECUTIVE DIRECTORS (AUDITED)

In the financial year under review, the fees paid to Non Executive Directors were as follows:

Non Executive Directors	Board membership fees £000	Board and Committee Chairman fees £000	Senior Independent Director fee £000	Committee membership		Total for year ending 2014 £000	Total for year ending 2013 £000
				Audit £000	Remuneration £000		
Justin Dowley (Chairman)	–	175.0	–	–	5.0	180.0	155.0
Peter Gibbs	55.0	20.0	–	5.0	–	80.0	75.0
Kevin Parry	55.0	10.0	5.0	–	5.0	75.0	70.0
Lindsey McMurray	55.0	–	–	5.0	5.0	65.0	31.6
Kim Wahl	55.0	–	–	4.5	5.0	64.5	40.0
						464.5	371.6

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED)

Managing Directors were awarded the following share scheme interests during the financial year.

Managing Director	Scheme interest awarded	Basis on which award was made	Face value	Percentage of award for minimum performance	End of period over which performance measures and targets must be achieved
Christophe Evain	Deferred Share Award	50% of any annual bonus in excess of £100,000 is awarded in deferred shares	£47,500	100	The deferred shares normally vest one third in each of the first, second and third years following the year of grant. There are no further performance conditions
	PLC Equity Award	Result of Director's annual appraisal	£818,500	100	PLC Equity awards normally vest one third in each of the third, fourth and fifth years following the year of grant. There are no further performance conditions
Benoît Durteste	Deferred Share Award	50% of any annual bonus in excess of £100,000 is awarded in deferred shares	£28,000	100	The deferred shares normally vest one third in each of the first, second and third years following the year of grant. There are no further performance conditions
	PLC Equity Award	Result of Director's annual appraisal	£654,800	100	PLC equity awards normally vest in one third in each of the third, fourth and fifth years following the year of grant. There are no further performance conditions
	SAYE options	All employee by election	£9,000	100	No performance conditions
Philip Keller	Deferred Share Award	50% of any annual bonus in excess of £100,000 is awarded in deferred shares	£15,000	100	The deferred shares normally vest one third in each of the first, second and third years following the year of grant. There are no further performance conditions
	PLC Equity Award	Result of Director's annual appraisal.	£545,700	100	PLC Equity awards normally vest in one third in each of the third, fourth and fifth years following the year of grant. There are no further performance conditions
	SAYE options	All employee by election	£9,000	100	No performance conditions

Notes

The share price on the date of award of PLC Equity was £4.56. This was the middle market quotation for the five dealing days prior to the 22 May 2013.

The share price on the date of grant of the SAYE options was £4.32. This was the average share price over six days as prescribed by the SAYE scheme rules. The option exercise price is £3.47, i.e. at a discount of 20% to the market value at the date of grant (as permitted by tax legislation).

ANNUAL REPORT ON REMUNERATION

continued

The following awards of Balance Sheet Carry and Shadow Carry points were made in the financial year:

	Balance Sheet Carry points	Shadow Carry points EF 2006	Shadow Carry points ICAP 08	Shadow Carry points RF 08
Christophe Evain	1.41%	–	–	1.49%
Benoît Durteste	1.41%	1.6%	3.97%	1.49%
Philip Keller	0.94%	–	–	1.00%

The percentages represent the individuals' share of the total carry available.

Further details of these funds can be found on page 18.

No values have been attributed to carry points at the year end as their value will fluctuate with the performance of the underlying investments. Payments from Balance Sheet Carry and Shadow Carry Awards are disclosed in the single total figure of remuneration in the year in which they become due.

DIRECTORS' INTERESTS IN SHARES (AUDITED)

At 31 March 2014, Directors held the following interests in shares of the Company:

Managing Director	Shareholding requirement			Shares held outright	DSA, FMC Equity Award and PLC Equity Award interests	SAYE options subject to service condition	Share options subject to performance	Share options vested but unexercised
	Proportion of annual salary	Number of shares	Shareholding requirement met?					
Christophe Evain	200%	158,569	Yes	703,847	2,326,392	4,945	108,650	285,069
Philip Keller	200%	158,569	Yes	306,970	1,547,102	2,593	45,158	181,439
Benoît Durteste	200%	127,919	Yes	165,279	671,447	2,593	90,399	67,840
Non Executive Directors								
Justin Dowley	N/A			119,639				
Peter Gibbs	N/A							
Kevin Parry	N/A							
Kim Wahl	N/A							
Lindsey McMurray	N/A							

73,982 options over shares in favour of Christophe Evain lapsed on 1 April 2014. Subsequently, DSA and PLC Equity Awards were made to Managing Directors on 20 May 2014 in respect of their prior year performance. A total of 793,487 interests over shares were awarded to Christophe Evain, a total of 520,538 interests over shares were awarded to Philip Keller and a total of 632,506 interests over shares were awarded to Benoît Durteste. Other than the lapsed and these awards, there were no changes in shareholdings between the year end and 23 May 2014.

The share price at 31 March 2014 was £4.137 per share. The average option exercise price of vested but unexercised options is £5.133.

FMC Equity Awards are disclosed as the number of Company shares that the awards would convert into at 31 March 2014, based on the Company share price and the FMC share valuation as at that date.

No share options were exercised during the year.

DIRECTORS' CO-INVESTMENT IN THIRD PARTY FUNDS

The following amounts have also been invested by Managing Directors into third party funds operated by ICG:

Managing Director	EF 06	ICAP 08	IMP 08	RF 08	Fund V
Christophe Evain	€750,000	\$250,000	€375,000	€150,000	€2,100,000
Benoît Durteste			€11,700		€2,250,000
Philip Keller	€350,000			€150,000	€500,000

SHAREHOLDER DILUTION

For all awards made during the 2010/11 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.

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.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments were made for loss of office in the financial year under review.

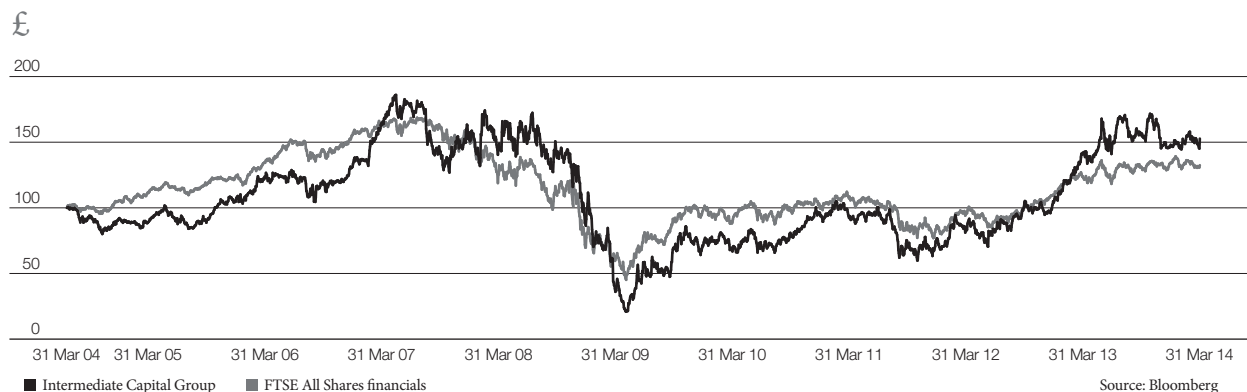
PAYMENTS MADE TO PAST DIRECTORS (AUDITED)

In the financial year ended 31 March 2014, the following payments were made to former Directors in respect of Shadow TPC and the vesting of PLC Equity awarded while they were Managing Directors.

Paul Piper	£122,220
Andrew Phillips	£1,786,170
Tom Attwood	£516,189
Francois de Mitry	£1,525,031

PERFORMANCE GRAPH OF TOTAL SHAREHOLDER RETURN

The graph below shows a comparison between the Company's total shareholder return performance and the total shareholder return for all the financial services companies in the FTSE All Share index. The graph compares the value, at 31 March 2014, of £100 invested in Intermediate Capital Group plc on 31 March 2004 with the value of £100 invested in the FTSE All Share Financial Index over the subsequent ten 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.



ANNUAL REPORT ON REMUNERATION

continued

TOTAL REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The table below details the total remuneration of the Director holding the position of Chief Executive Officer of Intermediate Capital Group plc for the past five years.

	Total remuneration £000	Percentage of maximum opportunity of short term incentives awarded	Percentage of maximum opportunity of long term incentives awarded
2014 Christophe Evain	4,797	97%	20%
2013 Christophe Evain	1,492	24%	1%
2012 Tom Attwood	2,973	0%	100%
2011 Tom Attwood	5,941	29%	97%
2010 Tom Attwood	4,631	44%	100%

The long term incentive figures above for Tom Attwood include payments made under the Medium Term Incentive Scheme (MTIS), a compensation arrangement which has now closed.

PERCENTAGE CHANGE IN REMUNERATION OF DIRECTOR UNDERTAKING THE ROLE OF CHIEF EXECUTIVE

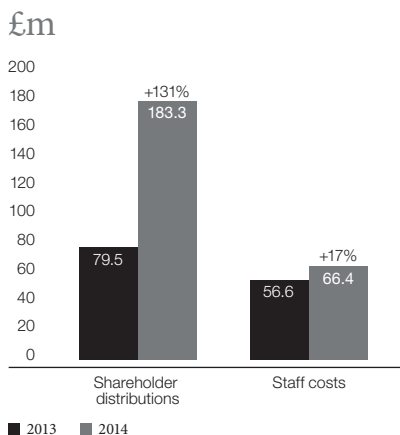
The table below details how changes to the CEO's pay compare with the change in the average pay across all employees of the Group. Each figure is a percentage change of the values between the previous financial year and the financial year under review. The total permanent workforce has been selected as the comparator for salaries and fees and short term incentives. The comparison of the increase in taxable benefits has been made for UK permanent employees only as their remuneration packages are most similar to that of the Chief Executive.

	Salaries and fees	Taxable benefits	Short term incentives
Chief Executive Officer	2.86%	1.16%	300%
All employees	3.37%	(18.33%)	65%

The larger year on year increase for the CEO compared to the total permanent workforce reflects the increased volatility in compensation of ICG's most senior employees, as it most closely reflects the year on year variations in cash profit.

