SPECIALIST ASSET MANAGER

INTERMEDIATE CAPITAL GROUP PLC

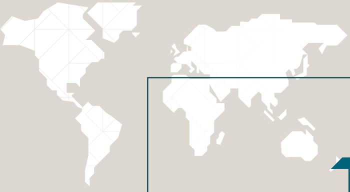
ANNUAL REPORT & ACCOUNTS 2016

CONSISTENT GROWTH

ICG AT A GLANCE

27
YEAR TRACK RECORD
+ Read more on page 7

OPERATING OUT OF 11 COUNTRIES
+ Read more on page 7



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15
INVESTMENT STRATEGIES
+ Read more on page 4

ASSETS UNDER MANAGEMENT
€21.6BN
+ Read more on page 14

PROFIT BEFORE TAX
£158.8M

ORDINARY DIVIDEND PER SHARE
23.0P
+ Read more on page 6

STRATEGIC OBJECTIVES

We are committed to growing our specialist asset management activities, capitalising on our global reach and our reputation for high performance and innovation to deliver increased shareholder value.

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Grow assets under management
+ Read more on page 10

2
Invest selectively
+ Read more on page 12

3
Manage portfolios to maximise value
+ Read more on page 12

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CHAIRMAN'S STATEMENT

Another strong year of successful delivery against our strategic objectives.

JUSTIN DOWLEY
CHAIRMAN

I am pleased to report another strong year of successful delivery against our strategic objectives, reinforcing our confidence in the health of the business and our commitment to generating long term shareholder value.

DELIVERING OUR STRATEGY

We continue to make significant progress in growing our specialist asset manager franchise across geographies and strategies. Highlights of the last financial year have included:

- Increasing funds under management, exceeding our fundraising target
- Delivering and growing our existing strategies
- Investing in new strategies that are expected to drive future growth
- Increasing fund management profits
- Returning surplus capital to shareholders

One key success has been the continued expansion of the Secondaries asset class. Initiated in November 2014 through the hire of a dedicated team; we have now completed three transactions and had a successful first close of our Strategic Secondaries Fund. Our commitment to this asset class was augmented in February 2016 with the acquisition of the management contract of the listed private equity investment trust, Graphite Enterprise Trust (since renamed ICG Enterprise Trust).

The growth in our fund management franchise has been driven primarily through supporting existing strategies, organic expansion into new strategies and team hires. However, the acquisition of the ICG Enterprise Trust management contract is an example of our willingness to make acquisitions where the right opportunity exists.

The market environment continues to offer attractive opportunities to grow, and further expand our range of long term value creating strategies, in the new financial year and beyond.

DIVIDEND AND CAPITAL RETURN

The Board is focused on maintaining a capital structure that is appropriate to deliver our business strategy. In July 2014, the Board committed to re-gearing the balance sheet to between 0.8x and 1.2x by July 2016 and, with the planned growth of the fund management business, increasing return on equity to over 13%. Since May 2014 we have returned £400m to shareholders through special dividends and share repurchases, whilst maintaining sufficient resources to deliver attractive growth in our fund management business.

The Board recommends a final ordinary dividend for the year of 15.8p, making a total for the year of 23.0p (2015: 22.0p), an increase of 4.5% on prior year. The Board has decided to maintain the dividend reinvestment plan (DRIP). If approved by shareholders, the final dividend will be paid on 5 August 2016 to shareholders on the register as at 17 June 2016.

In addition the Board is recommending a further capital return of £200m to shareholders by way of special dividend of 63.4p per share. Once this proposed further capital return has been completed, subject to shareholder approval, we will have met the gearing and return on equity targets set out two years ago. We therefore do not expect any further special dividends thereafter.

The special dividend, with an associated share consolidation to maintain, as far as possible, the share price before and after the special dividend, will be subject to shareholder approval at the Annual General Meeting on 21 July 2016. The ex-dividend, record and payment dates for the special dividend and the share consolidation factor will be set out in the AGM circular to shareholders.

CHANGES TO THE BOARD

As announced in February 2016, I will be standing down as your Chairman at the Annual General Meeting. It has been an honour to have served on your Board for more than 10 years, the last six as your Chairman. During my time as Chairman I am proud to have overseen the Company's successful transition from being primarily an investment company to becoming a leading specialist asset manager.

I will be succeeded as Chairman by Kevin Parry, our Senior Independent Director, subject to shareholder approval. Kevin has a wealth of relevant industry experience and deep knowledge of the Company's sector and business, which will contribute greatly to the future success of ICG.

Peter Gibbs will succeed Kevin as Senior Independent Director and a search is underway for a new Non Executive Director who will be the new Chair of the Audit Committee.

Finally, on a personal note, I would like to thank my colleagues on the Board and in management, past and present, for their support, and wish Kevin and his team every success as they lead ICG's continued growth and development.

This Strategy Report, on pages 1 to 38, has been approved by the Board of Directors and is signed on its behalf by:

Justin Dowley
Chairman
23 May 2016

AN INTRODUCTION FROM THE CHIEF EXECUTIVE

This has been another year of considerable achievement with total assets under management exceeding €20bn for the first time, and record Fund Management Company (FMC) profits. Although a fair value loss on derivatives has resulted in Group profits of £158.8m down from £178.5m in the prior year.

The Group has made substantial progress in its transformation into a diversified alternative asset manager. Our business model is to continue to increase the scale, profitability and sustainability of our fund management business and to optimise the use of our capital to support that of third party investors. We are confident that the success of our business model and the strategic direction of the Group will be further demonstrated in the coming year.

STRONG FUNDRAISING YEAR

Fundraising momentum has, as expected, remained strong throughout the financial year with €5.2bn of new money raised in a favourable fundraising environment. The appeal of alternative asset classes to investors remains unabated and attracts a number of new hopeful entrants to the market. Within this market, a track record built upon fund and investment performance and a diverse offering are immense competitive advantages which appeal to all investors and allow them to concentrate on a smaller number of relationships. In this context, our long established reputation for consistency and performance has enabled us to raise a total of €11.6bn of new money in the last two years.

During the year we had closes for our larger, well established European funds – European Mezzanine and Senior Debt Partners – at their €3.0bn maximum size, raising €2.7bn in the year. The remaining €2.5bn of fundraising was across ten strategies, including final closes for our North American and Japanese mezzanine funds. Whilst conditions for fundraising in Asia Pacific and for CLOs were more challenging, the 20% increase in total AUM demonstrates the growing diversity of our offering and the successful development of our fund management platform.

We have previously indicated that the lead time for marketing new strategies is significantly longer than for established funds where we have built a long standing track record. This was demonstrated by the contrasting experiences we encountered this year in raising our successful North American Debt Fund and European Mezzanine Fund. For our European Mezzanine Fund, four initial meetings were sufficient to generate one investor, with three months separating first and final closes. In contrast, we held 12 initial meetings for every investor in our first North American Fund, resulting in 18 months between first and final closes. Whilst we are proud of the result, having raised a first fund ahead of our initial target, we are even more encouraged by the prospects for successor funds.

Going forward we would underline that the current focus of our fundraising is on our newer strategies and, while we are pleased with progress to date, we expect that total new money raised in financial year 2017 will likely be below the amount raised in each of the last two years.

CHRISTOPHE EVAIN
CHIEF EXECUTIVE OFFICER

NAVIGATING OUR STRATEGIC REPORT

BUSINESS MODEL | MARKETPLACE & STRATEGY | GROUP PERFORMANCE | GROUP RISKS | RESOURCES & RELATIONSHIPS

A key focus remains developing our current strategies to profitable maturity; however, we will continue to seek new strategies to add to our portfolio. The most efficient add-ons will be developing new funds around existing teams but we will constantly review opportunities to bring new teams in. New strategies lay the foundations to increase the diversity and long term profitability of our fund management business.

CAPITAL DEPLOYMENT ON TRACK

In this competitive investment market, we are delighted to have identified attractive opportunities to sustain an appropriate investment pace across all our direct investment funds, whilst maintaining investment discipline. Of our funds currently in investment mode, 77% of AUM charge fees on an invested capital basis. The successful deployment of this capital directly contributes to the growth in profitability of our fund management business.

ROBUST FINANCIAL DISCIPLINE

Creating value for our shareholders requires that we continue growing and broadening the product range of our business. To that end, we are committed to selectively hiring new teams, launching new products and strategies and allocating capital to these new strategies. To do this we need to maintain broad access to financing sources and debt markets, and ensure the Group can withstand periods of market stress.

In order to have consistent and stable access to financing, we have diversified our sources of financing with an appropriate mix of maturities. We raised £845m during the year, of which £270m was in US private placements, £421m extending facilities with existing relationship banks and £154m in bank facilities with three new relationship banks, continuing our approach of diversifying our funding sources.

OUTLOOK

After two years that have benefitted from fundraising for our larger European funds, we are confident momentum will continue as we target final closes on Longbow Fund IV, Asia Pacific Fund III and Strategic Secondaries. In addition, we have a strong pipeline of new funds to raise. However, as these funds are smaller and strategies newer than those of funds raised in the last two years, we expect the total new money raised to be lower.

Our fundraising success generates substantial capital to deploy across our investment strategies and we continue to see attractive investment opportunities across our strategies and regions. We size our funds to the market opportunity and aim to deploy the capital in line with the required investment run rate. We are therefore highly confident that we will maintain our current deployment pace and find investment opportunities with the appropriate risk/return balance, without compromising on our investment discipline in this highly competitive market.

In addition, we do not expect any negative change in the performance of our assets and funds. We will continue to manage these investment portfolios actively, working with management and sponsors on the delivery of their business plans. This is critical to maximising the exit value of our portfolio assets. We will maximise returns in older funds by realising assets to crystallise value for our fund investors and our shareholders. Whilst the timing is not always in the Group's control and therefore remains uncertain, we foresee the pace of realisations that we have seen in the last 18 months continuing in the current year.

Overall, we are very confident in our ability to deliver on our strategic objectives and to increase long term shareholder value.

HOW WE CREATE VALUE

WE OFFER ACCESS TO ALTERNATIVE SOURCES OF STABLE YIELD

BUILDING PROFITABLE, LONG TERM GROWTH

We are a specialist asset manager of €21.6bn of assets in third party funds and proprietary capital. Our funds invest across four broad asset categories, providing finance for corporate investments, including private debt and minority equity; capital market investments of public and private debt; real assets, principally real estate debt; and private equity secondaries funds. We manage these assets using our large, experienced and specialist investment teams operating from our strong local network of offices, supported by our central infrastructure teams.

What we do is not unique, but the breadth and depth of our experience make us a specialist among asset managers.

GROWTH FACILITATED BY OUR BUSINESS MODEL

Our business model enables the Group to deliver its strategic objectives as a third party asset manager, principally of closed end funds. Our FMC is the operating business of the Group, sourcing and managing investments on behalf of these third party funds and for the Investment Company (IC). Managing third party capital generates long term fee income when it is either committed or invested. The fee structure depends on the product and whether the product is in its investment or realisation phase. If funds exceed performance targets additional fees can be earned.

The IC uses our balance sheet funding to support fundraising and generate investment income.

THE FUND MANAGEMENT COMPANY (FMC)

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

CORPORATE INVESTMENTS

Senior debt, mezzanine and equity investments

Europe, Asia Pacific and North America regionally focused funds

CAPITAL MARKET INVESTMENTS

CLO, loan mandate and other credit funds

Europe and North America regionally focused funds

REAL ASSET INVESTMENT

Real estate investment in senior debt, subordinated debt and equity

UK commercial real estate investment

SECONDARIES

Investment in secondaries PE transactions

European and North America investment remit

DISTRIBUTION

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

THE INVESTMENT COMPANY (IC)

The IC is the investment body of ICG plc

BALANCE SHEET INVESTMENTS

The IC co-invests alongside third party funds at predetermined ratios, invests in funds and provides capital to launch and develop new funds

INFRASTRUCTURE

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

The strategic asset classes are reported according to their financial profile as explained in the Chief Executive Officer's review on page 14

WE ARE EXPERIENCED INVESTORS, BALANCING RISK AND RETURN

INVESTING SELECTIVELY

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

The Group's Executive Committee oversees the investment process, setting and monitoring the investment parameters for each fund. This ensures a consistency of approach across the Group. Investment Committee members are appointed based on their expertise in the product area.

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.

WE REMAIN FULLY ENGAGED WITH THE ASSET UNTIL THE INVESTMENT IS REALISED

MANAGING ASSETS TO MAXIMISE VALUE

Our investment teams remain fully engaged with every asset throughout its life cycle. The level of oversight reflects the risks inherent in the assets being managed. The monitoring of publicly traded lower risk senior debt positions is light touch compared to the detailed and regular interactions with the management and other investors in equity and minority equity positions.

Our mezzanine and private equity secondaries teams have frequent updates with management and sponsors and receive regular and timely management information. Where appropriate our teams proactively work to resolve problems with the aim of preserving the value of our investment.

On at least a quarterly basis, the Investment Committees review the performance of all investments with the relevant investment team.

WE GENERATE INCOME TO REINVEST IN THE GROWTH OF OUR BUSINESS AND RETURN TO SHAREHOLDERS

USING OUR CAPITAL TO INCREASE SHAREHOLDER VALUE

We provide returns to our fund investors, and generate revenue for the Group, to reinvest to drive shareholder value.

We aim to maximise returns by proactively realising assets once they reach maturity within the portfolio. The realisation of an asset crystallises accumulated interest and capital growth, contributes to generating performance fees and supports our longstanding investment track record.

You can read more about the principal risks associated with how we create value on pages 32 to 35

HOW WE ALLOCATE OUR CAPITAL

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.

INVESTING IN GROWTH

We allocate capital to grow the business in two ways. The Group invests with the higher return funds it manages, generating attractive long term investment income streams for the IC. In addition, the Group acts as an anchor investor, providing capital to demonstrate new strategies, developing a track record to support fundraising.

Once these new strategies are established, the Group's investment is reduced and the capital redeployed. The ability to support the establishment of new strategies is a competitive advantage. At times, the Group will invest for growth through acquisition either through acquiring teams or more established fund management businesses.

SHAREHOLDER DISTRIBUTIONS

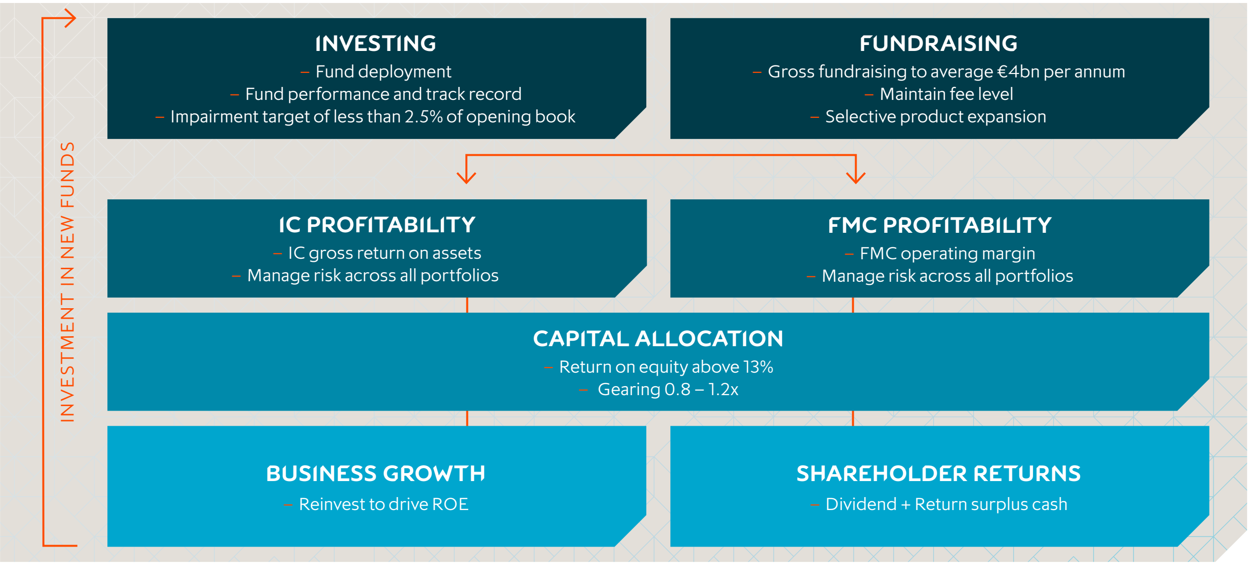
We seek to maximise shareholder value by utilising our available capital to prioritise investment in opportunities which over a number of years will add sustainable income streams to the business and optimise our return on equity (ROE).

We understand that, alongside investing in growth, shareholders place value on regular and sustainable dividend payments and we remain committed to a progressive dividend policy. To the extent that we believe there is any sustained material excess capital, we will consider returning capital to our shareholders.

The aim of the Company's dividend policy is to increase, or at least maintain, the ordinary dividend per share year on year. The level of growth is dependent on the cash performance of the underlying business. Prior to declaring dividend payments the Board ensures there are sufficient distributable reserves and funds available to make the payment and considers the impact on regulatory capital, debt covenants and debt ratings. These are not currently constraints on making ordinary dividend payments.

In delivering the Group's strategic objectives, the size and nature of the business will evolve which may impact regulatory capital and debt rating calculations. Therefore, following the special dividend announced with these results, we do not expect there to be additional material excess capital to be returned to shareholders in the near future.

ICG OPERATING MODEL



WHY WE ARE DIFFERENT

We are a specialist amongst asset managers, enabling us to grow our business, optimise our balance sheet and maximise value for shareholders.

AN OUTSTANDING TRACK RECORD

The combination of our outstanding investment track record over 27 years, expanded product range and the support of a strong balance sheet are our 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 are enabling us to build stronger and broader relationships which support our strategic priority of growing assets under management.

FLEXIBLE INVESTMENT OPTIONS

We design fund investment strategies that meet the investment opportunities we have identified in the market. This provides fund investors with direct access to specific asset classes and generates returns for the benefit of our fund investors and shareholders. We can respond to market opportunities because our robust decision making process can be nimble and efficient when required. The skills, knowledge and market experience of our people underpins this process.

DISCIPLINED AND ANALYTICAL APPROACH

Our consistent, efficient and robust investment culture across our products is based on disciplined investment processes, core credit principles and 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. We particularly 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.

LOCAL KNOWLEDGE AND RELATIONSHIPS

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 long standing relationships with local sponsors, banks, advisers and management teams, providing deal flow and early access to investment opportunities. These are significant differentiators in our investment markets and contribute to maintaining and enhancing our outstanding track record.

ACTIVE INVOLVEMENT

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 over 80% 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 which we use to 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.

LONG TERM APPROACH

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 and enviable track record.

SPECIALIST MARKET SKILLS

The success of our business model is dependent on the skills and experience of our people. As illustrated above, their market knowledge, long term perspective and strong relationships enable us to be a specialist amongst asset managers.

You can read more about the resources and relationships which support our business model on pages 36 to 38

OUR MARKETS

Alternative asset classes are attractive to institutional investors for their enhanced returns and diversification opportunities. We are in a strong position to capitalise on this market opportunity.

MARKET REVIEW

Increasingly, the role of alternative asset managers such as ICG is to channel capital from the large pools of savings managed by institutional investors, be they pension funds, insurance companies or sovereign wealth funds, towards higher return alternative investments that these investors cannot reach through their traditional networks. Our success will therefore equally result from our ability to access these investors and attract them into our growing number of strategies, and our skills at deploying this capital into attractive, well considered investments from a risk and return perspective.

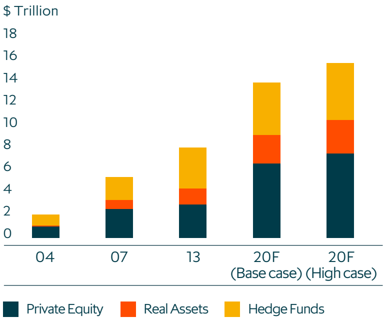
Demand is growing in the institutional market mostly due to institutions finding it increasingly difficult to achieve their long term investment objectives through traditional investment strategies, such as sovereign bonds and equities, when alternative assets offer high returns over the long term. We have seen central banks continuing with their quantitative easing policies during the year, keeping sovereign bond yields near historically low levels. Furthermore, global growth is expected to remain subdued as there remain unresolved structural issues in Europe and a slower pace of growth in China. With this backdrop, global bond yields are expected to remain low and returns from traditional asset classes lower than those achieved in the period before the global financial crisis. We expect the positive trend in favour of alternative asset classes to persist.

In addition, the growing demand for higher yielding alternative asset products is driven by the expected increase in the absolute size of institutional assets under management globally. There are two key trends underpinning this expectation. First, it is projected that 21 new sovereign investors will emerge as the wealth of developing nations increases. These new investors will require diversification in asset allocation. Secondly, the trend of ageing populations in developed nations requires pension funds to focus on capital preservation and generation of higher returns to meet their long term liabilities in the areas of retirement and healthcare. In this environment, investor demand for alternative sources of return is expected to remain strong.

Our funds offer access to challenging private and less liquid asset classes as well as high yielding liquid specialist markets where our teams have consistently generated high risk adjusted returns. The growth and expansion of our business by investment strategy and geography provides a diversity of exposure allowing investors to choose a range of potential risk-reward and geographic profiles.

The attractiveness of the market is resulting in increasing competition as new entrants seek to capitalise on the growing demand for alternative assets. From a fundraising perspective, investors' selection processes are rigorous and preference is given to established managers, like ICG, with a strong track record, credibility and infrastructure. From an investment perspective, the inflow of capital into the alternative asset market means our investment markets remain competitive.

STRONG GROWTH IN ALTERNATIVE ASSET CLASSES



Source: PwC Market Research Centre analysis based on Preqin, HRH and Lipper data

We believe the investment environment for alternative sources of capital is more attractive in the midmarket corporate sector, in which we specialise. Banks remain constrained in their ability to substantially increase lending due to increased regulatory controls and unresolved legacy bad debts from the global financial crisis, particularly in Europe. While the largest companies are able to access debt markets and bank financing, many midmarket companies do not have access to traditional funding markets and are a source of attractive opportunities.

The sourcing of deals in the midmarket sector, both corporate and real estate, relies on strong relationships, local networks, sector specialists and being highly selective. These are our core skills and, along with our ability to make larger investments than many of the newer entrants to the market, mean we are able to continue to source attractive deals in a competitive market.

Therefore, we are in a strong position to facilitate both the demand from institutional investors for higher yielding investments and the demand from global midmarket companies for nonbank sources of capital.

These macroeconomic trends influence each of our strategic asset classes in different ways.

CORPORATE INVESTMENTS

Demand for higher yielding assets has increased competition for our corporate investment funds. However, these investment markets are private and relationship driven and as a result there are significant hurdles for new entrants who may not be able to offer the certainty of funding or flexibility of approach of existing players. A consequence of the capital available for investment in this area is the increased opportunity for us to realise assets at attractive returns, although it does mean that the environment for investing in new assets is competitive. Our local knowledge and long standing relationships are a real advantage in this market.

Our European funds have seen a good flow of opportunities, with a particularly strong conversion rate for our Senior Debt Partners Fund. In the US, our newly closed North American Fund has benefitted from the impact of the macroeconomic uncertainties on credit markets and has had a successful investment year. We have remained highly selective in Asia as we focus on fundraising Asia Pacific III and in view of the difficulties encountered by China and possible knock on effects across the region.

CAPITAL MARKETS

Leverage loan and high yield markets in the US and Europe have seen wide fluctuations since the summer of 2015. Negative perceptions of China, the fear of a global economic slowdown, a collapse in the price of commodities, and oil in particular, as well as the uncertainty surrounding Brexit have all had an impact on capital markets which has been countered by loose monetary policies.

In the US the low oil price has had a significant impact as oil and gas companies are a material part of these markets. Concerns about credit quality have reduced capital available for investment with a consequential increase in the cost of debt. CLO issuance dramatically reduced when the yields demanded by new investors increased and thus remained at lower levels compared to recent years.

In Europe the continued low interest rate environment has resulted in a broader range of companies seeking to capitalise on the demand for yield. Weaker than expected economic growth combined with some stretching financing structures has resulted in concerns that risk has been mispriced and has led to an increase in the returns being demanded by new investors. Loan and high yield issuance has reduced compared to prior years as a result. This has also impacted European CLO issuance which is significantly lower than in previous years.

REAL ASSETS

Our real assets focus is currently on the UK commercial real estate market which bears many of the characteristics of the wider European loan market. Substantial capital is available for investment while banks continue to reduce their overall exposure to real estate. As with our other investment strategies, competition for larger assets remains high. However, our smaller asset focus, deep knowledge of the UK market, strong industry relationships and flexible approach mean we are able to originate attractive deals.

The investment market benefits from strong occupier demand driven largely by record levels of employment and reduced levels of new developments. This has led to low vacancy rates, growing income and expectations of further growth. The strong investment market of calendar year 2015 has slowed in Q1 2016 with investors concerned by economic growth, linked to Brexit, and overpaying in the current market. Capital values have grown by over 8% in 2015 and by over 25% since April 2013 yet we believe the market as a whole remains fairly valued with good investment opportunities.

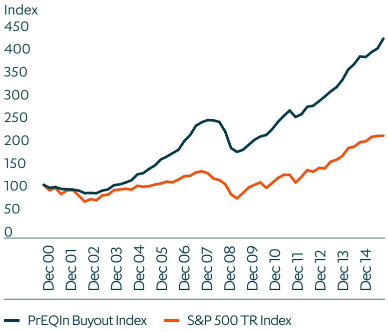
SECONDARY INVESTMENTS

There are approximately 2,644 private equity fund managers currently seeking capital for new funds, targeting new assets under management of $912bn. Our Enterprise Trust invests in midmarket private equity funds, part of this large sector. Whilst competition for the best performing funds is high, there are significant opportunities to deploy capital. The team has an excellent reputation and we believe in the potential to develop this business further.

The value of third party capital committed to private equity funds, either as undrawn or invested, is estimated to be $2.6tn. Of this, a significant proportion of assets are held in funds past their typical holding period, with little incentive for the incumbent manager to sell these assets in the M&A market. The value added end of the secondaries market has evolved to give investors in underperforming funds the opportunity to exit their commitments enable new investors to access these assets thereby increasing the availability of investment opportunities. Our strategic secondaries strategy is designed specifically to address this opportunity and has developed a niche position in the highly complex and structured part of the market where we have abundant opportunities to invest.

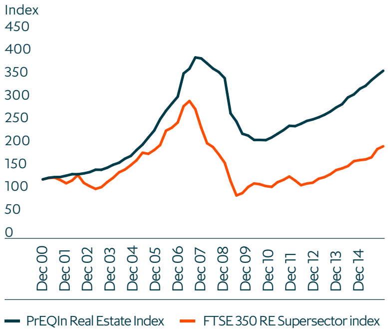
ALTERNATIVE ASSET CLASSES OUTPERFORM TRADITIONAL ASSET CLASSES

PRIVATE EQUITY ASSET PERFORMANCE



Source: Preqin Quarterly Private Equity Update Q3 2015

REAL ESTATE ASSET PERFORMANCE



HOW WE HAVE PERFORMED

AIM

1 GROW ASSETS UNDER MANAGEMENT

We aim to increase our third party assets under management to maximise the profitability of the business by:

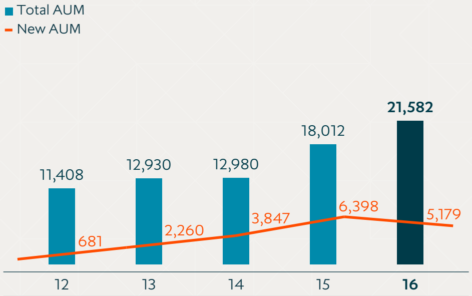
– Consolidating and broadening our existing strategies
– Expanding our client base and existing products geographically
– Expanding our product range through selective acquisitions and team hires

We will capitalise on our strong track record, in house distribution team and ability to develop new investment strategies through utilising our balance sheet strength.

WHAT WE MEASURE

TOTAL AUM (€M)

€21.6BN



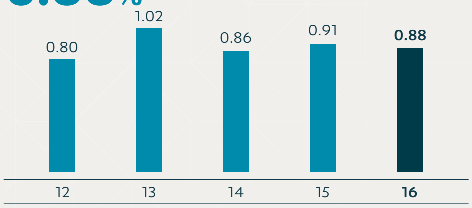
WHY WE MEASURE IT

The Group earns fees on AUM once they are either committed or invested, depending on the fund. The growth in AUM through raising new funds (including jointly managed funds) is a lead indicator of revenue growth for the business.

The Group has a target of raising an average of €4bn of new third party funds (gross inflows) per annum over the fundraising cycle.

WEIGHTED AVERAGE FEE RATE (%)

0.88%



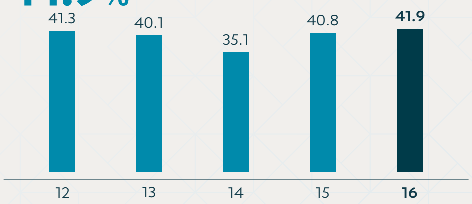
The Group monitors the weighted average fee rate on fee earning AUM to ensure that AUM is profitable. Fees reflect the risk/return profile of the underlying asset and are typically higher for direct investment funds.

This KPI has been amended in the current year to measure the fee rate on total fee earning AUM rather than purely on new AUM. The Board believes the revised KPI is a more appropriate measure of profitability as it enables shareholders to assess the trend in total fee rate across the Group's strategies.

The prior year KPI, the weighted average fee rate of new AUM, would have been 0.94%, reflecting the proportion of higher fee earning direct investment funds within new AUM.

FMC OPERATING MARGIN (%)

41.9%



The operating margin of the FMC is a measure of the efficiency and scalability of the business. The Group has invested substantially in its growth and the return on this investment is measured through the operating margin. The Group is targeting a margin above 40%.

HOW WE PERFORMED

- AUM has increased during the year with another successful fundraising year outstripping the pace of realisations from older funds. Going forward, the Group expects that fundraising will continue to exceed realisations and lead to further increases in AUM

LINK TO CASH PROFIT (SEE PAGE 78)

- Fees received on AUM, either committed or invested depending on the fund, contribute to cash profit in the year they are received

- The weighted average fee rate on fee earning AUM is marginally lower in the current year reflecting the mix of the lower fee generating credit and senior debt real estate funds versus the higher fee earning mezzanine and secondary funds

LINK TO CASH PROFIT (SEE PAGE 78)

- Fees received on AUM, either committed or invested depending on the fund, contribute to cash profit in the year they are received

- FMC operating margin has increased in the year as funds which charge fees on invested capital are invested thereby generating fee income. Our credit and real estate funds have this fee earning profile

LINK TO CASH PROFIT (SEE PAGE 78)

- Fees received on AUM, either committed or invested depending on the fund, contribute to cash profit in the year they are received
- Cash profit is reduced by pre-incentive operating expenses

2017 PRIORITIES/ASSOCIATED RISKS

Fundraising is expected to be slower than for the last two years which benefited from raising our larger European funds. Our focus in FY17 is to complete the fundraising for Asia Pacific Fund III and ICG Longbow IV, and to raise funds for our newer strategies.

ASSOCIATED PRINCIPAL RISKS

- Loss or missed opportunity as a result of major external change
- Failure to raise third party funds
- Failure to meet financial obligations
- Loss of a ‘key person’ and inability to recruit into key roles
- Negative financial or reputational impact arising from a regulatory or legislative failing
- Technology and information security risks
- Failure of key business processes

The definitions for non GAAP performance measures can be found in the Glossary on pages 164 and 165

HOW WE HAVE PERFORMED
CONTINUED

AIM | **WHAT WE MEASURE** | **WHY WE MEASURE IT**

2 INVEST SELECTIVELY

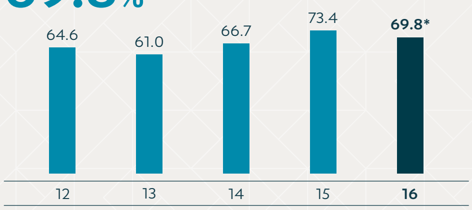
We aim to invest our assets under management on a selective basis to maximise risk adjusted returns.

We will utilise:

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

PERFORMANCE OF PORTFOLIO COMPANIES (%)

69.8%



* Number of portfolio companies performing above their prior year.

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 our mezzanine direct investment funds the best indicator of the quality of our investment decisions is the percentage of portfolio companies who are increasing their EBITDA compared to the prior year.

As the diversity of our funds continues to grow, the Board may consider replacing this KPI with one that encompasses the wider fund management business.

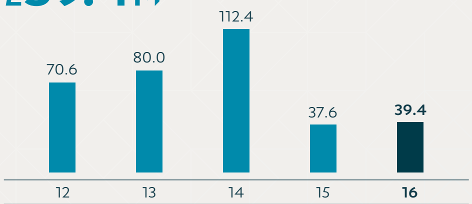
3 MANAGE PORTFOLIOS TO MAXIMISE VALUE

We aim to manage our portfolio to maximise returns on invested capital. By doing so we build on our strong track record and generate capital to invest in new products:

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

IMPAIRMENTS (€M)

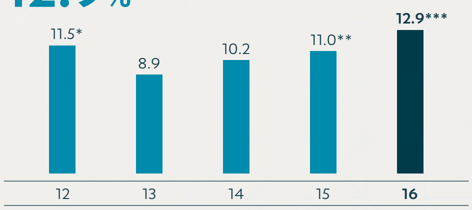
£39.4M



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 IC portfolio which we expect to be below 2.5% of the opening loan book, our historical average.

RETURN ON EQUITY (ROE) (%)

12.9%

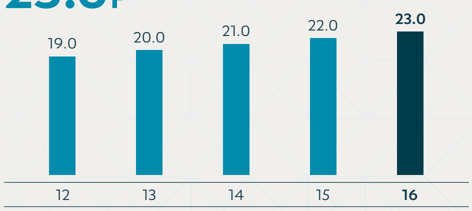


Group ROE is a key indicator of our ability to maximise returns from our business. However, in any given year, our ROE is impacted by the timing of realisations and impairments, which by their nature are irregular.

The Group has targeted an ROE in excess of 13% which will be achieved by the growth of the business and, in the current financial year, with regearing the balance sheet to between 0.8x and 1.2x.

ORDINARY DIVIDEND PER SHARE (P)

23.0P



The Group's ability to pay dividends and return value to shareholders is a measure of the Group's ability to generate returns from our IC portfolio and managing third party funds.

Further details of the economic model of the business are provided on page 6.

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

** Adjusted for £20.3m one off benefit from the Employee Benefit Trust (EBT) Settlement and excludes the impact of the consolidation of credit funds required under IFRS 10.

*** Adjusted for £2.3m one off benefit from the EBT Settlement and excludes the impact of the movement in deferred consideration payable on the Longbow acquisition and the consolidation of credit funds required under IFRS 10.

HOW WE PERFORMED

- 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 our portfolio companies delivering on their business plans

LINK TO CASH PROFIT (SEE PAGE 78)

- Income recognised as a result of the performance of investments is included in cash profit in the year it is received and not necessarily in the year in which it is recognised through the income statement

- As expected, impairments have stabilised as the Group has substantially completed working through the weaker assets within the portfolio affected by the financial crisis. This trend is expected to continue as the balance sheet now contributes a lower proportion, compared to third party funds, of each investment

LINK TO CASH PROFIT (SEE PAGE 78)

- Impairments are deducted from cash profit in the year they are charged

- ROE has increased in the year due to the return of £300m to shareholders through a special dividend. The Board has recommended the return of a further £200m by special dividend which will increase the Group's ROE to over 13% on a proforma basis

LINK TO CASH PROFIT (SEE PAGE 78)

- N/A

- The Group has a dividend policy linked to cash performance and over the last five years has generated sufficient returns from the business to grow the ordinary dividend year on year and return excess capital to shareholders

LINK TO CASH PROFIT (SEE PAGE 78)

- N/A

2017 PRIORITIES/ASSOCIATED RISKS

The Group has substantial third party capital to deploy on its investment strategies. 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.