RELATIVE IMPORTANCE OF SPEND ON PAY

The graph below illustrates the relative importance of spend on pay compared with other disbursements from profit (namely distributions to shareholders) for the financial year under review and the previous financial year. The current year shareholder distributions include a share buyback of up to £100m which the Group announced with its 2014 results.



STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN FOLLOWING FINANCIAL YEAR

The proposed salaries for the Managing Directors for the 2014/15 financial year are set out below, together with the increase from the previous financial year.

Managing Director	Salaries and fees £000		
	Y/E 31 March 2015	Y/E 31 March 2014	% change
Christophe Evain	360.0	350.0	2.86
Philip Keller	360.0	350.0	2.86
Benoît Durteste	360.0	350.0	2.86

For 2014/15, the Annual Award Pool will be calculated as a percentage of cash profits which, over a period of five years, will not exceed 30% on average. The Annual Award Pool will be calculated as described in the Directors' remuneration policy. All incentives (excluding TPC and similar arrangements in respect of business acquisitions or ICG direct investment funds that do not give rise to a cost or liability to the Group) payable to employees of the Group will be funded out of the Annual Award Pool.

The Managing Directors' annual bonus and other incentives will be dependent on them achieving the objectives set for them in the following areas:

- Fundraising and growth
- Investment performance
- Risk management measures
- Financial performance
- People and performance management

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 Group's staff and takes into account the requirement that the remuneration arrangements should:

- Be consistent with and promote sound and effective risk management, and do not encourage excessive risk taking
- Be in line with the strategic priorities, objectives, values and long term interests of the Group
- Include measures to avoid conflict of interest
- Take into account the long term interests of shareholders, investors and other stakeholders
- 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.

ANNUAL REPORT ON REMUNERATION

continued

ADVISERS TO THE COMMITTEE

PricewaterhouseCoopers 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. Advisers are selected on the basis of their expertise in the area and with a view to ensuring independence from other advisers to the Group. The Committee is therefore confident that independent and objective advice is received from their advisers.

Mayer Brown have been available to advise the Committee during the year to 31 March 2014. These advisers were appointed by the Company.

The fees charged for advice to the Committee were £67,600 (PwC). Fees are charged on the basis of time spent. 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 Disclosure requirements Review of EBT arrangements Cash profit Compensation market data
November	Directors' remuneration report SAYE Rules Reviews of EBT arrangements Review of AIFMD Regulation FMC valuation
January	Review of emerging trends within remuneration regulation and governance Review of EBT arrangements Review of bonus commitments Compensation market data Approval of Remuneration Committee annual timetable Directors' remuneration report ICG Remuneration Policy annual review
March	Review of Annual Award Pool Directors' remuneration report AIFMD/CRD IV and other regulatory updates Amendments to Omnibus and Balance Sheet Carry rules SDP carried interest allocations Review of EBT arrangements UK Pension Policy

STATEMENT OF VOTING AT GENERAL MEETING

At the last Annual General Meeting, votes on the Remuneration report were cast as follows:

	Votes for	Votes against	Abstentions	Reasons for votes against, if known	Actions taken by the Committee
Approval of the Remuneration report for the financial year under review	256,414,351 85.71%	42,738,065 14.29%	652,943	Not specified	The Committee Chairman offered to meet a range of shareholders to discuss their concerns

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the 12 months ended 31 March 2014. The risks to which the Group is subject and the policies in respect of such risks are set out on pages 28 to 35 and are incorporated into this report by reference. The corporate governance statement, set out on pages 50 to 53, is incorporated into this report by reference.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group and the review of the Group's business (as required by section 417 of the Companies Act 2006) are set out in the Strategic Review on pages 2 to 45, which are incorporated into this report by reference.

DIRECTORS

The Directors who served during the year are each shown with a profile at pages 48 and 49; those details are incorporated into this report by reference.

The composition of each of the Committees of the Board and the Chairman of each Committee are detailed in the report of each Committee, found at pages 54 to 80.

DIRECTORS' SHARE OPTIONS

Details of Directors' share options are provided in the report of the Remuneration Committee on pages 62 to 80. Other than the interests of Benoît Durteste in 2,857 shares of ICG FMC Limited which are included within the table on page 76, during the financial year ending 31 March 2014, the Directors had no interests in the shares of any subsidiary company. No Company shares were issued to Directors under the Executive Share Option Schemes during the year.

DIRECTORS' INTERESTS

The Directors who held office at 31 March 2014 and their connected persons, as defined by the Companies Act, had the following interests in the ordinary shares of the Company:

	31 March 2014 Number of 20p ordinary shares	31 March 2013 Number of 20p ordinary shares
Justin Dowley (Chairman)	119,639	119,639
Christophe Evain (CEO)	703,847	671,383
Philip Keller	306,970	234,776
Benoît Durteste	165,279	54,400
Peter Gibbs	-	-
Kevin Parry	-	-
Lindsey McMurray	-	-
Kim Wahl	-	-

There have been no changes to the Directors' interests in shares at 31 March 2014 as set out above as at 23 May 2014.

SIGNIFICANT SHAREHOLDINGS

As at 19 May 2014 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
Schroders	30,701,723	7.6
Newton	23,405,721	5.8
Threadneedle	22,096,779	5.5
BlackRock	20,138,670	5.0
Aviva	19,990,373	5.0
F&C	15,834,635	3.9
Baillie Gifford	15,718,402	3.9
LSV	14,637,985	3.6
L&G	12,954,776	3.2
Norges	11,498,471	2.9

DIRECTORS' REPORT

continued

DIVIDEND

The Directors recommend a final net dividend payment in respect of the ordinary shares of the Company at a rate of 14.4p per share (2013: 13.7p), which when added to the interim net dividend of 6.6p per share (2013: 6.3p), gives a total net dividend for the year of 21.0p per share (2013: 20.0p). The amount of dividend paid in the year was £78.2m (2013: £74.9m).

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.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

1. So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
2. The Director has taken all reasonable steps that they ought to have taken as a Director in order to make themselves 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.

POST BALANCE SHEET EVENTS

Material events since the balance sheet date are described in note 31 and form part of the Directors' report disclosures.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No contributions were made during the current and prior year for political purposes. The charitable donations made by the Company are detailed at page 38, which forms part of the Directors' report disclosures.

GREENHOUSE GAS EMISSIONS

All disclosures concerning the Group's greenhouse emissions are detailed on page 38, which forms part of the Directors' report disclosures.

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

Acquisition of shares by the Intermediate Capital Group Employee Benefit Trust 2002 purchased during the year are as described in note 20 to the financial statements.

SHARE CAPITAL AND RIGHTS ATTACHING TO THE COMPANY'S SHARES

As at 31 March 2014 the issued share capital of the Company was 402,242,770 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:
 - They 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)

- They 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)
- 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 2013 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 £26.8m and, in the case of a fully pre-emptive rights issue only, up to a total amount of £53.6m.

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 23 May 2014 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 23 May 2014. 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 2013 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.

“

The Board aims to ensure that the Group's business is always conducted with the long term interests of shareholders in mind.

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DIRECTORS' REPORT

continued

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 significant agreements to which the Group is a party that take effect, alter or terminate upon a change of control of the Group, other than:

1. The Private Placement arrangement totalling £75m 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
2. 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 demands
3. £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
4. Three bilateral loan facility agreements totalling £640m agreed in May and June 2012, two further bilateral loan facility agreements totalling £100m agreed in May 2013, a further bilateral loan facility agreement in respect of A\$110m agreed in November 2013 and a further bilateral loan facility agreement in respect of A\$50m agreed in February 2014 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
5. 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 sub-investment grade, or a downgrade of one or more notches if already sub-investment grade
6. 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
7. The terms and conditions of the £50m wholesale bond issue which took place in March 2014 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
8. The employee share schemes, details of which can be found in the Report of the Remuneration Committee on pages 62 to 80, 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

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 (1) those described at 8 above and (2) the usual payment in lieu of notice.

RESULTS OF RESOLUTIONS PROPOSED AT 2013 ANNUAL GENERAL MEETING

Resolution	Votes for	Votes against	Votes withheld
Receive the financial statements and reports of the Directors and auditors for the financial year ended 31 March 2013	290,871,036	8,920,987	13,336
Approve the Directors' remuneration report for the financial year ended 31 March 2013	256,414,351	42,738,065	652,943
Declare a final dividend of 13.7 pence per ordinary share for the financial year ended 31 March 2013	299,803,860	1,500	–
Reappoint Deloitte LLP as auditors of the Company to hold office as the Company's auditors until the conclusion of the Company's Annual General Meeting in 2014	280,549,572	19,255,708	79
Authorise the Directors to set the remuneration of the auditors	288,739,561	11,065,560	238
Appoint Kim Wahl as a Director	294,165,909	5,618,147	21,303
Appoint Lindsey McMurray as a Director.	294,889,376	4,905,949	10,034
Reappoint Justin Dowley as a Director	292,774,883	7,019,207	11,269
Reappoint Peter Gibbs as a Director	283,907,546	7,151,091	8,736,721
Reappoint Kevin Parry as a Director	287,861,179	6,755,227	5,188,952
Reappoint Christophe Evain as a Director	297,935,256	1,460,754	409,350
Reappoint Philip Keller as a Director	298,317,606	1,487,754	–
Reappoint Benoît Durteste as a Director	298,315,075	1,490,285	–
Grant the Directors authority to allot shares pursuant to section 551 of the Companies Act 2006	282,647,616	17,157,744	–
Subject to the passing of resolution 14, to authorise the directors to dis-apply pre-emption rights pursuant to sections 570 (1) and 573 of the Companies Act 2006	299,740,379	64,709	272
Authorise the Company to make market purchases of its ordinary shares pursuant to section 701 of the Companies Act 2006.	299,680,371	124,955	34
Approve that a general meeting of the Company (other than the annual general meeting) may be called on less than 14 clear days' notice.	270,780,702	29,024,658	–

Annual General Meeting

The Annual General Meeting (AGM) of the Company will take place at the London office of the Company on 23 July 2014 at 11:00a.m. Details of the resolutions to be proposed at the AGM along with explanatory notes are set out in the circular to be posted to shareholders on 12 June 2014 convening the meeting.