ASSOCIATED PRINCIPAL RISKS

- Loss or missed opportunity as a result of major external change
- Failure to maintain acceptable relative investment performance
- Failure to deploy committed capital in a timely manner
- Loss of a 'key person' and inability to recruit into key roles
- Negative financial or reputational impact arising from a regulatory or legislative failing
- Technology and information security risks

We will continue to manage our investment portfolios actively, working with management and sponsors to support the delivery of their business plans. This is critical to maximising the exit value of a portfolio company.

The Group aims to maximise returns in older funds by realising assets to crystallise value for our fund investors and for the balance sheet. The timing of these realisations remains uncertain as it is rarely in the Group's control.

ASSOCIATED PRINCIPAL RISKS

- Loss or missed opportunity as a result of major external change
- Failure to maintain acceptable relative investment performance
- Loss as a result of adverse market fluctuations
- Loss as a result of exposure to a failed counterparty
- Loss of a 'key person' and inability to recruit into key roles
- Negative financial or reputational impact arising from a regulatory or legislative failing
- Technology and information security risks
- Failure of key business processes

The definitions for non GAAP performance measures can be found in the Glossary on pages 164 and 165

CHIEF EXECUTIVE OFFICER'S REVIEW

We continue to make good progress in creating long term shareholder value by delivering on our three strategic objectives.

CHRISTOPHE EVAIN
CHIEF EXECUTIVE OFFICER

We operate in four strategic asset classes, corporate investments, capital markets, real assets and secondaries. The funds within these asset classes are reported based on their financial profile, consistent with prior years. The principal difference between these two classifications is that the Senior Debt Partners strategy falls within the corporate investment asset class but, along with the capital markets funds, are reported within credit funds below.

1. GROW ASSETS UNDER MANAGEMENT

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

We have had another excellent fundraising year, raising €5.2bn of third party money spread across each of our strategic asset classes – corporate investments, capital markets, real assets and secondaries. Our strong track record and global investor demand for our European products enabled us to raise €2.7bn in the financial year for ICG Europe Fund VI and Senior Debt Partners II, allowing our two largest funds both to close at their maximum €3.0bn size.

Most of our closed end funds have a natural limit as we size them to the expected investment opportunity. Therefore our ability to meaningfully grow assets under management is dependent on optimising the size of our existing strategies, raising significant levels of third party money for our newer strategies and expanding the range of strategies on offer. We are therefore delighted with the progress made during the year and expect further progress to be made during FY17 when our focus will initially be on newer strategies. These typically have longer fundraising cycles than established strategies, despite the combined track record of ICG and the individual fund managers. We therefore expect, as previously indicated, that fundraising will be slower in FY17 but reiterate our target of raising an average of €4.0bn of new money per annum over the fundraising cycle.

We also increased assets under management by £524m (€661m) during the year with the acquisition of the management contract for the listed private equity investment trust, Graphite Enterprise Trust (since renamed ICG Enterprise Trust).

Realisations, for both our balance sheet and third party funds, of €2,289m were at a pace that was broadly in line with that of the second half of the last financial year. The income and capital return generated from these realisations provide cash for the Group to reinvest in developing its product range and, in doing so, enhancing the fund management business.

ICG NOW HAS A MORE DIVERSIFIED BUSINESS THAN AT ANY POINT IN OUR HISTORY AND WE ARE CONFIDENT THAT WE HAVE INVESTED THE APPROPRIATE RESOURCES TO DRIVE FUTURE GROWTH.

CHRISTOPHE EVAIN
CHIEF EXECUTIVE OFFICER

In the 12 month period to 31 March 2016, AUM increased 20% to €21.6bn as fundraising inflows more than offset the outflows from realisations. Third party funds have increased 23% to €19.3bn, with the balance sheet portfolio down 3% to €2.3bn, driven by realisations and foreign exchange movements.

MEZZANINE FUNDS

Third party mezzanine funds under management have increased by 14% to €6.0bn, with new AUM of €1.6bn outstripping the run off of our older funds.

ICG Europe Fund VI completed its successful fundraise in the first quarter of the financial year, only three months after its first close. The additional €1.2bn raised in the current year contributed to the fund reaching its maximum size of €3.0bn, including a €500m commitment from the balance sheet. Of the investors committing money to ICG Europe Fund VI, 41% committed money to an ICG fund for the first time, with 59% being existing investors, providing further evidence that our in house distribution team are broadening and deepening our client base.

Elsewhere, both our US Private Debt Fund and our domestic Japanese Mezzanine Fund had final closes during the year at or above target. At $790m (€694m), including $200m committed from the balance sheet, our US Private Debt Fund was the largest first time fund raised of its kind in the US during 2015.

Fundraising for our third Asia Pacific fund has, as previously indicated, been much slower than expected with investors cautious to make significant asset allocations to the Asian market. That said we have raised $484m (€425m) to date, including $200m from the balance sheet, and anticipate closing the fund in the first half of the new financial year.

CREDIT FUNDS

Third party credit funds under management have increased 20% to €9.1bn, with new AUM of €2.5bn raised in the period.

Senior Debt Partners, our direct lending strategy, completed its successful fundraise during the financial year. The additional €1.5bn raised in the current year contributed to the fund reaching its maximum size of €3.0bn, including a reduced €25m commitment from the balance sheet. Senior Debt Partners II demonstrated our ability to have both an outstanding fundraise and at the same time be efficient with our capital allocation. The balance sheet allocated €50m of capital to Senior Debt Partners I, which represented 3% of the total raised, but this was reduced to only 1% in Senior Debt Partners II.

As detailed in the market review, macroeconomic conditions have restricted the number of CLOs we have been able to issue during the year. We closed two US CLOs totalling $822m (€755m), including $45m committed from the balance sheet during the financial year, further increasing the operating leverage of our US CLO business. Since the year end we have priced a €413m European CLO which is expected to close in June. Subject to market conditions, we expect to raise further European and US CLOs during FY17.

Elsewhere, we raised €319m across our Alternative Credit and European loans strategies. In March 2016, we announced a major investment in the development of our capital market capabilities with the appointment of Zac Summerscale from Babson Capital to head up our Credit Fund Management business. We anticipate that this investment will, in due course, lead to an increase in assets under management in this asset class.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

REAL ESTATE FUNDS

Third party real estate funds under management have increased 22% in the period to €3.3bn with €897m raised in the period.

Our largest real estate strategy raised £356m (€483m) during the year, for its successor fund, ICG Longbow Fund IV, taking the total amount raised for the fund to £720m including £50m committed from the balance sheet. A final close is expected in the first half of the new financial year. Elsewhere, £106m (€144m) was raised in segregated mandates for the real estate senior debt strategy. To date we have raised money for our senior debt strategy through segregated mandates, but preparatory work is underway for the launch of a senior debt fund which would further broaden our UK commercial real estate offering.

SECONDARY FUNDS

Third party secondary funds under management have increased by €0.8bn in the period to €0.9bn. Our Strategic Secondaries Fund raised $167m (€154m) during the year, with a further close expected shortly. The acquisition of the ICG Enterprise Trust management contract added a further £524m (€661m) to funds under management.

2. INVEST SELECTIVELY

Local knowledge, sector specialists and long standing relationships are our investment differentiators as a specialist asset manager. These, combined with the flexibility of the mandates given to us, have enabled us to maintain the pace of investment across our direct investment funds, whilst retaining a strong investment discipline, in an increasingly competitive environment.

The total amount of third party capital deployed on behalf of the direct investment funds was £2.4bn in the year, a 14% increase on the last financial year. This increase reflects recent fundraising achievements across an increased number of strategies and the resulting availability of capital to deploy. In addition, our Investment Company invested a total of £247m in the year, compared to £360m in the prior year. The investment rates for our Senior Debt Partners strategy, our Real Estate funds and our US Private Debt Fund have been particularly strong and have a direct impact on FMC income as fees are charged on an invested capital basis. Fee earning AUM has increased 28% to €15.8bn at the year end.

In addition, we completed one Strategic Secondaries investment in the year and another after the year end. This takes the number of completed investments for that strategy to three. These assets continue to perform ahead of expectations.

The direct investment funds are investing as follows:

Fund	% invested at 31 March 2016	% invested at 31 March 2015	Assets in fund at 31 March 2016	Deals completed in year
ICG Europe Fund V	98%*	88%	21	1
ICG Europe Fund VI	10%	n/a	3	3
Senior Debt Partners II	31%	n/a	14	14
Asia Pacific Fund III	29%	6%	3	1
North American Private Debt Fund	46%	19%	7	4
ICG Longbow Real Estate Fund IV	59%	14%	17	15

*ICG Europe Fund V completed its investment period during financial year 2016.

% invested is based on third party funds raised at 31 March 2016 for funds in their investment period.

3. MANAGE PORTFOLIOS TO MAXIMISE VALUE

The availability of finance in the market during the year has resulted in the pace of realisations being maintained at the level seen during the second half of the prior financial year, with further realisations in the pipeline for the first half of the new financial year.

The performance of the Investment Company's mezzanine portfolio is robust, with only a small number of assets underperforming. By number, 69% of our portfolio companies (77% on a weighted average value basis) are recording EBITDA above or at the same level as the previous year. The valuation of the portfolio as at 31 March 2016 reflects the recovery in global stock markets in the final quarter of the financial year to end at similar levels to the beginning of the year, and the improved performance of a number of portfolio assets. Of the unrealised gains recognised in the year, 41% is in respect of Parkeon which has have since been exited.

The realisation of Parkeon illustrates the value that our active approach to monitoring investments with local teams can create. Following a sharp decline in EBITDA, our local team worked with management on a financial and operational restructuring of the company which enabled the company to refocus and grow. Following the restructuring, the business grew EBITDA an average of 54% per year. Without our local team being actively involved in the asset, and our financial support, it is highly likely that we would have lost our initial investment rather than generating a 3.1x return on the original investment for our Investment Company.

During the year, we took asset specific impairments against our weaker assets of £42.8m compared to £53.5m in the prior financial year. After write backs of £3.4m during the year, net impairments were £39.4m compared to £37.6m in the prior year. Aggregate net impairments are currently 2.3% of the opening Investment Company portfolio and this is in line with our target of less than 2.5%. While impairments are not predictable, we are actively monitoring our weaker assets and at this stage do not expect a significant change to the level of impairments.

As previously indicated, with the reduction in the concentration of the Investment Company portfolio, details of the top 20 assets are now to be found in the data pack on our website at www.icgam.com.

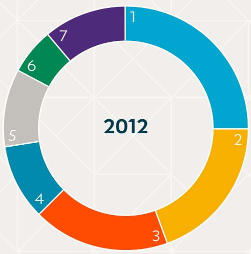
CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

FUNDS OVERVIEW

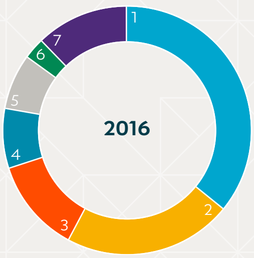
FUNDRAISING MARKET

INVESTOR DIVERSITY

We seek to establish and build relationships with a broad range of institutional investors. We have been particularly successful in engaging with pension funds and insurance companies.



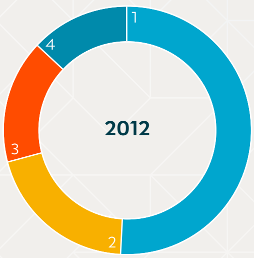
1	Pension	26%
2	Fund of Funds	19%
3	Insurance Company	18%
4	Asset Manager	10%
5	Bank	10%
6	Sovereign Wealth Fund	6%
7	Other	11%



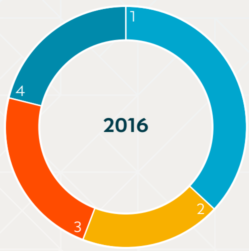
1	Pension	36%
2	Insurance Company	22%
3	Bank	12%
4	Fund of Funds	8%
5	Asset Manager	7%
6	Sovereign Wealth Fund	3%
7	Other	12%

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.



1	EMEA	51%
2	Americas	20%
3	UK and Ireland	16%
4	Asia Pacific	13%



1	EMEA	37%
2	Americas	19%
3	UK and Ireland	23%
4	Asia Pacific	21%

CORPORATE INVESTMENT FUNDS

Fund	Third party money	Estimated money multiple	% carry*
ICG Mezzanine Fund 2003	€1,420m	1.6x	25% of 20 over 8
ICG Europe Fund IV 2006B	€1,024m	n/a	20% of 5 over 8
ICG Europe Fund V	€2,006m	1.6x	20% of 20 over 8
ICG Europe Fund VI	€2,500m	1.6x	20% of 20 over 8
ICG Recovery Fund 2008	€840m	1.5x	20% of 20 over 8
ICG Minority Partners 2008	€120m	1.9x	20% of 20 over 8
Intermediate Capital Asia Pacific 2005	$300m	1.6x	20% of 20 over 8
Intermediate Capital Asia Pacific 2008	$562m	1.6x	20% of 20 over 8
North American Private Debt Fund	$590m	n/a	20% of 20 over 8
Nomura ICG Fund A**	¥13,250m	1.3x	25% of 20 over 4
ICG Strategic Secondaries Carbon Fund	$149m	1.9x	20% of 12.5 over 8
Intermediate Capital Asia Pacific Fund III	$284m	1.7x	20% of 20 over 7
ICG Strategic Secondaries Fund II	$167m	1.8x	20% of 12.5 over 8

* 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%.

**ICG's 50% share of third party funds.

FUNDS OVERVIEW

Fund type	Current funds	FY16 Status	FY16 AUM(€m)	FY15 Status	FY15 AUM(€m)
M	ICG Mezzanine Fund III 2003	**Fully invested**	**31.8**	Fully invested	53.1
	ICG Europe Fund V	**Fully invested**	**1,669.2**	Investment	2,000.0
	ICG Minority Partners Fund 2008	–	–	Fully invested	20.1
	ICG Recovery Fund 2008	**Fully invested**	**152.2**	Fully invested	196.5
	ICG Europe Fund IV 2006 B	**Fully invested**	**498.2**	Fully invested	816.0
	ICG Europe Fund VI	**Investing**	**2,500.0**	Fundraising	1,308.7
	Intermediate Capital Asia Pacific Mezzanine Fund I 2005	**Fully invested**	**14.1**	Fully invested	18.4
	Intermediate Capital Asia Pacific Fund II 2008	**Fully invested**	**229.7**	Fully invested	296.1
	Intermediate Capital Asia Pacific Fund III	**Fundraising**	**249.8**	Fundraising	67.3
	Nomura ICG Fund A	**Investing**	**103.4**	Fundraising	67.9
	Japan Mezzanine Segregated Mandate	**Investing**	**41.0**	–	–
	North American Private Debt Fund	**Investing**	**518.3**	Fundraising	411.3
S	ICG Strategic Secondaries	**Fundraising**	**277.8**	Fundraising	138.7
	ICG Enterprise Trust	**Open-ended**	**661.4**	–	–
C	Alternative Credit Fund I	**Fundraising**	**72.3**	–	–
	European loan strategies	**Open ended**	**465.9**	Open ended	340.6
	Confluent I Ltd	**Fully invested**	**9.3**	Fully invested	63.7
	Eos Loan Fund I	**Fully invested**	**1.0**	Fully invested	1.1
	Eurocredit CDO III 2003	**Fully invested**	**17.2**	Fully invested	22.7
	Eurocredit CDO IV 2004	**Fully invested**	**25.4**	Fully invested	47.9
	Eurocredit CDO V PLC 2006	**Fully invested**	**116.3**	Fully invested	183.2
	Eurocredit CDO VI PLC 2006	**Fully invested**	**119.9**	Fully invested	189.8
	Eurocredit CDO VII 2007	**Fully invested**	**151.6**	Fully invested	251.0
	Eurocredit CDO VIII PLC 2007	**Fully invested**	**75.8**	Fully invested	130.3
	St Paul's CLO I B.V. 2010	**Fully invested**	**202.3**	Fully invested	267.5
	St Paul's II (CLO)	**Investing**	**385.6**	Investing	380.7
	St Paul's III (CLO)	**Investing**	**524.2**	Investing	520.3
	St Paul's IV (CLO)	**Investing**	**404.1**	Investing	400.7
	St Paul's V (CLO)	**Investing**	**334.3**	Investing	350.6
	US CLO I	**Investing**	**286.6**	Investing	298.7
	US CLO II	**Investing**	**341.6**	Investing	356.4
	US CLO III	**Investing**	**341.1**	Investing	355.0
	US CLO IV	**Investing**	**338.8**	–	–
	US CLO V	**Investing**	**340.0**	–	–
	European Investment Fund I	**Investing**	**84.4**	Investing	83.0
	European Investment Fund II	–	–	Investing	101.6
	ICG Senior Debt Partners Fund I	**Fully invested**	**1,470.3**	Investing	1,905.6
	ICG Senior Debt Partners Fund II	**Investing**	**2,952.4**	Fundraising	1,324.5
R	Longbow UK Real Estate Debt Investments II	**Fully invested**	**102.6**	Fully invested	136.2
	ICG Longbow Senior Secured UK Property Debt Investments Limited	**Open-ended**	**123.1**	Open-ended	134.0
	ICG Longbow UK Real Estate Debt Investments III	**Fully invested**	**754.2**	Fully invested	820.9
	ICG Longbow UK Real Estate Debt Investments IV	**Fundraising**	**846.1**	Fundraising	434.0
	ICG Longbow Senior Debt Program I	**Fully invested**	**505.0**	Fully invested	553.3
	ICG Longbow Senior Debt Program II	**Investing**	**449.4**	Investing	345.8
	ICG Longbow Development Fund	**Investing**	**523.9**	Investing	278.7
	Total		**19,311.6**		15,671.9

FUND TYPE KEY

M Mezzanine | S Secondaries | C Credit Funds | R Real Estate

CHIEF FINANCIAL OFFICER'S REVIEW

The financial statements include the credit funds and CLOs required to be consolidated under IFRS 10, the increase in deferred consideration relating to the purchase of ICG Longbow, and the impact of the EBT settlement. Internally reported information excludes these items as the Board does not believe that these items assist shareholders in assessing the delivery of the Group's strategy through its financial performance.

A reconciliation between the internally reported management information and the financial statements is shown below with more detail in note 7 on page 136.

	2016 Internally reported – unadjusted £m	2016 Consolidate structured entities and joint venture £m	2016 EBT settlement £m	2016 Longbow deferred consideration £m	2016 Financial statements £m	2015 Internally reported – unadjusted £m	2015 Consolidate structured entities and joint venture £m	2015 EBT settlement £m	2015 Financial statements £m
Income statement									
Revenue, net of finance costs	**340.6**	**(13.2)**	**–**	**–**	**327.4**	339.8	21.3	–	361.1
Profit before tax	**158.3**	**16.0**	**2.3**	**(17.8)**	**158.8**	177.0	19.4	(17.9)	178.5
Statement of financial position									
Total assets	**2,330.2**	**2,046.0**	**–**	**–**	**4,376.2**	2,335.1	1,464.1	–	3,799.2
Total equity and liabilities	**2,330.2**	**2,046.0**	**–**	**–**	**4,376.2**	2,335.1	1,464.1	–	3,799.2

In the prior year, the Group settled a claim for taxes in respect of an EBT which resulted in costs of £17.9m and the receipt of a tax credit of £38.2m. This was recognised in the prior year giving a net increase in profit after tax of £20.3m. In the current year, there was a net release of over-accrued costs in relation to this claim of £2.3m, resulting in an increase in profit after tax of £2.3m.

The deferred consideration in relation to the purchase of the remaining 49% of our real estate business, ICG Longbow, during the prior year was determined with reference to the performance of the business as at 31 March 2016. The outstanding success of this business has resulted in a £17.8m increase, to £41.7m, in the amount that will be paid as deferred consideration. The increase has been recognised through the income statement in the current year as a one off cost.

The information in this review is presented on an internally reported basis and excludes the impact of these adjustments.

OVERVIEW

The Group's profit before tax, when excluding the impact of the fair value charge on derivatives, was below last year at £175.6m (2015: £184.1m). This is driven by lower IC profits as borrowing costs have increased as a result of re-gearing. We continue to make strong operational progress in developing our fund management franchise, with higher management fee income from new and existing strategies contributing to record FMC profits in the year.

	2016 Internally reported – unadjusted £m	2016 Fair value charge on derivatives £m	2016 Internally reported – adjusted £m	2015 Internally reported – unadjusted £m	2015 Fair value charge on derivatives £m	2015 Internally reported – adjusted £m
Fund Management Company	**61.2**	**–**	**61.2**	52.0	–	52.0
Investment Company	**97.1**	**17.3**	**114.4**	125.0	7.1	132.1
Profit before tax	**158.3**	**17.3**	**175.6**	177.0	7.1	184.1
Tax	**(16.7)**	**–**	**(16.7)**	(26.1)	–	(26.1)
Profit after tax	**141.6**	**17.3**	**158.9**	150.9	7.1	158.0

STATUTORY PROFIT BEFORE TAX

158.8

£M

ASSETS UNDER MANAGEMENT

21.6

€M

PHILIP KELLER
CHIEF FINANCIAL OFFICER

The adjusted profit of the IC and Group in the above table excludes the adverse impact of the fair value charge on hedging derivatives of £17.3m (2015: £7.1m). Throughout this review all numbers are presented on an adjusted basis.

The effective tax rate for the period was 11% (2015: 15%). The Group's effective tax rate is lower than the current 20% rate of UK corporation tax. This reflects the mix of the Group's balance sheet with investment returns weighted towards non UK sourced dividend income and capital gains rather than interest income. As dividend income is exempt from UK corporation tax it has the impact of reducing the Group's effective tax rate.

Based on the adjusted profit above, the Group generated an ROE of 12.9% (2015: 11.0%), an increase on prior year reflecting lower shareholders' funds following the £300m special dividend paid during the year. Adjusted earnings per share for the period were 48.1p (2015: 42.0p).

The Group had net current assets of £229.8m (2015: £419.4m) at the end of the year. The decrease in net current assets is principally driven by lower cash due to the special dividend paid in July 2015.

The Board has recommended a final ordinary dividend of 15.8p per share (2015: 15.1p), taking the full year ordinary dividend to 23.0p per share (2015: 22.0p). In addition the Board has recommended a £200m special dividend.

ASSETS UNDER MANAGEMENT

AUM as at 31 March 2016 increased to €21,582m (2015: €18,012m), driven by strong fundraising across our European funds, the raising of two US CLOs and the acquisition of the management contract of Graphite Enterprise Trust. AUM by business line is detailed below, where all figures are quoted in €m.

	As at 31 March 2016 €m	As at 31 March 2015 €m	Change %
Mezzanine funds	**6,008**	5,255	14%
Credit funds	**9,060**	7,575	20%
Real estate funds	**3,305**	2,703	22%
Secondaries funds	**939**	139	576%
Total third party AUM	**19,312**	15,672	23%
IC investment portfolio	**2,270**	2,340	(3)%
Total AUM	**21,582**	18,012	20%

The increase in AUM during the year is principally the result of another strong period of fundraising, with the pace of realisations similar to the second half of last year. This is detailed in the AUM bridge below:

	Mezzanine funds €m	Credit funds €m	Real estate funds €m	Secondaries funds €m	Total Third Party AUM €m
At 1 April 2015	5,255	7,575	2,703	139	15,672
Additions	1,597	2,531	897	807	5,832
Realisations	(789)	(836)	(22)	–	(1,647)
FX and other	(55)	(210)	(273)	(7)	(545)
At 31 March 2016	**6,008**	**9,060**	**3,305**	**939**	**19,312**

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

THIRD PARTY FEE INCOME

108.9

£M

The €5,832bn of new AUM includes €2,689m in respect of our ICG Europe Fund VI and Senior Debt Partners II as our two largest funds both closed at their maximum €3.0bn size. In addition, €1,568m relates to strategies developed in the last two years. The new strategies have introduced new long term revenue streams to the business. Furthermore, given that a strategy will typically reach profitable maturity on its third fund, the fee stream growth from our new strategies will become more visible into the medium term. We also increased AUM by €661m with the acquisition of the management contract of the listed private equity investment trust, Graphite Enterprise Trust (since renamed ICG Enterprise Trust).

Fee earning AUM increases as new funds are raised that charge fees on committed capital and as funds that charge fees on invested capital are invested. This can be seen in the fee earning AUM bridge below:

	Mezzanine funds €m	Credit funds €m	Real estate funds €m	Secondaries funds €m	Total third party fee earning AUM €m
At 1 April 2015	4,925	5,447	1,766	139	12,277
Additions	1,625	2,511	1,014	572	5,722
Realisations	(858)	(953)	(30)	–	(1,841)
FX and other	(32)	(137)	(229)	(3)	(401)
At 31 March 2016	**5,660**	**6,868**	**2,521**	**708**	**15,757**

PROFIT AND LOSS ACCOUNT

FUND MANAGEMENT COMPANY

FEE INCOME

Third party fee income increased 14% in the year to £108.9m (2015: £95.8m), and total fee income increased by 11% in the year to £127.3m (2015: £114.5m), driven by the investment of our credit and real estate funds and the successful fund raise of ICG Europe Fund VI. This was partially offset by a reduction in performance fees from £26.6m to £14.0m. Excluding performance fees, third party income increased 37% to £94.9m (2015: £69.2m) in the year. Details of movements are shown below:

	31 March 2016 £m	31 March 2015 £m	Change %
Mezzanine funds	**57.8**	61.8	(6)%
Credit funds	**29.9**	22.9	31%
Real estate funds	**19.1**	10.7	79%
Secondaries funds	**2.1**	0.4	425%
Total third party funds	**108.9**	95.8	14%
IC management fee	**18.4**	18.7	(2)%
Total fee income	**127.3**	114.5	11%

FUND MANAGEMENT COMPANY PROFIT

61.2

£M

Mezzanine third party fees include £9.7m (2015: £26.6m) of performance fees earned as the realisation of assets from older vintages helped trigger the performance hurdles, primarily in respect of Recovery Fund 2008. The prior year included £21.6m recognised on European Mezzanine Fund 2006 resulting from the sale of the fund's remaining assets to a new secondary fund. Although an integral part of the fee income profile and profitability stream of the Group, the quantum of performance fees in any particular year is unpredictable. Excluding performance fees, mezzanine third party fees increased by 37% from £35.2m to £48.1m, principally due to the raising of ICG Europe Fund VI which charges fees on committed capital and is €500m larger than its predecessor fund. This is partially offset by reduced income on ICG Europe Fund V which now charges fees on invested capital from the end of its investment period in May 2015.

Credit funds third party fee income increased 31% with fees from new funds partially offset by the decrease in fees on older credit funds that are in their realisation phase. The increase in fees is principally due to the investment of our Senior Debt Partners strategy plus the combination of the annualisation of fees earned on US CLOs raised in the prior year and two new CLOs raised in the current year.

Fees for our Real Estate and Senior Debt Partners funds are typically charged on an invested basis, although this has little impact for the CLOs which are invested quickly. The 79% increase in Real Estate third party fee income reflects the investment of money raised for ICG Longbow Fund III and IV and senior debt mandates.

Secondaries third party fees increased by £1.7m in the year due to a full year of fees on the Diamond Castle fund and two months of fees from the ICG Enterprise Trust management contract. Secondaries fees are expected to grow in FY17 following the first close of our Strategic Secondaries Fund which charges fees on committed capital.

The weighted average fee rate, excluding performance fees, across our fee earning AUM is 0.88% (2015: 0.91%) as our senior debt funds, which charge lower fees, are invested.

DIVIDEND INCOME

Dividend receipts of £19.3m (2015: £13.2m) are higher than prior year due to the increased number and improved performance of CLOs.

OPERATING EXPENSES

Operating expenses of the FMC were £85.0m (2015: £75.3m), including salaries and incentive scheme costs. Salaries were £30.4m (2015: £27.4m) as average FMC headcount increased from 190 to 215. This increase is directly related to investing in the growth areas of the business namely Secondaries, Real Estate and our operations infrastructure. Incentive scheme costs have increased to £24.5m (2015: £19.0m) reflecting higher awards made in May 2015, which are being expensed to the income statement over their vesting period. Other administrative costs of £30.1m (2015: £28.9m) were 4% above prior year.

The FMC operating margin was 41.9%, up from 40.8% in the prior year.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

BALANCE SHEET INVESTMENT PORTFOLIO

1,798
£M

INVESTMENT COMPANY

BALANCE SHEET INVESTMENTS

The balance sheet investment portfolio increased 6% in the period to £1,798.0m at 31 March 2016, as the realisation of older assets was more than offset by new investments and fair value gains. The impact of this is illustrated in the investment portfolio bridge below:

	£m
At 1 April 2015	1,691
New and follow on investments	247
Net transfer from funds for syndication	56
Accrued interest income	75
Realisations	(471)
Impairments	(39)
Fair value gains	146
FX and other	93
At 31 March 2016	**1,798**

Realisations comprise the return of £312.0m of principal, the crystallisation of £83.3m of rolled up interest and £76.1m of realised capital gains.

In the period £180.1m was invested alongside our mezzanine funds for new and follow on investments. In addition, £67.1m was invested across our CLOs and credit funds. The investment in our credit funds is lower risk as the funds are principally investing in senior debt assets.

The Sterling value of the portfolio decreased by £102.0m due to foreign exchange movements. The portfolio is 49% Euro denominated and 26% US dollar denominated. Sterling denominated assets account only for 14% of the portfolio. The Group minimises foreign exchange impact of non Sterling assets through non Sterling liabilities and derivative transactions.

The analysis of the portfolio by instrument is outlined below:

	As at 31 March 2016 £m	**% of total**	As at 31 March 2015 £m	% of total
Senior mezzanine and senior debt	**386**	**21%**	433	26%
Junior mezzanine	**182**	**10%**	169	10%
Interest bearing equity	**115**	**6%**	164	10%
Non interest bearing equity	**531**	**30%**	414	24%
Co-investment portfolio	**1,214**	**67%**	1,180	70%
Investment in secondaries funds	**104**	**6%**	14	1%
Investment in credit funds	**225**	**13%**	274	16%
Investment in CLOs	**131**	**7%**	134	8%
Investment in real estate funds	**124**	**7%**	89	5%
Total balance sheet portfolio	**1,798**	**100%**	1,691	100%

TOTAL CASH GENERATED FROM OPERATING ACTIVITIES

185.6

£M

In addition to the balance sheet portfolio, there were £182.6m (2015: £243.9m) of current assets being held on the balance sheet at 31 March 2016 that will be transferred to third party funds once their fundraising is complete. The use of the balance sheet in this way enables our investment teams to continue to source attractive deals whilst a fund is being raised, and in turn facilitates fundraising as potential investors can see the types of assets they will be investing in. This is illustrated by the year end balance which includes £66.7m of assets held for syndication into Asia Pacific Fund III and £37.6m of assets being warehousing for future CLOs.

NET INTEREST INCOME

Net interest income of £80.1m (2015: £118.8m) comprised interest income of £126.0m (2015: £158.6m), less interest expense of £45.9m (2015: £39.8m). Interest income was below the prior period due to a decrease in the average IC portfolio and a reduction in the proportion of interest bearing assets from 46% to 37%. Cash interest income represented 30% (2015: 30%) of the total. The Group has increased its borrowings to re-gear the balance sheet, resulting in an increase in interest expense.

DIVIDEND INCOME

Dividend income of £16.4m (2015: £3.4m) was higher than the prior year due to a distribution received from the investment in Diamond Castle of £12.8m by the secondaries team.

OPERATING EXPENSES

Operating expenses of the IC amounted to £57.9m (2015: £49.9m), of which incentive scheme costs of £39.7m (2015: £30.5m) were the largest component. The increase in incentive scheme costs is in part due to a higher national insurance cost in the current year reflecting the share price at the date of vesting and higher headcount increasing the cash bonus accrual.

Other staff and administrative costs were £18.2m compared to £19.4m last year, a £1.2m decrease. Of these costs, £3.0m (2015: £5.2m) related to the cost of business development, including the establishment of Alternative Credit and Australian Senior Loans teams. Excluding business development, costs increased £1.0m due to the cost of expanding our risk and compliance function with the addition of a Chief Risk Officer (CRO) and internal audit capability.

The management fee on IC investments managed by the FMC reduced to £18.4m (2015: £18.7m) as a result of the reduction in the average size of the loan book.

CAPITAL GAINS

Net realised capital gains in the year were £75.2m (2015: £46.7m), of which £51.2m (2015: £21.9m) had previously been recognised as unrealised gains in the P&L with the remaining £24.0m (2015: £24.8m) recognised in the current year.

Fair valuing the equity and warrants gave rise to a further £144.4m (2015: £84.7m) of unrealised gains in the current year reflecting the improved performance of our portfolio companies during the year. Of this, £104.6m (2015: £86.8m) is recognised in the income statement, including £42.8m on our largest asset Parkeon which was realised in April 2016, and £39.8m (2015: £(2.1)m) as a movement in reserves.

IMPAIRMENTS

Net impairments for the year were £39.4m compared with £37.6m in the prior year. Gross impairments amounted to £42.8m (2015: £53.5m) and recoveries were £3.4m (2015: £15.9m) in the year.

CHIEF FINANCIAL OFFICER'S REVIEW
CONTINUED

GROUP CASH FLOW, DEBT AND CAPITAL POSITION

The Group has continued to actively manage its sources of financing, extending debt facilities and lowering pricing where possible. During the year £845m was raised, of which £270m was in US private placements, £421m extending facilities with existing relationship banks and £154m in bank facilities with three new relationship banks. The balance sheet remains strong, with £781.3m of available cash and debt facilities at 31 March 2016. The movement in the Group's unutilised cash and debt facilities during the period is detailed below:

	£m
Headroom at 31 March 2015	758.4
Increase in drawn bank facilities	173.2
Increase in private placements	269.7
Secured floating rate notes matured	(33.9)
Private placements repaid	(97.8)
Movement in cash	(140.4)
Movement in drawn debt	(158.9)
Other (including FX)	11.0
Headroom at 31 March 2016	**781.3**

Total drawn debt at 31 March 2016 was £866m compared to £707m at 31 March 2015, with unencumbered cash of £112m compared to £253m at 31 March 2015.

CASH FLOW

Operating cash inflow for the year was £185.6m (2015: £150.1m), reflecting that our operating model is highly cash generative. The increase in the cash inflows is a result of a reduction in cash outflows relating to assets held for syndication partially offset by an increase in operating expenses, as analysed below:

	31 March 2016 £m	31 March 2015 £m
Cash in from realisations	**394.3**	505.6
Cash in from dividends	**45.7**	35.1
Cash in from fees	**86.3**	94.4
Cash in from cash interest	**124.3**	124.8
Total cash receipts	**650.6**	759.9
Cash interest paid	**(47.0)**	(33.8)
Cash paid to purchase loans and investments	**(247.1)**	(359.8)
Cash movement in assets held in warehouse or for syndication	**(35.8)**	(126.4)
Operating expenses paid	**(135.1)**	(89.8)
Total cash paid	**(465.0)**	(609.8)
Total cash generated from operating activities	**185.6**	150.1

Interest paid was 39% higher, in line with higher average borrowings, but a lower average cost of debt.