DIRECTORS' RESPONSIBILITIES



CHRISTOPHE EVAIN
Chief Executive Officer



PHILIP KELLER
Chief Financial Officer

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 (IFRS) 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 IFRS 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, IAS 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 of IFRS 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
- 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 IFRS 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
- 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
- The Directors consider that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy

By order of the Board

CHRISTOPHE EVAIN
Chief Executive Officer
23 May 2014

PHILIP KELLER
Chief Financial Officer
23 May 2014

AUDITOR'S REPORT

Independent Auditor's report to the members
of Intermediate Capital Group plc.

**OPINION ON THE PARENT COMPANY
FINANCIAL STATEMENTS AND THE GROUP
FINANCIAL STATEMENTS ("THE FINANCIAL
STATEMENTS") OF INTERMEDIATE
CAPITAL GROUP PLC**

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 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

The financial statements comprise Consolidated Income Statement, Consolidated and Parent Company Statements of Comprehensive Income, Consolidated and Parent Company Statements of Financial Position, Consolidated and Parent Company Statements of Cash Flow and 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 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.

GOING CONCERN

As required by the Listing Rules we have reviewed the directors' statement contained within the Corporate Governance Statements that the group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

AUDITOR'S REPORT

continued

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

RISK	
<p>VALUATION OF UNQUOTED SHARES AND WARRANTS</p> <p>Valuing unquoted equities and warrants requires management to make a number of judgements, including valuation methodology and the discount or premium applied. Valuations can be sensitive to these judgments and inputs, so small changes in key assumptions can have a significant impact on carrying value and therefore reported results.</p>	<p>HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK</p> <p>We assessed the Group's valuation policy, management's process and related controls for determining the valuations and that appropriate oversight from senior investment executives has been exercised within the valuations process;</p> <p>We utilised fair value specialists to independently value and provide challenge to a sample of unquoted shares;</p> <p>We challenged management assumptions used in determining the valuation of unquoted equities and warrants, including specifically changes to discount rates, comparable companies and valuation methodologies; and</p> <p>We substantively tested key inputs into the valuations including discount factors and the extraction of management information. We also agreed the multiples used to independent sources.</p>
<p>IMPAIRMENT OF LOANS AND INVESTMENTS</p> <p>The identification of impairment events and the determination of the impairment charge require the application of judgment by management, in particular the timing and quantum of future cash flows.</p>	<p>HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK</p> <p>We challenged management assumptions relating to the timing and recognition of the impairment event and the determination of the impairment charge. We reviewed the nature and timing of the impairment event to assess whether it occurred during the period. We assessed the rationale for the quantum of the impairment charge and recalculated the impairment charge.</p> <p>We assessed completeness of impairments by reviewing independent information, such as current news stories, for potential impairment triggers for a sample of loans and investments. Where changes to repayment dates negatively impacted the carrying value of assets, we challenged management as to whether this indicated an impairment had occurred.</p>
<p>REVENUE RECOGNITION</p> <p>Determining the management fee income can be difficult due to the complexity of some of the calculations and because of the extent of manual input into the process. The accuracy and occurrence of interest income arising from instruments with estimated cash flows and repayment dates is a risk, as it is reliant on management judgment relating to the timing and quantum of future of cash flows. There is also a risk that all revenue is not complete.</p>	<p>HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK</p> <p>We carried out substantive testing on management fees by recalculating the fees recorded with reference to the contractual arrangements and the assets under management per third party custodian reports. We assessed the completeness of management fee income by investigating whether revenue had been recognised for all funds managed by the group.</p> <p>For interest income, we tested the integrity of the calculations and re-performed calculations for a sample of investments. We also performed analytical procedures and substantive testing around accuracy, completeness and occurrence of interest income.</p>

RISK**ACCOUNTING TREATMENT FOR NEW, RESTRUCTURED OR REFINANCED COMPLEX INVESTMENT INSTRUMENTS**

Investment agreements arising from new investments or from restructuring or refinancing may contain complex terms that are difficult to interpret and can impact the accounting treatment and the presentation of results.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK

We reviewed significant new, restructured or refinanced investment instrument contracts for complex features, including embedded derivatives, and checked the appropriate application of accounting policies and accounting standards. We used specialists to provide input into the accounting treatment and interpretation of complex terms.

We reviewed a listing of terms that may constitute embedded derivatives, and performed procedures to assess whether they were required to be detached from the underlying instrument and recognised and valued separately.

We assessed management's process for identifying potential embedded derivatives, and reviewed their assumptions as to valuation judgments made.

THE RECOGNITION AND MEASUREMENT OF CORPORATION TAX ACCRUALS

The group owns and manages investments in a number of locations, including low tax jurisdictions. The recognition of gains and losses in relevant jurisdictions may be subject to challenge by tax authorities. The determination of the likely tax charge is therefore subject to management judgement.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK

We engaged with tax specialists, who considered the appropriateness of managements' corporation tax accrual estimates in light of the group's overall business and commercial arrangements. We also reviewed correspondence with tax authorities and legal advice received.

The Audit Committee's consideration of these risks is set out in the Audit Committee report on pages 54 to 59.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £12 million, which is approximately 1% of equity, 10% of normalised pre-tax profit and less than 8% of pre-tax profit. We used normalised pre-tax profit to determine materiality to exclude the volatility arising from impairments and capital gains, which cause significant year on year fluctuations.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £240,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AUDITOR'S REPORT
continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope on the audit work associated with four significant components subject to full scope audits for the year ended 31 March 2014. The significant components were Intermediate Capital Group PLC, Intermediate Capital Investments Ltd, Intermediate Capital Managers Ltd and Intermediate Finance II PLC. Specified audit procedures were performed on another nine non-significant components, to address the risk of material misstatement in fee income. The extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations within the components. The four full scope components listed above represent the most significant subsidiaries of the group, and account for

approximately 98% of the group's net assets and over 100% of the group's profit before tax, as losses before tax were incurred in insignificant components. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the components was executed at levels of materiality applicable to each individual entity which were lower than group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group engagement team is responsible for auditing the significant components, so the teams are briefed as part of the group audit team briefings, and the documentation and findings is reviewed by the group engagement team.



1	Full audit scope	98%
2	Review at Group level	2%



1	Full audit scope	100%
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OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

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 Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



CALUM THOMSON

Senior statutory auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Financial statements

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £m	2013 £m
Finance income	6	199.4	218.6
Gains on investments	7	149.4	73.0
Fee and other operating income		85.8	78.8
Total revenue		434.6	370.4
Finance costs	6	(61.4)	(60.7)
Impairments	8	(112.4)	(80.0)
Administrative expenses	9	(102.1)	(87.1)
Profit before tax		158.7	142.6
Tax expense	11	(21.3)	(18.8)
Profit for the year		137.4	123.8
Attributable to:			
Equity holders of the parent		137.2	124.4
Non controlling interests	16	0.2	(0.6)
		137.4	123.8
Earnings per share	13	35.7p	32.1p
Diluted earnings per share	13	35.6p	32.1p

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 2014

Group	Notes	2014 £m	2013 £m
Profit for the year		137.4	123.8
Available for sale financial assets:			
(Loss)/gains arising in the year	7	(1.2)	67.1
Reclassification adjustment for gains recycled to profit		(125.7)	(7.5)
Exchange differences on translation of foreign operations		(0.6)	1.2
		(127.5)	60.8
Tax credit/(charge) on items taken directly to or transferred from equity	24	30.8	(11.0)
Other comprehensive (expense)/income for the year		(96.7)	49.8
Total comprehensive income for the year		40.7	173.6
Attributable to:			
Equity holders of the parent		40.5	174.2
Non controlling interests		0.2	(0.6)
		40.7	173.6
Company		2014 £m	2013 £m
Profit for the year		145.2	97.8
Available for sale financial assets:			
Gains arising in the year		11.2	4.9
Reclassification adjustment for gains recycled to profit		(10.5)	–
		0.7	4.9
Tax credit/(charge) on items taken directly to or transferred from equity	24	0.1	(1.1)
Other comprehensive income for the year		0.8	3.8
Total comprehensive income for the year		146.0	101.6

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

CONSOLIDATED AND PARENT COMPANY
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Notes	2014 Group £m	2013 Group £m	2014 Company £m	2013 Company £m
NON CURRENT ASSETS					
Intangible assets	14	5.7	6.6	–	–
Property, plant and equipment	15	4.9	4.6	3.7	3.9
Financial assets: loans, investments and warrants	17	2,080.8	2,695.8	1,470.5	1,942.9
Derivative financial assets	17	5.8	14.7	5.8	14.7
		2,097.2	2,721.7	1,480.0	1,961.5
CURRENT ASSETS					
Trade and other receivables	18	73.3	53.9	469.5	453.6
Financial assets: loans and investments	19	115.8	30.4	115.8	30.4
Current tax debtor		1.5	0.7	6.2	0.5
Derivative financial assets	19	12.8	40.2	12.8	40.2
Cash and cash equivalents		164.8	52.5	70.5	17.0
		368.2	177.7	674.8	541.7
Total assets		2,465.4	2,899.4	2,154.8	2,503.2
EQUITY AND RESERVES					
Called up share capital	20	80.4	80.4	80.4	80.4
Share premium account		672.4	671.7	672.4	671.7
Capital redemption reserve		1.4	1.4	1.4	1.4
Own shares reserve	20	(62.4)	(45.7)	–	–
Other reserves		107.0	196.4	60.0	52.4
Retained earnings		709.3	659.0	535.0	468.0
Equity attributable to owners of the Company		1,508.1	1,563.2	1,349.2	1,273.9
Non controlling interest	16	(0.1)	(0.3)	–	–
Total equity		1,508.0	1,562.9	1,349.2	1,273.9
NON CURRENT LIABILITIES					
Provisions	21	3.2	3.6	3.2	3.6
Financial liabilities	22	776.4	688.9	457.2	416.2
Derivative financial liabilities		4.8	3.8	4.8	3.8
Deferred tax liabilities	24	21.8	53.1	3.2	8.3
		806.2	749.4	468.4	431.9
CURRENT LIABILITIES					
Provisions	21	0.4	0.4	0.4	0.4
Trade and other payables	23	122.5	79.0	332.3	317.7
Financial liabilities	22	–	472.4	–	472.4
Current tax creditor		23.8	28.4	–	–
Derivative financial liabilities		4.5	6.9	4.5	6.9
		151.2	587.1	337.2	797.4
Total liabilities		957.4	1,336.5	805.6	1,229.3
Total equity and liabilities		2,465.4	2,899.4	2,154.8	2,503.2

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 23 May 2014 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 2014

Notes	2014 Group £m	2013 Group £m	2014 Company £m	2013 Company £m
Operating activities				
Interest received	277.1	92.0	209.6	70.2
Fees received	80.3	77.9	22.2	8.9
Dividends received	25.2	4.3	122.4	85.6
Interest paid	(37.8)	(59.0)	(33.7)	(51.5)
Cash payments to suppliers and employees	(92.7)	(101.6)	(75.9)	(85.7)
(Purchase)/realisation of current financial assets	(81.4)	18.7	(82.1)	(28.4)
Purchase of loans and investments	(512.1)	(260.6)	(163.3)	(161.2)
Recoveries on previously impaired assets	0.8	0.8	0.5	0.8
Proceeds from sale of loans and investments – principal	763.8	128.8	573.9	109.0
Proceeds from sale of loans and investments – gains on investments	144.8	14.3	14.3	1.2
Cash generated from/(used in) operating activities	568.0	(84.4)	587.9	(51.1)
Taxes paid	(28.1)	(45.4)	(25.4)	(43.3)
Net cash generated from/(used in) operating activities	539.9	(129.8)	562.5	(94.4)
Investing activities				
Cash flow on behalf of subsidiary undertakings	–	–	(86.8)	(66.9)
Purchase of property, plant and equipment	15	(1.3)	(2.2)	(0.8)
Net cash used in investing activities	(2.7)	(1.3)	(89.0)	(67.7)
Financing activities				
Dividends paid	12	(74.9)	(78.2)	(74.9)
(Decrease)/increase in long term borrowings	(383.1)	163.9	(407.6)	291.2
Cash inflow/(outflow) from derivative contracts	80.6	(53.8)	80.6	(53.8)
Net purchase of own shares	(27.1)	(13.3)	–	–
Capital contributions from non controlling interests	–	0.1	–	–
Proceeds on issue of shares	0.7	2.3	0.7	2.3
Net cash (used in)/generated from financing activities	(407.1)	24.3	(404.5)	164.8
Net increase/(decrease) in cash	130.1	(106.8)	69.0	2.7
Cash and cash equivalents at beginning of year	41.8	149.8	6.3	3.7
Effect of foreign exchange rate changes	(7.1)	(1.2)	(4.8)	(0.1)
Net cash and cash equivalents at end of year	164.8	41.8	70.5	6.3
Presented on the statements of financial position as:				
Cash and cash equivalents	164.8	52.5	70.5	17.0
Bank overdraft	22	(10.7)	–	(10.7)
Net cash and cash equivalents	164.8	41.8	70.5	6.3

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 2014

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m	Non controlling interest £m	Total equity £m
Balance at 1 April 2013	80.4	671.7	1.4	46.6	149.8	(45.7)	659.0	1,563.2	(0.3)	1,562.9
Profit for the year	-	-	-	-	-	-	137.2	137.2	0.2	137.4
Available for sale financial assets	-	-	-	-	(126.9)	-	-	(126.9)	-	(126.9)
Exchange differences on translation of foreign operations	-	-	-	(0.1)	-	-	(0.5)	(0.6)	-	(0.6)
Tax on items taken directly to or transferred from equity	-	-	-	-	30.8	-	-	30.8	-	30.8
Total comprehensive income for the year	-	-	-	(0.1)	(96.1)	-	136.7	40.5	0.2	40.7
Own shares acquired in the year	-	-	-	-	-	(35.4)	-	(35.4)	-	(35.4)
Options/awards exercised	-	0.7	-	(10.5)	-	18.7	(8.2)	0.7	-	0.7
Credit for equity settled share schemes	-	-	-	17.3	-	-	-	17.3	-	17.3
Dividends paid	-	-	-	-	-	-	(78.2)	(78.2)	-	(78.2)
Balance at 31 March 2014	80.4	672.4	1.4	53.3	53.7	(62.4)	709.3	1,508.1	(0.1)	1,508.0

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Available for sale reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2013	80.4	671.7	1.4	44.4	8.0	468.0	1,273.9
Profit for the year	-	-	-	-	-	145.2	145.2
Available for sale financial assets	-	-	-	-	0.7	-	0.7
Tax on items taken directly to or transferred from equity	-	-	-	-	0.1	-	0.1
Total comprehensive income for the year	-	-	-	-	0.8	145.2	146.0
Options/awards exercised	-	0.7	-	(10.5)	-	-	(9.8)
Credit for equity settled share schemes	-	-	-	17.3	-	-	17.3
Dividends paid	-	-	-	-	-	(78.2)	(78.2)
Balance at 31 March 2014	80.4	672.4	1.4	51.2	8.8	535.0	1,349.2

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 2014
continued

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m	Non controlling interest £m	Total equity £m
Balance at 1 April 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
Available for sale financial assets	-	-	-	-	59.6	-	-	59.6	-	59.6
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1.2	1.2	-	1.2
Tax on items taken directly to or transferred from equity	-	-	-	-	(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 £m	Share based payments reserve £m	Available for sale reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2012	80.0	668.0	1.4	23.5	4.2	445.1	1,222.2
Profit for the year	-	-	-	-	-	97.8	97.8
Available for sale financial assets	-	-	-	-	4.9	-	4.9
Tax on items taken directly to or transferred from equity	-	-	-	-	(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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

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 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27	Separate Financial Statements (Amendments)	1 January 2014
IAS 28	Investments in Associate and Joint Ventures (Amendments)	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement and Additions to Financial Liability Accounting	1 January 2015

Management are well advanced in their assessment of the impact of IFRS 10, which redefines the principle of control and the requirements for consolidation. The Group adopted IFRS 13 'Fair Value Measurement' in the current financial 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 Group and Company is Sterling.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the disclosure of fair measurements of financial liabilities, which was revised following the adoption of IFRS 13.

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.

The Directors have made this assessment in light of the £678.3m cash and unutilised debt facilities following a period of high realisations, no significant bank facilities maturing until 2016, and after reviewing the Group's latest forecasts for a period of two years from year end.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 2 to 45. This includes on pages 22 to 27 the Financial Review detailing the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 3 to the financial statements includes 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 their business risks successfully in the current economic environment.

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 no facilities due to mature within the next 12 months.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION

The Group's 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, directly or indirectly, 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. A joint venture is an entity over which the Group shares the power to control the financial and operating policy decisions of the entity. Associates and joint ventures are classified as fair value through profit or loss and measured in accordance with IAS 39.

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 comprise 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.

The Group receives carried interest from the third party funds it manages once those funds exceed a performance target. Carried interest income is recognised only when all performance conditions have been met.

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 104. The expected life of the liability is based upon the maturity date.

Changes in the fair value of derivatives are recognised in the income statement as incurred.

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.

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 the 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 average exchange rates during the year. 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 on a recurring basis with gains or losses arising from changes in fair value recognised in the income statement.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS CONTINUED

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. The carrying value of loans and receivables is considered a reasonable approximation of fair value.

Cash and cash equivalents

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 on a recurring basis 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 the 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.

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 the lower of their 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 determined 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. The useful economic life was reassessed during the year, increasing from four to five years. The asset will continue to be amortised on a straight line basis over the remaining two years. The charge recognised in the income statement has reduced by £0.3m in the current year.

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 arm's 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 using 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.

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 63%. 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.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

SIGNIFICANT ESTIMATES AND UNCERTAINTIES CONTINUED

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

On a quarterly basis the Investment Committee reviews each asset in the Group's portfolio. Assets which are underperforming or which the Committee wishes to receive regular updates on are added to the watch list. During the quarterly review the Committee will identify any impairment events and subsequently determine the level of impairment required. Typical impairment events include, but are not limited to, non payment of cash interest, deterioration in trading or a restructuring.

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 initially 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, where applicable, 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 possibility of an outflow of economic resources 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.

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 rate 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.

Sensitivity to interest rate risk

	2014			2013		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Financial assets	1,167.4	1,267.3	2,434.7	1,376.6	1,616.0	2,992.6
Financial liabilities	(509.4)	(393.1)	(902.5)	(1,030.8)	(404.2)	(1,435.0)

The sensitivity of floating rate financial assets to the 100 basis points interest rate increase is £8.6m (2013: £13.0m) and the sensitivity of financial liabilities to the same interest rate increase is £3.9m (2013: £7.7m). 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 liabilities 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 net assets/(liabilities) by currency and the sensitivity of the balances to foreign exchange rates are shown below:

	2014				
	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Increase in net assets £m
Sterling	(48.4)	1,386.1	1,337.7	–	–
Euro	1,258.4	(1,093.5)	164.9	15	24.7
US dollar	107.3	(95.9)	11.4	20	2.3
Other currencies	214.9	(187.4)	27.5	10-25	–
	1,532.2	9.3	1,541.5	–	27.0

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
continued

3. FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK CONTINUED

Foreign exchange risk continued

	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Increase in net assets £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

The weakening of the above currencies would have resulted in an equal but opposite impact, being a decrease in net assets.

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 2014. It is assumed that Group borrowings under its senior debt facilities remain at the same level as at 31 March 2014 until contractual maturity.

Liquidity profile

As at 31 March 2014	Contractual maturity analysis				Total £m
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	
Non derivative financial liabilities					
Private placements	19.3	31.9	302.8	49.2	403.2
Listed notes and bonds	9.3	9.3	104.0	85.0	207.6
Unsecured bank debt	0.7	0.7	20.1	–	21.5
Floating rate secured notes	2.1	2.1	6.1	131.5	141.8
Secured bank debt	0.5	9.6	–	–	10.1
US CLO loan notes	39.1	3.9	11.8	250.0	304.8
Derivative financial instruments					
Derivative financial instruments	(12.1)	(4.5)	5.1	–	(11.5)
	58.9	53.0	449.9	515.7	1,077.5

As at 31 March 2014 the Group has unutilised debt facilities of £678.3m (2013: £355.0m) which consists of undrawn debt of £594.3m (2013: £333.0m) and £84.0m (2013: £22.0m) of unencumbered cash. Unencumbered cash excludes £80.8m (2013: £18.8m) of restricted cash held principally by Intermediate Finance II plc and ICG US CLO 2014-1 Limited.