SPECIAL DIVIDEND

200

£M

CAPITAL POSITION

Shareholders' funds decreased by 15% to £1,241.2m (2015: £1,456.4m) in the year, principally due to the £300m of special dividend paid during the year. Total debt to shareholders' funds (gearing) as at 31 March 2016 increased to 0.70x from 0.49x. Adjusted return on equity of 12.9% is up 1.9% from 31 March 2015.

ICG's strong balance sheet positions the Group to generate and realise shareholder value through co-investing into our existing and new funds and investing in new opportunities, whilst maintaining the appropriate level of regulatory capital. The Board believes that a gearing range of 0.8x-1.2x remains appropriate and therefore is recommending that a further £200m of capital is returned to shareholders by means of a special dividend, with an associated share consolidation. On a pro-forma basis, assuming the proposed special dividend had been paid at the beginning of the financial year, gearing would have been 0.93x at 31 March 2016 and return on equity over 16%.

MANAGING RISK TO DELIVER OUR STRATEGY

Effective risk management provides the framework within which we can successfully 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. Following the appointment of the CRO during the year, the Group's risk management framework, systems and reporting were reviewed and, as a result of this review, a number of enhancements to the Group's risk management framework, endorsed by the Risk Committee, have since been made. Details of the activities of the Risk Committee in this financial year can be found in the Risk Committee report on page 60.

RISK MANAGEMENT FRAMEWORK

IDENTIFYING PRINCIPAL AND EMERGING RISKS

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

The Risk Committee leads the top down review of business risks and determines the principal risks. This review focuses on those risks that could threaten the business model, future performance, solvency or liquidity of the business. In identifying risks, consideration is given to risks identified by other asset managers in the sector and relevant regulatory expectations and developments. The review also considers emerging risks.

The Directors confirm that they have undertaken a robust assessment of principal risks in line with the requirements of the UK Corporate Governance Code.

The Board and the Risk Committee consider their appetite for risk across the business and establish the level of acceptable risk for each of the principal risks. The Risk Committee uses key risk indicators to help monitor, manage and mitigate these risks on an ongoing basis.

The bottom up assessment encompasses the identification, management and monitoring of risks in each area of the business through the maintenance of detailed risk registers which are regularly reviewed, challenged and updated. This process ensures risk management responsibilities are embedded in the business' first line operations. During the year the CRO reviewed and challenged each of the risk registers maintained by the business and enhanced internal reporting of these risk registers. Operational risks are subject to additional scrutiny by the Operational Risk Group. In addition, the various Investment Committees provide oversight of risks related to the investment and fund management activities of the Group.

The Risk Committee monitors these processes, reviewing the principal risk register, material risk events, the activities of the Operational Risk Group and the Investment Committees, and reporting material risks to the Board. The materiality and severity of each risk is assessed through a combination of an assessment 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 are established where appropriate. An updated risk language was implemented during the year to enhance consistency of reporting.

The Group considers its principal risks across three categories:

- **STRATEGIC AND BUSINESS RISKS**
  The risk of failing to deliver on our strategic objectives resulting in a negative impact on Group profitability
- **MARKET, CREDIT AND LIQUIDITY RISKS**
  The risk of an adverse impact on the Group due to market fluctuations, counterparty failure or having insufficient resources to meet financial obligations
- **OPERATIONAL RISKS**
  The risk of loss or missed opportunity, resulting from a regulatory or legislative failure or inadequate or failed internal processes, people or systems

Reputational risk is seen as an outcome of the principal risks materialising. The reputation and brand risk is carefully managed as part of the risk management framework.

CHANGES IN THE YEAR

The top down review of risks carried out during the year resulted in a number of refinements to the identified principal risks to the business. Existing principal risks were clarified, certain principal risks were consolidated and the overall composition of the principal risk register was reviewed to ensure that it adequately reflected the ongoing changes to the Group as it continues to pursue its strategic objectives. The Risk Committee considers that the potential business impact of risks relating to information security and oversight of third party providers has increased in our industry and therefore these risks have now been included within the principal risks.

Executive responsibility for each of the principal risks to the business was reviewed and agreed by the Risk Committee.

Emerging risks are regularly considered to assess any potential impacts on the Group and to determine whether any actions are required. Emerging risks include the risks related to regulatory change and macroeconomic and political change, including the ongoing discussions regarding Britain's membership of the European Union.

MANAGING RISK TO DELIVER OUR STRATEGY
CONTINUED

THE BOARD'S ONGOING MONITORING OF THE ICAAP BRINGS TOGETHER THE RISK MANAGEMENT OF THE BUSINESS WITH OUR STRATEGIC OBJECTIVES. THIS GIVES THE BOARD A THOROUGH UNDERSTANDING OF THE GROUP'S RISKS AND THEIR IMPACT, IN PARTICULAR, ON THE LEVEL OF CAPITAL REQUIRED TO SUPPORT THE BUSINESS.

KATHRYN PURVES
CHAIRMAN OF THE RISK COMMITTEE

RISK GOVERNANCE FRAMEWORK

The Group operates a risk governance framework consistent with the principles of the 'three lines of defence' model. Since its establishment in 2014, the internal audit function has provided independent assurance that the Group's risk management, governance and internal control processes are operating effectively. Further details of the activities of internal audit can be found in the Audit Committee report.

+ Audit Committee report page 51

VIABILITY STATEMENT

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite, the Group's principal risks and the management of those risks, as detailed in the Strategic report on pages 1 to 38.

The Directors have assessed ICG's viability over a three year period to March 2019. The assessment is based on three years of the strategic plan, being the typical period over which regulatory changes are implemented and the period over which the forecasting assumptions used are most reliable. The Group's strategy and principal risks underpin the three year plan and associated stress and reverse stress testing, which the Directors review at least annually. The Directors' review considers profits, cash flows, financing requirements, financial covenants and regulatory capital headroom.

The strategic plan is built on a fund by fund basis using a bottom up model. The plan makes certain assumptions about the launch and investment of successor funds and new strategies, the ability to refinance debt as it falls due and the performance of the underlying portfolio.

The plan is stress tested to assess the potential financial and operational impact of a severe but plausible downside scenario as part of the Board's review of the Group's ICAAP. The downside scenario uses the 2008/09 financial crisis as its basis and reflects the principal risks of the business as set out on pages 32 to 35. The principal risks impacting the downside scenario are as follows:

1. Failure to raise third party funds with no CLOs raised for 18 months and other funds raising 50% of target. This results in a lower level of cash fee income
2. Failure to deploy capital for a period of 18 months results in a lower level of cash fee income earned on those funds that charge fees on invested capital and reducing cash interest income from the balance sheet portfolio
3. Failure to maintain investment performance increasing impairments to 9% of the opening book, thereby reducing regulatory capital

The three year plan review is underpinned by regular Board briefings provided by the heads of business units and infrastructure functions and discussion of any new strategies undertaken by the Board in its normal course of business (see pages 46 to 47). These reviews consider both the market opportunity and the associated risks, principally the ability to raise third party funds, invest capital and deliver strong investment performance. These risks are considered within the Board's risk appetite framework which is detailed on page 31.

MONITORING THE EFFECTIVENESS OF CONTROLS

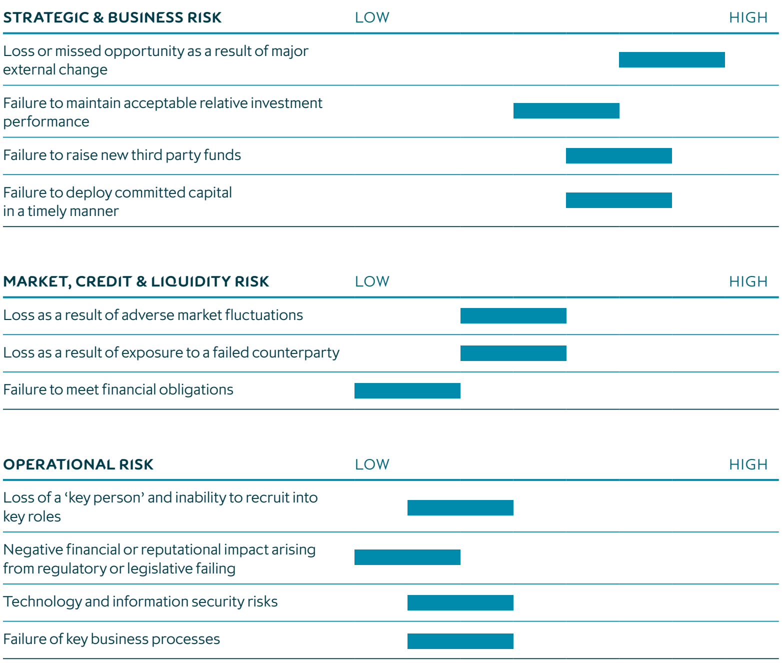
During the year, the Group enhanced its processes for monitoring the effectiveness of material controls. Material controls have been defined as those critical to the management of the principal risks of the business. Following identification of material controls, additional reporting on those controls was introduced to enable the Board and Risk Committee to review the effectiveness of controls in managing the principal risks in line with the requirements of the UK Corporate Governance Code.

The Board is provided with a number of risk reports which it uses to review the Group's risk management arrangements and internal controls. The reports enable the Board to make a cumulative assessment of the effectiveness with which internal controls are being managed or mitigated. The reports include assurance from the Executive Committee on the effectiveness of the Group's system of internal controls. As part of its review the Board considered whether the processes in place were sufficient to identify all material controls and confirmed that this was the case. The Board confirms that the Group's risk management and internal control systems are operating effectively and material controls operated effectively throughout the year.

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 principal risk based on key risk indicators.

RELATIVE WILLINGNESS TO TOLERATE RISK (RISK APPETITE)



Further details included in the Risk Committee report on pages 60 to 65

PRINCIPAL RISKS AND UNCERTAINTIES

LINK TO STRATEGY

1 Grow assets under management
2 Invest selectively
3 Manage portfolios to maximise value

STRATEGIC AND BUSINESS RISKS

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR
Loss or missed opportunity as a result of major external change (including macroeconomic, regulatory, political and/or competitive impact) 1 2 3	Adverse macroeconomic conditions could reduce the opportunity to deploy capital and impair the ability of the Group to effectively manage its portfolios, reducing the value of future management fees, investment income and performance fees. Adverse macroeconomic conditions could also reduce demand from investors for the Group's funds. Adverse regulatory change could impact on the ability of the Group to deploy capital or could reduce the demand from investors for the Group's funds.	Deterioration of Group performance compared to plan. Impairment rate as a percentage of the opening loan book. + See pages 12 to 13
Failure to maintain acceptable relative investment performance 2 3	Failure to maintain acceptable relative performance in the funds may result in a failure to raise new funds, reducing the Group's long term income and ability to invest in future growth. Investors in open ended funds may reduce or cancel their commitments, reducing AUM and fund management fees.	Performance of fund portfolio companies. + See pages 12 to 13 Performance of certain funds compared to benchmark.
Failure to raise new third party funds 1	A failure to raise new funds would reduce the Group's long term income and ability to launch new strategies.	Forecast fund inflows. + See pages 10 to 11 and page 85
Failure to deploy committed capital in a timely manner 2	Failure to deploy capital reduces the value of future management fees, investment income and performance fees.	The proportion of a fund's capital forecast to be available for investment in the final year of the investment period. + See page 85

MARKET, CREDIT AND LIQUIDITY RISKS

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR
Loss as a result of adverse market fluctuations arising primarily from exposure to interest rates and foreign exchange rates 3	Volatility in currency and interest rates leads to changes in the value of the assets and liabilities of the Group and, to the extent that these are unhedged, will impact on the financial performance of the Group. Volatility in currency and interest rates may impact on fund performance which may result in a failure to raise new funds, reducing the Group's long term income and ability to invest in future growth.	Value of net unhedged assets. Percentage of loan book unhedged.
Loss as a result of exposure to a failed counterparty 3	The Group uses derivatives to hedge market risk on its balance sheet. By entering into these derivatives the Group is exposed to counterparty credit risk. The Group's counterparties are national or multinational banks. Should a financial counterparty of the Group fail the Group would be exposed to loss.	Counterparty exposure relative to trading limits.

You can read more about the Group's strategic objectives on pages 10 to 13

KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR	FOCUS FOR FY17
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. The Board receives regular updates on regulatory developments.	↑ During the year the risk of loss has increased as the economic indicators in Europe and other key markets have become significantly more volatile and the regulatory environment has become more complex.	The impact of macroeconomic changes on markets The impact of the UK's EU membership referendum Managing the volume and complexity of continued regulatory change
The Group has disciplined investment policies 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. The Group limits the extent of credit risk by diversifying its portfolio assets by sector, size and geography. Continued focus by senior management and executives ensures maximum recovery is achieved.	− There have been no material changes in the Group's investment markets during the year which would lead the Board to consider that this risk has changed.	Maintaining investment discipline Managing conflict of interests resulting from funds structured to pay fees on invested capital
The Group has built dedicated fundraising and scalable infrastructure teams to grow and diversify its institutional client base by geography and type. The Group has expanded its product portfolio to address a range of investor requirements and continues to build a strong product pipeline.	− The fundraising market is supportive for the Group's strategies, but remains highly competitive. During the year the Group has delivered on its targets to raise new third party funds.	Maintaining discipline on fees and terms Diversification of risk by expanding the portfolio of investment strategies
The rate of investment is kept under review by the Investment Committees and senior management to ensure acceptable levels are maintained in current market conditions.	↑ The investment market is highly competitive with the appeal of alternative asset classes generating significant pools of capital to be deployed.	Maintaining investment discipline Investor communication

KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR	FOCUS FOR FY17
The Group has a policy which seeks to ensure that any non Sterling income, expenditure, assets and liabilities are appropriately hedged and that the residual exposure to market risk is managed to minimise short term volatility in the financial results of the Group. This is reviewed annually. Currency and interest rate exposures are reported monthly and reviewed by the Group's Treasury Committee.	− During the year the Group has applied its hedging policy consistently.	The impact of the UK's EU membership referendum
The Group has a policy which seeks to ensure that any counterparty exposures are managed within levels agreed with the Board. This is reviewed annually. Actual counterparty exposures are reported monthly and reviewed by the Group's Treasury Committee.	− During the year the Group has applied its policy to manage counterparty credit risk consistently.	The impact of the UK's EU membership referendum Continued monitoring of counterparty credit risk management

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

LINK TO STRATEGY

1 Grow assets under management
2 Invest selectively
3 Manage portfolios to maximise value

MARKET, CREDIT AND LIQUIDITY RISKS CONTINUED

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR
Failure to meet the Group's financial obligations as they fall due 1 2	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.	Forecast breach of financing principles.

OPERATIONAL RISKS

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR
Loss of a 'key person' and inability to recruit into key roles 1 2 3	Breach of any 'Key Man' clause 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 if not resolved in a timely manner. Loss of an individual key to the Group's fund management business or a critical infrastructure role could impair the Group's ability to deliver its strategic objectives as planned if that role is not filled in a timely manner.	Loss of a key man on a material fund. Instances of dissatisfied employees.
Negative financial or reputational impact arising from regulatory or legislative failing 1 2 3	The Group's ability to raise new funds and operate its fund management business would be impaired as a result of a regulatory failing.	Any material breach of regulations. Status of compliance monitoring programme.
Technology/Information Security inadequate or fails to adapt to changing business requirements and/or external threats 1 2 3	The Group's ability to raise new funds and operate its fund management business would be impaired as a result of any reputational damage arising from a security failing.	Any material breach or severe disruption due to systems failure. Any material loss or reputational damage arising from external threats.
Loss or missed opportunities arising from failure of key business processes, including third party supplier management, valuation and external reporting 1 3	The Group's ability to raise new funds and operate its fund management business would be impaired as a result of the failure of key business processes.	Any failure of business process resulting in significant business disruption, financial or reputational damage.

You can read more about the Group's strategic objectives on pages 10 to 13

KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR	FOCUS FOR FY17
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. The profile of the debt facilities available to the Group is reviewed frequently by the Treasury Committee.	− The Group has continued to renew and increase its sources of funding when suitable opportunities arise, maintaining sufficient debt headroom to support its activities. However, during the year the Group paid a special dividend of £300m and has proposed a further special dividend of £200m, which, combined with the £100m share buy back completed during FY15, has returned £600m to shareholders, reducing debt capacity and increasing gearing.	Continued focus on liquidity management and minimum capital requirements

KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR	FOCUS FOR FY17
The Group rewards its investment professionals and other key employees in line with market practice. Senior investment professionals typically receive long term incentives are able to participate in carried interest. The Group periodically engages external consultants to benchmark the rewards offered by the Group to ensure they remain attractive and competitive. 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.	− During the year the Group undertook its latest Employee Engagement Survey details of which can be found on page 37 and from which the Board concluded that there was no evidence that this risk had changed. There was no significant impact in the year as a result of the loss of any employee.	Identification and engagement with key employees Continued succession planning for key roles and within key teams
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 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.	↑ During the year the continued expansion of the Group's product portfolio and increasing product complexity and geographic span has led to increased regulatory risk. In addition, continued, widespread regulatory change brings the risk of inadvertent breaches.	Oversight of regulatory and legislative compliance Oversight of regulatory and legislative impact of change
Application of the Group's information security policies is supported by a governance structure and a risk framework that allows for the identification, control and mitigation of technology risks. The adequacy of the systems and controls the Group has in place to mitigate the technology risks is continuously monitored and subject to regular testing. The effectiveness of the framework is periodically assessed.	↑ As the Group expands the potential reputational damage from an information security breach or other cyber attack has increased.	Oversight of governance of information security Enhanced prevention monitoring and reporting systems
Control procedures are in place to ensure that key business processes are identified, documented and monitored. Third party suppliers are subject to robust selection process and performance is monitored against agreed service levels with exceptions reported and escalated as appropriate. Key valuation processes are subject to independent Board review on a semi-annual basis as detailed in the Audit Committee report on page 55. The effectiveness of the control framework for key business processes is reviewed by the Risk Committee (see page 64).	↑ As the Group's fund management business grows the impact of a failure of a third party supplier on the Group has increased.	Increased engagement with and reviews of key services provided by third parties

OUR RESOURCES AND RELATIONSHIPS

Delivering our strategic objectives is dependent on key resources and relationships.

OUR RESOURCES AND RELATIONSHIPS

The Group is a well known and highly respected specialist asset manager in our core markets with a strong brand and track record, supported by 27 years of investment experience. The performance of our people has been recognised in seven awards during the last year.

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

- Business development
- Investment management skills
- Distribution capabilities
- Scalable infrastructure

AWARDS

ALT CREDIT INTELLIGENCE EUROPEAN PERFORMANCE AWARDS 2015 WINNER

icsa AWARDS 2015
Best Audit and Risk Disclosure FTSE 250

PRIVATE EQUITY INTERNATIONAL AWARDS 2015
Lender of the year in Europe

PRIVATE DEBT INVESTOR AWARDS 2015
Lender of the year Europe

PRIVATE DEBT INVESTOR AWARDS 2015
Fundraising of the year Europe

PRIVATE DEBT INVESTOR AWARDS 2015
Junior lender of the year Europe

PRIVATE DEBT INVESTOR AWARDS 2015
Senior lender of the year Europe

BUSINESS DEVELOPMENT UNDERPINS OUR GROWTH

The Group has selectively expanded its investment strategies to support its growth. The Group has leveraged its 27 year track record and established fund management infrastructure to support new and existing teams to develop investment strategies that meet the needs of third party investors.

In establishing new strategies the Group is focused on identifying individuals and teams with a differentiated investment proposition.

Our infrastructure and marketing teams support innovative investment professionals to develop investment strategies that deliver the returns demanded by investors. Our fund management infrastructure underpins these new investment strategies as they grow assets under management.

AN ACTIVELY MANAGED INVESTMENT PROCESS

The Group has a consistent, efficient and robust investment culture across its investment strategies. 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 investment strategies, to originate investments and then manage those assets to realise returns for investors. Successful application of those skills has supported the development of our long standing 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 are embedded in their markets, speak the local languages, understand local laws and customs and have the necessary depth of relationships required to operate successfully.

FUND DISTRIBUTION DEPENDS ON INVESTOR RELATIONSHIPS

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 funds, expanding our fund investor network both geographically and by investor type. This enhanced network promotes continuous engagement and supports the development of investment strategies 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, is giving us access to new investors.

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 fund range and our geographical coverage.

MANAGING 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 investment strategies 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 investment strategies to meet these requirements.

The availability of balance sheet capital to co-invest and to support business development is underpinned by our relationships with our key finance counterparties. These include banks, bondholders, other lenders and rating agencies.

The Group has an active compliance team who work 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 Group has established a three lines of defence model to enhance its risk management processes. You can read more about risk and how it is managed on pages 28 to 35.

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 27 years, has generated strong, supportive, asset sourcing networks.

ICG is a signatory to the UN Principles for Responsible Investment. We acknowledge the relevance to the investor of environmental, social and governance factors, and of the long term health and stability of the market as a whole. Our investment committees and investment professionals take responsibility for applying the principles in practice, taking a proactive approach to considering environmental, social and corporate governance factors in all our investment decisions.

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.

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 quarterly 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 2015 and demonstrated that the Group was performing above financial services norms. It also demonstrated clear progress on the areas for improvement identified in the 2012 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 sufficient to attract and retain talent. Benefits include: pension contributions, healthcare and health screening, life assurance, child care vouchers, travel insurance, share save scheme, gym membership and cycle to work schemes.

OUR RESOURCES AND RELATIONSHIPS CONTINUED

The Group supports flexible working, with 13% of employees benefitting from these arrangements. The current engagement of our people is further demonstrated by staff retention, based on opening headcount, of 93.25%.

DIVERSITY AND VALUES

The permanent employee population of 268 represents 28 different nationalities. Of our permanent employees 92 are women and 176 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 people 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.

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.

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 programme is now in its fourth year. 15 people have participated in the scheme to date, with three currently working within the Group. Of the 12 intern alumni, over 90% have secured full time roles within the Group and or elsewhere.

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.

Employees are encouraged to donate time to activities supporting ThinkForward.

- 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.

Our absolute Scope 1 and 2 emissions have decreased by 17% during the year. This is principally due to an improvement in Scope 1 data quality. Accurate data collection remains a challenge where we rely on third parties, such as the landlord or utilities consultants or changes in building management occur. We are continually striving to improve the quality of our greenhouse gas disclosure. Improved access and availability of consumption data enables us to report with enhanced accuracy year on year.

During the most recent reporting year we complied with Energy Savings Opportunity Scheme (ESOS) as required by the UK Environmental Agency. As part of our ESOS assessment we undertook energy audits of our significant energy users; construction sites, transport and our main office at Juxon House. Opportunities to reduce energy consumption were identified through each of these audits, and processes are underway to implement a number of these opportunities. As a result Group electricity consumption has fallen by 3%.

Our Scope 3 emissions have increased significantly as a result of improved data.

Operational scope	Greenhouse gas emission source	2016	2015	Units
Direct emissions (Scope 1)	Combustion of fuel and operation of facilities	**49**	177	Tonnes CO_2e
Indirect emissions (Scope 2)	Purchased electricity/heat (location based)	**881**	915	Tonnes CO_2e
	Purchased electricity/heat (market based)	**966**	n/a	Tonnes CO_2e
Indirect emissions (Scope 3)	Business travel: flights and rail	**2,550**	1,221	Tonnes CO_2e
Total		**3,480**	2,313	Tonnes CO_2e
Emissions per FTE		**13.7**	9.6	Tonnes CO_2e per FTE

GOVERNANCE REPORT

CONTENTS

LETTER FROM THE CHAIRMAN

KEY GOVERNANCE ACHIEVEMENTS

As Chairman I am delighted to have overseen significant developments in corporate governance. In my opinion the key achievements over the last six years have been:

- Refreshing the composition of the Board to include a wider range of skills and backgrounds and to introduce appropriate financial services and risk management experience
- The establishment of a separate Risk Committee
- Increased Board focus on engagement with shareholders and the expanded programme of shareholder and stakeholder interactions
- The introduction of an induction process for Non Executive Directors and an increased focus on ongoing training and developments

JUSTIN DOWLEY
CHAIRMAN

DEAR SHAREHOLDER

As you will be aware, I will be retiring from the Board of the Company from the end of this year's Annual General Meeting (AGM) on 21 July. During my time as Chairman, your Board has been committed to maintaining high standards in the area of corporate governance. The volume of applicable law and regulation in this area has increased significantly over the past few years but this has always been an important area of focus for the Board as we have managed the Company in the long term interests of shareholders.

To support its governance objectives, the Board has established a system of controls and management processes to ensure that risks to the Group's business can 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 increase shareholder value. We aim to exercise robust supervision and leadership of the Group while fostering a corporate culture that permits growth and empowers our employees.

During the year we were pleased to receive external recognition of our work in the governance area, as we received an award from the Institute of Chartered Secretaries and Administrators (ICSA) for Best Audit and Risk Disclosure in the FTSE250. ICSA is a well respected authority on UK corporate governance and compliance, and we were delighted to receive this award.

Some of our key priorities during the year were:

- Increasing our focus on risk management. During the year, our new CRO took up his role. Working with the Executive Committee and the Risk Committee, he has reviewed and enhanced the risk management and monitoring framework for our business, and has considerably enhanced the clarity of reporting to the Risk Committee and the Board in this area. Also during the year, Kathryn Purves became the Chairman of our Risk Committee. Kathryn has executive experience as a risk professional and so has brought her considerable experience in this area to her new role, greatly aiding the Committee

Please see pages 60 to 65 for the report of the Risk Committee

- Enhancing the disclosures in our Remuneration report. Following a significant number of votes against the report in 2015 we have sought feedback from a number of shareholders and shareholder advisory groups, and have worked hard to improve the level and clarity of our disclosures in the Remuneration report, particularly in respect of performance requirements for Executive Directors

Please see pages 69 to 93 for the report of the Remuneration Committee

- Increasing engagement with shareholders. Members of the Board have continued to meet with shareholders to provide updates on the Group's performance and strategy. A comprehensive Capital Markets Seminar was held in January 2016 and was attended by a number of shareholders, as well as analysts, banks and other stakeholders

Please see page 50 for more details of our shareholder engagement

- Receiving detailed reports on business units. The Board is keen to ensure that it has a detailed understanding of operational areas, and has received a number of presentations from business unit heads about their products, markets and operations

Please see pages 46 to 47 for more details

- Formally adopting a long term business plan. Following a specific strategy session for the whole Board in March 2015, a detailed business plan was drawn up by the Executive Committee and debated by the full Board before being adopted
- Managing the new Chairman appointment

Please see pages 66 to 68 for the report of the Nominations Committee for more details of this appointment

- Conducting an internal Board evaluation. An external assessment of the Board was due in May 2016 but has been postponed to allow the new Board to be assessed once the new Chairman and new Non Executive Director are in place as this is more likely to provide relevant feedback for the future

Please see page 49 for more details of this decision

Governance will continue to be an important area for the Board following my departure. My successor as Chairman is proposed to be Kevin Parry, currently Senior Independent Director; assuming he is re-elected as a Director at our AGM. Kevin will be appointed as Chairman from the end of the AGM onwards. I have worked with Kevin for a number of years; he has extensive experience in meeting the regulatory requirements of the financial services sector and brings high personal standards to the area of governance. I am confident that he will be able to direct the Board to meet the ongoing regulatory and governance requirements of our business.

I would like to thank you all for your support for the Board during my time as Chairman. I am very happy to respond to any questions you may have from now until the end of the AGM.

Justin Dowley
Chairman

23 May 2016

DEAR SHAREHOLDER

As set out in Justin's letter, I have been proposed to succeed Justin as Chairman of the Company. On behalf of the Board and our shareholders, I would like to thank Justin for his hard work as Chairman, and in particular the enhanced governance structure which he has overseen for the past six years. My aim as Chairman will be to hold the Executive Directors to account to deliver shareholder value and to meet the high standards of corporate governance that are required by the UK Corporate Governance Code and other applicable regulation. This is extremely important for the Company as a listed PLC and as a regulated financial services company.

If any shareholder has questions on the work of the Board, I am very happy to respond to these, at the Company's AGM or at any other time.

Kevin Parry
Senior Independent Director

23 May 2016

BOARD OF DIRECTORS

As at 31 March 2016 (and at the date of publication), the Board comprised a Non Executive Chairman, four independent Non Executive Directors and three 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. They each provide effective challenge both at and outside of 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, the National Crime Agency, Novae Group plc and Scottish Mortgage Investment Trust PLC during the year. We do not consider these appointments to have any adverse impact on his ability to perform his role as Chairman of the Board effectively.

Justin Dowley will retire from the Board of the Company with effect from the end of the Company's AGM on 21 July 2016. Subject to approval of his reappointment by shareholders, Kevin Parry will succeed Justin as Chairman of the Board. Kevin Parry is the Senior Independent Director of Standard Life plc, a Non Executive Director of the Nationwide Building Society and of Daily Mail and General Trust plc, and is Chairman of the Homes and Communities Agency. We do not consider these appointments to have any adverse impact on his ability to perform his role effectively as Chairman of the Board. Please see the report of the Nominations Committee on page 66 for further details of this change.

BOARD OF DIRECTORS

JUSTIN DOWLEY

CHAIRMAN*

N R RK

*Until 21 July 2016

Justin Dowley brings a wealth of experience of the financial services industry to the Board, having had a 30 year career in investment banking. He qualified as a Chartered Accountant at Price Waterhouse. Between 1981 and 2011, Justin was a Director of Morgan Grenfell before becoming Head of Investment Banking at Merrill Lynch Europe and then a founder partner of Tricorn Partners. In addition, having served on a number of company boards during his career, Justin has gained broad corporate governance and commercial expertise which he brings to his role as Chairman of the Group.

OTHER DIRECTORSHIPS
Melrose Industries PLC, the National Crime Agency, Novae Group plc, Scottish Mortgage Investment Trust PLC and a number of private companies

JOINED BOARD
2006 and was appointed Chairman in 2010

CHRISTOPHE EVAIN

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

E

Christophe Evain has been CEO of ICG since 2010, during which time he has led the strategic development of the Group to a fund management model.
Prior to his appointment as CEO, Christophe had worked at ICG for 17 years and has been a key figure in the development of the Group's business. He has led the expansion of the Group to new geographies and new strategies. Before ICG, he held a number of roles in other leading financial institutions, specialising in leverage and structured finance.
Christophe also serves as Chief Investment Officer of the Group. He has a thorough and detailed knowledge of the Group's investment portfolio and maintains a focus on investment discipline and quality.

OTHER DIRECTORSHIPS
ICG Group entities

JOINED BOARD
2003 and was appointed CEO in 2010

BENOÎT DURTESTE

EXECUTIVE DIRECTOR AND HEAD OF EUROPEAN INVESTMENTS

E

Benoît Durteste is an experienced investment manager with a strong understanding of European private equity markets. He is the Group's Head of European Investments and a Fund Manager for three of our key mezzanine investment funds. His executive role provides the Board with detailed insight into the markets in which the Group operates, and he contributes a thorough understanding of financial markets and the Group's investment portfolio to Board proceedings.
Benoît 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 had roles at BNP Paribas and at GE Capital, notably as CFO of one of their portfolio companies.

OTHER DIRECTORSHIPS
ICG Group entities and current Chairman of the BVCA Alternative Lending Committee

JOINED BOARD
2012

PHILIP KELLER

EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

E

Philip Keller has responsibility for finance, operations, human resources, risk, compliance and legal. Philip is a Chartered Accountant and he brings sound financial management skills to the Board. He also has a strong focus on operational matters and stakeholder communications, and during his time as an Executive Director has overseen the significant expansion of the Group's platform and infrastructure. Prior to joining 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. This experience provides him with a management-side perspective on buyouts which is a valuable additional viewpoint for the Board.

OTHER DIRECTORSHIPS
ICG Group entities

JOINED BOARD
2006

COMMITTEE KEY

N NOMINATIONS
RK RISK
E EXECUTIVE
R REMUNERATION
A AUDIT
● COMMITTEE CHAIRMAN

KEVIN PARRY

NON EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR*

A N R RK

*until 21 July 2016. Chairman from 21 July 2016 (subject to approval)

During his career, Kevin Parry's roles have included being Chief Financial Officer of Schroders plc and a managing partner at KPMG, as well as other positions. This combination of roles has given him a thorough understanding of both the operations of listed companies and the applicable audit and accounting frameworks. He is a Chartered Accountant with extensive experience of auditing and advising large international groups. Kevin's detailed knowledge of financial accounting and his experience on a number of company boards brings a diverse range of experience to Board and Committee proceedings.

OTHER DIRECTORSHIPS
Standard Life PLC, Daily Mail and General Trust plc, the Nationwide Building Society and the Homes and Communities Agency

JOINED BOARD
2009

PETER GIBBS

NON EXECUTIVE DIRECTOR*

R A N RK

*Senior Independent Director from 21 July 2016

Peter Gibbs's extensive asset management experience has proved invaluable to the Board during the Group's transition to a fund management model. His career in the sector has given him an informed view of the issues facing the Group, which allows him to provide detailed insight into investor and shareholder concerns. He served as Chief Investment Officer of Merrill Lynch's Investment Management activities outside the US and prior to this was Co-Head of Equity Investments worldwide. He also served as a Director of UK Financial Investments, the body established to hold the UK government's stake in financial institutions. His roles on this and other boards have given him a detailed understanding of corporate governance and company proceedings.

OTHER DIRECTORSHIPS
Ashmore Group plc, Aspect Capital Limited and Bank of America Merrill Lynch (UK) Pension Plan Trustees Ltd

JOINED BOARD
2010

KIM WAHL

NON EXECUTIVE DIRECTOR

A N R RK

Kim Wahl has a wide and detailed knowledge of European investment markets gained from a lengthy career in the private equity industry; he is the owner and Chairman of the investment firm Stromstangen AS which he established in 2004, and he also co-founded IK Investment Partners in 1989. Kim had previously worked at Goldman, Sachs & Co. The insight gained during his career is particularly useful for the Board when considering the Group's investment portfolio at an oversight level. He is based in Norway and assists greatly in providing the Board with an international view of the Group's business and markets.

OTHER DIRECTORSHIPS
Ceki AS, Stromstangen AS, UPM Kymmene Oy, Voxtra Foundation and DNB Bank ASA

JOINED BOARD
2012

KATHRYN PURVES

NON EXECUTIVE DIRECTOR

RK A N

Kathryn Purves served as Chief Risk Officer of Partnership Assurance Group plc, a leading provider of non-standard annuities, until June 2015. Kathryn's executive experience in risk management has proved a valuable resource to the Board as she is able to enhance oversight in a key area for the Group. She also has valuable investment experience for the Board to draw upon; before joining Partnership in 2008, she worked within the private equity industry for approximately 10 years, most recently at Phoenix Equity Partners. Prior to that, she worked as an Investment Manager for Deutsche Bank in Europe and UBS Capital in Australia and Asia.