As at 31 March 2013	Contractual maturity analysis				Total £m
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	
Non derivative financial liabilities					
Private placements	160.5	12.8	182.7	67.8	423.8
Listed notes and bonds	7.5	7.5	22.4	127.5	164.9
Unsecured bank debt	326.1	75.1	33.3	–	434.5
Floating rate 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

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.

During the year, the Group has continued its policy of diversifying the sources and term of its borrowings. This is demonstrated by the establishment of the \$150m private placements notes in May 2013 and the Medium Term Note (MTN) Programme in March 2014. The Group issued its first notes off this programme in March 2014 (£50m) and the establishment of this programme demonstrates the importance that the Group places on raising capital markets' borrowings to fund the Group's activities.

CREDIT RISK

Credit risk is the risk of financial loss to the Group as a result of a counterparty failing to meet its 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

	2014 £m	2013 £m
Non current financial assets	2,080.8	2,695.8
Trade and other receivables	73.3	53.9
Current financial assets	115.8	30.4
Cash and cash equivalents	164.8	52.5
Net derivative instruments	9.3	44.2
	2,444.0	2,876.8

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
continued

3. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT RISK CONTINUED

Exposure to 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

	2014 £m	2013 £m
UK	603.9	718.1
Europe	1,058.7	1,558.9
North America	313.9	132.7
Asia Pacific	104.3	286.1
	2,080.8	2,695.8

The Group's exposure to the Euro is mitigated by the use of foreign exchange derivatives' contracts, see page 105. 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 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	
	2014 £m	2013 £m	2014 £m	2013 £m
Impairment				
Balance at 1 April	549.2	517.0	414.9	353.1
Charged to income statement	116.3	141.1	89.5	96.3
Impairment arising through restructuring of assets	17.3	–	11.6	–
Recovery of previously impaired assets	(21.2)	(61.1)	(18.2)	(40.1)
Assets written off in year	(311.2)	(56.7)	(290.2)	–
Foreign exchange	(8.7)	8.9	(4.4)	5.6
Balance at 31 March	341.7	549.2	203.2	414.9

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 of 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 2014 was £114.7m to Applus+ (2013: £120.0m to Medi Partenaires).

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

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 (i.e. unobservable inputs)

This is followed by a more detailed analysis of the financial instruments which are based on unobservable inputs (Level 3 assets). The subsequent tables provide reconciliations of movement in their fair value during the year split by asset category and by geography. The Group is required to provide disclosures at a more detailed level than by asset category, segregating each asset category by sector or geography. The Group has chosen to present financial instruments by geography as the diverse nature of the Group's assets makes any disclosure of assets by industry less meaningful to the Group's risk profile than geographical factors. In the first year of adoption there is no requirement to provide comparative geographical information.

Financial assets/ financial liabilities	Fair value as at 31 March 2014 £m	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investments excluding CLOs and funds	260.3	Level 3	Earnings based technique. The earnings multiple is derived from a set of comparable listed companies or relevant market transaction multiples. 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. Earnings multiples are applied to the maintainable earnings 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. To determine the value of warrants, the exercise price is deducted from the equity value	The discount applied is generally in a range of 5% to 30% and exceptionally as high as 63%. A premium has been applied to three assets in the range of 15% to 43%. The earnings multiple is generally in the range of 9 to 15, and exceptionally a high as 34 and as low as 4	The higher the adjusted multiple, the higher the valuation
Investments in funds	275.4	Level 3	The Net Asset Value (NAV) of the fund is based on the underlying investments which are held either as FVTPL assets or as loans and receivables initially recognised at fair value and subsequently valued at amortised cost. The carrying value of loans and receivables held at amortised cost are considered a reasonable approximation of fair value. We have reviewed the underlying valuation techniques and consider them to be in line with the Group's	The NAV of the underlying fund, typically calculated under IFRS	The higher the NAV, the higher the fair value

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
continued

3. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION CONTINUED

Financial assets/ financial liabilities	Fair value as at 31 March 2014 £m	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Listed credit fund investments	110.9	Level 1	Quoted bid prices in an active market	n/a	n/a
Unlisted CLO investments	174.4	Level 3	Discounted cash flow at a discount rate of 8%. The following assumptions are applied to each investment's cashflows: 4% annual default rate, 15% annual prepayment rate, 50% recovery rate for senior loans and 0% recovery rate for remainder For new investments where models are not yet available, external valuations are obtained	Discounted cash flows	The higher the cash flows the higher the fair value. The higher the discount, the lower the fair value
US CLO investments	191.0	Level 2	The fair value has been determined using independent broker quotes based on observable inputs	n/a	n/a
US CLO loan notes	(189.6)	Level 3	The loan notes have significant unobservable inputs as they trade infrequently. The fair value of the loan notes is determined primarily by reference to a market value of the underlying assets in the CLO structures which are determined using independent broker quotes based on observable inputs. These liabilities will be transferred to level 2 once the notes start trading and there are market prices available	The CLO loan notes are limited recourse debt obligations payable solely from the underlying collateral of the CLO. The loan notes therefore provide a return equal to the residual economic value of the underlying collateral	The higher the residual economic value of the underlying collateral the higher the fair value
Intelsat	31.6	Level 1 (2013: Level 3)	Intelsat listed a proportion of their shares on the New York Stock Exchange, providing an external basis for valuing the Group's investment	n/a	n/a
Derivatives	9.3	Level 2	The Group uses widely recognised valuation models for determining the fair values of over-the-counter interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The valuations are market observable, internally calculated and verified to externally sourced data and are therefore included within level 2	n/a	n/a
Total	863.3				

	Level 1 £m	Level 2 £m	Level 3 £m	2014 Total £m
Financial assets at FVTPL				
Designated as FVTPL				
– UK	110.9	–	373.6	484.5
– US	–	191.0	4.6	195.6
– France	–	–	73.9	73.9
– Australia	–	–	16.4	16.4
– Germany	–	–	6.5	6.5
– Other	–	–	14.8	14.8
	110.9	191.0	489.8	791.7
Derivative financial instruments – warrants				
– France	–	–	8.7	8.7
– Denmark	–	–	3.8	3.8
– Germany	–	–	3.8	3.8
– UK	–	–	2.2	2.2
	–	–	18.5	18.5
AFS financial assets held at fair value				
– France	–	–	63.7	63.7
– UK	31.6	–	50.5	82.1
– Australia	–	–	34.0	34.0
– US	–	–	14.5	14.5
– Other	–	–	39.1	39.1
	31.6	–	201.8	233.4
Other derivative financial instruments				
	–	18.6	–	18.6
	142.5	209.6	710.1	1,062.2
Financial liabilities at FVTPL				
– US CLO loan notes	–	–	189.6	189.6
Derivative financial liabilities				
	–	9.3	–	9.3
	–	9.3	189.6	198.9

The only transfers between levels in the current year arose on one asset which listed a proportion of their shares on the New York Stock Exchange providing an external basis for valuing the Group's instruments. As a result the instruments were transferred from Level 3 to Level 1.

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continued

3. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION CONTINUED

	Level 1 £m	Level 2 £m	Level 3 £m	2013 Total £m
Financial assets at FVTPL				
Designated as FVTPL	103.7	–	190.7	294.4
Derivative financial instruments – warrants	–	–	40.2	40.2
AFS financial assets held at fair value	–	–	350.5	350.5
Other derivative financial instruments	–	54.9	–	54.9
	103.7	54.9	581.4	740.0
Financial liabilities at FVTPL				
Derivative financial liabilities	–	10.7	–	10.7

Reconciliation of Level 3 fair value measurements of financial assets

The tables detail the movements in financial assets valued using the Level 3 basis of measurement in aggregate.

Within the income statement, realised gains and fair value movements are included within gains on investments, and foreign exchange is included within finance costs. Within other comprehensive income, fair value movements and foreign exchange are included within fair value movements.

	Financial assets at FVTPL £m	Derivative financial instruments – warrants £m	AFS assets £m	Total £m
At 1 April 2013	190.7	40.2	350.5	581.4
Transfer to Level 1	–	–	(38.0)	(38.0)
Total gains or losses in the income statement				
– Realised gains	(16.9)	(11.2)	(125.7)	(153.8)
– Fair value gains	20.6	7.3	–	27.9
– Foreign exchange	(15.4)	2.5	–	(12.9)
Total gains or losses in other comprehensive income				
– Unrealised gains	–	–	8.5	8.5
– Foreign exchange	–	–	(17.0)	(17.0)
Purchases	293.2	–	19.7	312.9
Realisations	(24.7)	–	(18.5)	(43.2)
Conversion debt to equity	41.0	–	3.3	44.3
Exercise of options	1.3	(20.3)	19.0	–
At 31 March 2014	489.8	18.5	201.8	710.1

	Financial assets at FVTPL £m	Derivative financial instruments – warrants £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)
Transfers 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

The level 3 fair value movements by geography are as follows:

Financial assets at FVTPL	UK £m	US £m	France £m	Australia £m	Germany £m	Other £m	Total £m
At 1 April 2013	117.7	5.7	32.4	28.6	–	6.3	190.7
Total gains or losses in the income statement							
– Realised gains	(11.8)	–	–	(4.6)	–	(0.5)	(16.9)
– Fair value gains	16.1	(0.7)	0.9	(0.5)	–	4.8	20.6
– Foreign exchange	(6.4)	(0.4)	(2.2)	(5.7)	(0.4)	(0.3)	(15.4)
Purchases	276.2	–	1.8	3.7	7.1	4.4	293.2
Realisations	(18.2)	–	(1.2)	(5.1)	(0.2)	–	(24.7)
Conversion debt to equity	–	–	40.9	–	–	0.1	41.0
Exercise of options	–	–	1.3	–	–	–	1.3
At 31 March 2014	373.6	4.6	73.9	16.4	6.5	14.8	489.8