OTHER DIRECTORSHIPS
IFG Group plc

JOINED BOARD
2014

OUR CORPORATE GOVERNANCE FRAMEWORK

↓ INTERNAL AUDIT

AUDIT COMMITTEE

- Comprised of Non Executive Directors
- Oversees matters including the Group's financial reporting and disclosure

Please see pages 51 to 59 for the report of the Audit Committee

↓ CHIEF RISK OFFICER

↓ OPERATIONAL RISK GROUP

RISK COMMITTEE

- Comprised of Non Executive Directors
- Oversees the Group's risk management framework and system of internal controls

Please see pages 60 to 65 for the report of the Risk Committee

REMUNERATION COMMITTEE

- Comprised of Non Executive Directors
- Determines the Group's remuneration policy
- Reviews the remuneration of senior management

Please see pages 69 to 93 for the report of the Remuneration Committee

↑ HUMAN RESOURCES

BOARD OF DIRECTORS

- Comprised of the Executive and Non Executive Directors
- Has the authority to conduct the business of the Company in accordance with the Company's constitutional documents
- Runs the Company for the long term benefit of shareholders

NOMINATIONS COMMITTEE

- Comprised of Non Executive Directors
- Evaluates the Board's composition, performance and succession planning
- Considers candidates for Board positions when appropriate

Please see pages 66 to 68 for the report of the Nominations Committee

↑ HUMAN RESOURCES

↑ COMPANY SECRETARY

EXECUTIVE COMMITTEE

- Comprised of Executive Directors to which the Board has delegated authority for the day to day management of the Group and its business
- Has general responsibility for:
  - The Group's resources
  - Executing the agreed strategy
  - Financial and operational control
  - Managing the business worldwide

Please see page 95 for further details

↑ SENIOR MANAGEMENT TEAM

KEY BOARD ROLES

CHAIRMAN

- Justin Dowley currently serves as Chairman; he will be succeeded by Kevin Parry (subject to shareholder approval of his reappointment) on 21 July 2016.
- Responsible for:
  - Organising the business of the Board
  - Ensuring its effectiveness and setting its agenda
  - Effective communication with the Group's shareholders

Please see page 40 for the Chairman's letter to shareholders

NON EXECUTIVE DIRECTORS

- In addition to the Chairman, Kevin Parry, Peter Gibbs, Kim Wahl and Kathryn Purves act as Non Executive Directors of the Company
- Other than the Chairman, all Non Executive Directors are independent
- Responsible for providing independent oversight of, and challenge to, the Company's executive management

Please see pages 42 to 43 for Directors' profiles

CHIEF EXECUTIVE OFFICER

- Christophe Evain, whose role is to oversee the Group on a day to day basis
- Accountable to the Board for the financial and operational performance of the Group
- Also serves as Chief Investment Officer

EXECUTIVE DIRECTORS

- As well as the CEO, Philip Keller, the Chief Financial Officer, and Benoît Durteste, Head of European Investments, act as Executive Directors
- The three Executive Directors constitute the Executive Committee

SENIOR INDEPENDENT DIRECTOR

- Currently Kevin Parry. Peter Gibbs will take up this role from 21 July 2016
- Acts as a sounding board for the Chairman and, where necessary, acts as an intermediary for shareholders or other Non Executives if they feel issues raised have not been appropriately dealt with

KEY BOARD SUPPORT ROLES

COMPANY SECRETARY

- Responsible for advising on legal, governance and listing matters at the Board and across the Group
- Provides advice and support to the Board and its Committees
- Manages the Group's relationships with shareholder bodies
- Each Committee's Secretary provides advice and support within the specialist remit of that Committee; they are responsible for ensuring that the Committee members receive relevant information and papers and that appropriate matters are discussed. Each Secretary serves at the invitation of the Chairman of that Committee

COMMITTEE SECRETARIES

Committee	Secretary
– Nominations Committee	– Company Secretary
– Remuneration Committee	– Head of Human Resources
– Audit Committee	– Head of Finance
– Risk Committee	– Chief Risk Officer

WHO MANAGES OUR RISKS?

CHIEF RISK OFFICER

- During the year our CRO took up his role
- The CRO is responsible for all areas of the risk function, including:
  - Financial, operational, regulatory, IT, information flow and market risk
  - Assessing and monitoring the risks faced by the Group and advising senior management and the Board directly
  - Advising on setting risk tolerance and appetites and controlling appropriate and relevant risk exposures
  - Reports to the CFO and also has direct access to Non Executive Directors

GROUP COMPLIANCE OFFICER

- Primarily responsible for overseeing and managing regulatory compliance matters within the Group
- Reports to the CRO, and also has direct access to Executive and Non Executive Directors

HEAD OF INTERNAL AUDIT

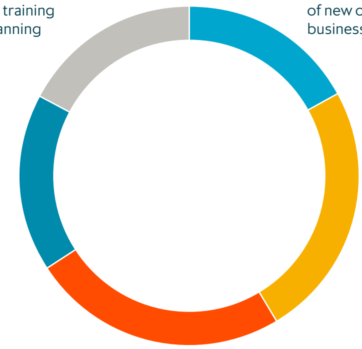
- An independent function which provides assurance to the Board on the effectiveness of internal controls in relation to the key risks identified and identifies opportunities to reduce risk
- Internal audits are undertaken in accordance with an annual risk based plan approved by the Audit Committee
- Reports to the Chairman of the Audit Committee and also has direct access to Executive Directors

OPERATIONAL RISK GROUP

- Meets monthly and is comprised of the heads of the Group's control functions. The CFO attends by invitation
- Remit is to identify potential operational risks and suggest solutions or improvements in process
- Chaired by the Group's CRO and reports its findings to the Risk Committee

THE BOARD'S YEAR

HOW THE BOARD SPENT ITS TIME



COMMITTEE MEETINGS KEY

- AGM Annual General Meeting
- A Audit Committee
- B Board Committee
- N Nominations Committee
- R Remuneration Committee
- RK Risk Committee

2016 TIMELINE

	MAY	JULY	SEPTEMBER
KEY ISSUES AND HIGHLIGHTS	+ Capital structure and dividend policy (see page 6) + Key business developments and latest financial reports	+ New business opportunities + Corporate financing structure + Key business developments and latest financial reports	+ Five year strategic business plan + New business opportunities + Key business developments and latest financial reports
ANNUAL MATTERS	+ Board appraisal (see page 49) + Approval of Annual Report and AGM Notice + Insurance renewal + Review of shareholdings of senior executives		+ Review of feedback from shareholders on the announcement of results
TRAINING AND TECHNICAL UPDATES	+ Alternative Credit fund strategy training session with portfolio manager	+ ICG Longbow update with business unit heads	+ Asia Pacific update with business unit head + Risk management update (see case study on page 48)
OTHER MEETINGS HELD	A R	AGM RK	A N R RK

BOARD AND COMMITTEE MEETING ATTENDANCE

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

	Board meetings	Audit Committee meetings	Risk Committee meetings	Remuneration Committee meetings	Nominations Committee meetings
Justin Dowley	7 / 7	2 / 4*	2 / 4	4 / 4	2 / 2
Christophe Evain	7 / 7	4 / 4*	4 / 4*	4 / 4*	1 / 2*
Philip Keller	7 / 7	4 / 4*	4 / 4*	4 / 4*	1 / 2*
Benoît Durteste	7 / 7	3 / 4*	4 / 4*	n/a	n/a
Kevin Parry	7 / 7	4 / 4	4 / 4	4 / 4	2 / 2
Peter Gibbs	7 / 7	4 / 4	4 / 4	4 / 4	2 / 2
Kathryn Purves	7 / 7	4 / 4	4 / 4	4 / 4*	2 / 2
Kim Wahl	6 / 7	3 / 4	3 / 4	3 / 4	1 / 2
Secretary	7 / 7	4 / 4	4 / 4	4 / 4	1 / 2

To the extent Directors were unable to attend meetings, they received and read the papers for consideration at that meeting, relayed their comments in advance and, where necessary, followed up with the Chairman on the decisions taken. Each meeting of the Board was attended by the Company Secretary, while each of the Committee meetings was attended by the Secretary to that Committee (other than one Nomination Committee which the Secretary was unable to attend).

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

NOVEMBER

+ Potential acquisition of Enterprise Trust management contract
+ Key business developments and latest financial reports

+ Approval of half year reports

+ Operations and IT target operating model with business area head

A RK

JANUARY

+ Shareholder valuation review
+ Succession planning (see page 68)
+ ICAAP review (see page 64)
+ New business opportunities
+ Key business developments and latest financial reports

+ Half year results feedback
+ Confirmation of outside interests of Directors

+ Marketing and Client Relations update with business unit head

N R

MARCH

+ New business opportunities
+ Credit fund performance review with business unit head
+ Key business developments and latest financial reports

+ Review and approval of annual budget
+ Annual compliance reports
+ Approval of Committee Terms of Reference
+ Board internal evaluation

+ Treasury update with Group Treasurer
+ Update on incoming legislation with Group Counsel
+ CLO investments and operations with both portfolio managers and fund structuring team

A R RK

TRAINING AND INDUCTION

The Board recognises the importance of the continued professional development of the Directors in order to build on their existing skills and experience. During the year the Board received detailed presentations about specific strategies and business units, to ensure that the Non Executive members of the Board are fully aware of the detailed operations of the Group. In addition, a regular training programme has been established. Under this programme, the five Non Executive Directors of the Company receive detailed presentations from staff members about specialist areas relating to the Group's business in addition to input from external advisers.

ONGOING TRAINING AND DEVELOPMENT

The main focus of development for the Board has been in continuing to improve their detailed understanding of the Group's business. On a regular basis, business unit heads have presented to the Board in relation to developments in their business areas, including risks and opportunities for growth. Presentations were received by the Directors during the financial year from the Heads of Asia Pacific Mezzanine, Marketing and Client Relations and Real Estate Lending. Presentations on other subjects were also given by the Heads of Corporate Strategy, Operations, Treasury, Finance and Investor Relations, Legal, Compliance, IT and Human Resources.

As well as deepening their understanding of the Group's business, strategies and markets, these sessions allow Non Executive Directors to understand team structures and assist with succession planning.

In addition, the Board and its various Committees regularly receive technical or governance updates from external advisers. During the year, the Audit Committee received regular updates from Deloitte as to market and industry developments, the Risk Committee was given a presentation by Deloitte on best practice risk management, and the Remuneration Committee received presentations from PwC on trends in governance practice and other relevant developments relating to remuneration.

Outside of scheduled meetings, a regular training programme has been established to allow a more detailed review of certain topics. Under this programme, the five Non Executive Directors of the Company receive a detailed and more operationally focused presentation from staff members about specialist topics relating to the Company's business. Sessions held have included a detailed review of the firm's Alternative Credit fund, led by the portfolio manager and the Head of Operations, and a session about the Group's Collateralised Loan Obligation (CLO) business, led by two portfolio managers and the Head of Fund Structuring.

INDUCTION

The goal of the Group's induction process for new Directors is to create a programme of briefings, concentrated in the early period of a Director's appointment, which enable that Director to contribute to Board proceedings from the time of joining the Board. The programme is tailored to the particular skills and experience of the incoming Director; on appointment a Director will receive a pack of relevant documentation and policies and will subsequently have a detailed induction to the Group, its business and its personnel through a series of meetings and presentations. No new Directors joined during the year and so no induction process was carried out.

Any new Directors appointed during the current financial year will receive a thorough induction in line with that provided for previous joiners adjusted for any particular individual requirements.

CASE STUDY: BEST PRACTICE RISK MANAGEMENT FRAMEWORK

This training session was delivered by Deloitte in September 2015 and reflected feedback from the Chief Risk Officer (CRO) on existing business practices. The session was well attended and included all Non Executive Directors and Philip Keller (CFO), together with the Group's CRO, Head of Internal Audit, Group Compliance Officer and Company Secretary.

The material presented illustrated changes in risk management market practice across financial services and made recommendations for changes to be adopted by the Group, based on what would be proportionate to a business of ICG's size and complexity.

I FELT THE SESSION PROVIDED A STRONG BACKGROUND TO THE SUBSEQUENT REVIEW OF THE GROUP'S RISK MANAGEMENT FRAMEWORK WITH THE MARKET CONTEXT BEING PARTICULARLY INSIGHTFUL.

KIM WAHL
NON EXECUTIVE DIRECTOR

BOARD EVALUATION

"

IN MY NEW ROLE AS CHAIRMAN, AND IN ANTICIPATION OF THE APPOINTMENT OF A NEW NON EXECUTIVE DIRECTOR, THE BOARD AND I DECIDED TO DEFER THE FORMAL EXTERNAL REVIEW OF THE BOARD UNTIL NOVEMBER. IN ORDER TO EFFECTIVELY ASSESS THE PERFORMANCE OF THE BOARD IN THE CURRENT FINANCIAL YEAR AN INTERNAL EVALUATION PROCESS WAS LED BY THE CURRENT CHAIRMAN, JUSTIN DOWLEY.

KEVIN PARRY
CHAIRMAN DESIGNATE

BOARD PERFORMANCE

In line with the effective governance requirements of the Code, the Board reviews its own performance annually. The assessment covers the effectiveness and performance of the Board as a whole, the functioning of the Executive Committee, an evaluation of individual Directors and 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.

In addition, the Code requires that every three years an external third party performs an evaluation of the Board. This last took place in 2013 and was due again in May 2016. However, given the announcement of the retirement of the Chairman and the consequent Board changes, the Board concluded that an external evaluation would deliver greater insight if it took place after the change of Chairman. This will allow the new Chairman's approach to be assessed, and will ensure that the views of any incoming Non Executive Director are taken into account. Accordingly, the external evaluation has been postponed until later in the financial year; however a detailed internal review was led by the current Chairman. This approach has been discussed with a number of stakeholders, including shareholder advisory groups, who agreed that an evaluation after the change of Chairman is likely to deliver greater insight for the Board's future operations and processes.

In order to ensure that Board effectiveness was considered during the financial year, the Board conducted an update exercise to the May 2015 internal review led by the Chairman.

The interim internal review in March 2016 reviewed the Board's performance and concluded that there were no significant areas for concern in respect of the performance of the Board, the individual Directors or the Committees. The Board reviewed the proposed actions from the May 2015 internal review and concluded that good progress had been made in these areas. The main recommendation of the interim review was that the proceedings of the Nominations Committee are enhanced by increasing the frequency of meetings and adopting a more detailed rolling agenda, and this will be implemented during this financial year. The findings of the formal external review planned to be in November 2016, and any related actions, will be fully disclosed in next year's Annual Report.

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 AGM following their appointment and that at each AGM 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 (other than Justin Dowley, who is retiring) stand for re-election at each year's AGM.

In relation to the Directors who are standing for election or re-election, the Chairman is satisfied that, following the formal performance evaluation described above, each of the other Directors continues to be effective and demonstrates commitment to their role. In the case of the incoming Chairman, the Non Executive Directors are satisfied that he continues to be effective and demonstrates commitment to his role.

ENGAGEMENT WITH STAKEHOLDERS

The Company has a comprehensive stakeholder engagement programme which aims to help existing and potential investors understand and communicate with the Group. The programme is designed to ensure regular engagement with institutional investors, shareholder groups and debt investors. Regular feedback is provided to the Board to ensure that they understand the views of stakeholders. During the year, the programme included:

- Capital Markets Seminar: in February 2016, a Capital Markets Seminar was held which included presentations from the Executive team, a number of the senior management team and various portfolio managers from across our strategic asset classes. The seminar provided shareholders and analysts with direct business perspectives on the markets in which the Group operates and the context of recent and future growth opportunities
- Meetings with principal shareholders: throughout the year, the Chairman, Chair of the Remuneration Committee, Chief Executive Officer and Chief Financial Officer have met with a number of principal shareholders. These meetings were largely after the interim and full year results announcements and in the lead up to the AGM. The Chairman also hosted a dinner for a number of principal shareholders with the Senior Independent Director and the Executive Directors in attendance. The full Board has been kept informed of the issues raised at these meetings and the views of shareholders on a regular basis. The Chairman, Chief Executive Officer and other Directors will continue to make themselves available to meet with shareholders as required. Points raised at these meetings have been considered and, to the extent felt appropriate, adopted by the Group
- Analyst meetings: in addition to presentations to analysts that coincide with the announcement of the Group's full year and half year financial results, the Group's Chief Executive Officer, CFO and the Head of Investor Relations have regularly met with analysts to enhance the financial community's understanding of the Group
- Engagement with debt investors: the CFO and Head of Treasury have held regular meetings with the Group's key relationship banks, and have also actively engaged with potential lenders. Update meetings were also held with current and potential holders of public and private debt instruments issued by the Group, and with both Standard & Poor's and Fitch rating agencies
- Annual General Meeting: at the AGM held in July 2015, the Chairman, Chief Executive Officer and other Directors were available to shareholders for discussion and to answer any questions. All shareholders are welcome to attend the AGM
- Informal feedback: Executive Directors and the Head of Investor Relations received feedback from analysts and investors during the year both directly and through the Group's corporate advisers. The Company Secretary also received feedback on governance matters from, and met with, investors and shareholder bodies. This information was shared with the Board to help members develop their understanding of shareholders' views and expectations

RELATIONSHIPS WITH SHAREHOLDERS

The Company recognises the importance of communication with its shareholders. Accordingly, 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 CFO 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, the Senior Independent Director and other Non Executive Directors are happy to attend meetings with major shareholders.

AUDIT COMMITTEE REPORT

WE FOCUS OUR WORK ON THE JUDGEMENTAL AREAS OF ACCOUNTING AND AUDITING. WE MONITOR NEW ACCOUNTING AND REGULATORY DEVELOPMENTS, AND CONSIDER THEIR IMPACT ON THE GROUP. WE PERFORM THIS WORK AGAINST A BACKDROP OF INCREASING GEOGRAPHICAL AND PRODUCT DIVERSITY IN LINE WITH OUR STRATEGIC OBJECTIVES.

KEVIN PARRY
CHAIRMAN OF THE AUDIT COMMITTEE

The following pages set out the Audit Committee report for financial year 2016. The report is structured in five 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 auditor: their appointment, independence, effectiveness and thoroughness
5. Internal audit: the establishment and commencement of activities

DEAR SHAREHOLDER

I am pleased to report on the work of the Audit Committee.

A key responsibility of the Committee is to oversee that financial information presented by the Group is fair, balanced and understandable. To do this we focus on the independence of our external auditors, the assurance provided by internal audit and the quality of financial information. We have overseen investment in this area to reflect the increasing levels of regulation, combined with the evolution of best practice and the expansion of the business.

Our control functions have continued to develop during the year, benefiting from the first full year of the Internal Audit function, the recruitment of a CRO and the expansion of the financial planning and analysis team. The Audit Committee continued to work closely with the Risk Committee and the Remuneration Committee with the aim of effectively covering pertinent topics in the most suitable forum.

The financial statements of the Group are prepared in accordance with IFRS and include the consolidation of nine credit funds which are controlled. The Group's loss exposure to these funds is limited to the capital invested by the Group in each fund. Therefore the Committee believes the presentation of non GAAP measures, including the elimination of the impact of credit fund consolidation, enhances shareholders' understanding of the Group's performance. This year the Committee sought specific assurances on the consistent and accurate calculation of non GAAP measures.

The investment portfolio remains a significant component of the Group's financial returns and therefore, as in prior years, the valuation of investments and associated provisions remains the area of most judgement in the financial statements. I consider our oversight of this process to be a critical responsibility of the Committee.

AUDIT COMMITTEE REPORT
CONTINUED

The Audit and Risk Committees have worked closely together to enable the Group to issue its viability statement for the second year (see page 30) and for the first time to report on the review of the effectiveness of material controls (see page 31). The coherence of our control framework and its importance to the determination of regulatory capital requirements has advanced significantly during the year. Further details can be found in the Risk Committee report on pages 60 to 65.

The comprehensive reporting of our Audit Committee's work is a valuable component of the Annual Report and should reassure shareholders of the importance placed on formal reporting and challenge of executive management by the Non Executive Directors. It was therefore pleasing that our Audit and Risk Committee reporting was recognised as the best in the FTSE250 by the ICSA.

I am standing down from the Audit Committee at this year's AGM to become your Chairman. The search is underway for my successor who will have the opportunity to bring a fresh approach to the Committee's work whilst continuing to ensure quality financial reporting and auditing.

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

Kevin Parry
Chairman of the Audit Committee
23 May 2016

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. The terms of reference which are set out below are unchanged from last year.

- Selecting and recommending the appointment and reappointment (including conducting any tender) of the external auditor and negotiating and agreeing their fees and scope of audit
- Reviewing the performance of the external auditor in respect of scope of work, quality of opinion and quality of service; and ensuring the successful rotation of the lead audit partner
- Reviewing the independence and remuneration 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 information used in making significant judgements, including provisioning, going concern and viability, is sufficient and objective
- Monitoring the integrity of the financial statements of the Group, including its annual and half yearly reports, trading updates and any other formal announcement relating to its financial performance and advising the Board whether it considers the Annual Report to be fair, balanced and understandable
- Approving the appointment or termination of the Head of Internal Audit, approving the internal audit charter and monitoring the effectiveness of the Internal Audit function in the context of the Group's overall risk management framework
- Reviewing and assessing the annual internal audit plan and resources, receiving internal audit reports, monitoring management's responsiveness to Internal Audit findings and recommendations

In carrying out its duties, the Committee is authorised by the Board to obtain any information it needs from any Director or employee of the Group. It is also authorised to seek, at the expense of the Group, appropriate external professional advice whenever it considers it necessary. The Committee did not need to take any independent advice 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, Kim Wahl and Kathryn Purves. Kevin Parry will stand down from the Committee subject to being appointed Chairman of the Company. A search is underway for a new Non Executive Director who will act as Chairman of the Committee with an appointment to be announced in due course.

Biographical details can be found on pages 42 and 43.

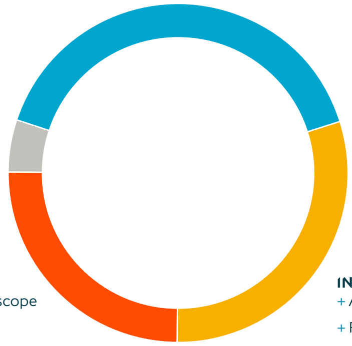
The Committee members have a wide range of business and financial experience, including risk management, fund management and investment, regulation and compliance, M&A, tax and international business practices. These skills ensure the Committee has the relevant sector competence to enable it to fulfil its terms of reference in a robust and independent manner. Kevin Parry, a Chartered Accountant, was previously the Chief Financial Officer at Schroders plc, a managing partner at KPMG and currently chairs two other audit committees. The Board considers that he has competence in accounting and auditing as well as recent and relevant financial experience.

The Executive 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 external auditor, the Group Financial Controller, the Chief Risk Officer and the Head of Internal Audit.

The Committee meets separately with the external auditors and Head of Internal Audit without management present at least 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.

HOW THE COMMITTEE SPENT ITS TIME

FINANCIAL REPORTING
+ Review of Annual and Interim Reports
+ Consideration of critical areas of judgement
+ Going concern and viability statement



OTHER
+ Committee governance
+ Treasury and capital
+ People changes
+ Accounting developments and technical updates

EXTERNAL AUDITOR
+ Negotiates and agrees audit scope and fees
+ Reviews external audit effectiveness
+ Receives reports from Deloitte

INTERNAL AUDIT
+ Approve Strategy and Plan
+ Review internal audit reports
+ Monitor outstanding actions

EFFECTIVENESS

The Committee reviews its terms of reference and effectiveness annually. The terms of reference are summarised above. Both the 2015 and 2016 effectiveness reviews were carried out using an internal self assessment questionnaire.

An external effectiveness review of the Audit Committee will take place in the current financial year. The interim internal review in March 2016 reviewed the Committee's performance and concluded that there were no significant areas for concern in respect of the performance of the Committee or any of its members. The Committee reviewed the proposed actions from the May 2015 internal review and concluded all required actions had been completed. The findings of the formal external review to be held, and any related actions, will be fully disclosed in next year's Annual Report.

The 2015 effectiveness review identified that Audit Committee members would monitor closely the development of the Internal Audit function. The Committee is satisfied with the progress and believes there should be a formal external review of Internal Audit's performance in the current year.

SUMMARY OF MEETINGS IN THE YEAR

The Committee held four meetings during the year in line with the quarterly reporting dates. The Committee members attending each of the meetings can be found on page 47. In addition, there was a sub-Committee meeting to review key aspects of the report and accounts in both May 2015 and May 2016. The bulk of the Committee's time has been spent on financial reporting and presentation, the valuation of investments and the external and internal audit arrangements.

AUDIT COMMITTEE REPORT
CONTINUED

REVIEW OF THE YEAR

The agenda of the Committee comprises recurring business; seasonal business and other business. 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		
The content of the annual, semi-annual and quarterly financial reporting needs to be appropriate, complying with laws and regulation. (see page 101 and the Auditor's report on pages 103 to 109)	We reviewed all sections of the Annual Report having particular regard for the Committee's specific responsibilities for the financial statements. We reviewed and challenged work undertaken by management to assess which third party funds and portfolio companies are either controlled by the Group or over which the Group exercises significant influence. We reviewed all accounting policies for continued appropriateness and consistency.	We concluded that whilst the Group did not control any portfolio companies, it exercised significant influence over eight entities and controlled nine credit funds during the financial year. Accordingly the controlled entities have been consolidated into the Group's financial statements and the entities over which the Group exercises significant influence have been equity accounted. This has had the impact of grossing up the balance sheet, with total assets and total liabilities both increasing by £2.0bn (2015: £1.5bn). There were no important changes to accounting policies (see pages 116 to 120) and we concluded the accounting policies remained appropriate. Based on our enquiries of management and external auditors, we concluded they are being properly applied in areas such as revenue recognition, valuation of financial assets, impairments and taxation. We concluded that the areas of judgement (see pages 120 and 121) are properly explained. We gained comfort from financial management and the external auditors that the Group complied with reporting requirements.
Taken as a whole, the Annual Report needs to be fair, balanced and understandable so that it is relevant to readers. (see page 101 of the Annual Report)	We held preparatory discussions with management to determine the format of the Annual Report and reviewed the assigned responsibilities for its content and overall cohesion and understandability. Management compared our Annual Report with that of other alternative asset managers and best practice more widely. In light of that work we commented on design and detailed content, ensuring that feedback on the prior year Annual Report had been addressed and examples of best practice had been carefully considered in the context of the Group. A late draft of the Report and Accounts was reviewed by both the Audit Committee and the Board. We used the Executive Directors' and the Committee's knowledge to determine the overall fairness, balance and understandability prior to final approval by the Board. We considered judgemental matters such as the key risks (see pages 32 to 35), estimates and the period covered by the viability statement.	We received confirmation that individuals' responsibilities had been fulfilled and confirmed that the overall report was consistent with the Directors' knowledge. This allowed the Audit Committee and the Board to be satisfied that the Annual Report taken as a whole is fair, balanced and understandable. We were satisfied that the information presented in the Strategic Report was consistent with the performance of the business reported in the financial statements. In particular, we were satisfied that the estimates and quantified risk disclosures in the financial statements are consistent with those identified in the Strategic Report. The Committee concluded that appropriate judgements had been applied in determining the estimates and that sufficient disclosure has been made to allow readers to understand the uncertainties surrounding outcomes. We were satisfied that the viability statement should consider a three year time horizon reflecting both our internal planning cycle and the timescale over which changes to major regulations and the external landscape affecting our business typically take place. We will continue to monitor feedback for future enhancements to the Annual Report.

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
FINANCIAL REPORTING CONTINUED		
Investments represent 85% of our total assets. 88% are carried at fair value and 12% are carried at amortised cost. As the assets are mainly unquoted and illiquid, considerable professional judgement is required in determining their valuations and associated provisions and impairments. (see notes 5 and 9 to the financial statements and the Auditor's report on pages 103 to 109)	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 review focused on key assumptions, macroeconomic factors and sponsorless transaction monitoring. The Committee accordingly gained substantive evidence of the appropriateness of reliance on compliance with the Group's valuation procedures.	Based on the work of the Committee, executive management was asked to look again at the valuation of a technology investment. Following further work, management determined that the fair value of the investment equalled cost and should be amended and the asset categorised as a Level 2 investment. The auditors subsequently concurred with the amended valuation. Following the revision to the valuation, the Committee concurred with the valuations and determined that no further adjustments were necessary.
Non GAAP measures aid understanding of the financial statements but must not detract from GAAP measures. (see KPIs on pages 10 to 13)	The Group uses the following non GAAP measures: – Total AUM – Fee rate on total AUM – Performance of investments – ROE We discussed the use of non GAAP measures and reviewed their consistency with prior years. We received comfort from internal audit that the non GAAP measures had been prepared on a consistent basis with prior years.	We were satisfied that non GAAP measures, which are widely used in the asset management industry, can provide insight into future performance from the perspective of both our shareholders and our customers. We reviewed the non GAAP measures and were satisfied that they did not detract from GAAP measures. We were satisfied that amending the weighted average fee rate KPI to be based on total fee earning AUM was appropriate and agreed that this was a better measure of the long term fee streams of the fund management business.
Revenue recognition and cash flows are not entirely aligned which can result in income being recognised prematurely or too late. (see note 3 to the financial statements and the Auditor's report on pages 103 to 109)	We reviewed the income recognition of management fees, performance fees and interest income carefully to ensure that the treatments were consistent with the Group's accounting policies.	We concluded that revenue has been properly recognised in the financial statements.

AUDIT COMMITTEE REPORT
CONTINUED

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
EXTERNAL AUDIT		
The auditor needs to be independent of management to report on the truth and fairness of the Annual Report without conflicts of interest. (see the Auditor's report on pages 103 to 109)	We reviewed the standing policies on services that can be provided by Deloitte (see External auditor on page 57) for their continued appropriateness as to scope and fees. We received confirmations from management and Deloitte of adherence and agreed the fees paid. We also reviewed the audit fees in the context of the size and complexity of the audit. The Committee considered the impact of legislation restricting the use of auditors for non audit services and decided that Deloitte should be replaced as the Group's corporate tax advisers ahead of the 1 April 2017 deadline (see page 57).	We concluded that our conflicts of interest policy remains appropriate and in line with best practice. We determined that the Group audit fee of £0.9m appropriately reflected the scope and complexity of the work undertaken by Deloitte.
The audit process needs to be effective so that the auditor's opinion is robust. (see the Auditor's report on pages 103 to 109)	We discussed the areas of risks that may result in a material misstatement of the financial results extensively with Deloitte. We determined that we had a shared understanding of these risks. Whilst planning the audit, Deloitte set out for the Audit Committee the key tests that they would perform on the higher risk areas and the Committee was satisfied with the proposed scope. The Committee requested detailed feedback on findings and discussed those findings prior to the approval of the Annual Report. The Committee ascertained that during the year there had not been any independent review of the Group's prior year audit. The audit partner confirmed that none of his audits had been subject to an independent review during the year and that one audit file had been subject to internal review in the prior year and was found to be compliant. Further details on the work the Committee undertook to assess the effectiveness of the audit, including a review of the Audit Quality Review of Deloitte, an interview with Deloitte about their approach to the audit of the financial statements and an oral report from the subsidiary audit partner in Jersey can be found on pages 57 to 58.	We were satisfied that the audit is effective and the opinion is robust and based on the representations, that the approach was directed to provide a reliable audit opinion with a reasonable expectation of detecting material errors, irregularities and fraud.
INTERNAL AUDIT		
Oversight of the internal audit function	During the year the Committee considered and approved the updated Internal Audit Strategy and plan for FY16 and FY17, taking into account the principal risks to the Group, and approved the Internal Audit Charter. The Committee reviewed the scopes of the internal audit reviews performed, the agreed reports produced and monitored management's progress in implementing the actions agreed. The Committee's review of the work undertaken by Internal Audit focused on significant risk issues identified, ensuring that reports were agreed and issued in a timely manner and that the timetable for implementation of agreed recommendations was both realistic and adhered to. Further details of the work of Internal Audit can be found on page 59.	The Committee is satisfied that the Internal Audit Strategy and Plan will provide appropriate assurance on the controls in place to manage the principal risks to the Group. The Committee is satisfied that reports are issued in a timely manner following reasonable challenge of recommendations and deadlines for changes are being set appropriately.

In addition to the significant matters addressed above, the Committee maintained a rolling agenda of items for its review including the capital strategy, financial and management reporting, risk and treasury management capabilities, relevant people changes, the going concern concept of accounting (see page 96), the viability statement (see page 30), the Auditor's report (see pages 103 to 109), accounting developments and the auditor's management letter. 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 to 65. The Audit Committee reviewed the competence and quantity of the financial management function, which was enhanced during the year by the recruitment of a financial planning and analysis specialist, and was satisfied that the function was able to fulfil its first line of defence duties. The Committee noted that ad hoc projects often benefitted from specialised external resource.

The Group has an established control framework as described on page 31. 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.

The Board's responsibilities for the management of risk are addressed further in the report of the Risk Committee.

EXTERNAL AUDITOR

AUDIT APPOINTMENT

Following the review of the 2015 audit, the Audit Committee recommended that Deloitte LLP should be proposed to shareholders as the Company's auditors. The shareholders voted in favour of their reappointment. Deloitte 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 occurred in the current year when David Barnes succeeded Calum Thomson following the 2015 AGM.

The Committee complies with the UK Corporate Governance Code, the FRC Guidance on Audit Committee with regard to the external audit tendering timetable and the provisions of the EU Regulation on Audit Reform. In addition, the Committee complies with all aspects of the Competition and Markets Authority Statutory Audit Services Order. Under the transitional arrangements for the regulations we are required to change our audit firm for the 2022 year end audit. Absent any major service or quality issues, the desirability of a change of auditor is a delicate balance between a 'fresh pair of eyes' and accumulated knowledge applied to produce a robust audit. The Committee is satisfied that David Barnes has the experience and industry knowledge to be an effective lead audit partner and do not propose to undertake an early audit tender process. David Barnes' term as lead audit partner is due to end with the completion of the 2020 year end audit. The Committee intends that the audit will be tendered and rotated to another firm of auditors at that time. These plans will be kept under annual review and, if legislation changes, or there are any concerns as to Deloitte's independence or the quality of their audit or the service levels, the audit tender might be undertaken sooner.

AUDIT QUALITY AND EFFECTIVENESS

The Audit Committee places great importance on the quality and effectiveness of the external audit. In assessing quality and effectiveness, the Committee looks to the audit team's objectivity, professional scepticism, continuing professional education and its relationship with management.

The Committee's assessment includes an annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. 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 2015. 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 including more effective communication and interaction with management. The Audit Committee discussed the output with Deloitte who acknowledged that improvements could be made. Thereafter, Deloitte wrote to the Committee detailing the actions and timeline to address the points raised, particularly in respect of communication and interaction, to improve their service delivery.

In addition to the annual evaluation, the Committee undertakes an ongoing assessment of external audit quality and effectiveness in the following ways:

- The Committee negotiates and agrees the scope of the audit prior to its commencement. The full scope audit coverage amounted to 93% (2015: 96%) of the Group's profit before tax and 98% (2015: 94%) of the Group's net assets. Specific review procedures were performed on another nine non significant entities

AUDIT COMMITTEE REPORT
CONTINUED

- The Committee reviewed and was satisfied with the content of Deloitte's Audit Transparency Report for the year ended 31 May 2015 which sets out Deloitte's commitment to audit quality and governance
- The Audit Quality Review team of the Financial Reporting Council performs an annual review of Deloitte's audits. The Committee requested a letter from Deloitte on whether any generally identified failings or failings specific to individual audits could be relevant to the audit of the Group. We were satisfied, insofar as the issues might be applicable, that Deloitte had proper and adequate procedures in place for our audit
- The Committee enters into a formal engagement with the auditor, negotiates and agrees its audit fee
- The Committee Chairman has at least bi-monthly meetings with the lead audit partner to discuss Group developments
- The Committee receives at every Audit Committee meeting an update of Deloitte's work, compliance with independence and its findings
- There was a detailed interview by the Audit Committee Chairman, the Chief Financial Officer and the Group Financial Controller of the audit partner and director focusing on the work undertaken to support their opinion on the financial statements and the consistency of the remainder of the report and accounts with their work. In addition, the Committee received an oral report from the subsidiary audit partner in Jersey at the conclusion of the local audit
- The Committee reviewed and discussed the audit findings including audit differences prior to the approval of the financial statements

We have discussed the accuracy of financial reporting (known as materiality) with Deloitte both as regards accounting errors that will be brought to the Audit Committee's attention and as regards amounts that would need to be adjusted so that the financial statements give a true and fair view. Errors can arise for many reasons ranging from deliberate errors (fraud etc.) to good estimates that were made at a point in time that, with the benefit of more time, could have been more accurately measured. Overall audit materiality was set at £12.2m (2015: £14.4m). This equates to approximately 1% of net assets. A lower materiality of £3.7m (2015: £4.4m) has been applied for fund management revenues. This is within the range that audit opinions are conventionally thought to be reliable. The auditors use the overall materiality to determine which group entities require full scope audits or specific audit procedures to be performed in order to confirm that the financial statements are free of material misstatement. Further details can be found in the Auditor's Report on page 103. To manage the risk that aggregate uncorrected errors become material, we agreed that Deloitte would draw to the Audit Committee's attention to all identified uncorrected misstatements greater than £244,000 (2015: £288,000) and for fund management revenues £72,000 (2015: £88,000).

The aggregated net difference between the reported pre-tax profit and the auditor's judgement of pre-tax profit was £0.1m, which was significantly less than audit materiality. The gross differences were attributable to various individual components of the income statement. No audit difference was qualitatively or quantitatively material to any line item in either the income statement or the balance sheet. Accordingly, the Audit Committee did not require any adjustment to be made to the financial statements as result of the audit differences reported by the auditor.

In accordance with relevant independence standards, the External Auditors do not place reliance on the work of Internal Audit.

NON AUDIT SERVICES

The Board has an established policy setting out what non audit services can be purchased from the firm appointed as External Auditors. The Committee regularly monitors non audit services being provided to the Group by Deloitte 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 is and is not allowed to provide to the Group, including those which are pre-approved by the Committee and those which require specific approval before they are contracted for, subject to de minimis levels. A copy of the policy can be found on the Group's website www.icgam.com. The policy prohibits the external auditor from being a contractor to perform the following work:

- Book-keeping and other services related to accounting records and financial statements
- Internal audit services
- Financial information system design and implementation
- Actuarial services
- Management functions
- Valuation services
- Legal services

Legislation will introduce restrictions on the provision of non audit services plus a 70% cap on the provision of permissible non audit services based on the average of the statutory audit fees for the previous three years. The restrictions on non audit services are effective for our financial year beginning 1 April 2017 and we understand that the 70% cap will be implemented prospectively and will first apply for our financial year beginning 1 April 2020. Tax advisory services are prohibited from being undertaken by the external auditors under these new rules. As a result the Group will replace Deloitte as its corporate tax advisers in the current financial year. This process is already underway with the appointment of PricewaterhouseCoopers for some tax advisory work.

During the year the Group paid £0.4m (2015: £0.4m) to Deloitte LLP for the provision of corporate non audit services which is within the 70% audit fees legal limit that will apply over a rolling three year period. Of this, £0.1m is in respect of services in their capacity as auditor and £0.3m of fees were incurred for tax compliance and advisory services not related to the audit of the financial statements. All non audit services were approved by the Committee. Deloitte also provides services to funds that are managed by the Group but over which it does not exercise control. Deloitte is a leading market participant in the non audit sector, 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 by all advice being provided by partners and staff that have no involvement in the audit of the financial statements. 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 11 on page 143.

AUDITOR REAPPOINTMENT

Deloitte has reviewed its and its relevant affiliates' own independence in line with its internal criteria and ethical standards. They have confirmed to the Committee that following the review, they are satisfied that they have acted in accordance with relevant regulatory and professional requirements. Deloitte has also confirmed to us that the audit complies with their internal independent review procedures. Last year's audit was not subject to either an independent quality assurance process undertaken internally by Deloitte or externally by the FRC. If this year's audit is selected by either process, we will seek assurances that recommendations for improvements are embraced by the audit team.

The Committee, having considered compliance with our policies on independence and the findings of our quality review and service enquiries, is satisfied that Deloitte has demonstrated the skills and service standards to justify a recommendation to shareholders for their reappointment as auditors for the year ending 31 March 2017. Accordingly a motion to that effect will be put to the 2016 AGM.

INTERNAL AUDIT

The Group has a Head of Internal Audit who draws on the services of our outsourced internal audit providers, KPMG and RSM to supplement her capacity. The Head of Internal Audit reports to the Audit Committee Chairman. The Audit Committee approves the annual internal audit plan and the Internal Audit charter. The scope of internal audit is not restricted and the plan is developed from a consideration of the principal risks to the Group and, given the recent establishment of the function, the coverage of the Group as a whole. Its development reflects the priorities of management, the CRO, our regulators and the Audit Committee. Internal audit retains sufficient flexibility to embrace intra-year changes, such as the establishment of new investment strategies or changes to the principal risks of the Group. During the year 13 reviews were completed, responded to by management and reviewed by the Audit Committee. The Committee pays particular attention to remedial actions and timescales and deadlines that are not achieved.

Throughout the year, the Committee monitored the development of internal audit reports, commenting specifically on scopes of reviews. Reports have been tailored to the Group's risks, focusing on areas of concern and future indicators of risk whilst at the same time highlighting opportunities to streamline processes. These reports have been further enhanced by the development of a common risk language by the CRO.

The Committee has overseen the establishment of an effective working relationship between the Head of Internal Audit and the CRO. By ensuring that the roles are coordinated and optimised it reduces the potential for significant gaps in oversight and avoids unnecessary duplication of efforts. The Committee is satisfied that Internal Audit is independent of the first and second lines of defence. During the year the Head of Internal Audit and the CRO have worked together on improving reporting on the effectiveness of internal controls to meet the revised requirements of the UK Corporate Governance Code.

INTERNAL AUDIT EFFECTIVENESS

The Committee has assessed the quality of the Internal Audit function, taking into consideration that this was the first complete year of operation. The assessment focused on ensuring that the internal audit service provided met the requirements of the Committee as to scope and objectivity. The assessment was based on the results of questionnaires completed by the Committee members and the Executive Directors and was supported by feedback from other relevant senior management. Having completed the review, and discussed its findings with the Head of Internal Audit, the Committee was content with the work of Internal Audit whilst seeking more commercially orientated recommendations.

RISK COMMITTEE REPORT

THE IDENTIFICATION, CONTROL, MITIGATION AND REPORTING OF RISKS ARE CORE TO THE SUCCESSFUL DELIVERY OF THE GROUP'S STRATEGIC OBJECTIVES. OUR WORK FOCUSES ON ENSURING THAT THE GROUP UNDERSTANDS THE MATERIAL RISKS ARISING FROM BOTH THE GEOGRAPHIC AND PRODUCT EXPANSION OF THE GROUP AND FROM NEW EXTERNAL REGULATIONS, AND MANAGES THOSE RISKS TO WITHIN THE BOARD'S RISK APPETITE.

KATHRYN PURVES
CHAIRMAN OF THE RISK COMMITTEE

The following pages set out the Risk Committee report for the financial year 2016. The report is structured in two parts:

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

DEAR SHAREHOLDER

In November 2015 I became Chairman of the Committee and, as Chairman, I am pleased to report on the work of the Risk Committee during the year. I would like to thank Kevin Parry for his contribution as inaugural Chairman of the Committee.

I recognise that the management of risk is a dynamic process. As the Group continues to develop and its environment changes, the risks to the business, and the controls necessary to manage those risks require regular review. I believe that a risk management framework provides structure to this review and enables effective oversight of risks and controls.

As the Group continues to expand its geographical and product footprint, whilst simultaneously absorbing ongoing regulatory change, the Committee has focused on systems of control and monitoring. I consider that the appointment of the CRO, the ongoing activities of the Operational Risk Group and the work of Internal Audit have enhanced the maturity of the Group's risk management processes. Following the arrival of the CRO during the year, the Group's three lines of defence structure for internal control ensures clear segregation of risk ownership, oversight and assurance.

The Risk Committee continued to work closely with the Audit Committee and the Remuneration Committee throughout the year with the aim of effectively covering pertinent topics in the most suitable forum.

During the year the Committee has considered both the design of the risk framework and the risk management processes and methodologies in place to enable the Group to identify, assess, monitor and control threats. As a result of these reviews and, in conjunction with the CRO, a number of enhancements to the risk management framework were identified and implemented.

Good risk management practice requires a sound understanding of the Group's risks, the appetite for risk taking and mitigations to limit downside exposure. During the year the Committee undertook a robust assessment of the Group's principal risks, taking into account changes in the business and those in the wider environment. The principal risks faced by the Group and how they are managed are set out on pages 32 to 35 of this Annual Report.

The Committee reviewed the improvements to reporting on the effectiveness of material controls to meet the revised requirements of the UK Corporate Governance Code (see page 31).

I consider that a core component of an effective risk management framework for a financial services business is the ICAAP. The ICAAP is an important tool in understanding the impact of business decisions and external events on the Group's regulatory capital position. The ICAAP is utilised on an ongoing basis, in particular to assess the regulatory capital implications of business decisions, and is formally reviewed by the Committee on an annual basis.

During the year, the Committee reviewed management's assessment of the regulatory capital implications of the 2015 special dividend prior to it being discussed by the Board. In addition, the CRO undertook a thorough review of the Group's ICAAP to ensure that it reflected current best practice. The Committee will ensure that future business decisions continue to consider the regulatory capital position.

Comprehensive reporting of the work of the Risk Committee and the risks faced by the Group is an important component of the Annual Report. It was therefore pleasing that the 2015 Annual Report was recognised as the Best Audit and Risk disclosure in the FTSE 250 by the ICSA.

THE YEAR AHEAD

The identification, control, mitigation and reporting of risks are fundamental aspects of operating in the financial services sector. As a result the Committee will continue to monitor the risks faced by the Group in delivering its strategic objectives, particularly emerging risks, and the effectiveness of controls. The Group's regulatory capital position will remain a significant focus as we monitor delivery of the strategy.

We expect to see the continued enhancement of the risk management framework including the establishment of an executive risk committee.

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

Kathryn Purves
Chairman of the Risk Committee

23 May 2016

GOVERNANCE OF RISK

On behalf of the Board, the Committee encourages, and seeks to safeguard, high standards of risk management and effective internal controls.

ROLES AND RESPONSIBILITIES

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

- Reviewing the Group's identification, and management, of current and forward-looking principal risks
- Reviewing material risk events and implementation of remedial action where necessary
- Advising the Board on risk appetite and tolerance and monitoring the Group's position against agreed appetites
- Reviewing the ICAAP when appropriate and at least annually
- Reviewing the risk management framework, approving risk policies, standards and limits within the overall appetite and tolerance approved by the Board
- Reviewing reports on the effectiveness of the Group's risk management systems and internal controls
- Reviewing the Group's procedures for identifying, assessing, controlling and mitigating the principal risks faced by the Group
- Ensuring that procedures allow for proportionate and independent investigation of identified issues and appropriate follow up action
- Advising the Remuneration Committee on the alignment of remuneration with risk appetite
- Reviewing and approving the statements to be included in the Annual Report concerning risk management
- Annually considering and approving the remit of the risk management function

RISK COMMITTEE REPORT CONTINUED

COMPOSITION

The Committee consists of Non Executive Directors only. The current members are Kathryn Purves (Chairman of the Committee), Justin Dowley, Peter Gibbs, Kevin Parry and Kim Wahl.

+ Biographical details can be found on pages 42 to 43

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. In particular, Kathryn Purves was recently the CRO of Partnership Assurance Group plc and Kevin Parry is the former chairman of Schroder plc's executive risk committee. These skills enable the Committee to fulfil its terms of reference in a robust and independent manner.

The Executive Directors of the Board are not members of the Committee but attend meetings at the invitation of the Chairman of the Committee. The CRO attends all meetings of the Committee and the Group Compliance Officer, Head of Internal Audit and the Company Secretary also attend meetings.

EFFECTIVENESS

The Committee reviews its terms of reference and effectiveness annually.

An external effectiveness review of the Risk Committee will take place later in the financial year. The interim internal review in March 2016 reviewed the Committee's performance and concluded that there were no significant areas for concern in respect of the performance of the Committee or any of its members. The findings of the formal external review to be held, and any related actions, will be fully disclosed in next year's Annual Report.

The 2015 effectiveness review was completed by all Risk Committee members and regular invited attendees. The review included best practice questions. The results confirmed that the breadth of the Committee's work has expanded in line with Group developments and that it operates effectively, fulfils its terms of reference, and receives reliable and trustworthy information from management. At the time of the review, most respondents were looking forward to the presence of a CRO which would allow for the preparation of more comprehensive papers and improvements in formal regulatory documents.

SUMMARY OF MEETINGS IN THE YEAR

The Committee held four meetings during the year. In each of its meetings, it discusses principal and emerging risks with management, receives a report from the CRO (incorporating the work of the Operational Risk Group) and receives reports on global compliance (including the monitoring programme) and regulatory developments, funds, risk management and operational controls. Other work is undertaken periodically, either once or twice a year, including 'deep dives' into particular areas and risks where thought necessary. Over the course of the year the Committee considered and discussed the following significant matters.

HOW THE COMMITTEE SPENT ITS TIME

PRINCIPAL AND EMERGING RISKS
+ Identification and management of principal risks
+ Risk appetite and tolerances

RISK MANAGEMENT FRAMEWORK
+ Review of the updated risk management framework
+ Oversight of risk policies

REGULATORY RISKS
+ Impact of regulatory change
+ ICAAP
+ Resourcing

RISK MANAGEMENT PROCEDURES AND CONTROLS
+ Effectiveness of risk management systems
+ Review of risk events and remedial actions

OTHER
+ Committee governance
+ People changes
+ Best practice developments

RISK COMMITTEE REPORT
CONTINUED

REVIEW OF THE YEAR

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
The Group is exposed to risk as the regulatory requirements for its activities change	The Committee received regular updates setting out the enacted and expected changes to regulations. The Committee considered in detail the requirements of MiFID II, focusing on potential changes to product governance, delivery of best execution to investors and changes to the structure of remuneration. The Committee discussed the resourcing and oversight required to manage the new regulatory requirements. The Committee was updated on a visit by the Monetary Authority of Singapore, the Singaporean regulator of the Group's Singaporean subsidiary following the granting of its licence.	The regular updates provide sufficient information to enable the Committee to be satisfied that the Group manages its compliance affairs with appropriate diligence. The Committee requested regular updates on implementation of MiFID II. + **Principal risk – see pages 34 to 35**
Review of risk management framework	The CRO was tasked with reviewing the Group's risk management framework and proposing any changes thought necessary. The CRO updated the Committee following his review of the existing risk management framework. The current approach was deemed effective, but could be enhanced with improvements to risk registers and developing and embedding a common risk language across the Group. The review of the risk management framework was supported by a non executive training session by Deloitte on risk management frameworks (see page 48).	The Committee supports the changes proposed and is satisfied that the proposed risk management framework is appropriate for the risks of the Group.
ICAAP – the Internal Capital Adequacy Assessment Process	The impact of the proposed special dividend on the regulatory capital position of the Group was considered prior to the special dividend proposal being discussed at the Board. The Committee undertook a detailed reviewed of the ICAAP, reviewing the current and future impact of the principal risks facing the Group on the Group's regulatory capital position. The CRO took external advice in the preparation of the ICAAP to provide a market benchmark. The Pillar 3 disclosures are available on the Company's website at www.icgam.com	The Committee was satisfied that the Group would have sufficient regulatory capital resources following the payment of the proposed special dividend. The Committee is satisfied that the Group has and will have adequate regulatory capital in the event of the crystallisation of principal risks faced by the Group. The ICAAP is an important tool and will continue to be used in decision making processes.
Corporate Governance Code changes	During the year the Committee considered and approved the proposals to enhance the processes for monitoring the effectiveness of material controls and the resulting enhancements to reporting. The requirement to issue a viability statement had been early adopted in the 2015 Annual Report.	The Committee is satisfied that the enhanced process is sufficient to identify all material controls. The Committee worked closely with the Audit Committee to review the effectiveness of material controls and confirmed that there were no areas of significant weakness and it was satisfied that the key controls operated effectively throughout the year.
Other principal risks (see pages 32 to 35) – the Group uses a risk scorecard as a key part of its risk management framework. The scorecard summarises the principal risks faced by the Group, the tolerance of the Group to each respective principal risk, and key risk indicators that indicate, for each principal risk, the extent to which the tolerance is being approached or has been exceeded	The Committee has overseen and challenged the assessment and management of principal risks faced by the Group by reference to the risk scorecard which has been presented to the Committee regularly during the year. The Committee carefully considered proposed changes to the principal risks as a result of changes in the business. This review reaffirmed the relevance of many of the existing principal risks, recognised the opportunity to consolidate closely associated risks and highlighted the need to add or remove a small number of risks. In conjunction with this review, the stated risk tolerance of the business was challenged.	The Committee considers that the principal risks faced by the Group and the tolerances and key risk indicators for each principal risk are adequately captured by the processes in place. The Committee is satisfied that the risk scorecard is an effective mechanism for identifying and monitoring the principal risks to which the Group is exposed. The Committee expects to see ongoing improvements to this process with further key risk indicators identified and monitored, additional commentary to clarify movements in key risk indicators and a forward-looking view.

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
Specific risk reviews	The Committee reviewed employee turnover across the Group, with particular attention paid to those considered to be key individuals. The Committee reviewed key leavers and the reason for their departure.	The Committee considers that the controls in place to manage this risk are operating effectively and recognises that the residual risk is increased as a result of current market conditions. The Group has successfully recruited for key roles. **+ Principal risk – see pages 34 to 35**
	The Committee received a detailed briefing on cyber security which included a review of types of cyber attack and their possible objectives. The briefing set out the areas to be considered by the business in establishing an appropriate risk management policy and detailed the actions completed and the business's plan to enhance security and increase the business's capability to detect and manage cyber attacks.	The Committee challenged the level of ongoing training to ensure all staff were vigilant to threats. The Committee is satisfied that the plan set out is sufficient to manage this ongoing threat. **+ Principal risk – see pages 34 to 35**
	The Committee has received regular updates on the activities of the Treasury Committee in managing the Group's exposure to financial risks and, in particular, in ensuring the Group has sufficient resources and liquidity to meet its requirements. During the year the Board reviewed and approved recommendations to amend the counterparty exposure threshold set out in the Group's Treasury Policy.	The Committee concluded that the Treasury Committee was effective in managing these risks for the Group and will continue to receive regular reports of their activities. **+ Principal risk – see pages 34 to 35**
	The Committee received a briefing on conduct risk from the Group Compliance Officer setting out the regulators' expectations for business conduct. There were no significant issues identified but areas where the Group should consider improving its processes were identified and a plan was agreed to deliver those enhancements.	The Committee supports the implementation of the proposed enhancements to manage conduct risk within the Group.

OTHER MATTERS CONSIDERED

In addition to the significant matters addressed above, the Committee maintained a rolling agenda of items for its review including funds risk management and operational controls, the adequacy of resourcing in the compliance and risk functions, and compliance with internal policies.

INTERNAL AUDIT AND COMPLIANCE MONITORING

The Committee supported the Audit Committee in its oversight of the internal audit programme (see page 59), which is risk based. It is designed to permit changes to the programme in the light of changed circumstances and has been updated to reflect the changes in the principal risks recognised by the Group.

Additionally, in March, in conjunction with the Audit Committee, the Committee reviews and approves the programme of compliance monitoring to be undertaken during the following fiscal year and at each of its subsequent meetings reviews the status and output of compliance monitoring actually undertaken relative to the planned programme. During the year the Committee ensured that appropriate monitoring was undertaken in accordance with the approved programme for the year. No significant matters of concern were identified.

NOMINATIONS COMMITTEE REPORT

WE FOCUS ON THE COMPOSITION OF THE BOARD AND THE SKILLS AND EXPERIENCE OF ITS MEMBERS. THIS ENSURES THAT THE BOARD HAS THE NECESSARY KNOWLEDGE AND BROAD MARKET AWARENESS TO MEET THE CHALLENGES FACED BY THE GROUP.

JUSTIN DOWLEY
CHAIRMAN OF THE NOMINATIONS COMMITTEE

The following pages set out the Nominations Committee report for the financial year 2016. The report is structured in two parts:

1. Committee Governance: roles and responsibilities, composition and effectiveness
2. Review of the year: the significant issues we addressed

DEAR SHAREHOLDER

The focus of the Nominations Committee is to consider the skills and experience of the Board, with particular regard to regulation in the financial services sector. This was particularly important this year as I, a Non Executive Director since 2006 and Chairman since July 2010, informed the Board of my intention to retire from the Board in light of my long service. While I was involved in the process to consider a replacement Chairman, as a matter of good practice the Committee was chaired by Peter Gibbs during its deliberations in respect of the appointment. The Committee considered a number of candidates, including Kevin Parry, the Senior Independent Director. Kevin was not present at any deliberations relating to his potential appointment.

When considering Board appointments, our priority is to identify a person who fits with the culture and management style of the Company and ensure that the right person is appointed to the role regardless of background, while bearing in mind the advantages of diversity at the level of the Board. After considering a number of potential candidates for appointment as Chairman, it was proposed that Kevin Parry be recommended. His existing knowledge of the Group and its business is invaluable, and far greater than that of any other candidate. In addition, Kevin scored very highly in the benchmarking process due to his considerable experience in the financial services sector, his understanding of applicable regulations, his extensive service on other PLC boards and his background as an accountant; the Committee concluded that he is an excellent candidate to act as Chairman.

Kevin's nomination as Chairman is subject to his reappointment as a Director of the Company at the AGM on 21 July 2016. If approved, he will take up the role from the end of that meeting. As the Chairman of the Company cannot serve on the Audit Committee, Kevin will step down from that Committee (of which he is currently Chairman). His replacement will be appointed and announced in due course.

Apart from the process of appointing a new Chairman and a Non Executive Director, the main focus of the Committee during the year was on reviewing the size, structure and composition of the Board and considering succession planning. The Committee also reviewed the time commitments of Non Executive Directors and concluded that each of them is able to devote sufficient time to their role.

THE YEAR AHEAD

The Committee's focus during the year will be on considering the balance of skills and experience of Directors, and reviewing the structure and composition of the Board in general.

If any shareholder has questions on the work of the Committee, I am very happy to respond to these at the Company's AGM or at any other time.

Justin Dowley
Chairman of the Nominations Committee
23 May 2016

GOVERNANCE OF NOMINATIONS

ROLES AND RESPONSIBILITIES

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

- Identifying, and nominating for the Board's approval, candidates to fill any Board vacancies
- Succession planning, including the progressive refreshing of the Board
- Ensuring that all appointments to the Board are made on objective criteria and that candidates have sufficient time to devote to their prospective responsibilities
- Regularly reviewing the appropriateness of the size, structure and composition of the Board
- Considering the composition of the Board to ensure that the balance of its membership between Executive Directors and Non Executive Directors is appropriate

COMPOSITION

The Nominations Committee consists of five Non Executive Directors, these being Justin Dowley (Chairman of the Committee), Kevin Parry, Peter Gibbs, Kim Wahl and Kathryn Purves. The Company Secretary acts as Secretary to the Committee. From the end of the Company's AGM on 21 July 2016, Justin Dowley will retire from the Company and Kevin Parry will become Chairman of the Nominations Committee. It is anticipated that any Non Executives appointed during the year would join the Committee.

+ Biographical details can be found on pages 42 to 43

Appointments of Executive 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.

TERMS OF REFERENCE

The Committee's terms of reference are approved and reviewed by the Board on a regular basis, most recently in January 2016. The terms of reference are available on the Company's website or by contacting the Company Secretary.

EFFECTIVENESS

An evaluation of the Committee's effectiveness was undertaken by the Committee Chairman in April 2015. The responses were shared with the Committee and it was concluded that the Committee continues to operate effectively. The review concluded that the current Board had an appropriate mix of skills, but may be enhanced by broader geographic and asset class experience. These factors have been important considerations for the Committee in the search for new Directors.

This evaluation was updated by the Committee Chairman in March 2016 ahead of the formal external review of the Group's Board and Committees to be held later in this financial year. It was agreed that the Committee continues to operate effectively; however, to enhance the proceedings of the Committee, the number of regular meetings will be increased and a more formal rolling agenda will be implemented.

NOMINATIONS COMMITTEE REPORT CONTINUED

REVIEW OF THE YEAR

APPOINTMENT OF A NEW CHAIRMAN

Once the Chairman indicated his intention to retire to other members of the Committee, the Committee met to discuss their initial approach. At that meeting Kevin Parry indicated his interest in being considered as a candidate and therefore suggested he should not take any further part in the meeting. From that point forward, all matters relating to the Chairman search were led by Peter Gibbs as acting Chairman of the Committee. Neither Justin Dowley nor Kevin Parry took part in those deliberations.

The Committee approved a job description for the Chairman's role and appointed a leading recruitment agency to search for available candidates. The agency conducted extensive research and provided a number of CVs for potential appointees. The CVs provided were reviewed and benchmarked by the Committee, and compared with the CV of Kevin Parry. The Head of Human Resources had conducted a detailed review of the CVs and competencies of all candidates, and awarded a score to each candidate on key criteria (relevant asset management experience, relevant experience as a director of other PLC boards, governance and regulatory knowledge, and understanding of the Company). The Committee received this report and noted that Kevin Parry had received the highest score in this process; his prior experience (and in particular his audit experience) placed him above other candidates in this exercise.

The Committee then formally considered Kevin Parry's suitability for the role. He has considerable existing knowledge of the Company and its business; he has served as a Non Executive Director of the Company since 2009. He has good relations with management and is well known to shareholders, who have always been very supportive of resolutions to re-elect him. He also sits on, or has sat on, the boards of a number of other listed entities and has a very wide knowledge of UK corporate governance matters. While there were a number of other good candidates available, it was not possible to tell whether they would be able to match Kevin Parry's skill set, especially in terms of his understanding of the Company; further, even if they were able to do so over the long term, there was a risk of disruption to the smooth operation of the Board if it took time for the appointee to gain the necessary knowledge of the business. The Committee therefore concluded that it should recommend that Kevin Parry be offered the role of Chairman, subject to reappointment by shareholders at the AGM in July 2016.

A number of larger shareholders were contacted by Peter Gibbs just prior to the announcement of the proposed change of Chairman to make them aware of the decision.

Subsequent to the above recommendation, the Committee (including Justin Dowley and Kevin Parry) noted that there would be a need for different Directors to act in the roles of Senior Independent Director and Chairman of the Audit Committee as these cannot be carried out by the Chairman. It was recommended that, given his extensive service on boards of other companies and his background in the asset management sector, Peter Gibbs be appointed as Senior Independent Director. The Company will seek to appoint a new Non Executive Director to join the Board during the coming months; on appointment, this Non Executive will act as Chairman of the Audit Committee and so the skill set for that role will be a key requirement of the search.

SIZE, STRUCTURE AND COMPOSTION OF THE BOARD

The Committee intends to keep the size, structure and composition of the Board under review during the year, particularly in the light of the appointment of a new Chairman and Non Executive Director to act as Chairman of the Audit Committee. While the new appointments enhance the ability of the Board to meet regulatory demands and provide more audit specific experience, the Committee is keen to ensure that the overall skill set of the Board is not detrimentally altered by the retirement of Justin Dowley. As the outgoing Chairman has considerable experience both from his executive career in investment banking and his numerous roles as a non executive, the Committee will monitor the balance of the Board to ensure that this valuable insight and expertise is still available from the existing members, and will recommend a further appointment if necessary.

SUCCESSION PLANNING

During the year, the Committee considered Non Executive succession as detailed elsewhere in this report. There was also an extensive report provided by the Chief Executive Officer (with input from the other Executive Directors) on executive succession, covering several tiers of management. The report considered potential successors in key positions, gave details of the proposed approach for those persons who do not have possible internal successors and discussed how talented individuals can be identified early in their careers and given an appropriate career track. Following the presentation of this report, the Committee agreed that there are no material concerns in respect of executive succession.

DIVERSITY

The Committee has a standing 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 the role. In considering candidates, appointments are made with regard to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skills, experience and expertise. The Committee seeks 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 supportive of increased gender diversity at Board level, but recognises that it may not always be in the best interest of shareholders to prioritise this above other factors. The Committee will consider gender diversity, along with all other relevant factors, when making future recommendations to the Board.

REMUNERATION COMMITTEE REPORT

OUR OBJECTIVE IS TO ENSURE, ON BEHALF OF THE SHAREHOLDERS, THAT REMUNERATION IS SUFFICIENT TO ATTRACT, RETAIN AND MOTIVATE OUR STAFF TO DELIVER THE GROUP'S STRATEGY. WE SEEK TO ALIGN SHAREHOLDERS AND EMPLOYEES AND FOCUS ON RISK MANAGEMENT AND APPROPRIATE OVERSIGHT.

PETER GIBBS
CHAIRMAN OF THE REMUNERATION COMMITTEE

The following pages set out the Remuneration Committee reports and associated disclosures for financial year 2016. The reports are structured into five parts:

1. Governance of remuneration: Our scope and terms of reference
2. Review of the year: The significant topics we addressed
3. Compensation summary: An overview of the remuneration arrangements in place
4. Directors' Remuneration Policy Summary
5. Annual Report on Remuneration

DEAR SHAREHOLDER

I am pleased to present the Directors' Remuneration Report for the financial year ended 31 March 2016, which explains the remuneration decisions made by the Remuneration Committee in respect of the Executive Directors and the amounts paid and awarded to them in respect of the year.

We are not seeking shareholder approval for a revised Directors' Remuneration Policy at the 2016 AGM and shall continue to operate within the policy approved at the 2014 AGM for another year. Over the course of the next few months, we shall be reviewing our policy, as it reaches the end of its three year life, with a view to presenting an updated policy for shareholder approval at the 2017 AGM.

There have been no changes over the course of the year in the way that we reward the Executive Directors and our other staff members.

VOTING OUTCOME AT 2015 AGM

The Committee was disappointed with the outcome of the shareholder vote on the Remuneration Report at the 2015 AGM as we had discussed the report with our major investors in advance of the meeting and had the support of 16 of our 20 largest shareholders. We were also aware that the Investment Association's Institutional Voting Information Service (IVIS) had not raised any concerns over our report. We understand that Institutional Shareholder Services (ISS) issued a recommendation to vote against the report on the grounds that our disclosure of incentive outcomes did not adequately explain the linkage to performance.

We have attempted to address that concern in this report by disclosing additional information in respect of the KPIs and other factors taken into account in determining individual awards to be made to Executive Directors in respect of FY16 (see page 85). I also explain below the rationale behind the incentive arrangements we have implemented, which are unusual for a FTSE 250 company.

REMUNERATION COMMITTEE REPORT CONTINUED

ANNUAL AWARD POOL (AAP)

In order to be able to retain and attract employees of high calibre, we recognise that we need to offer remuneration that is similar in quantum and structure to that provided by the firms with which we compete for talent, particularly private equity firms and investment banks (see page 87 for details of benchmarking).

Five years ago, we introduced the Annual Award Pool (AAP) to link all of our variable incentives to realised cash profit and to provide an overall cap on variable pay awarded by the Company. The value of all incentives (other than third party carry and similar arrangements) awarded over a rolling five year period cannot exceed 30% of realised cash profit over that period. The 30% limit on the AAP provides an overall cap on variable pay whereas the rolling five year period allows for the fact that cash profit at ICG is inherently an unpredictable measure. FY16 marks the end of the first five year period and the cumulative cost of incentives has remained well within the 30% limit for the five year period as can be seen from the table below.

FY ending 31 March	Realised cash profit (£m)	Available Award Pool (£m)	Actual spend on incentives (£m)	Cumulative % of cash profit
2012	164.9	49.5	29.5	17.9%
2013	(10.7)	(3.2)	22.1	33.5%
2014	339.1	101.7	50.2	20.6%
2015	182.6	54.8	48.6	22.3%
2016	184.2	55.3	51.5	23.5%

The majority of remuneration provided from the AAP (58% for FY 16) is deferred, of which 71% is delivered in shares. Balance Sheet Carry awards are made in respect of the financial year (or vintage) in which investments are made and typically do not generate a cash payment for participants for five to seven years.

The Committee remains of the view that realised cash profit is the most relevant performance metric to drive incentives in ICG's business and that the limit of 30% of cash profit continues to be appropriate. Furthermore, given the nature of our business, it is important to have the flexibility of the rolling 30% cap. The Committee will review the balance of awards made under the AAP over the next year to ensure that this continues to reflect and support the business.

EXECUTIVE DIRECTOR ALLOCATIONS FROM THE AAP

Each year, the Committee reviews ICG's performance against a range of KPIs to determine the core level of awards to be made to the three Executive Directors from the AAP. We then consider the personal performance of each of the Executive Directors to determine whether there should be an increase or decrease to the core awards. This year we have again increased the level of transparency of this process in the Annual Report on Remuneration to provide shareholders with a clearer insight into the factors taken into account in making those decisions. (See page 85).

In deciding on the remuneration of our Executive Directors, the Committee has firstly considered the overall performance of the firm which reflects positively on the management group, operating as a team. This has been an excellent year overall with a strong level of funds raised, and highly satisfactory deployment of our funds. Cash profits are in line with last year and we are seeing good growth in our fund management profits. We have also taken some major steps to make our balance sheet more efficient, resulting in further capital distributions to our shareholders.

However, when making individual decisions for the year, we noted that the level of capital raised, whilst extremely high compared to our long term objective, was below the target set for the year and this has been reflected in the awards to Christophe Evain and Benoît Durteste.

The prior year saw an outstanding success in the sale of the assets of our European Mezzanine Fund 2006. This was reflected in an exceptional award to Benoît Durteste in that year only.

During the year we have made strong progress in developing our infrastructure teams including our risk and control functions. This has been reflected in the awards to Philip Keller which were reduced in the prior year following a technical regulatory breach disclosed in last year's Audit Committee report.

Of the variable awards to be made in respect of FY16 to Executive Directors, 91% will be deferred and each element (including the cash bonus) is subject to malus and/or clawback over a period of at least two years after it was earned (see page 77).

More information on the allocation of awards from the AAP to Executive Directors is set out on pages 76 to 77.

I shall be happy to respond to any questions you may have before or at the AGM and look forward to your support.

Peter Gibbs
Chairman of the Remuneration Committee

23 May 2016

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.