Derivative financial instruments – warrants	France £m	Denmark £m	Germany £m	UK £m	Other £m	Total £m
At 1 April 2013	9.8	3.8	5.0	5.5	16.1	40.2
Total gains or losses in the income statement						
– Realised gains	(0.2)	–	(0.6)	(7.7)	(2.7)	(11.2)
– Fair value gains	0.6	–	(0.4)	4.4	2.7	7.3
– Foreign exchange	(0.2)	–	(0.2)	–	2.9	2.5
Exercise of options	(1.3)	–	–	–	(19.0)	(20.3)
At 31 March 2014	8.7	3.8	3.8	2.2	–	18.5

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

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 continued

AFS assets	France £m	UK £m	US £m	Australia £m	Other £m	Total £m
At 1 April 2013	64.3	161.1	54.8	36.0	34.3	350.5
Transfer to Level 1	–	–	(38.0)	–	–	(38.0)
Total gains or losses in the income statement						
– Realised gains	(0.8)	(120.4)	–	(3.6)	(0.9)	(125.7)
Total gains or losses in other comprehensive income						
– Unrealised gains	4.2	20.5	(0.9)	(18.7)	3.4	8.5
– Foreign exchange	(1.5)	(0.7)	(1.4)	(12.8)	(0.6)	(17.0)
Purchases	0.1	4.3	–	15.2	0.1	19.7
Realisations	(2.6)	(14.3)	–	(1.1)	(0.5)	(18.5)
Conversion debt to equity	–	–	–	–	3.3	3.3
Exercise of options	–	–	–	19.0	–	19.0
At 31 March 2014	63.7	50.5	14.5	34.0	39.1	201.8

Reconciliation of Level 3 fair value measurements of financial liabilities

This table details the movements in financial liabilities valued using the Level 3 basis of measurement in aggregate.

Financial liabilities at FVTPL – US CLO loan notes	£m
At 1 April 2013	–
Total gains or losses in other comprehensive income	
– Unrealised gains	1.8
Purchases	187.8
At 31 March 2014	189.6

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	Sensitivity of financial asset to adjusted earnings multiple		
	Value in accounts £m	+10% £m	–10% £m
2014			
Financial assets designated as FVTPL	489.8	553.5	426.1
Derivative financial instruments held at fair value – warrants	18.5	23.9	13.1
AFS financial assets held at fair value	201.8	234.9	168.7
	710.1	812.3	607.9
2013			
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
AFS financial assets held at fair value	350.5	380.1	320.9
	581.4	635.3	527.4

DERIVATIVES

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

	Group and Company 2014			Group and Company 2013		
	Contract or underlying principal amount £m	Fair values		Contract or underlying principal amount £m	Fair values	
		Asset £m	Liability £m		Asset £m	Liability £m
Foreign exchange derivatives						
Forward foreign exchange contracts	1,568.5	12.1	(4.5)	1,588.3	33.6	(6.8)
Cross currency swaps	85.2	2.7	(4.8)	139.1	11.6	(3.8)
Interest rate swaps	33.2	3.8	–	134.7	9.7	(0.1)
Total	1,686.9	18.6	(9.3)	1,862.1	54.9	(10.7)

Included in derivative financial instruments is accrued interest on swaps of £0.7m (2013: £1.1m).

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 ended 31 March 2013.

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.

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 £145.2m (2013: £97.8m).

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 £14.4m relating to gains on the investment in ICG Europe Fund V. This is presented below in gains on investments, whereas it 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 average 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 remuneration of the Managing Directors is allocated equally to the FMC and the IC.

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FOR THE YEAR ENDED 31 MARCH 2014
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5. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

ANALYSIS OF INCOME AND PROFIT BEFORE TAX

Year ended 31 March 2014	Europe Mezzanine £m	Europe Credit £m	Asia Pacific £m	US £m	Total FMC £m	IC £m	Total £m
External fee income	55.6	18.9	4.4	–	78.9	–	78.9
Inter-segmental fee	16.0	2.2	1.5	1.0	20.7	(20.7)	–
Fund management fee income	71.6	21.1	5.9	1.0	99.6	(20.7)	78.9
Other operating income					–	6.9	6.9
Gains on investments					–	149.4	149.4
Net interest income					(0.4)	133.8	133.4
Dividend income					1.3	19.7	21.0
Net fair value loss on derivatives					–	(16.4)	(16.4)
					100.5	272.7	373.2
Impairment					–	(112.4)	(112.4)
Staff costs					(23.5)	(6.8)	(30.3)
Incentive scheme costs					(13.6)	(22.6)	(36.2)
Other administrative expenses					(28.4)	(7.2)	(35.6)
Profit before tax					35.0	123.7	158.7

Year ended 31 March 2013	Europe Mezzanine £m	Europe Credit £m	Asia Pacific £m	US £m	Total FMC £m	IC £m	Total £m
External fee income	51.4	19.2	6.8	–	77.4	–	77.4
Inter-segmental fee	19.3	0.5	2.6	0.9	23.3	(23.3)	–
Fund management fee income	70.7	19.7	9.4	0.9	100.7	(23.3)	77.4
Other operating income					–	1.4	1.4
Gains on investments					–	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

RECONCILIATION OF BALANCE SHEET POSITION REPORTED TO THE EXECUTIVE COMMITTEE TO THE POSITION REPORTED UNDER IFRS

Included under the 'Adjustments' heading in the table below are the investments in ICG Europe Fund V and ICG US CLO 2014-1. For internal reporting purposes the interest owed on Fund V investments is presented within debtors whereas under IFRS it is included within the value of the investment. The US CLO is presented as a fair value investment for internal reporting purposes, whereas the statutory financial statements present the US CLO on a fully consolidated basis.

	2014			2013		
	Internally reported £m	Adjustments £m	Financial statements £m	Internally reported £m	Adjustments £m	Financial statements £m
Financial assets	1,907.7	173.1	2,080.8	2,695.1	0.7	2,695.8
Other assets	333.2	51.4	384.6	204.3	(0.7)	203.6
Total assets	2,240.9	224.5	2,465.4	2,899.4	–	2,899.4
Financial liabilities	586.8	189.6	776.4	1,161.3	–	1,161.3
Other liabilities	146.1	34.9	181.0	175.2	–	175.2
Total liabilities	732.9	224.5	957.4	1,336.5	–	1,336.5
Equity	1,508.0	–	1,508.0	1,562.9	–	1,562.9
Total equity and liabilities	2,240.9	224.5	2,465.4	2,899.4	–	2,899.4

ANALYSIS OF FINANCIAL ASSETS BY GEOGRAPHICAL SEGMENT

	2014 £m	2013 £m
Europe	1,662.6	2,277.0
Asia Pacific	104.3	286.1
North America	313.9	132.7
	2,080.8	2,695.8

GROUP REVENUE BY GEOGRAPHICAL SEGMENT

	2014 £m	2013 £m
Europe	388.0	313.4
Asia Pacific	36.3	50.2
North America	10.3	6.8
	434.6	370.4

NOTES TO THE ACCOUNTS

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6. FINANCE INCOME AND FINANCE COSTS

	2014 £m	2013 £m
GROUP FINANCE INCOME		
Interest income recognised under the amortised cost method	177.9	214.2
Dividend income from equity investments	21.0	4.3
Interest on bank deposits	0.5	0.1
	199.4	218.6

Interest income on interest bearing loans and investments includes £10.2m (2013: £17.2m) accrued on impaired loans.

	2014 £m	2013 £m
GROUP FINANCE COSTS		
Interest expense recognised under the amortised cost method	30.6	39.6
Net fair value movements on derivatives	16.4	5.7
Arrangement and commitment fees	14.4	15.4
	61.4	60.7

7. GAINS AND LOSSES ARISING ON INVESTMENTS

GAINS AND LOSSES ARISING ON AFS FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2014 £m	2013 £m
Realised gains on ordinary shares recycled to profit	(125.7)	(11.5)
Impairments of AFS financial assets recycled to profit	–	4.0
Net gains recycled to profit	(125.7)	(7.5)
Gains and losses arising on AFS financial assets		
– Fair value movement on equity instruments	(1.6)	58.8
– Fair value movement on other assets	7.2	1.7
Foreign exchange	(6.8)	6.6
(Losses)/gains arising in the AFS reserve in the year	(1.2)	67.1

GAINS AND LOSSES ARISING ON INVESTMENTS RECOGNISED IN THE INCOME STATEMENT

	2014 £m	2013 £m
Realised gains on warrants	11.2	0.8
Realised gains on assets designated as FVTPL	16.9	1.8
Realised gains of AFS financial assets recycled from AFS reserves	125.7	11.5
Realised gains on other assets	0.3	–
	154.1	14.1
Unrealised gains and losses on assets designated as FVTPL		
– Fair value movement on equity instruments	10.1	39.3
– Fair value movement on warrants	(6.3)	9.5
– Fair value movement on other assets	4.8	10.1
	8.6	58.9
Fair value movements on FVTPL financial assets	162.7	73.0
Realised losses on amortised cost assets	(13.3)	–
Gains on investments	149.4	73.0

The fair value movement on equity instruments includes £0.9m (2013: £nil) relating to the Group's US CLO.

8. IMPAIRMENT OF ASSETS

	2014 £m	2013 £m
Impairment on loans and receivables		
New and increased	116.7	50.6
Write off	16.9	86.4
Recoveries	(21.2)	(58.7)
Total net impairment on loans and receivables	112.4	78.3
Impairment on AFS financial assets		
New and increased	-	2.0
Write off	-	2.1
Recoveries	-	(2.4)
Total net impairment on AFS financial assets	-	1.7
	112.4	80.0

9. ADMINISTRATIVE EXPENSES

	2014 £m	2013 £m
Administrative expenses include:		
Staff costs	66.5	56.6
Amortisation and depreciation	3.3	3.5
Operating lease expenses	3.8	3.6
Auditor's remuneration	1.1	1.1

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

	2014 £m	2013 £m
AUDIT FEES		
Group audit of the annual accounts	0.4	0.2
The audit of subsidiaries annual accounts	0.3	0.3
Total audit fees	0.7	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	0.2
Corporation finance transactions	-	0.2
Total other non audit fees	0.3	0.5
Total auditor's remuneration	1.1	1.1

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
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10. EMPLOYEES AND DIRECTORS

	2014 £m	2013 £m
Directors' emoluments	3.2	1.9
Employee costs during the year including Directors:		
Wages and salaries	61.5	53.1
Social security costs	3.3	2.1
Pension costs	1.7	1.4
	66.5	56.6

The average number of employees (including Directors) was:

	2014	2013
Investment Executives	85	72
ICG Longbow	17	12
Infrastructure	90	74
Directors	3	3
	195	161

The performance related element included in wages and salaries is £36.2m (2013: £32.7m). This is derived from the annual bonus scheme, the Omnibus Plan and the Balance Sheet Carry Scheme.