– REWARD ON CASH

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

REMUNERATION COMMITTEE REPORT CONTINUED

PART 1: GOVERNANCE OF REMUNERATION

The Committee is authorised by the Board to determine and agree the framework for the remuneration of the Chairman of the Company, the Executive Directors and such other members of the executive management as it is instructed by the Board to consider

REMIT AND RESPONSIBILITIES

The Committee is responsible for:

- Determining the total individual remuneration package of each Executive Director, having given due regard to the contents of the Code, as well as the Listing Rules
- Determining targets for any performance related pay schemes operated by the Company as well as the policy for pension arrangements for each Executive Director
- 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 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 the Group's compliance function, particularly in relation to performance measurement

COMPOSITION

The Committee consists of Non Executive Directors only. The current members are Peter Gibbs (Chairman of the Committee), Justin Dowley, Kevin Parry and Kim Wahl. Justin Dowley will leave the Committee in July due to his retirement from the Board.

Kathryn Purves has attended meetings of the Committee at the invitation of the Chairman to ensure that risk matters are taken into account in determining the remuneration of Directors.

+ Biographical details can be found on pages 42 to 43.

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. Executive Directors and Kathryn Purves attend the meetings by invitation and the Committee consults the Executive Directors about its proposals and has access to professional advice from outside the Company. The Head of Human Resources also attends the meetings as secretary. 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.

+ Committee meetings attendance table page 47

EFFECTIVENESS

An external effectiveness review of the Remuneration Committee will take place later in the financial year. The interim internal review in March 2016 reviewed the Committee's performance and concluded that there were no significant areas for concern in respect of the performance of the Committee or any of its members. The Committee reviewed the proposed actions from the May 2015 internal review, which included making available to the Committee an appropriate range of benchmarking data for comparator companies, and concluded all required actions had been completed. The findings of the formal external review to be held, and any related actions, will be fully disclosed in next year's Annual Report.

ADVISERS TO THE COMMITTEE

PwC has been appointed by the Committee and advises management 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 2016. These advisers were appointed by the Company. The fees charged for advice to the Committee were £121,655 (PwC). Fees are charged on the basis of time spent.

PART 2:
REVIEW OF THE YEAR

The Committee held four meetings during the year. In each of its meetings it discusses people risk, reviews leavers and receives reports on staff. Other work is undertaken periodically. Over the course of the year the Committee considered and discussed the following matters:

MEETINGS	TOPICS ADDRESSED
MAY	Review of the calculation of adjusted pre-incentive cash profit
	Review of market compensation benchmark data
	Review of third party FMC valuation
	Review and approval of compensation recommendations for FY15, taking into account advice from the Group's compliance function in relation to performance measurement
	NED fee review
	2015 Remuneration Committee report
	Review and approval of allocation of entitlement to Third Party Carry (TPC)
	Remuneration Committee terms of reference
SEPTEMBER	AGM and shareholder feedback
	Remuneration policy review
	Review of bonus commitments
	UK pension scheme update
JANUARY	Review of emerging trends within remuneration regulation and governance
	2016 Remuneration Committee report
	Update on remuneration policy review
	Review of bonus commitments
	Review and approval of allocation of entitlement to TPC
	Remuneration Committee annual timetable review
	Remuneration policy annual review
MARCH	2016 compensation review
	Employee engagement survey
	Update on remuneration policy review
	Executive Director's compensation benchmark review
	2016 Remuneration Committee report
	UK pension policy

REMUNERATION COMMITTEE REPORT CONTINUED

PART 3: COMPENSATION SUMMARY

An overview of our remuneration arrangements including details of FY16 awards to Executive Directors and other staff

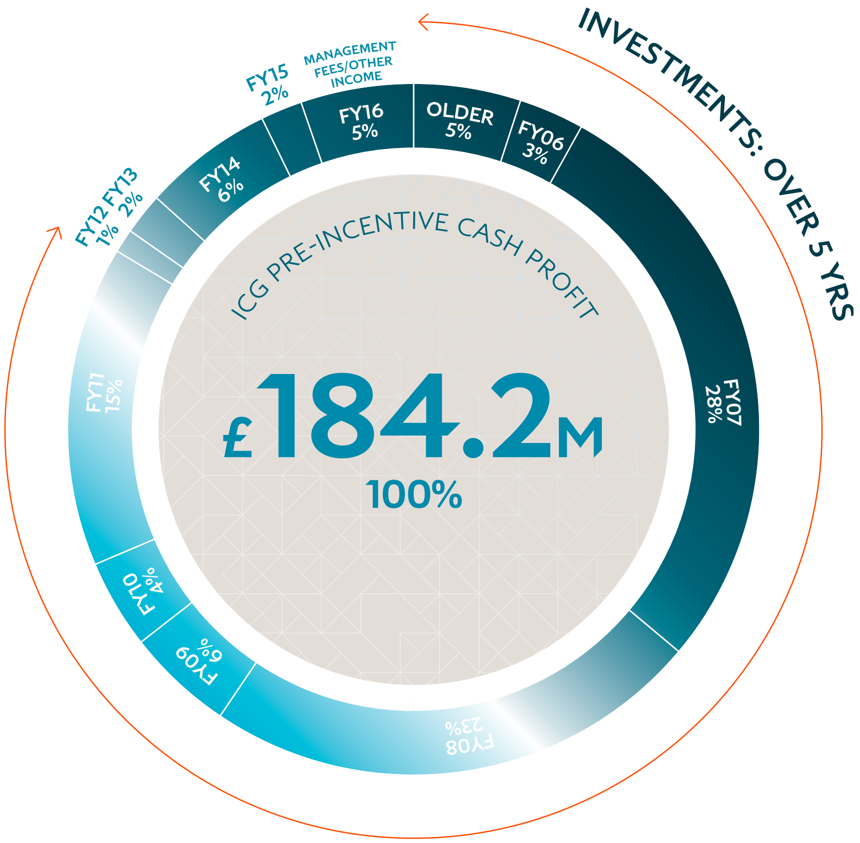
84%

OF PRE-INCENTIVE CASH PROFIT IS LONG TERM IN NATURE

LONG TERM NATURE OF CASH PROFIT

Key drivers of cash profit are the realisation of investments in our IC and increasingly the receipt of management fees by our FMC. Our IC typically has a holding period of 4–5 years, and as can be seen in the chart below cash profit will be generated from successful investments from a number of vintages. This approach not only ensures we only reward our team when investments have been successfully realised, but also illustrates the inbuilt deferred nature of our AAP.

The following chart shows the origination by year of cash profit generated in FY16:



ALIGNED TO OUR STRATEGIC OBJECTIVES

Our strategy to maximise shareholder returns by growing our Fund Management business and optimising the use of our balance sheet is fully aligned with our remuneration principles. Returns to shareholders and variable remuneration are both paid out of cash profits, thereby directly linking the motivations of our staff and our shareholders.

+ Our strategy page 1

ANNUAL AWARD POOL (AAP)

In each year 30% of pre-incentive cash profit is added to the AAP, and over a five year rolling period sets the maximum that can be paid in variable remuneration. (See page 78 for details of how our pre-incentive cash profit is calculated.) The five year rolling period reflects the cash flow profile of the business which can be unpredictable in any given year and allows us to take a longer term view. We exercise discretion over the amount awarded in variable compensation each year, based on an assessment of market levels of pay and individual performance. This is subject to the overall cap on the AAP.

ADJUSTED CASH PROFIT FY16
£184.2M

ANNUAL AWARD POOL
£55.3m
30%

AVAILABLE TO SHAREHOLDERS
£128.9m
70%

ACTUAL VARIABLE COMPENSATION SPEND FY16
£51.5m
28.0%

RETAINED PROFIT
£56.4m
43.8%

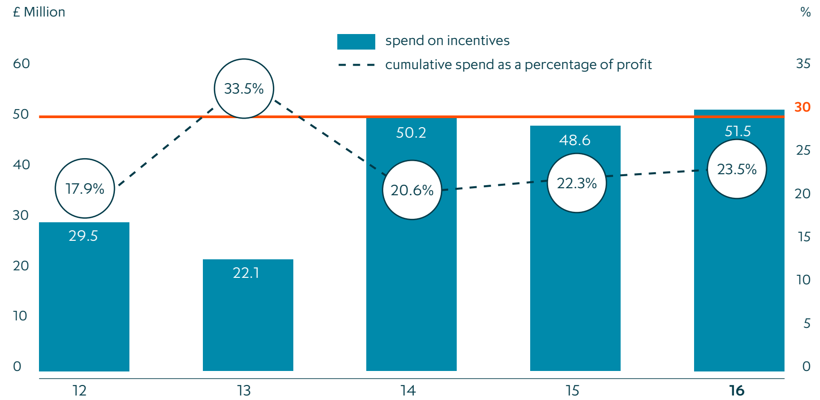
DISTRIBUTED TO SHAREHOLDERS
£72.5m*
56.2%

*Excluding the proposed £200m special dividend.

AVERAGE AAP SPEND OVER FIVE YEARS

The graph below shows the rolling average spend from the AAP made in FY16 and the preceding four years compared to the 30% maximum. This shows the ability for the Committee to adjust awards year by year having regard to both single year cash profit and the longer term performance of the business.

AVERAGE AAP SPEND



REMUNERATION COMMITTEE REPORT CONTINUED

PART 3:
COMPENSATION SUMMARY CONTINUED

ALLOCATION OF THE AWARD POOL

Of the total amount of variable awards made in FY2016, 16.3% were made to Executive Directors, of which 91% was deferred in nature. Please see page 85 for more details of how Executive Director compensation is linked to their performance.

TOTAL AWARDS FY16
£51.5M

VARIABLE AWARDS TO EXECUTIVE DIRECTORS
£8.4m
16.3%

VARIABLE AWARDS TO OTHER STAFF
£43.1m
83.7%

The remuneration policy for Directors is set out on pages 78 to 83. The variable compensation mix for all employees is allocated according to the framework below.

+ See pages 79 to 80 for details of the different types of award made

Employee	Annual Bonus/DSA	PLC Equity Award	FMC Equity Award	Balance Sheet Carry	Performance Fees
Executive Director	•	•		•	
Investment Executives	•		•	•	•
Business Infrastructure Partner or Director	•	•			
Other staff	•				

EXECUTIVE DIRECTOR AWARD

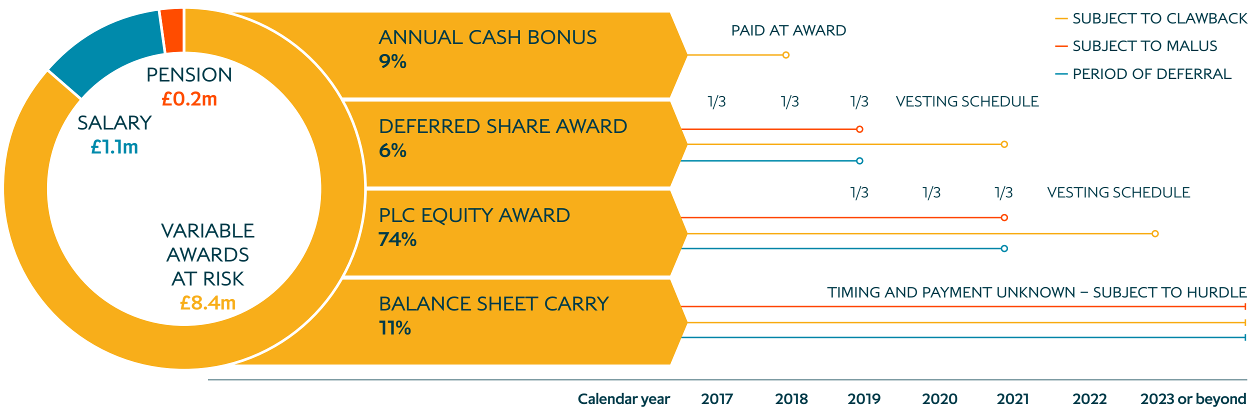
All variable awards made to the Executive Directors are subject to malus and clawback provisions.

TOTAL VARIABLE AWARDS TO EXECUTIVE DIRECTORS
£8.4m

100%

OF VARIABLE AWARDS TO EXECUTIVE DIRECTORS IN RESPECT OF FY16 ARE AT RISK

PERIOD OF DEFERRAL AND RISK



Executive Directors also have the opportunity to participate in carried interest schemes directly with third party funds (see page 89) by purchasing the interest at market value. The Company also operates a shadow carry scheme, which is designed to mirror the value of third party carry in certain circumstances. No awards of shadow carry were made to Executive Directors during the current year.

REMUNERATION COMMITTEE REPORT CONTINUED

PART 4: DIRECTORS' REMUNERATION POLICY SUMMARY

This section describes the remuneration policy for Executive Directors that has been in operation since 2010 and which was approved at, and applies from, the AGM held on 23 July 2014

A full copy of the Policy approved by shareholders at the 2014 AGM is available on the ICG website under the Shareholders Governance section. Minor amendments have been made to this policy summary to reflect changes in Board Membership, dates of re-election and the extension of existing SAYE plans.

Directors' remuneration policy www.icgam.com

ANNUAL AWARD POOL (AAP)

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

- The Omnibus Plan (outlined below)
- The Balance Sheet Carry Plan
- Any performance fees paid to the 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, as internally reported, 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 to the extent they are against 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 has been reviewed during the financial year (see page 73) and 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 strategies, 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 AAP

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 Executive Directors. Any cash awards are distributed from the AAP.

Performance fees (funded by third party investors) and other fund performance 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.

FUTURE POLICY TABLE

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

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE CONDITIONS
SALARY			
+ Adequate to recruit and retain Executive Directors who will drive the business forward + Designed to be sufficient to ensure that employees do not become dependent on their bonuses + Reflects local competitive market levels	– Paid monthly – Normally reviewed annually	– In considering base salary increases, the Committee considers the range of salary increases applying across the Group and local market levels – Increases do not normally exceed the average staff increase, except in the case of a change of role or responsibility	– None
BENEFITS			
+ Appropriate to recruit and retain Executive Directors who will drive the business forward + Reflects local competitive market levels	– Benefits currently receivable by Executive Directors include life assurance, private medical insurance and income protection	– Provision and level of benefits are competitive and appropriate in the context of the local market	– None
PENSION			
+ Adequate to recruit and retain Executive Directors who will drive the business forward + Helps Executive Directors to provide for their retirement	– All Executive Directors are entitled to a pension allowance payable each month with salaries	– The pension allowance available to Executive Directors is 15% of basic salary	– None
ANNUAL BONUS AND DEFERRED SHARE AWARDS			
+ Rewards employees for delivering cash profits, managing the cost base, employing sound risk and business management	– Awards are made after the end of the financial year – The annual bonus is awarded as cash and deferred shares – Executive 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. Dividend equivalents accrue to participants during the vesting period and are paid at the vesting date	– An Executive Director's annual bonus and Deferred Share Award are drawn from the AAP which is capped as described on page 78 – Awards are made based on performance as described on page 85	– An Executive 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

REMUNERATION COMMITTEE REPORT CONTINUED

PART 4
DIRECTORS' REMUNERATION POLICY SUMMARY CONTINUED

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE CONDITIONS
PLC EQUITY AWARD			
+ Rewards senior employees for increasing long term shareholder value + Aligns the interests of senior employees with those of shareholders	– Awards are made after the end of the financial year – 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 – Dividend equivalents accrue to participants during the vesting period and are paid at the vesting date	– An Executive Director's PLC Equity Award is drawn from the AAP which is capped as described on page 78 – Awards are made based on performance as described on page 85	– An Executive 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
FMC EQUITY AWARD			
+ Incentivises those employees charged with accelerating the expansion of the Company's fund management business	– 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 – 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 – The value of a share is determined by an independent valuation every year	– It is not intended that any FMC Equity Awards will be made to Executive Directors in the future	– 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			
+ Encourages investment executives to optimise returns on investment, whilst minimising defaults and losses	– 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 – 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	– An Executive Director's Balance Sheet Carry allocation is drawn from the AAP which is capped as described on page 78 – Awards are made on the basis of grade and performance as described on page 85	– 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

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE CONDITIONS
CARRIED INTEREST OVER THIRD PARTY FUNDS (THIRD PARTY CARRY OR TPC)			
+ 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 Executive Directors and other employees in TPC after the inception of the fund and after investments have been made	– 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	– Awards of TPC and Shadow Carry are made to Executive Directors to reflect their seniority and involvement in the management of the relevant funds	– 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			
+ Provides an opportunity for all employees to participate in the success of the Group	– All 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	– Employees may save the maximum permitted by legislation each month with this scheme	– The Plan is not subject to any performance conditions, as per HMRC legislation
FEES PAID TO NON EXECUTIVE DIRECTORS			
+ To facilitate the recruitment of Non Executive Directors who will oversee the development of strategy and monitor the Executive Directors' stewardship of the business	– 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	– 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	– None of the Non Executive Directors' remuneration is subject to performance conditions

REMUNERATION COMMITTEE REPORT CONTINUED

PART 4 DIRECTORS' REMUNERATION POLICY SUMMARY CONTINUED

NOTES TO THE POLICY TABLE

PERFORMANCE MEASURES AND TARGETS

The AAP is determined through an assessment of the Group's financial performance by the Executive Committee and Remuneration Committee. Cash profit provides a link between income generation for shareholders and employee compensation (see page 84).

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

Executive Directors have performance objective set and KPIs are monitored by the Remuneration Committee. Details of these KPIs are set out on page 85.

Further management information is provided to the Remuneration Committee and Executive Committee on performance to ensure that financial results are put into the context of wider performance and risk appetite.

SHAREHOLDING REQUIREMENTS

To align the interests of the Company's Executive Directors with those of shareholders, Executive Directors are 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.

LEGACY REMUNERATION SCHEMES

The Key Employee Retention Share Plan (KERSP) was adopted on 23 May 2005 and formed part of the Company's remuneration policy in previous years. No awards have been made under this plan since June 2008 and the plan was phased out following a review of remuneration in 2010. Some awards granted under the plan are still held by Executive Directors; these will lapse in June 2016. The performance conditions for the options granted under the KERSP will not be met and so all awards will lapse without payment, and no benefit will accrue to Executive Directors under this scheme.

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 AAP and is allocated by reference to role, responsibility and performance. Awards to individuals may be made up of different types of award as appropriate to incentivise them depending on their role within the business.

The quantum of each of these awards is determined by the size of the AAP, 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 2014.

SERVICE CONTRACTS

EXECUTIVE DIRECTORS

The Company's policy is for Executive 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 Executive Directors serving during the year are shown below.

Executive Director	Date of service contract	Last re-elected	Re-election frequency	Notice period	Non-compete provisions	Compensation on termination by the Company without notice or cause
Christophe Evain	30 May 2006	15 July 2015	Annual	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					
Benoît Durteste	21 May 2012					

The Committee reserves discretion to make an annual bonus award to an Executive 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.

NON EXECUTIVE DIRECTORS

Non Executive Directors do not have contracts of service and are not eligible to join the designated Group pension plan or receive payment for loss of office. All Non Executive Directors have three months' notice period, are re-elected annually and were last re-elected in July 2015. Details of Non Executive Directors' appointment dates are as shown below. Justin Dowley is not seeking reappointment at the Company's AGM in July 2016 and is retiring from the Board.

Non Executive Director	Date appointed
Justin Dowley	February 2006
Peter Gibbs	March 2010
Kevin Parry	June 2009
Kathryn Purves	October 2014
Kim Wahl	July 2012

ANNUAL REPORT ON REMUNERATION

PART 5: ANNUAL REPORT ON REMUNERATION

This section reports on remuneration paid during the financial year

DETERMINATION OF THE ANNUAL AWARD POOL (AUDITED)

The central feature of the Remuneration Policy is the AAP. 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 AAP for the financial year under review and the four previous years.

£m	FY12	FY13	FY14	FY15	FY16	**Cumulative**
Cash profit	164.9	(10.7)	339.1	182.6	184.2	**860.1**
AAP, being 30% of cash profit	49.5	(3.2)	101.7	54.8	55.3	**258.1**
Spend on incentives	29.5	22.1	50.2	48.6	51.5	**201.9**
Cumulative percentage of cash profit spent	17.9%	33.5%	20.6%	22.3%	23.5%	**23.5%**

The AAP is limited to 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. Managing the AAP by reference to a five year rolling average is a shareholder protection to ensure that variable awards to employees are made in a considered long term way rather than as a sharp reaction to a single year's performance. Realised cash profits are significantly driven by the realisation of investments, which is unpredictable and often beyond the Company's direct control. In a strong profit year (such as FY14), the Committee may choose not to distribute the full AAP, but can instead choose to retain some of it for use in future years, while in a lower profit year the Committee may choose to distribute some of the retained AAP.

This approach allows the Committee to plan over multiple years and smooth fluctuations in realisations. In strong profit years the Committee is not compelled to make awards which may be excessive, while in years with a lower cash profit and/or no investment realisations, staff can still be appropriately incentivised to protect the long term interests of the business and mitigate the risk of undesirable loss of talent. In both cases due regard is given to projected results of future periods and to ongoing management and retention of employees. The amounts awarded therefore may not fully correlate to annual variations in cash profit, but this reflects the multi-year approach taken by the Committee. The Committee is mindful each year of the appropriate level of compensation to ensure the retention of staff at all levels, and seeks to ensure that staff are rewarded against appropriate benchmarks.

Due to the protection of the AAP being set at a 30% rolling average with regard to performance over a multi-year period, the Remuneration Committee does not feel that formal upper limits on remuneration payable to Executive Directors are required. Within the AAP limit, the Remuneration Committee must appropriately reward all staff, and has regard to the balance between Executive Directors and other employees. The need to remunerate all staff from this pool in a way that will attract and retain talent acts as a natural and inbuilt ceiling on how much the Executive Directors may be awarded; however, as the AAP itself varies each year in an unpredictable manner depending on performance, it is not appropriate to set limits on awards to Executive Directors before the results of their performance are known.

EXECUTIVE DIRECTORS – KEY PERFORMANCE INDICATORS

An Executive Director's annual incentive award is governed by the size of the AAP and their individual performance as determined by the annual appraisal process. At the beginning of the financial year under review, the Company assigned the Executive Directors a number of Key Performance Indicators (KPIs) broadly in the areas of fundraising and growth, investment portfolio performance, operational and risk management measures, performance management and financial performance.

LINK TO STRATEGY

1 Grow assets under management

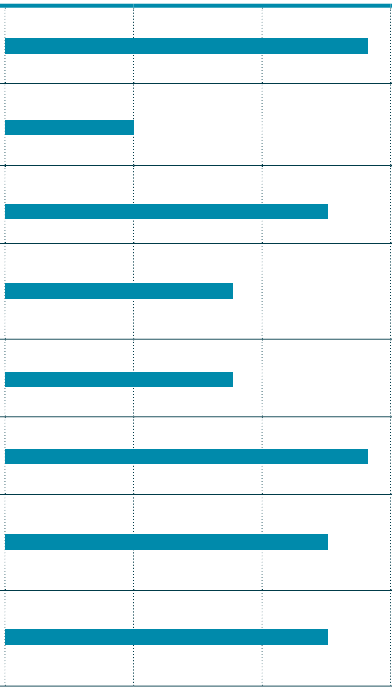
2 Invest selectively

3 Manage portfolios to maximise value

EXECUTIVE DIRECTORS – PERFORMANCE IN THE YEAR

A summary of the KPIs, and the Executive Directors' performance against these objectives is set out below:

KPI	Link to Strategic Objectives	Weighting	Target	Performance (Underperforming / Performing / Outperforming)	Narrative
Long Term Fundraising Objective (third party capital committed)	1	15%	€4bn p.a.		In FY16 the Group raised €5.2bn of gross inflows exceeding its long term target.
Short Term Fundraising Objective (third party capital committed)	1	15%	€5.8bn		The FY16 target set by the Board was €5.8bn. This was not met due to closure of the CLO market in the second half of the year.
% of full realisations above fund hurdle rate	3	12.5%	80%		During FY16 there were a number of successful realisations including a number of older assets.
Fund deployment in line with expectations	2	10%	27%		Fund deployment remains strong in competitive markets. In FY16 we deployed 29% (on a weighted average basis) of our largest closed end funds against a target of 27%.
Impairments	3	12.5%	<2.5%		Impairments were below our long term target at 2.3% of the opening loan book.
FMC profit margin	1	10%	>40%		At 41.9% we exceeded our target FMC profit margin whilst maintaining operational investment in business development activities.
Gearing	3	10%	0.8–1.2x by July 2016 following any return of capital		At 31 March 2016 gearing was 0.70x and will increase to middle of the target range with the payment of the proposed special dividend of £200m in July 2016.
Target adjusted ROE	3	10%	>13% following any return of capital		Adjusted ROE of 12.9% exceeded the target of 11.7%, will increase materially following the proposed capital return in July and exceed the 13% target.



In addition to the above KPIs, each Executive Director is also measured against the effective application of commercially appropriate risk management practices, metrics and controls. In some years, some strategic initiatives may be too sensitive to be disclosed as KPIs. It is the intention of the Committee that these will be retrospectively disclosed in future years once they are less sensitive. There were no such KPIs in this year.

Performance against KPIs is first assessed for the Executive Directors as a group, to recognise the collaborative leadership structure and joint decision making of the Executive Committee. This ensures that all Executive Directors are aligned with, and jointly responsible for, the Group's strategic direction and key decision making. This year, the Committee was of the view that there has been strong performance against a number of the KPIs, with fundraising above long term target levels and highly satisfactory deployment of our funds. Cash profits are in line with last year and we are seeing good growth in fund management profits. We have also taken some major steps to improve balance sheet efficiency, leading to further capital distributions to shareholders. The Committee also noted the short term fundraising target was not met. All of these factors were considered in setting the core amount of the awards to all Executive Directors. Once Group performance has been assessed against the KPIs and a base level for awards (adjusted according to the individual's role within the organisation) is established, the Remuneration Committee may make individual adjustments upwards or downwards to reflect an individual Executive Director's performance during the year. The Remuneration Committee considered carefully whether any individual adjustments were required.

The Committee noted that the level of capital raised was above the long term objective but fell slightly below the short term target set for FY16; this has been reflected in the awards made to Christophe Evain and Benoît Durteste. The good performance in terms of fund deployment was also reflected in these awards.

Benoît Durteste's remuneration in the current financial year is materially lower than the prior year when he led an area of work which had a significant impact on the financial performance of the Group: the sale of the assets of European Fund IV 2006.

The FY16 award to Philip Keller has increased compared to the prior financial year when a downward adjustment was made in the light of a technical breach in our regulatory disclosures as identified in last year's Audit Committee report. This has been satisfactorily addressed and there has also been strong progress in our infrastructure functions and improvements in the efficiency of our financial structure. During the year, the Group has enhanced its resources and procedures in the areas of compliance and risk management, embedding risk management and control further into our day to day activities. This has been shown by the recruitment of a CRO and his enhancement of our risk processes (see pages 28 to 29); and by the appointment of two new professionals for the Compliance function.

The Executive Directors' KPIs for FY17 have been set in the same categories as those disclosed above. The specific targets are not disclosed due to commercial sensitivity but will be disclosed in next year's Annual Report.

You can read more about the Group's strategic objectives on pages 10 to 13

ANNUAL REPORT ON REMUNERATION
CONTINUED

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 2016 for each Executive Director, together with comparative figures for the previous financial year:

Executive 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 £000
Christophe Evain									
2016	**369.0**	**11.1**	**55.4**	**300.0**	**735.5**	**2,851.7**	**708.3**	**–**	**4,295.5**
2015	360.0	11.2	54.0	469.4	894.6	2,869.4	1,334.7	4.5	5,103.2
Benoît Durteste									
2016	**369.0**	**10.1**	**55.4**	**250.0**	**684.5**	**2,271.4**	**2,532.5**	**–**	**5,488.4**
2015	360.0	10.3	54.0	569.4	993.7	3,219.4	2,156.8	–	6,369.9
Philip Keller									
2016	**369.0**	**7.9**	**55.4**	**216.7**	**649.0**	**1,550.4**	**450.4**	**–**	**2,649.8**
2015	360.0	7.7	54.0	245.9	667.6	1,145.9	883.2	2.3	2,699.0

Total emoluments paid to all Directors were £2,591,000 (2015: £3,060,000). See page 90 for details of payments to Non Executive Directors.

Further information on the performance of Executive Directors is set out on page 85.

Notes

1 Each Executive Director receives medical insurance (taxable), life assurance (not taxable) and income protection (not taxable).

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 in respect of the year from BSC and shadow carry. In FY16, 86% of the long term incentives payments received related to awards made to Executive Directors more than three years ago (with 22% of the long term incentive payments received related to awards made more than five years ago).

In the case of Benoît Durteste, 86.2% of the long term incentives payments received in the period relate to awards made in his role as an Investment Executive prior to his appointment as an Executive Director.

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 Executive Directors is shown on page 90. Additionally, this figure represents the value of SAYE grants made during this financial year.

ADDITIONAL INFORMATION IN RESPECT OF THE SINGLE TOTAL FIGURE

In the financial year under review, in line with the Directors' remuneration policy, the base salary payable to each Executive Director has been increased to £369,000 per annum from £360,000 per annum, a 2.5% increase. The percentage increase received is in line with other employees.

HOW DO WE BENCHMARK OUR COMPENSATION?

Remuneration awards are benchmarked against the following peers in the major jurisdictions where the Group operates:

- Listed financial service companies
- Listed Private Equity firms
- Investment banks
- Listed asset managers
- Unlisted asset managers
- Unlisted Private Equity firms
- Other organisations as appropriate for the individual role

The Group's Human Resources team carries out an extensive annual exercise to benchmark proposed salaries and deferred awards for all employees. This exercise covers employees at all levels and in all geographies and provides an assessment which shows how a particular employee is remunerated compared to the market in their particular field. Executive Director compensation is heavily benchmarked against a range of peers and the available data set has been discussed regularly by the Remuneration Committee (see page 73).

The benchmarking exercise draws on a wide variety of sources including information from recognised independent market data providers, our own insight from dealing with recruitment consultants and other advisers, experience from our own recruitment and staff turnover and our understanding of market competitors.

Due to the unique nature of the Group's business as a listed entity which competes for talent against other asset managers and listed and unlisted private equity employers as well as investment banks, it is necessary to obtain a wide range of comparison sets. Hence, while we do consider other listed financial service companies in our benchmarking, they are not the only relevant comparator.

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED)

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

Scheme interest awarded	Basis on which award was made	Percentage of award for minimum performance	End of period over which performance measures and targets must be achieved	Christophe Evain £	Philip Keller £	Benoît Durteste £
Deferred Share Award	50% of any annual bonus in excess of £100,000 is awarded in deferred shares	100	Vest one third at the end of the first, second and third years following the year of grant. There are no further performance conditions.	369,416	145,869	469,416
PLC Equity Award	Result of Director's annual appraisal	100	Vest one third at the end of the third, fourth and fifth years following the year of grant. There are no further performance conditions.	2,500,000	1,000,000	2,750,000

The share price on the date of award of PLC Equity and Deferred Share Awards was £5.471. This was the middle market quotation for the five dealing days prior to 20 May 2015.

TOTAL PENSION ENTITLEMENTS (AUDITED)

No Executive Directors had a prospective entitlement to a defined benefit pension by reason of qualifying services.

ANNUAL REPORT ON REMUNERATION
CONTINUED

BALANCE SHEET CARRY AWARDS

It is not possible to accurately value Balance Sheet Carry which is awarded to individuals, as the value of awards will depend on performance over a multi-year period and, if a hurdle is not met, awards may never have any value. Amounts actually received under Balance Sheet Carry awards are disclosed in the single figure table (under 'Long Term Incentives') in the year in which they arise (see page 86).

However, to allow budgeting and management of allocations from the AAP, an internal assumption is made as to the potential investment performance of balance sheet investments at a money multiple of 1.5 times. Despite the uncertainty of both the value and timing of this return, no risk weighted discount is applied. While the actual outcome will inevitably be different, the below table shows the notional value of Balance Sheet Carry that were allocated from the AAP for awards made to Executive Directors during the financial year. This is not included within the Single Figure Table.

	Notional value as a charge to AAP £
Christophe Evain	461,169
Benoît Durteste	461,169
Philip Keller	308,262

Executive Directors' allocation of Balance Sheet Carry represents 5.03% of the total available for allocation to employees in FY16.

DIRECTORS' INTERESTS IN SHARES (AUDITED)

At 31 March 2016, Directors held the following interests in shares of the Company:

Executive Directors	Shares held outright	DSA and PLC Equity Award interests	SAYE options subject to service condition	Share options subject to performance[1]	Share options vested but unexercised[1]	Shareholding requirement met?
Christophe Evain	1,432,048	2,452,080	5027	23,771	–	✓
Philip Keller	624,686	1,480,022	5,106	10,808	181,439	✓
Benoît Durteste	226,139	1,647,909	2,593	13,831	–	✓

1 Share options awarded under prior policy, the current Directors' Remuneration Policy does not award share options.

The Executive Directors are required to hold 119,225 shares, being 200% of their annual salary at the share price prevailing on 31 March 2016. There are no shareholding requirements for Non Executive Directors. At 31 March 2016 Justin Dowley held 102,547 shares outright and Kevin Parry held 16,788 shares outright.

Subsequently, DSA and PLC Equity Awards were made to Executive Directors in respect of their prior year performance. A total of 435,248 interests over shares were awarded to Christophe Evain, a total of 346,671 interests over shares were awarded to Benoît Durteste and a total of 236,634 interests over shares were awarded to Philip Keller. Other than these awards, there were no changes to the shareholdings between the year end and the date of this report.

Changes in interests in shares during the year to 31 March 2016 were as follows:

- In May 2015 Benoît Durteste sold 171,154 shares and Philip Keller sold 150,000 shares. Christophe Evain sold 25,000 shares in June 2015
- DSA and PLC Equity Award interests awarded in prior years vested on 1 and 2 June 2015. The shares held outright by Executive Directors increased as follows: Christophe Evain – 583,817; Philip Keller – 350,936; Benoît Durteste – 70,785
- In June 2015 Benoît Durteste exercised 67,840 options over shares awarded under a prior policy. The option price paid was £5.05 per share and the market price at exercise was £5.59. The shares have been retained and form a part of the shareholding disclosed above
- In July 2015 Christophe Evain exercised 4,945 options over shares under a Save As You Earn scheme. The option price paid was £1.82 per share and the market price at exercise was £5.89. The shares have been retained and form a part of the shareholding disclosed above
- The share consolidation which took place in July 2015 in association with the payment of a special dividend reduced the shares held outright by Directors as follows: Christophe Evain – 237,393; Philip Keller – 104,116; Benoît Durteste – 37,691; Justin Dowley – 17,092
- In March 2016 Christophe Evain exercised 99,090 options over shares awarded under a prior policy. The option price paid was £4.84 per share and the market price at exercise was £5.74. At the time of exercise 91,388 shares were sold to meet the option price and tax. 7,702 shares were retained and form a part of the shareholding disclosed
- In March 2016 Kevin Parry purchased 16,788 shares in the market at a price of £5.93 per share

The share price at 31 March 2016 was £6.19. The average option exercise price of vested but unexercised options held by Executive Directors is £6.01.

SHAREHOLDER IMPACT OF AWARDS

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 has established the ICG EBT 2015 which may be used to hold shares and cash in conjunction with employee incentive schemes established by the Company from time to time.

EXECUTIVE DIRECTORS' CO-INVESTMENT IN THIRD PARTY FUNDS

Increasingly, fund investors expect Executive Directors to co-invest in funds. The following amounts have been invested by current Executive Directors from their own resources into third party funds operated by ICG:

Executive Director	EOS €000	ICG Longbow III £000	Total Credit €000	Europe Fund IV 06 B €000	ICAP 08 $000	IMP 08 €000	RF 08 €000	Europe Fund V €000	SDP I €000	Strategic Secondaries I $000	Europe Fund VI €000	Strategic Secondaries II $000	ICAP III $000
Christophe Evain	250	–	–	775	250	375	150	2,100	250	375	2,000	375	750
Benoît Durteste	400	–	–	617	–	12	–	2,250	250	500	2,000	500	1,000
Philip Keller	100	150	100	428	–	–	150	500	–	375	750	375	400

CARRIED INTEREST ON THIRD PARTY FUNDS

The Company has established for its executives (including Executive 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 hence no remuneration arises. The allocation of carried interest entitlements as at 31 March 2016 was as follows:

	ICG Mezzanine Fund 2003	Intermediate Capital Asia Pacific Mezzanine Fund 2005	Intermediate Capital Asia Pacific Fund 2008	ICG Minority Partners Fund 2008	ICG Recovery Fund 2008
Executive Directors	12.4%	9.5%	21.3%	21.1%	22.0%
Former Executive Directors	25.1%	21.6%	4.3%	21.0%	7.0%
Other executives	37.5%	43.9%	54.4%	37.9%	51.0%
ICG	25.0%	25.0%	20.0%	20.0%	20.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

	ICG Europe Fund V	EF06 B Fund	ICG Europe Fund VI	ICG Senior Debt Partners I	ICG Senior Debt Partners II	ICG Strategic Secondaries Carbon Fund	Intermediate Capital Asia Pacific III
Executive Directors	23.9%	30.3%	22.8%	20.0%	20.0%	18.0%	20.0%
Other executives	56.1%	49.7%	57.2%	60.0%	60.0%	62.0%	60.0%
ICG	20.0%	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%

These carry holdings include third party carry and shadow carry.

Further details of each of these funds can be found on pages 18 to 19.

ANNUAL REPORT ON REMUNERATION
CONTINUED

THIRD PARTY CARRY PURCHASES

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

	% of ICG Europe Fund V points	% of ICG Senior Debt Partners I points	% of Senior Debt Partners II points	% of ICG Europe Fund VI points	% of ICG Strategic Secondaries Carbon Fund points	% of Intermediate Capital Asia Pacific III points
Christophe Evain	0.98%	8.11%	9.33%	9.75%	7.33%	8.19%
Benoît Durteste	0.98%	6.48%	9.33%	9.75%	7.33%	8.19%
Philip Keller	0.33%	5.41%	1.34%	3.25%	3.34%	3.62%

The percentages represent the individuals' share of the carry points available. Further details of these funds are available on pages 18 to 19.

FEES PAID TO NON EXECUTIVE DIRECTORS (AUDITED)

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

				Committee membership				
Non Executive Directors	Board membership fees £000	Board and Committee Chairman fees £000	Senior Independent Director fee £000	Audit £000	Remuneration £000	Risk £000	**Total for year ending 2016 £000**	Total for year ending 2015 £000
Justin Dowley (Chairman)	–	185.0	–	–	5.0	5.0	**195.0**	190.0
Kevin Parry	58.0	24.1	5.0	–	5.0	2.0	**94.1**	86.5
Peter Gibbs	58.0	20.0	–	5.0	–	5.0	**88.0**	86.5
Kathryn Purves	58.0	5.9	–	5.0	–	3.0	**71.9**	66.5
Kim Wahl	58.0	–	–	5.0	5.0	5.0	**73.0**	71.5

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

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

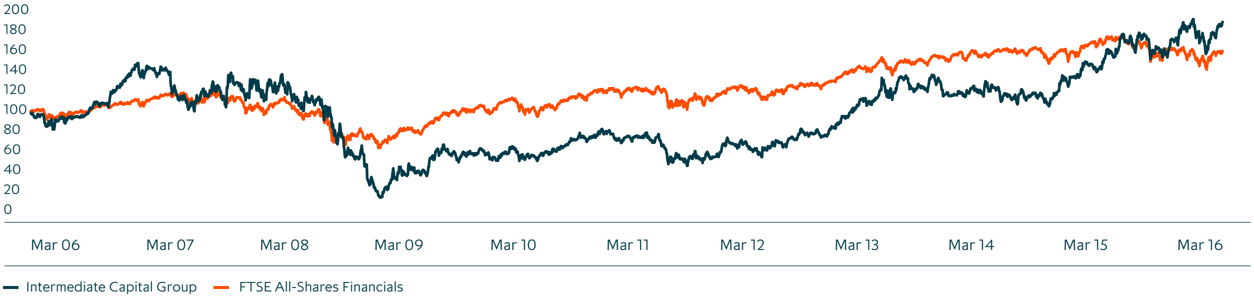
PAYMENTS MADE TO PAST DIRECTORS (AUDITED)

In the financial year ended 31 March 2016, the following payments were made to former Directors in respect of shadow carry and the vesting of PLC Equity awarded while they were Executive Directors.

Employee	PLC Equity Vesting £	Balance Sheet Carry £	Shadow Carry Payments £	Total £
Tom Attwood	1,404,853	121,160	35,270	1,561,283
Francois de Mitry	3,273,347	307,410	23,529	3,604,286
Andrew Phillips	–	–	228,991	228,991
Paul Piper	–	–	15,672	15,672

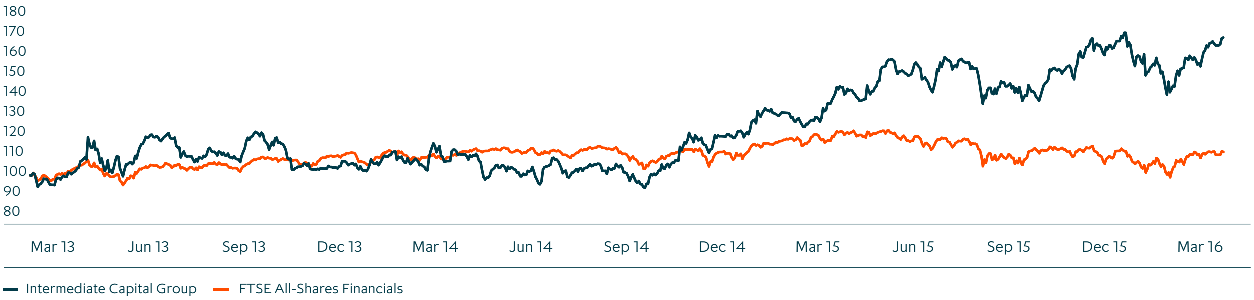
PERFORMANCE GRAPH OF TOTAL SHAREHOLDER RETURN (10 YEARS)

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 2006, of £100 invested in Intermediate Capital Group plc to 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.



THREE YEAR 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 over the last three years. Three years reflects the period over which we have returned excess capital to shareholders and seen the delivery of the fund management strategy.



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 from 1 April 2009.

		Total remuneration £000	Percentage of maximum opportunity of short term incentives awarded	Percentage of maximum opportunity of long term incentives awarded
Christophe Evain	2016	4,295	76%	98%
	2015	5,103	80%	98%
	2014	4,797	97%	20%
	2013	1,492	24%	1%
Tom Attwood	2012	2,973	0%	100%
	2011	5,941	29%	97%
	2010	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

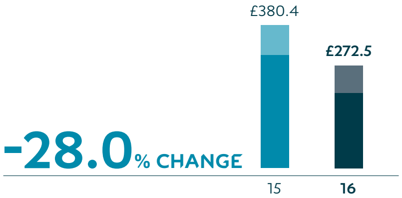
The table below details how changes to the CEO's pay compare with the change in the average pay across all employees of the Group. Each figure is a percentage change of the values between the previous financial year and the financial year under review. The total permanent workforce has been selected 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	1.63%	-8.94%	-5.6%
All employees	3.68%	-0.96%	4.5%

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 proposed special dividend of £200m which the Group announced with its 2016 results. A special dividend of £300m was paid in July 2015 and consequently shareholder distributions in the current financial year have fallen. The movement in staff costs reflects the increased headcount supporting the growth of the Group.

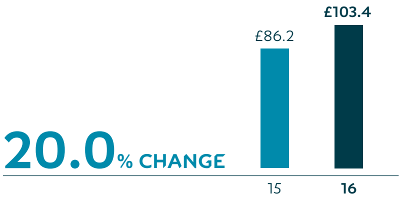
SHAREHOLDER DISTRIBUTIONS (£M)



FY15
■ Special dividend: £300m
– Ordinary dividend: £80.4m

FY16
■ Special dividend: £200m
– Ordinary dividend: £72.5m

STAFF COSTS (£M)



STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN FOLLOWING FINANCIAL YEAR

The proposed salaries for the Executive Directors and fees for the Non Executive Directors for the FY17 financial year are set out below, together with the increase from the previous financial year.

	Annual salaries and fees £000		
Role	Y/E 31 March 2017	Y/E 31 March 2016	% change
Executive Director	**375.0**	**369.0**	1.6%
Chairman	**215.0**	**185.0**	16.2%
Non Executive Director (other than Chairman)	**60.0**	**58.0**	3.4%
Senior Independent Director	**10.0**	**5.0**	100.0%
Remuneration Committee Chairman	**20.0**	**20.0**	0.0%
Audit Committee Chairman	**15.0**	**15.0**	0.0%
Risk Committee Chairman	**15.0**	**15.0**	0.0%
Member of the Audit Committee, Risk Committee or Remuneration Committee	**9.0**	**5.0**	80.0%

The fees to Non Executives have been increased to adequately reward the volume of work required and to reflect the important role they have in overseeing the business with long term shareholder interests in mind. In particular, the fee to the Chairman was below the benchmark for companies of our size and sector and so this has been increased. The fee to the Chairman now includes membership of the Risk and Remuneration Committees; in prior years, there have been separate fees payable for these memberships.

The fees payable for Committee memberships and to the Senior Independent Director have not been increased since 2011 despite significant increases in the workload of the Committees and the corporate governance role of the SID. An increase has therefore been made for these roles. No fee is paid for membership of the Nominations Committee or to the Chairman of that Committee.

The members of the Remuneration Committee are Peter Gibbs (Chairman), Justin Dowley, Kevin Parry and Kim Wahl. During the year, the Committee was advised by PwC. Committee composition is set out on pages 42 to 43 and in the relevant Committee reports on pages 51 to 93.

For FY17, the AAP will be calculated as a percentage of cash profits which, over a period of five years, will not exceed 30% on average. The AAP will be calculated as described in the Directors' remuneration policy. All incentives (excluding Third Party Carry 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 AAP.

The Executive Directors' annual bonus and other incentives will be dependent on them achieving specific objectives as set out on page 85.

STATEMENT OF VOTING AT GENERAL MEETING

At the last AGM, votes on the remuneration report were cast as follows:

	Votes For	Votes Against	Abstentions	Reasons for Votes Against, if known and actions taken by the Committee
Directors' Remuneration Report	66.07%	33.93%	9,906,298	As disclosed in the Engagement with stakeholders section of the Governance report on page 50, Directors of the Company have met with a number of shareholders in the period subsequent to this vote to understand their concerns. A number of the points raised by shareholders have been addressed during the year; in particular, the Company has enhanced disclosure of KPIs for Executive Directors (see page 85).

At the Annual General Meeting in July 2014, votes on the remuneration policy were cast as follows

	Votes For	Votes Against	Abstentions	Reasons for Votes Against, if known and actions taken by the Committee
Remuneration Policy	79.85%	20.15%	18,112,805	Directors of the Company met with a number of shareholders in the period subsequent to this vote; however no material concerns in respect of the Policy were raised.

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the 12 months ended 31 March 2016. 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 section of this Annual Report set out on pages 40 to 101, is incorporated into this report by reference.

Throughout the year to 31 March 2016 the Group was in compliance with the provision of the UK Corporate Governance Code issued by the Financial Reporting Council, other than the requirement to conduct an external Board effectiveness review (see page 49). A copy of the Code is available on the Financial Reporting Council's website www.frc.org.uk

SIGNIFICANT SHAREHOLDINGS

As at 23 May 2016 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 Plc	23,492,144	7.21
BlackRock Inc	21,841,713	6.70
Aviva Investors	17,118,364	5.25
Ameriprise Financial Inc	16,967,442	5.20
Baillie Gifford & Co Ltd	11,608,940	3.56
Employee Share Scheme Trustees	11,437,648	3.51
J.P.Morgan Asset Management	10,184,776	3.12
Norges Bank Investment Management	9,801,293	3.01

DIRECTORS

The Directors who are currently serving are each shown with a profile on pages 42 and 43; those details are incorporated into this report by reference. Justin Dowley will retire at the AGM of the Company on 21 July 2016.

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 on pages 51 to 93.

DIRECTORS' INTERESTS

The interests of Directors who held office at 31 March 2016 and their connected persons, as defined by the Companies Act, are disclosed in the report of the Remuneration Committee on page 88.

Details of Directors' share options are provided in the report of the Remuneration Committee on pages 69 to 93. During the financial year ending 31 March 2016, the Directors had no options over or other interests in the shares of any subsidiary company. No options over Company shares were issued to Directors under the Executive Share Option Schemes during the year.

THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE

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.

The current Chairman, Justin Dowley, was considered independent at the date of his appointment as Chairman. Subject to reappointment at the Company's AGM, he will be succeeded by Kevin Parry on 21 July 2016; Kevin Parry is considered independent at the current date.

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

- The development and recommendation of strategic plans for consideration by the Board that reflect the longer term
- Objectives and priorities established by the Board
- Implementation of the strategies and policies of the Group as determined by the Board
- Monitoring of operating and financial results against plans and budgets
- Monitoring the quality of the investment process
- Developing and implementing risk management systems

DISCLOSURE DOCUMENTS

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.

COMMITTEE PROCEEDINGS

Each Committee has access to such external advice as it may consider appropriate. The Terms of Reference of each Committee are considered regularly by the respective Committee and referred to the Board for approval.

EXECUTIVE COMMITTEE

The Executive Committee consists of the three Executive Directors, 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 CFO and is responsible for finance and infrastructure. Benoît Durteste is Head of European Investments and Fund Manager.

No one Executive Director is able to significantly affect the running of the Company without consulting his colleagues.

BOARD PROCESS

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, consider appropriate. A similar process is followed for each Committee.

ADVICE FOR DIRECTORS

All Directors have access to the advice and services of the Company Secretary and the Secretaries to each of the Committees on which they serve, 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.

MEETINGS WITH CHAIRMAN

The Non Executive Directors regularly hold meetings in the absence of the Executive Directors (usually before or after each Board meeting) and, separately, in the absence of the Chairman.

SENIOR INDEPENDENT DIRECTOR

Kevin Parry currently holds the position of Senior Independent Director of the Company. Subject to reappointment at the Company's AGM, he will become Chairman of the Company from 21 July 2016, from which time Peter Gibbs will become the SID. In accordance with the Code, any shareholder concerns not resolved through the usual mechanisms for investor communication can be conveyed to the SID. The SID has met with a number of shareholders during the year and his successor intends to do the same.

The SID acts as a sounding board for the Chairman and a focus for any concerns or issues that other Directors or shareholders may have that are not being resolved. He also leads the annual appraisal of the Chairman.

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.

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. No material conflicts of interest exist.

DIRECTORS' REPORT CONTINUED

INTERNAL CONTROL

The Board has overall responsibility for the Company's internal control system and monitoring risk management and internal controls for which we review their 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. 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 to 65.

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 £781m cash and unutilised committed debt facilities as at the end of FY16, that only 25% of committed facilities are due to mature within two years, and after reviewing the Group's latest forecasts for a period of three 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 1 to 38. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 27. In addition, note 5 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 a total of £240m of drawn debt facilities due to mature within the next 12 months. The Directors are satisfied that this is not material in the overall context of the Group's debt profile.

FORWARD-LOOKING STATEMENTS

This Annual Report includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking expressions, including the terms 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their negative or other variations or similar expressions, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include, but are not limited to, the following: statements regarding the intentions, beliefs or current expectations of the Directors, the Company and the Group concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, financial condition and liquidity, and the development of the countries and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Annual Report. In addition, even if the results of operations, financial condition and liquidity, and the development of the countries and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. Many of these factors are beyond the control of the Directors, the Company and the Group. Should one or more of these risks or uncertainties materialise, or should underlying assumptions on which the forward-looking statements are based prove incorrect, actual results may vary materially from those described in this Annual Report. Except to the extent required by laws and regulations, the Directors, the Company and the Group do not intend, and do not assume any obligation, to update any forward-looking statements set out in this Annual Report.

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 £81m equivalent dated 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 £35m equivalent dated 26 June 2008, the Private Placement arrangement totalling $150m dated 8 May 2013 and the Private Placement arrangement totalling £258m equivalent dated 11 May 2015 where a change of control in the Company gives rise to an event of default under the agreements. The loans are thereafter repayable on demand
3. Nine bilateral committed loan facility agreements totalling £645m, €68m and A$50m entered into where a change of control gives lenders the right, but not the obligation, to cancel their commitments to the respective facility and declare the loans repayable on demand
4. The terms and conditions of (a) the £35m retail bond issue which took place in December 2011 (b) the £80m retail bond issue which took place in September 2012 (c) the €50m wholesale bond issue which took place in March 2014 (d) the €25m wholesale bond issue which took place in June 2014 and (e) the £160m bond issue which took place in March 2015 each of which set 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
5. The employee share schemes, details of which can be found in the Report of the Remuneration Committee on pages 69 to 93, 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 5 above and (2) the usual payment in lieu of notice.

DIRECTORS' REPORT CONTINUED

DIVIDEND

The Directors recommend a final net ordinary dividend payment in respect of the ordinary shares of the Company at a rate of 15.8p per share (2015: 15.1p), which when added to the interim net dividend of 7.2p per share (2014: 6.9p), gives a total net dividend for the year of 23.0p per share (2015: 22.0p). In addition, a £200m special dividend is recommended (at the rate of 63.4p per share). All recommendations are subject to the approval of shareholders at the Company's AGM on 21 July 2016.

The amount of ordinary dividend paid in the year was £78.2m (2014: £81.0m). In addition, a £300m special dividend payable at a rate of 82.6p per share was paid during the year and an associated share consolidation occurred.

DISCLOSURES REQUIRED UNDER UK LISTING RULE 9.8.4

Dividend waivers have been issued in respect of shares which are (a) held by the Group's EBT, or (b) held as Treasury Shares; other than this, there are no disclosures required to be made under UK Listing Rule 9.8.4.

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 11 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:

(a) So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware

(b) 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 35 and form part of the Directors' report disclosures.

POLITICAL CONTRIBUTIONS

No contributions were made during the current and prior year for political purposes.

GREENHOUSE GAS EMISSIONS

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

ACQUISITION OF SHARES BY EMPLOYEE BENEFIT TRUST

Acquisitions of shares by the Intermediate Capital Group EBT 2015 purchased during the year are as described in note 22 to the financial statements.

SHARE CAPITAL AND RIGHTS ATTACHING TO THE COMPANY'S SHARES

As at 31 March 2016 the issued share capital of the Company was 330,310,239 ordinary shares of 23⅓p each (including 4,200,00 shares held in treasury). 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 23⅓p 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 EBT 2015 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 2015 AGM 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 £26,860,000 and, in the case of a fully pre-emptive rights issue only, up to a total amount of £53,772,000.

A resolution will be proposed to renew the Company's authority to allot further new shares at the forthcoming AGM. In accordance with applicable institutional guidelines, 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 31 May 2016 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 31 May 2016. 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 Directors' authority to effect purchases of the Company's shares on the Company's behalf is conferred by resolution of shareholders. At the 2015 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 4 June 2015. During the year no shares were bought back. The authority to effect purchases of the Company's shares is renewed annually and approval will be sought at the forthcoming AGM for its renewal.

POWERS OF DIRECTORS

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

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

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, CFO and the Chairmen of the Board and each of its Committees will be available to answer shareholders' questions at the AGM. The number of proxy votes lodged in connection with the Company's AGM are announced following the conclusion of the relevant meeting.

DIRECTORS' REPORT
CONTINUED

RESULTS OF RESOLUTIONS PROPOSED AT 2015 ANNUAL GENERAL MEETING

	Resolution	Votes for	Votes against	Votes withheld
To receive the financial statements and reports of the Directors and auditors for the financial year ended 31 March 2015.	1	288,168,200	166,000	151,983
To approve the Directors' remuneration report for the financial year ended 31 March 2015.	2	184,067,056	94,512,829	9,906,298
To declare a final dividend of 15.1p per ordinary share for the financial year ended 31 March 2015.	3	288,323,175	162,083	925
To reappoint Deloitte LLP as auditors of the Company to hold office as the Company's auditors until the conclusion of the Company's AGM in 2016.	4	278,857,712	9,625,266	3,205
To authorise the Directors to set the remuneration of the auditors.	5	285,882,773	2,600,964	2,446
To reappoint Justin Dowley as a Director.	6	281,247,224	1,292,186	5,946,773
To reappoint Kevin Parry as a Director.	7	286,353,488	2,130,570	2,125
To reappoint Peter Gibbs as a Director.	8	280,501,194	2,313,861	5,671,128
To reappoint Kim Wahl as a Director.	9	280,682,021	2,133,034	5,671,128
To reappoint Kathryn Purves as a Director.	10	286,728,657	1,755,401	2,125
To reappoint Christophe Evain as a Director.	11	285,711,193	2,354,076	420,914
To reappoint Philip Keller as a Director.	12	286,130,293	2,353,765	2,125
To reappoint Benoît Durteste as a Director.	13	286,125,173	2,355,952	5,058
To grant the Directors authority to allot shares pursuant to section 551 of the Companies Act 2006.	14	273,925,539	14,558,219	2,425
Subject to the passing of resolution 14, to authorise the Directors to allot equity securities and to sell ordinary shares pursuant to sections 570 (1) and 573 of the Companies Act 2006.	15	276,821,785	364,577	11,299,821
To authorise the Company to make market purchases of its ordinary shares pursuant to section 701 of the Companies Act 2006.	16	288,477,588	5,670	2,925
To approve that a general meeting of the Company (other than the AGM) may be called on less than 14 clear days' notice.	17	266,402,243	21,817,507	266,433
To declare a special dividend of 81.6 pence per ordinary share payable to holders of ordinary shares as at 5.00pm on 22 July 2015.	18	288,463,043	20,215	2,925
Subject to the passing of resolution 18, that every 7 existing ordinary shares be consolidated into 6 new ordinary shares of 23 ⅓ pence each in the capital of the Company.	19	288,446,984	36,073	3,126
To reduce the amount standing to the credit of the Company's share premium account.	20	288,482,354	2,904	925

The issued share capital of the Company at the date of the AGM was 385,182,720 ordinary shares of 20p each.

2016 ANNUAL GENERAL MEETING

The AGM of the Company will take place at the London office of the Company on 21 July 2016 at 2.00pm. 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 in June 2016 convening the meeting. In line with market practice, if votes of more than 20% of those voting are cast against a resolution, the Company will make a statement when announcing the results of the vote to explain any actions it intends to take to understand the reasons behind the vote result.

DIRECTORS' RESPONSIBILITIES

CHRISTOPHE EVAIN
CHIEF EXECUTIVE OFFICER

PHILIP KELLER
CHIEF FINANCIAL OFFICER

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 2016

Philip Keller
Chief Financial Officer
23 May 2016

FINANCIAL STATEMENTS

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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 ("ICG")

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 2016 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 the Consolidated Income Statement, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow and the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 35. 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 AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 3 of the financial statements and the directors' statement on the longer-term viability of the Group contained within the corporate governance statement on page 30.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 29 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 32–35 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the director's explanation on page 30 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

KEY FEATURES OF OUR AUDIT

The key risks we identified are:

1	Valuation of unquoted equities, Collateralised Loan Obligation Loan notes ('CLO Loan notes') and warrants
2	Impairment of loans and investments
3	Revenue recognition
4	IFRS 10 Consolidated Financial Statements ('IFRS 10') application and interpretation

We determined materiality for the Group to be £12.2million.

A lower materiality of £3.7million has been applied for the fund management revenue stream.

We reported all audit differences in excess of £244,000 to the Audit Committee. In addition we also report audit differences in excess of £72,000 relating to the fund management revenue stream.

We performed a full scope audit on components representing 93% of the Group's profit before tax and 98% of the Group's net assets.

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.

The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant findings in respect of these assessed risks of material misstatement.

AUDITOR'S REPORT
CONTINUED

The description of risks below should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 54 to 56.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

See the tables on below for more detail.

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	FINDINGS
1. VALUATION OF UNQUOTED EQUITIES, CLO LOAN NOTES AND WARRANTS		
Unquoted equities, CLO Loan notes and warrants represented £504million (11.5% of Group total assets) at 31 March 2016. *Valuing unquoted equities, CLOs and warrants requires management to make a number of judgements, including valuation methodology and the discount or premium applied to unquoted equities and the prepayment rate or default rates applied to CLOs. As valuations are sensitive to these judgments, there is a risk that small changes in key assumptions can have a significant impact on fair value and therefore reported results.* *The valuation techniques and inputs, as well as the significant unobservable inputs are disclosed in note 5 to the financial statements. The key sources of estimation uncertainty in relation to valuations are disclosed in note 4 to the financial statements.*	We assessed the Group's valuation methodology and engaged with our internal fair value specialists to understand the valuation methodology and challenge its appropriateness. We tested the design and implementation of related controls to determine that appropriate oversight from senior investment executives had been exercised within the valuations process. We also tested the operating effectiveness of controls around unquoted equity valuations. We tested a sample of unquoted equities and warrants by challenging the appropriateness of the underlying assumptions, specifically including discount rates and comparable companies. We verified the inputs to the valuations (specifically management information and earnings multiples) by agreeing these to underlying supporting documentation and testing their arithmetical accuracy. We assessed the reasonableness of management estimates in previous valuations by performing a retrospective review of valuations based on recent exits. For a sample of CLOs, we recalculated the fair value with reference to an independent third party cash flow model. The significant assumptions around the generation of cash flows from the underlying loan portfolio were challenged; specifically: the CPR (Constant or Conditional Prepayment Rate), the CDR (Conditional Default Rate), the severity on defaulted loans and the interest margin on reinvestment amounts. These assumptions were obtained from an independent source.	We determined the valuation methodology for the unquoted equity valuations, CLO loan notes and warrants to be appropriate, and are satisfied that the assumptions that management have made are appropriate and that the valuation at year end is acceptable. **Unquoted equity and warrants** We are satisfied that the key controls around the unquoted equity and warrant valuation process are adequately designed and have been operating as intended during the year. The sample tested included the use of a range of premiums and discounts, which we considered appropriate in the context of the fair value of the individual investment being assessed. We are satisfied that the unquoted equities and warrants are not materially misstated. **CLO loan notes** We tested a sample of CLO loan notes with a total value of £218million comprising different tranches of debt in CLO vehicles by performing our own pricing estimation. Where our base price was within a 5% threshold of the Groups we considered these valuations to be acceptable. We found that the Group's price of three loan notes with a total value of £3million was outside of our 5% threshold. Following further consideration of the valuation assumptions for these investments we concluded that the Group's price fell within an acceptable range. We are satisfied that the CLO loan notes are not materially misstated.

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	FINDINGS
2. IMPAIRMENT OF LOANS AND INVESTMENTS		
The Group's impairment charge represented £8.9million for the year ending 31 March 2016. See note 10 to the financial statements. *The identification of impairment events and the determination of the impairment charge require the application of significant judgment by management, in particular the timing and quantum of future cash flows. There is a risk that management fail to identify an impairment event and the impairment charge reported is incomplete or incorrectly calculated.* *The Group's impairment policy is disclosed in note 3 to the financial statements. The key sources of estimation uncertainty in relation to impairment are disclosed in note 4 to the financial statements.*	We tested the design and implementation of key controls around impairments. We assessed the completeness of impairments for loans we deemed at high risk of impairment by reviewing independent information, such as publicly available information and investee financial reports for potential impairment triggers. Where changes to repayment dates negatively impacted the carrying value of assets, we challenged management as to whether this indicated an impairment had occurred. For a sample of impairments that occurred during the year, we challenged management assumptions relating to the timing and recognition of the impairment events and charges and corroborated them to underlying data; such as restructured loan agreements. We reviewed the nature and timing of the sample and assessed the rationale for the quantum of the impairment charge and recalculated the impairment charge. We also assessed whether any assets classified as Available for Sale were impaired and that any losses should have been recycled through the Consolidated Income Statement.	We are satisfied that the impairment events occurred in the current financial year and with management's decision to impair these assets. We have found the judgements management have made in determining the quantum of the cash flows, which impact the impairment charge, to be appropriate. In testing the completeness of impairments we identified one equity investment that is classified as Available for Sale which was being measured at a fair value that differed from the cost of the investment. We and the Audit Committee challenged management as to whether the decline in the fair value below cost could be considered objective evidence of impairment. Upon further investigation it became apparent that the Group was valuing the asset based on a listed share price that did not fully reflect the ownership structure of ICG's asset nor the underlying performance of the business. As a result management reconsidered their estimate of fair value and the categorisation of the asset resulting in a £29million uplift with the unrealised gain recognised in Other Comprehensive Income. As a result of this matter we extended our audit procedures and did not identify any matters requiring further investigation. We are satisfied that there is no material impairment event which occurred during the year that has not been identified by management.

AUDITOR'S REPORT
CONTINUED

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	FINDINGS
3. REVENUE RECOGNITION		
Management fees and interest income on loans not held in CLOs represented £95.5million (21% of the Group's revenue) and £100.7million (22% of the Group's revenue). *There is a risk that there are errors in the amounts of the management fees reported due to the complexity of some of the calculations and the extent of manual input into the process. Also, significant management judgements relating to the quantum and timing of cash flows in measuring the loan value may not be consistent with recently available data and as a result interest income may be calculated incorrectly.* *The Group's revenue accounting policy is disclosed in note 3 to the financial statements.*	We tested the design and implementation of key controls around the revenue cycle. For a sample of funds we tested management fees by recalculating the fees recorded with reference to the contractual arrangements e.g. fee rates by assets under management, net asset value or capital commitments. We obtained the assets under management, net asset value or capital commitments from third party administrator reports and assessed the reliability of the third party administrator by gaining an understanding of its control environment. We also agreed the receipt of a sample of management fees to bank statements. For interest income, we tested the integrity of the calculations by re-performing a sample of interest income calculations and comparing these to management's records. We agreed the receipt of a sample of interest income throughout the year to bank statements. We also performed analytical procedures to assess the completeness of interest income. We challenged management's estimates regarding changes in instrument repayment dates and amounts through our testing of loans.	**Management fees** Our test of management fees covered fees earned from the mezzanine, credit and real estate products. We are satisfied with the inputs into the management fees calculation and that they have been calculated in accordance with their contractual arrangements. We also assessed a number of third party administrators of ICG managed funds and determined they were a reliable source of data for our testing. We are satisfied that management fees are not materially misstated. **Interest income** We noted that in prior periods interest accrued on assets held for sale was not recognised as there was no material difference from its recognition on a cash basis. Given the increase in the number and size of assets held for sale and that these assets are now held for longer, it was determined by management to change this from July 2015 so that the interest on these assets was always recognised on an accruals basis. We are satisfied with management's approach and that any interest income relating to the prior period was immaterial. We are satisfied that interest income is not materially misstated.

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	FINDINGS
4. IFRS 10 APPLICATION AND INTERPRETATION		
There is a risk that management do not consolidate an entity that they control as a result of a restructure or new fund launch, an increase in equity holdings or a change in legal agreements. There is also a risk that IFRS 10 has been incorrectly interpreted and as a result applied incorrectly. An error in judgement can have significant consequences on the Consolidated Statement of Financial Position and the disclosures within the financial statements. *The critical judgments in the application of the Group's accounting policy in relation to the control and consolidation are disclosed in note 4 to the financial statements. Further disclosures of significant judgements made in relation to subsidiaries and associates and joint ventures are notes 31 and 32 to the financial statements.*	We tested the design and implementation of key controls around the application of IFRS 10 and we challenged the significant judgements that management have exercised in determining whether the Group controls portfolio companies, funds, CLOs and other entities. We reviewed management's analysis of the impact of IFRS 10 on portfolio company interests, funds and CLOs and we performed a detailed analysis of any equity interests in CLOs, funds and portfolio companies greater than 15%. We reviewed legal documents to support any key judgments management have made in determining whether they control or have significant influence over an investee e.g. power over relevant activities. We have tested the consolidation process to assess whether the conclusions reached have been appropriately applied in the preparation of the consolidated financial statements and we have assessed the adequacy of the disclosures in notes 31 and 32 to the financial statements.	The Group invests in certain funds alongside other third party investors, typically in the ratio of 20%:80%. We challenged management as to whether the key decisions being made while ICG is investment manager of these co-invest funds are being made for ICG's own benefit or for the benefit of the investors ("principal versus agent"). If ICG are found to be acting principal of a fund, they would control the fund and it would require consolidation into the Group financial statements. One of our key areas of challenge was the ability of others to make significant decisions and whether there were appropriate checks in place so that ICG would be accountable to investors while still making significant decisions that could affect both theirs and the investor's return. We agree with management's conclusions regarding control and note that the significant judgements have been appropriately disclosed in note 31 and 32 to the financial statements.

AUDITOR'S REPORT
CONTINUED

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 £12.2million (2015: £14.4million), which is approximately 1% of Net Assets (2015: 1% Net assets).

A lower materiality threshold of £3.7million (2015: £4.4million) has been applied to the Fund Management Company ("FMC") management fee income and FMC administrative expense account balances, transactions and disclosures. Lower materiality has been based on 5% of normalised profit before tax. We used normalised profit before tax to determine materiality to exclude the volatility arising from impairments and capital gains, which cause significant year on year fluctuations.

We considered these measures to be suitable having compared to other industry benchmarks.

Group materiality is used for setting audit scope and the assessment of uncorrected misstatements. Component materialities, which are lower than group materiality, are set for work on significant components – audit testing for the significant components, was performed at component materiality ranging from £1.85million – £6.1 million. (2015: £2.2 million – £13.4million).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £244,000 (2015: £288,000) for all items except for the FMC management revenue streams. For these balances we report all misstatements above £72,000 (2015: £88,000). We also report differences below these thresholds that, in our view warranted reporting on qualitative grounds. In addition, we report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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 eight significant components subject to full scope audits for the year ended 31 March 2016.

SIGNIFICANT COMPONENTS

Intermediate Capital Group PLC
Intermediate Capital Investments Ltd
ICG FMC Ltd
Intermediate Capital Managers Ltd
ICG Carbon Funding Limited
ICG Alternative Investment Limited
Intermediate Finance II PLC
ICG Global Investments Jersey Limited

We also performed full scope audits on an additional four components that were considered non-significant from a Group perspective as we perform our audit work on these entities at the same time as the Group audit in order to gain efficiencies.

Specified audit procedures were performed on another nine non-significant components where 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 full scope components represent the most significant subsidiaries of the group, and account for approximately 98% (2015: 94%) of the group's net assets and 93% (2015: 96%) of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

At the parent entity level we 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. The local teams are briefed as part of the group audit team briefings, and the documentation and findings is reviewed by the group engagement team.

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 part of the Corporate Governance Statement relating to the company's compliance with certain 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). 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 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.