11. TAX EXPENSE

Analysis of tax on ordinary activities	2014 £m	2013 £m
Current tax		
Current year	31.4	30.9
Prior year adjustment	(3.5)	(10.9)
	27.9	20.0
Deferred taxation		
Current year	(5.4)	2.6
Prior year adjustment	(1.2)	(3.8)
	(6.6)	(1.2)
Tax on profit on ordinary activities	21.3	18.8

	2014 £m	2013 £m
Profit on ordinary activities before tax	158.7	142.6
Profit before tax multiplied by the rate of corporation tax in the UK of 23% (2013: 24%)	36.5	34.2
Effects of:		
Non deductible expenditure	3.5	(0.1)
Current year risk provision (credit)/charge – current tax	(11.8)	0.8
Current year risk provision charge – deferred tax	3.2	–
Tax losses not recognised	–	1.8
Prior year adjustment to deferred tax	(1.2)	(3.8)
Changes in statutory tax rates	(0.5)	(0.5)
Overseas tax credit	(4.9)	(2.7)
Prior year adjustment to current tax	(3.5)	(10.9)
Current tax charge for the year	21.3	18.8

The current year tax charge is lower than the standard rate of corporation tax of 23%. This is due to the current year reduction in tax risk provisions of £8.6m and the difference of £4.9m between overseas and UK tax rates. The tax charge for the prior year was lower than the standard rate of corporation tax of 24%. This was principally due to a prior year adjustment of £9.0m credit relating to termination payments made under the Medium Term Incentive Scheme.

EMPLOYEE BENEFIT TRUST

The Group has utilised an Employee Benefit Trust (EBT) to make awards to employees. The treatment of awards made through these structures, whilst widely used, has been disputed by HMRC. In 2011 HMRC launched the EBT Settlement Opportunity. The Group has participated in this opportunity and expects to agree a settlement during the current financial year.

As part of the settlement, the Group will receive a corporate tax credit on the total amounts settled. The income tax and employees' national insurance liabilities lie with the beneficiaries and this will remain the case for those beneficiaries who do not settle under the 2011 EBT Settlement Opportunity, who may also be liable for penalties and interest. At the balance sheet date the number of beneficiaries who will opt to settle their liability was unknown and as a result no corporate tax asset has been recognised in the year ended 31 March 2014. Based on current expectations, the corporate tax credit is likely to be in the range of £nil to £24m.

The Group will pay interest and employers' national insurance on the amounts settled by the beneficiaries. Based on current expectations this liability is expected to be in the range of £nil to £14m, of which an accrual of £12m is held on the balance sheet.

12. DIVIDENDS

	2014		2013	
	Per share pence	£m	Per share pence	£m
Ordinary dividends paid				
Final	13.7	52.8	13.0	50.5
Interim	6.6	25.4	6.3	24.4
	20.3	78.2	19.3	74.9

The proposed final dividend for the year ended 31 March 2014 is 14.4p per share (2013: 13.7p per share) which will amount to £57.9m (2013: £52.8m). Of the £78.2m (2013: £74.9m) of dividends paid, £0.1m of dividends were reinvested under the dividend reinvestment plan that was offered to shareholders (2013: £nil).

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13. EARNINGS PER SHARE

	2014 £m	2013 £m
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	137.2	124.4
Number of shares	2014	2013
Weighted average number of ordinary shares for the purposes of basic earnings per share	384,828,814	387,528,665
Effect of dilutive potential ordinary shares share options	135,969	46,245
Weighted average number of ordinary shares for the purposes of diluted earnings per share	384,964,783	387,574,910
Earnings per share (EPS)	35.7p	32.1p
Diluted earnings per share	35.6p	32.1p

14. INTANGIBLE ASSETS

Group	Goodwill		Investment Management Contract		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £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	–	–	2.8	1.6	2.8	1.6
Charge for the year	–	–	0.9	1.2	0.9	1.2
At 31 March	–	–	3.7	2.8	3.7	2.8
Net book value at 31 March	4.3	4.3	1.4	2.3	5.7	6.6

In December 2010, the Group acquired a 51% equity interest in Longbow Real Estate Capital LLP for a consideration of £4.3m. There were no identifiable assets or liabilities acquired, resulting in goodwill of £4.3m. This is assessed annually for impairment. Also in December 2010, Intermediate Capital Managers Limited, a subsidiary company, paid £5.1m to acquire an investment management contract from Resource Europe. The useful economic life of the intangible asset was reassessed during the year, increasing from four to five years. The asset will continue to be amortised on a straight line basis over the remaining two years.

15. PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Furniture and equipment				
Cost				
At 1 April	12.0	11.5	10.6	10.0
Additions	2.7	0.5	2.2	0.6
At 31 March	14.7	12.0	12.8	10.6
Depreciation				
At 1 April	9.1	7.6	7.8	5.9
Charge for the year	2.0	1.5	2.0	1.9
At 31 March	11.1	9.1	9.8	7.8
Net book value	3.6	2.9	3.0	2.8
Short leasehold premises				
Cost				
At 1 April	5.5	4.7	4.2	4.0
Additions	–	0.8	–	0.2
At 31 March	5.5	5.5	4.2	4.2
Depreciation				
At 1 April	3.8	3.0	3.1	2.9
Charge for the year	0.4	0.8	0.4	0.2
At 31 March	4.2	3.8	3.5	3.1
Net book value	1.3	1.7	0.7	1.1
Total net book value	4.9	4.6	3.7	3.9

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
continued

16. NON CONTROLLING INTERESTS

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

	2014		2013	
	% Non controlling interest	£m	% Non controlling interest	£m
Longbow Real Estate Capital LLP	49	(0.1)	49	(0.3)
LREC Partners Investments No.2 Ltd	41	–	41	–
As at 31 March		(0.1)		(0.3)

	2014 £m	2013 £m
Profit/(loss) retained for the year	0.2	(0.6)

17. FINANCIAL ASSETS – NON CURRENT

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Loans and receivables held at amortised cost	1,037.2	2,010.7	713.6	1,479.0
Investment in subsidiaries	–	–	436.5	270.9
AFS financial assets held at fair value	233.4	350.5	52.7	45.0
Financial assets designated as FVTPL	791.7	294.4	261.7	136.3
Derivative financial instruments held at fair value – warrants	18.5	40.2	6.0	11.7
	2,080.8	2,695.8	1,470.5	1,942.9
Other derivative financial instruments held at fair value	5.8	14.7	5.8	14.7
	2,086.6	2,710.5	1,476.3	1,957.6

Included with financial assets designated as FVTPL is £232.0m (2013: £85.0m) relating to the Group's 20% investment in ICG Europe Fund V Limited, an investment fund incorporated in Jersey. A further £25.9m (2013: £nil) relates to the Group's investments in Via Location and Parkeon. During the year, these two portfolio companies underwent a restructuring which resulted in the Group acquiring joint control of these investments. Prior to this, the Group's investment in these assets had been classified as loans and receivables held at amortised cost.

Financial assets designated as FVTPL includes £191.0m (2013: £nil) relating to the Group's US CLO.

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

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
AFS financial assets				
Balance at 1 April	350.5	283.4	45.0	39.8
Realised gains recycled to the income statement	(125.7)	–	(10.5)	–
Unrealised gains	5.5	65.0	11.4	4.9
Purchases	19.7	2.3	11.3	0.8
Realisations	(18.5)	(10.9)	(3.9)	(1.2)
Conversion debt to equity	3.3	–	0.2	–
Exercise of options	19.0	–	–	–
Foreign exchange	(20.4)	10.7	(0.8)	0.7
Balance at 31 March	233.4	350.5	52.7	45.0

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Other receivables	52.8	29.7	21.7	10.0
Amount owed by Group companies	–	–	439.0	432.3
Prepayments	20.5	24.2	8.8	11.3
	73.3	53.9	469.5	453.6

19. FINANCIAL ASSETS – CURRENT

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Loans and investments held for sale	115.8	30.4	115.8	30.4
Other derivative financial instruments held at fair value	12.8	40.2	12.8	40.2
	128.6	70.6	128.6	70.6

20. CALLED UP SHARE CAPITAL AND OWN SHARES RESERVE

Group and Company	2014 £m	2013 £m
Allotted, called up and fully paid		
402,242,770 (2013: 402,056,200) ordinary shares of 20p	80.4	80.4

The own shares reserve represents the cost of shares in ICG plc purchased in the market and held by the EBT, to hedge future liabilities arising under long term incentive plans. The movement in the year is as follows:

	2014 £m	2013 £m	2014 Number	2013 Number
At 1 April	45.7	33.0	15,689,104	11,935,406
Purchased	35.4	13.3	7,831,555	3,984,457
Options/awards exercised	(18.7)	(0.6)	(6,065,317)	(230,759)
As at 31 March	62.4	45.7	17,455,342	15,689,104

The number of shares held by the EBT at the balance sheet date represented 4.3% (2013: 3.9%) of the parent company's allotted, called up and fully paid share capital.

21. PROVISIONS

Group and Company	Onerous lease £m
At 1 April 2013	4.0
Utilisation of provision	(0.6)
Unwinding of discount	0.2
As at 31 March 2014	3.6

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

continued

21. PROVISIONS CONTINUED

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

Group and Company	2014 £m	2013 £m
Less than one year	0.4	0.4
One to five years	2.3	2.3
Greater than five years	0.9	1.3
Total greater than one year	3.2	3.6
As at 31 March	3.6	4.0

The Group holds onerous lease provisions of £3.6m (2013: £4.0m) 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	2014		2013	
	Current £m	Non current £m	Current £m	Non current £m
Liabilities held at amortised cost:				
– Private placements	–	283.9	142.9	198.3
– Listed notes and bonds	–	153.5	–	113.5
– Unsecured bank debt	–	19.8	318.8	104.4
– Secured bank debt	–	9.3	–	–
– Floating rate secured notes	–	120.3	–	272.7
Liabilities held at FVTPL:				
– US CLO loan notes	–	189.6	–	–
Bank overdraft	–	–	10.7	–
	–	776.4	472.4	688.9

The floating rate notes are secured on the debt portfolio of a subsidiary company, Intermediate Finance II plc.

The US CLO loan notes were issued by the Group's US CLO which closed on 4 March 2014. The Group acquired the entire equity of the CLO and has been assessed to control the vehicle requiring it to be consolidated in these Group financial statements. The assets of the US CLO are shown with financial assets (see note 17). The net exposure on the Company balance sheet is \$40.9m (£24.5m) representing the investment made by the Company into the CLO.

Company	2014		2013	
	Current £m	Non current £m	Current £m	Non current £m
Liabilities held at amortised cost:				
– Private placements	–	283.9	142.9	198.3
– Listed notes and bonds	–	153.5	–	113.5
– Unsecured bank debt	–	19.8	318.8	104.4
Bank overdraft	–	–	10.7	–
	–	457.2	472.4	416.2

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Trade payables	3.6	1.9	1.8	0.9
Accruals	117.8	75.7	70.5	59.5
Amounts owed to Group companies	–	–	259.0	255.9
Social security tax	1.1	1.4	1.0	1.4
	122.5	79.0	332.3	317.7

Included within accruals are £34.9m (2013: £nil) relating to the Group's US CLO.

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 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
Prior year adjustment	0.1	0.4	(1.4)	(0.3)	(1.2)
Reclassification from current tax	–	–	–	6.1	6.1
Credit to equity	–	(30.8)	–	–	(30.8)
(Credit)/charge to income	(4.0)	(1.7)	(3.8)	4.1	(5.4)
At 31 March 2014	9.8	21.1	(18.7)	9.6	21.8

Company	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
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	13.7	3.1	(7.7)	(0.8)	8.3
Prior year adjustment	0.1	–	(0.2)	0.1	–
Credit to equity	–	(0.1)	–	–	(0.1)
(Credit)/charge to income	(4.0)	(2.0)	(2.3)	3.3	(5.0)
At 31 March 2014	9.8	1.0	(10.2)	2.6	3.2

Deferred tax has been accounted for at the substantively enacted corporation tax rate of 21% (2013: 23%). Further reductions to the main rate have been proposed to reduce the rate to 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 2014 the Group has tax losses carried forward of £12.6m (2013: £18.6m). It is not probable that these will be utilised and therefore no deferred tax asset has been recognised.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014
continued

25. SHARE BASED PAYMENTS

All share based payment transactions are equity settled. The total charge to the income statement for the year was £12.2m (2013: £13.6m) and this was credited to the share based payments reserve in equity.

INTERMEDIATE CAPITAL GROUP PLC 2001 APPROVED AND UNAPPROVED EXECUTIVE SHARE OPTION SCHEME

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 (£)	
	2014	2013	2014	2013
Outstanding at 1 April	2,606,539	5,353,766	4.51	3.59
Forfeited	(418,496)	(1,104,558)	5.10	3.31
Exercised	(184,098)	(1,642,669)	4.59	3.48
Outstanding at 31 March	2,003,945	2,606,539	4.44	4.51
Of which are currently exercisable	360,389	427,198	2.74	2.73

The weighted average remaining contractual life is 2.00 years (2013: 2.96 years).

Exercise price	2014 Number	2013 Number
£2.230	246,317	284,876
£2.947	25,601	25,601
£6.008	181,439	314,604
£4.844	591,122	790,073
£5.048	136,762	136,762
£4.286	447,291	592,830
£4.101	88,471	88,471
£4.731	263,691	321,821
£4.729	23,251	23,251
£3.322	-	28,250
	2,003,945	2,606,539

INTERMEDIATE CAPITAL GROUP PLC OMNIBUS PLAN

Details of all the different types of awards under the Omnibus Plan are provided in the Directors' remuneration report on pages 62 to 80.

Share awards outstanding under the Omnibus Plan were as follows:

	Number		Weighted average fair value (£)	
	2014	2013	2014	2013
Deferred Share Awards				
Outstanding at 1 April	863,224	843,382	2.74	3.02
Granted	338,300	434,342	4.56	2.33
Vested	(464,245)	(329,550)	2.76	2.96
Forfeited	(1,000)	(84,950)	3.34	2.58
Outstanding at 31 March	736,279	863,224	3.56	2.74

	Number		Weighted average fair value (£)	
	2014	2013	2014	2013
PLC Equity Awards				
Outstanding at 1 April	6,870,338	4,937,534	2.74	2.90
Granted	544,754	1,932,804	4.56	2.33
Vested	(951,375)	–	2.58	–
Outstanding at 31 March	6,463,717	6,870,338	2.92	2.74

	Number		Weighted average fair value (£)	
	2014	2013	2014	2013
FMC Equity Awards				
Outstanding at 1 April	126,171	81,603	227.00	217.00
Granted	18,492	44,568	310.00	245.00
Vesting	(36,604)	–	190.00	–
Forfeited	(9,722)	–	220.00	–
Outstanding at 31 March	98,337	126,171	279.00	227.00

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.

26. FINANCIAL COMMITMENTS

At the balance sheet date, the Company had outstanding commitments which can be called on over the next five years, as follows:

	2014 £m	2013 £m
ICG Senior Debt Partners	21.6	35.6
ICG Europe Fund V	205.1	402.3
ICG-Longbow UK Real Estate Debt Investments III	29.6	37.8
ICG US CLO 2014-2	21.0	–
Intermediate Capital Asia Pacific Fund II 2008	–	49.0
	277.3	524.7

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, falling due as follows:

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Within one year	4.0	3.8	2.2	2.2
Two to five years	13.3	13.3	8.9	8.9
After five years	5.1	7.9	4.4	6.1

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

continued

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 related to dividends received of £119.3m (2013: £77.5m).

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 Directors' remuneration report.

29. PRINCIPAL GROUP COMPANIES

The principal subsidiary undertakings of the Group are shown below. All are wholly owned, except where stated.

Name	Country of incorporation	Principal activity
Intermediate Capital Investments Limited	England and Wales	Investment company
Intermediate Capital Managers Limited*	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 Limited	Jersey	Investment company
Intermediate Capital Asia Pacific Limited*	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 GmbH*	Germany	Advisory company
Intermediate Capital Group Benelux B.V.*	Netherlands	Advisory company
Intermediate Capital Australia Pty Limited*	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 Global Investment Jersey Limited* (previously ICG EFV Jersey Limited)	Jersey	General Partner
ICG Europe Fund V Jersey Limited (20% owned)	Jersey	Investment company
ICG Fund Advisors LLC*	United States of America	Advisory company
ICG Debt Advisors LLC*	United States of America	Advisory company
Nomura ICG KK (50% owned)	Japan	Advisory company
ICG Alternative Investment Limited*	England and Wales	Advisory company
ICG US CLO 2014-1, Limited	Unites States of America	Investment company

All companies listed above have a reporting date of 31 March, with the exception of the entities incorporated in the United States of America which have a 31 December reporting date.

* Indirect subsidiary of ICG plc

** 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

There have been no material events since the balance sheet date.

GLOSSARY

GLOSSARY		
TERM	SHORT FORM	DEFINITION
AIFMD		The EU Alternative Investment Fund Managers Directive
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 the cost of investment and agreed preferred return to investors
Cash core income	CCI	Profit before tax excluding fair value movement on derivatives, capital gains, impairments and unrealised rolled up interest
Catch up fees		Fees not previously recognised as either the fund commitment had not been contractually agreed or the income was otherwise uncertain
Closed end fund		A fund where the amount of investable capital is fixed
Co-investment	Co-invest	A direct investment made alongside a fund taking a pro rata share of all instruments
Collateralised Debt Obligation	CDO	Investment grade security backed by pool of non mortgage based bonds, loans and other 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 a fund is able to release or draw down the capital contractually committed at that date
EBITDA		Earnings before interest, tax, depreciation and amortisation
Employee Benefit Trust	EBT	Special purpose vehicle used to purchase ICG plc shares which are 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
Financial Services Authority	FSA	Predecessor of the FCA
Fund Management Company	FMC	The Group's operating vehicle, which sources and manages investments on behalf of the IC and third party funds
HMRC		HM Revenue & Customs, the UK tax authority
IAS		International Accounting Standards
IFRS		International Financial Reporting Standards as adopted by the European Union
Illiquid assets		Asset classes which are not actively traded
Investment Company	IC	The investment unit of ICG plc. It co-invests alongside third party funds
Internal Rate of Return	IRR	The annualised return received by an investor in a fund. It is calculated from cash drawn from and returned to the investor together with the residual value of the asset
Key man		Certain funds have designated key men. The departure of a key man without adequate replacement triggers a contractual right for investors to cancel their commitments
Liquid assets		Asset classes with an active, established market in which assets may be readily bought and sold

GLOSSARY

TERM	SHORT FORM	DEFINITION
Open ended fund		A fund which remains open to new commitments and where an investors commitment may be redeemed with appropriate notice
Operating margin		Total fee income less operating expenses divided by total fee income
Payment in kind	PIK	Also known as rolled up interest. PIK is the interest accruing on a loan until maturity or refinancing, without any cash flows until that time
Performance fees		Incentive fees paid when fund performance exceeds a fixed return
Realisation		The return of invested capital in the form of principal, rolled up interest and/or capital gain
Return on equity	ROE	Profit after tax divided by average shareholders' funds for the period
Securitisation		A form of financial structuring whereby a pool of assets is used as security (collateral) for the issue of financial instruments
Seed capital		Capital invested to establish a fund strategy
Senior debt		Senior debt ranks above mezzanine and equity
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
UNPRI		UN Principles for Responsible Investing
Whole loans		A property loan which represents all debt secured on the property

NOTES

SHAREHOLDER AND COMPANY INFORMATION

TIMETABLE

EVENT	DATE
Ex dividend date	11 June 2014
Record date for financial year 2013 final dividend	13 June 2014
AGM	23 July 2014
Payment of final dividend	28 July 2014
Half year results announcement for the six months to 30 September 2014	21 November 2014

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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