David Barnes
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, United Kingdom

23 May 2016

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £m	2015 £m
Finance and dividend income	8	**207.3**	193.3
Gains on investments	9	**137.7**	137.9
Fee and other operating income		**104.3**	95.0
Total revenue		**449.3**	426.2
Finance costs	8	**(121.9)**	(65.1)
Impairments	10	**(8.9)**	(37.6)
Administrative expenses	11	**(141.9)**	(144.5)
Change in deferred consideration estimate	7	**(17.8)**	–
Share of results of joint ventures accounted for using equity method	32	**–**	(0.5)
Profit before tax		**158.8**	178.5
Tax (charge)/credit	13	**(20.2)**	12.1
Profit for the year		**138.6**	190.6
Attributable to:			
Equity holders of the parent		**138.6**	189.3
Non controlling interests	18	**–**	1.3
		138.6	190.6
Earnings per share	15	**41.9p**	50.3p
Diluted earnings per share	15	**41.9p**	50.3p

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 2016

Group	Notes	**2016 £m**	2015 £m
Profit for the year		**138.6**	190.6
Available for sale financial assets:			
Gains/(losses) arising in the year which may be reclassified to profit or loss in future periods	9	**42.6**	(7.3)
Reclassification adjustment for gains recycled to profit	9	**(18.0)**	(16.1)
Exchange differences on translation of foreign operations		**9.5**	(3.7)
		34.1	(27.1)
Tax (charge)/credit on items taken directly to or transferred from equity	26	**(2.4)**	4.9
Other comprehensive income/(expense) for the year		**31.7**	(22.2)
Total comprehensive income for the year		**170.3**	168.4
Attributable to:			
Equity holders of the parent		**170.3**	170.4
Non controlling interests		**–**	(2.0)
		170.3	168.4

Company	Notes	**2016 £m**	2015 £m
Profit for the year	6	**127.7**	200.7
Available for sale financial assets:			
Gains arising in the year which may be reclassified to profit or loss in future periods		**6.9**	4.9
Reclassification adjustment for gains recycled to profit		**(6.1)**	(2.1)
		0.8	2.8
Tax credit/(charge) on items taken directly to or transferred from equity	26	**2.8**	(0.5)
Other comprehensive income for the year		**3.6**	2.3
Total comprehensive income for the year		**131.3**	203.0

The Group's other comprehensive income for the year of £31.7m (2015: expense of £22.2m) and the Company's other comprehensive income for the year of £3.6m (2015: £2.3m) may be reclassified to profit or loss in future periods.

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

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	2016 Group £m	2015 Group £m	2016 Company £m	2015 Company £m
NON CURRENT ASSETS					
Intangible assets	16	23.6	6.8	19.1	1.4
Property, plant and equipment	17	8.1	6.6	6.4	5.3
Financial assets: loans, investments and warrants	19	3,715.9	2,981.4	1,412.4	1,389.1
Derivative financial assets	19	3.3	15.6	2.0	15.3
Deferred tax asset	26	0.4	–	–	–
		3,751.3	3,010.4	1,439.9	1,411.1
CURRENT ASSETS					
Trade and other receivables	20	216.4	127.8	630.0	503.7
Financial assets: loans and investments	21	182.6	243.9	182.6	169.4
Derivative financial assets	21	28.3	11.3	28.3	10.7
Current tax debtor		15.1	13.9	16.9	30.2
Cash and cash equivalents		182.5	391.9	48.0	206.8
		624.9	788.8	905.7	920.8
Total assets		4,376.2	3,799.2	2,345.6	2,331.9
EQUITY AND RESERVES					
Called up share capital	22	77.0	80.6	77.0	80.6
Share premium account		177.6	674.3	177.6	674.3
Capital redemption reserve		5.0	1.4	5.0	1.4
Own shares reserve	22	(77.0)	(162.0)	(21.3)	(97.6)
Other reserves		95.5	78.3	53.3	54.8
Retained earnings		963.1	783.8	824.9	654.7
Equity attributable to owners of the Company		1,241.2	1,456.4	1,116.5	1,368.2
Non controlling interest	18	0.9	2.2	–	–
Total equity		1,242.1	1,458.6	1,116.5	1,368.2
NON CURRENT LIABILITIES					
Provisions	23	2.0	2.6	2.0	2.6
Financial liabilities	24	2,674.2	2,038.8	761.2	631.5
Derivative financial liabilities		31.6	0.7	31.6	0.7
Deferred tax liabilities	26	51.0	33.9	9.8	10.8
		2,758.8	2,076.0	804.6	645.6
CURRENT LIABILITIES					
Provisions	23	0.7	0.6	0.7	0.6
Trade and other payables	25	233.4	208.8	289.5	289.7
Financial liabilities	24	106.6	40.9	106.6	15.1
Current tax creditor		5.1	1.6	–	–
Derivative financial liabilities		29.5	12.7	27.7	12.7
		375.3	264.6	424.5	318.1
Total liabilities		3,134.1	2,340.6	1,229.1	963.7
Total equity and liabilities		4,376.2	3,799.2	2,345.6	2,331.9

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 2016 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 2016

	Notes	2016 Group £m	2015 Group £m	2016 Company £m	2015 Company £m
Operating activities					
Interest received		**206.3**	183.4	**83.4**	93.7
Fees received		**77.9**	90.3	**8.2**	31.6
Dividends received		**28.4**	25.0	**27.8**	60.4
Interest paid		**(95.3)**	(67.3)	**(46.1)**	(31.4)
Payments to suppliers and employees		**(141.2)**	(97.8)	**(110.3)**	(65.3)
Net (purchase)/proceeds from sale of current financial assets		**(35.8)**	(126.4)	**7.8**	(55.4)
Purchase of loans and investments		**(1,378.3)**	(1,684.0)	**(85.1)**	(94.6)
Recoveries on previously impaired assets		**1.7**	0.7	**–**	0.4
Proceeds from sale of loans and investments – principal		**1,034.1**	1,245.3	**186.5**	279.3
Proceeds from sale of loans and investments – gains on investments		**66.6**	42.3	**34.1**	7.2
Cash (used in)/generated from operating activities		**(235.6)**	(388.5)	**106.3**	225.9
Taxes (paid)/received		**(3.9)**	(5.2)	**(0.8)**	8.9
Net cash (used in)/generated from operating activities		**(239.5)**	(393.7)	**105.5**	234.8
Investing activities					
Cash flow on behalf of subsidiary undertakings		**–**	–	**2.2**	(225.2)
Purchase of property, plant and equipment	17	**(4.2)**	(3.8)	**(3.3)**	(3.6)
Purchase of intangible assets	16	**(18.3)**	(2.1)	**(18.3)**	(1.6)
Purchase of remaining 49% of Longbow Real Estate Capital LLP	7	**–**	(14.0)	**–**	–
Loss of control of subsidiary		**(9.1)**	–	**–**	–
Net cash used in investing activities		**(31.6)**	(19.9)	**(19.4)**	(230.4)
Financing activities					
Dividends paid	14	**(378.2)**	(81.0)	**(378.2)**	(81.0)
Increase in long term borrowings		**679.1**	677.5	**309.2**	178.2
Repayment of long term borrowings		**(183.1)**	(84.9)	**(121.6)**	(5.6)
Net cash (outflow)/inflow from derivative contracts		**(40.5)**	152.9	**(52.5)**	135.4
Purchase of own shares		**(27.4)**	(124.0)	**(5.5)**	(95.0)
Proceeds on issue of shares		**3.4**	1.0	**3.4**	1.0
Net cash generated from/(used in) financing activities		**53.3**	541.5	**(245.2)**	133.0
Net (decrease)/increase in cash		**(217.8)**	127.9	**(159.1)**	137.4
Cash and cash equivalents at beginning of year		**391.9**	273.5	**206.8**	70.5
Effect of foreign exchange rate changes		**8.4**	(9.5)	**0.3**	(1.1)
Net cash and cash equivalents at end of year		**182.5**	391.9	**48.0**	206.8
Presented on the statements of financial position as:					
Cash and cash equivalents		**182.5**	391.9	**48.0**	206.8

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 2016

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 2015	80.6	674.3	1.4	45.8	32.5	(162.0)	783.8	1,456.4	2.2	1,458.6
Profit for the year	–	–	–	–	–	–	138.6	138.6	–	138.6
Available for sale financial assets (note 9)	–	–	–	–	24.6	–	–	24.6	–	24.6
Exchange differences on translation of foreign operations	–	–	–	–	–	–	9.5	9.5	–	9.5
Tax on items taken directly to or transferred from equity	–	–	–	2.8	(5.2)	–	–	(2.4)	–	(2.4)
Total comprehensive income for the year	–	–	–	2.8	19.4	–	148.1	170.3	–	170.3
Loss of control of subsidiary	–	–	–	–	–	–	(13.4)	(13.4)	(1.3)	(14.7)
Movement in control of subsidiary	–	–	–	–	–	–	10.2	10.2	–	10.2
Own shares acquired in the year	–	–	–	–	–	(24.7)	–	(24.7)	–	(24.7)
Options/awards exercised	–	3.3	–	(22.3)	–	30.4	(8.1)	3.3	–	3.3
Credit for equity settled share schemes	–	–	–	17.3	–	–	–	17.3	–	17.3
Reduction in share premium	–	(500.0)	–	–	–	–	500.0	–	–	–
Cancellation of shares	(3.6)	–	3.6	–	–	79.3	(79.3)	–	–	–
Dividends paid	–	–	–	–	–	–	(378.2)	(378.2)	–	(378.2)
Balance at 31 March 2016	**77.0**	**177.6**	**5.0**	**43.6**	**51.9**	**(77.0)**	**963.1**	**1,241.2**	**0.9**	**1,242.1**

Company	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 equity £m
Balance at 1 April 2015	80.6	674.3	1.4	43.7	11.1	(97.6)	654.7	1,368.2
Profit for the year	–	–	–	–	–	–	127.7	127.7
Available for sale financial assets	–	–	–	–	0.8	–	–	0.8
Tax on items taken directly to or transferred from equity	–	–	–	2.8	–	–	–	2.8
Total comprehensive income for the year	–	–	–	2.8	0.8	–	127.7	131.3
Own shares acquired in the year	–	–	–	–	–	(3.0)	–	(3.0)
Options/awards exercised	–	3.3	–	(21.4)	–	–	–	(18.1)
Credit for equity settled share schemes	–	–	–	16.3	–	–	–	16.3
Reduction in share premium	–	(500.0)	–	–	–	–	500.0	–
Cancellation of shares	(3.6)	–	3.6	–	–	79.3	(79.3)	–
Dividends paid	–	–	–	–	–	–	(378.2)	(378.2)
Balance at 31 March 2016	**77.0**	**177.6**	**5.0**	**41.4**	**11.9**	**(21.3)**	**824.9**	**1,116.5**

The adjustment of £13.4m to retained earnings on loss of control of the subsidiary ICG European Loan Fund relates to the reclassification of liabilities of a consolidated structured entity which had been incorrectly recorded in reserves. The correction of this item has no impact on the income statement in either the current or prior period, or the internally reported numbers in either year.

In December 2015, the High Court granted a £500m reduction in the Company's share premium account. This has resulted in £500m being transferred to retained earnings and has increased the distributable reserves of the Company at 31 March 2016 by £500m.

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 2016 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 2014	80.4	672.4	1.4	53.3	51.0	(62.4)	713.3	1,509.4	4.7	1,514.1
Profit for the year	–	–	–	–	–	–	189.3	189.3	1.3	190.6
Change in ownership of non controlling interest	–	–	–	–	–	–	3.3	3.3	(3.3)	–
Available for sale financial assets	–	–	–	–	(23.4)	–	–	(23.4)	–	(23.4)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(3.7)	(3.7)	–	(3.7)
Tax on items taken directly to or transferred from equity	–	–	–	–	4.9	–	–	4.9	–	4.9
Total comprehensive income for the year	–	–	–	–	(18.5)	–	188.9	170.4	(2.0)	168.4
Own shares acquired in the year	–	–	–	–	–	(126.0)	–	(126.0)	–	(126.0)
Options/awards exercised	0.2	1.9	–	(26.1)	–	26.4	–	2.4	–	2.4
Credit for equity settled share schemes	–	–	–	18.6	–	–	–	18.6	–	18.6
Acquisition of remaining 49% of Longbow Real Estate Capital LLP	–	–	–	–	–	–	(37.4)	(37.4)	(0.5)	(37.9)
Dividends paid	–	–	–	–	–	–	(81.0)	(81.0)	–	(81.0)
Balance at 31 March 2015	**80.6**	**674.3**	**1.4**	**45.8**	**32.5**	**(162.0)**	**783.8**	**1,456.4**	**2.2**	**1,458.6**

Company	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 equity £m
Balance at 1 April 2014	80.4	672.4	1.4	51.2	8.8	–	535.0	1,349.2
Profit for the year	–	–	–	–	–	–	200.7	200.7
Available for sale financial assets	–	–	–	–	2.8	–	–	2.8
Tax on items taken directly to or transferred from equity	–	–	–	–	(0.5)	–	–	(0.5)
Total comprehensive income for the year	–	–	–	–	2.3	–	200.7	203.0
Own shares acquired in the year	–	–	–	–	–	(97.6)	–	(97.6)
Options/awards exercised	0.2	1.9	–	(26.1)	–	–	–	(24.0)
Credit for equity settled share schemes	–	–	–	18.6	–	–	–	18.6
Dividends paid	–	–	–	–	–	–	(81.0)	(81.0)
Balance at 31 March 2015	**80.6**	**674.3**	**1.4**	**43.7**	**11.1**	**(97.6)**	**654.7**	**1,368.2**

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016

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.

2. ADOPTION OF NEW AND REVISED STANDARDS

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 9	Financial Instruments	Subject to EU endorsement
IFRS 14	Regulatory Deferral Accounts	EU effective date to be confirmed
IFRS 15	Revenue from Contracts with Customers	EU effective date to be confirmed
IFRS 16	Leases	Subject to EU endorsement
Improvements 2014	Annual Improvements to IFRSs: 2012-2014 Cycle	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IAS 7	Disclosure Initiative	Subject to EU endorsement
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	Subject to EU endorsement

3. 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.

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 statements.

The Directors have made this assessment in light of the £781.3m cash and unutilised debt facilities following a period of high realisations, no significant bank facilities maturing until May 2018, and after reviewing the Group's latest forecasts for a period of three years from the reporting date.

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 1 to 38. This includes on pages 20 to 27 the Chief Financial Officer's Review detailing the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 5 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 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 significant facilities due to mature within the next 12 months.

BASIS OF CONSOLIDATION

The Group's financial statements consolidate the results of Intermediate Capital Group plc and entities controlled by the Company for the period to 31 March each year.

Subsidiaries are all entities over which the Company has control. The Company controls an investee when it has power over the relevant activities, exposure to variable returns from the investee, and the ability to affect those returns through its power over the investee. The assessment of control is based on all relevant facts and circumstances and the Company re-assesses its conclusion if there is an indication that there are changes in facts and circumstances. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Each component of other comprehensive income and profit or loss is attributed to the owners of the Company and to the non controlling interests.

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

BUSINESS COMBINATIONS

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. Contingent consideration is measured at fair value on the date of acquisition. Subsequent changes in contingent consideration resulting from events after the date of acquisition is recognised through the income statement.

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. When the Group acquires additional shares in an entity it already controls, any excess of the fair value of consideration over the non controlling interest acquired is immediately deducted from equity and attributed to the owners of the Company.

INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries in the Parent Company Statement of Financial Position are recorded at cost less provision for impairments or at fair value through profit or loss.

INVESTMENT IN ASSOCIATES

An associate is an entity over which the Group has significant influence, but no control, over the financial and operating policy decisions of the entity. As the investments in associates are held for venture capital purposes they are designated at fair value through profit or loss.

INVESTMENT IN JOINT VENTURES

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangements. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting from the date on which the investee becomes a joint venture except when the investment is held for venture capital purposes in which case they are designated as fair value through profit and loss. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost, and adjusted thereafter to recognise the Group's share of the joint venture's profit or loss.

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, or repurchased directly by the Company, 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.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Gains on investments comprise gains on disposal of available for sale financial assets and fair value gains and losses on both financial assets and financial liabilities at fair value through profit or loss. Movements 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 value 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. The expected life of the liability is based upon the maturity date.

Interest expense on financial liabilities held at fair value through profit or loss are recognised when the obligation to pay interest is established.

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 reporting 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 reporting 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 reporting 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 reporting date, monetary assets and liabilities denominated in a foreign currency are retranslated at the rates prevailing at the reporting 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 reporting 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, financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets.

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. A financial asset is classified as at FVTPL if:

- it is a derivative that is not designated and effective as a hedging instrument, or
- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- if the financial asset is managed, evaluated and reported internally on a fair value basis, in accordance with the Group's documented risk management or investment strategy.

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 through gains in investments in the income statement. Dividends or interest earned on the financial asset are excluded from the gains on investments and recognised separately within finance income.

Loans and receivables
Loans and receivables are held at amortised cost, less any impairment. 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.

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. Any premium or discount on disposal of a loan or receivable to a third party is recognised through gains on investments.

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 through gains in investments in the income statement. Dividend income earned on the financial asset is excluded from the gains on investments and recognised separately within finance income.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when substantially all the risks and rewards of ownership of the asset are transferred to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying value amount and the sum of the consideration received and receivable, and the cumulative gain or loss previously recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

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.

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 reporting date such as a covenant breach or restructuring. 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 on financial assets measured at amortised cost, 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 other comprehensive income 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. This condition is regarded as met only when the asset is available for immediate sale, the Directors are committed to the sale, and the sale is expected to be completed within one year from date of classification.

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

Financial liabilities which include borrowings, with the exception of financial liabilities designated as fair value through profit or loss, are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

Financial liabilities at fair value through profit or loss (FVTPL) include derivative liabilities and other financial liabilities designated as fair value through profit or loss. A financial instrument is classified as at FVTPL if it is a derivative that is not designated and effective as a hedging instrument, or the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial liabilities 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 through gains in investments in the income statement. Interest paid on the financial instruments is excluded from the gains on investments and recognised separately within Finance costs.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire.

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 on a recurring basis. Changes in fair values of derivatives are recognised immediately in the income statement.

A derivative with a positive fair value is recognised as a financial asset whilst a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non current asset or non current liability if the remaining maturity of the instrument is more than 12 months, otherwise a derivative will be presented as a current asset or current liability.

INTANGIBLE ASSETS

Goodwill

Goodwill is initially recognised and measured as set out in the Business Combinations accounting policy 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

Intangible assets with finite useful lives that are acquired separately, including investment management contracts and contact databases, are carried at cost less accumulated depreciation and impairment losses. These are measured at cost and are being amortised on a straight line basis over the expected life of the contract, currently three to ten years.

DIVIDENDS PAID

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

CASH AND CASH EQUIVALENTS

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

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CONTROL AND SIGNIFICANT INFLUENCE

When assessing whether ICG controls any entities it is necessary to determine whether ICG acts in the capacity of principal or agent for the third party investor. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties, whereas a principal is primarily engaged to act for its own benefit. This is an area of significant judgement and is determined with reference to decision making authority, rights held by other parties, remuneration and exposure to returns.

A significant judgement when determining that ICG acts in the capacity of principal or agent is the kick out rights of the third party shareholders. For three funds, the right to remove the investment manager is limited until the fund completes its fundraising. We have considered the key decisions that are made in these funds, both during and after fundraising, and determined that significant decisions are made by ICG once fundraising is completed that can substantially affect the variable returns of the investors. We therefore consider ICG to be acting in the capacity of agent to these funds thus not requiring consolidation into the Group. However, we consider ICG to have significant influence over these funds and have therefore recognised them as associates.

Further details of this analysis are outlined in notes 31 and 32.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 2015) 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. 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 5.

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.

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, covenant breach, 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.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

5. 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

			2016			2015
	Floating £m	**Fixed £m**	**Total £m**	Floating £m	Fixed £m	Total £m
Financial assets	**2,581.4**	**1,716.0**	**4,297.4**	2,216.5	1,528.5	3,745.0
Financial liabilities	**(1,968.1)**	**(1,048.8)**	**(3,016.9)**	(1,638.3)	(653.4)	(2,291.7)
	613.3	**667.2**	**1,280.5**	578.2	875.1	1,453.3

The sensitivity of floating rate financial assets to the 100 basis points interest rate increase is £25.8m (2015: £22.2m) and the sensitivity of financial liabilities to the same interest rate increase is £19.7m (2015: £16.4m). 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:

					2016
	Net statement of financial position exposure £m	**Forward exchange contracts £m**	**Net exposure £m**	**Sensitivity to strengthening %**	**Increase in net assets £m**
Sterling	**(147.6)**	**1,079.1**	**931.5**	**–**	**–**
Euro	**960.4**	**(700.9)**	**259.5**	**15%**	**38.9**
US dollar	**205.7**	**(214.9)**	**(9.2)**	**20%**	**(1.8)**
Other currencies	**262.0**	**(192.8)**	**69.2**	**10-25%**	**–**
	1,280.5	**(29.5)**	**1,251.0**	**–**	**37.1**

					2015
	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Increase in net assets £m
Sterling	8.4	1,192.6	1,201.0	–	–
Euro	1,006.5	(809.4)	197.1	15%	29.6
US dollar	187.6	(171.7)	15.9	20%	3.2
Other currencies	250.8	(198.0)	52.8	10–25%	–
	1,453.3	13.5	1,466.8	–	32.8

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 2016. It is assumed that Group borrowings under its senior debt facilities remain at the same level as at 31 March 2016 until contractual maturity. Included in financial liabilities maturing in less than one year are contractual interest payments.

Liquidity profile

	Contractual maturity analysis				
As at 31 March 2016	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**	**Total £m**
Non derivative financial liabilities					
Private placements	**107.1**	**19.5**	**273.0**	**191.7**	**591.3**
Listed notes and bonds	**18.0**	**18.0**	**214.6**	**176.0**	**426.6**
Unsecured bank debt	**25.0**	**0.8**	**32.6**	**–**	**58.4**
Structured entities controlled by the Group	**47.4**	**47.4**	**142.2**	**2,364.8**	**2,601.8**
Derivative financial instruments					
Derivative financial instruments	**9.0**	**(5.5)**	**(8.6)**	**10.0**	**4.9**
	206.5	**80.2**	**653.8**	**2,742.5**	**3,683.0**

As at 31 March 2016, the Group has unutilised debt facilities of £781.3m (2015: £758.4m) which consists of undrawn debt of £669.0m (2015: £505.7m) and £112.3m (2015: £252.7m) of unencumbered cash. Unencumbered cash excludes £70.2m (2015: £139.2m) of restricted cash held principally by structured entities controlled by the Group.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

5. FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK CONTINUED

	Contractual maturity analysis				
As at 31 March 2015	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Non derivative financial liabilities					
Private placements	34.2	123.9	183.8	73.4	415.3
Listed notes and bonds	17.8	17.8	137.7	266.5	439.8
Unsecured bank debt	0.7	20.1	–	–	20.8
Floating rate secured notes	0.6	0.6	1.9	36.6	39.7
Secured bank debt	26.7	–	–	–	26.7
Structured entities controlled by the Group	48.6	48.6	145.7	1,873.8	2,116.7
Derivative financial instruments					
Derivative financial instruments	(1.9)	(10.4)	(1.1)	–	(13.4)
	126.7	200.6	468.0	2,250.3	3,045.6

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, three public bonds and by issuing floating and fixed rate notes. Work to maintain this diversity continued throughout the year, raising £845m, of which £270m was in US private placements, £421m extending facilities with existing relationship banks and £154m in bank facilities with three new relationship banks.

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

	2016 £m	2015 £m
Senior mezzanine and senior debt	**386.2**	432.8
Junior mezzanine	**181.6**	168.9
Interest bearing equity	**115.4**	163.5
Non interest bearing equity	**530.6**	413.3
Co-investment portfolio	**1,213.8**	1,178.5
Investment in equity funds	**103.7**	14.0
Investment in credit funds	**224.9**	274.1
Investment in CLOs	**131.3**	133.8
Investment in real estate funds	**124.3**	89.2
Investments within structured entities controlled by the Group	**1,917.9**	1,291.8
Non current financial assets	**3,715.9**	2,981.4

Included within the co investment portfolio is £508.3m (2015: £355.5m) of assets invested through ICG Europe Fund V Limited, ICG Europe Fund VI Limited, ICG North America Private Debt Fund and ICG Asia Pacific Fund III which are accounted for as associates designated as FVTPL. 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. The Directors consider the credit risk of the investments within the structured entities controlled by the Group to be low. The investments principally comprise senior loans, and the recourse is limited to within the structured entities that the Group controls.

IMPAIRMENT LOSSES

	Group		Company	
Impairment	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Balance at 1 April	**306.0**	341.7	**193.5**	203.2
Charged to income statement	**12.3**	53.5	**1.7**	41.8
Recovery of previously impaired assets	**(3.4)**	(15.9)	**–**	(8.4)
Assets written off in year	**(138.8)**	(43.9)	**(90.1)**	(23.6)
Foreign exchange	**20.8**	(29.4)	**13.2**	(19.5)
Balance at 31 March	**196.9**	306.0	**118.3**	193.5

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 2016 was £110.1m to Parkeon (2015: £64.0m to Gerflor), which was sold following the balance sheet date.

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)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

5. FINANCIAL RISK MANAGEMENT CONTINUED

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.

Financial assets/ financial liabilities	Fair value as at 31 March 2016 £m	Fair value as at 31 March 2015 £m	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Listed portfolio investments	62.1	136.8	1	A small number of assets have been listed on various stock exchanges around the world, providing an external basis for valuing the Group's holdings	n/a	n/a
Listed credit fund investments	64.2	58.6	1	Quoted bid prices in an active market	n/a	n/a
Listed portfolio investments	33.1	–	2	Internally modelled valuation based on combination of market prices and observable inputs	n/a	n/a
Level 2 assets within structured entities controlled by the Group	2,048.7	1,349.1	2	The fair value has been determined using independent broker quotes based on observable inputs	n/a	n/a
Level 3 investments	308.7	270.2	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 10% to 35% and exceptionally as high as 65%. A premium has been applied to six assets in the range of 3% to 49%. The earnings multiple is generally in the range of 8 to 13, and exceptionally as high as 22 and as low as 4	The higher the adjusted multiple, the higher the valuation
Illiquid debt investments within structured entities controlled by the Group	40.9	55.0	3	Where there are no recent transactions, fair value may be determined from the last market price adjusted for all changes in risks and information since that date. Where a close proxy instrument is quoted in an active market, then fair value is determined by adjusting the proxy value for differences in the risk profile of the instruments	A premium/discount is applied taking into account market comparisons, seniority of debt, credit rating, current debt, interest coupon, maturity of the loan and jurisdiction of the loan	The higher the premium, the higher the valuation. The higher the discount, the lower the valuation

Financial assets/ financial liabilities	Fair value as at 31 March 2016 £m	Fair value as at 31 March 2015 £m	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investments in unlisted funds	678.3	452.4	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 of the funds and consider them to be in line with those of the Group	The NAV of the underlying fund, typically calculated under IFRS	The higher the NAV, the higher the fair value
Investments in unlisted CLOs	33.4	33.1	3	Discounted cash flow at a discount rate of 11%. The following assumptions are applied to each investment's cash flows: 3% annual default rate, 20% annual prepayment rate, 70% recovery rate	Discounted cash flows	The higher the cash flows the higher the fair value. The higher the discount, the lower the fair value
Level 2 liabilities within structured entities controlled by the Group	(1,913.0)	(1,373.4)	2	The fair value of debt securities issued at fair value through profit and loss is dependent upon the fair value of investment securities and derivative financial instruments. Any changes in the valuation have a direct impact to the fair value of debt securities issued	n/a	n/a
Derivatives	(29.5)	13.5	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	1,326.9	995.3				

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

5. FINANCIAL RISK MANAGEMENT CONTINUED

				2016
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Designated as FVTPL				
– US	–	1,368.9	147.7	1,516.6
– UK	67.3	98.2	592.6	758.1
– France	–	137.0	168.3	305.3
– Germany	–	119.2	3.3	122.5
– Netherlands	–	95.3	2.1	97.4
– Other	11.9	230.1	48.3	290.3
	79.2	2,048.7	962.3	3,090.2
Derivative financial instruments – warrants				
– France	–	–	12.3	12.3
– Germany	–	–	7.5	7.5
	–	–	19.8	19.8
AFS financial assets held at fair value				
– Australia	40.7	–	4.5	45.2
– France	–	–	42.3	42.3
– US	–	33.1	14.1	47.2
– UK	–	–	18.1	18.1
– Other	6.4	–	0.2	6.6
	47.1	33.1	79.2	159.4
Other derivative financial instruments	–	31.6	–	31.6
	126.3	2,113.4	1,061.3	3,301.0
Financial liabilities at FVTPL				
– Structured entities controlled by the Group	–	1,913.0	–	1,913.0
Other derivative financial instruments	–	61.1	–	61.1
	–	1,974.1	–	1,974.1

During the year, one of the Group's level 3 assets was listed on the Australian Securities Exchange resulting in £56.8m being transferred to level 1. In addition, £113.2m of assets have been transferred from level 1 to level 2 following a reassessment of valuation techniques.

	2015			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Designated as FVTPL				
– US	–	814.4	37.9	852.3
– UK	85.9	101.5	464.3	651.7
– France	33.5	91.0	120.2	244.7
– Germany	5.8	98.1	6.7	110.6
– Netherlands	7.1	87.4	7.4	101.9
– Other	21.9	156.7	43.3	221.9
	154.2	1,349.1	679.8	2,183.1
Derivative financial instruments – warrants				
– France	–	–	5.4	5.4
– UK	–	–	4.8	4.8
– Germany	–	–	3.6	3.6
	–	–	13.8	13.8
AFS financial assets held at fair value				
– France	9.2	–	37.8	47.0
– Australia	–	–	38.9	38.9
– US	21.4	–	12.5	33.9
– UK	1.3	–	25.9	27.2
– Other	9.3	–	2.0	11.3
	41.2	–	117.1	158.3
Other derivative financial instruments	–	26.9	–	26.9
	195.4	1,376.0	810.7	2,382.1
Financial liabilities at FVTPL				
– Structured entities controlled by the Group	–	1,373.4	–	1,373.4
Other derivative financial instruments	–	13.4	–	13.4
	–	1,386.8	–	1,386.8

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

5. 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

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 2015	679.8	13.8	117.1	810.7
Total gains or losses in the income statement				
– Realised gains	(22.4)	(10.0)	(0.9)	(33.3)
– Fair value gains	89.6	15.0	–	104.6
– Foreign exchange	49.2	1.0	1.9	52.1
Total gains or losses in other comprehensive income				
– Unrealised gains	–	–	23.8	23.8
Purchases	192.3	–	0.4	192.7
Realisations	(69.5)	–	(19.3)	(88.8)
Transfer between assets	61.8	–	–	61.8
Transfers between levels	(18.5)	–	(43.8)	(62.3)
At 31 March 2016	**962.3**	**19.8**	**79.2**	**1,061.3**

	Financial assets at FVTPL £m	Derivative financial instruments – warrants £m	AFS assets £m	Total £m
At 1 April 2014	553.5	18.5	176.4	748.4
Total gains or losses in the income statement				
– Realised gains	(24.2)	(1.0)	(14.0)	(39.2)
– Fair value gains	109.9	(2.0)	–	107.9
– Foreign exchange	(50.3)	(1.7)	(10.2)	(62.2)
Total gains or losses in other comprehensive income				
– Unrealised gains	–	–	1.0	1.0
Purchases	256.6	–	2.0	258.6
Realisations	(129.7)	–	(16.5)	(146.2)
Transfer between assets	3.5	–	–	3.5
Transfers between levels	(39.5)	–	(21.6)	(61.1)
At 31 March 2015	679.8	13.8	117.1	810.7

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

Financial assets at FVTPL	US £m	UK £m	France £m	Singapore £m	Australia £m	Other £m	Total £m
At 1 April 2015	37.9	464.3	120.2	2.4	24.2	30.8	679.8
Total gains or losses in the income statement							
– Realised gains	–	(15.7)	–	–	–	(6.7)	(22.4)
– Fair value gains	18.5	36.6	29.8	1.6	2.3	0.8	89.6
– Foreign exchange	1.4	34.0	13.6	0.1	(0.7)	0.8	49.2
Purchases	30.6	132.3	11.3	6.4	–	11.7	192.3
Realisations	(9.6)	(44.3)	(2.9)	–	–	(12.7)	(69.5)
Transfer between assets	70.7	(14.6)	–	–	–	5.7	61.8
Transfer between levels	(1.8)	–	(3.7)	–	(13.0)	–	(18.5)
At 31 March 2016	**147.7**	**592.6**	**168.3**	**10.5**	**12.8**	**30.4**	**962.3**

Derivative financial instruments – warrants	France £m	UK £m	Germany £m	Total £m
At 1 April 2015	5.4	4.8	3.6	13.8
Total gains or losses in the income statement				
– Realised gains	–	(10.0)	–	(10.0)
– Fair value gains	6.4	5.2	3.4	15.0
– Foreign exchange	0.5	–	0.5	1.0
At 31 March 2016	**12.3**	**–**	**7.5**	**19.8**

AFS assets	France £m	Australia £m	US £m	UK £m	Other £m	Total £m
At 1 April 2015	37.8	38.9	12.5	25.9	2.0	117.1
Total gains or losses in the income statement						
– Realised gains	(0.9)	–	–	–	–	(0.9)
– Foreign exchange	3.3	(3.5)	0.5	1.5	0.1	1.9
Total gains or losses in other comprehensive income						
– Unrealised gains/(losses)	10.0	12.9	1.1	1.7	(1.9)	23.8
Purchases	–	–	–	0.4	–	0.4
Realisations	(7.9)	–	–	(11.4)	–	(19.3)
Transfer between levels	–	(43.8)	–	–	–	(43.8)
At 31 March 2016	**42.3**	**4.5**	**14.1**	**18.1**	**0.2**	**79.2**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

5. FINANCIAL RISK MANAGEMENT CONTINUED

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION CONTINUED

Financial assets at FVTPL	US £m	UK £m	France £m	Germany £m	Netherlands £m	Other £m	Total £m
At 1 April 2014	23.6	316.9	112.7	41.8	12.6	45.9	553.5
Total gains or losses in the income statement							
– Realised gains	0.5	(5.5)	(9.3)	–	–	(9.9)	(24.2)
– Fair value gains	2.4	49.2	48.0	(0.5)	(0.7)	11.5	109.9
– Foreign exchange	3.9	(35.4)	(12.5)	(1.8)	–	(4.5)	(50.3)
Purchases	27.2	201.9	1.8	6.3	5.1	14.3	256.6
Realisations	(7.8)	(55.5)	(28.3)	(16.9)	(9.6)	(11.6)	(129.7)
Transfer between assets	–	(3.1)	6.3	–	–	0.3	3.5
Transfer between levels	(11.9)	(4.2)	1.5	(22.2)	–	(2.7)	(39.5)
At 31 March 2015	37.9	464.3	120.2	6.7	7.4	43.3	679.8

Derivative financial instruments – warrants	France £m	UK £m	Germany £m	Denmark £m	Total £m
At 1 April 2014	8.7	2.2	3.8	3.8	18.5
Total gains or losses in the income statement					
– Realised gains	(0.3)	(0.5)	(0.2)	–	(1.0)
– Fair value gains	(2.1)	3.1	0.6	(3.6)	(2.0)
– Foreign exchange	(0.9)	–	(0.6)	(0.2)	(1.7)
At 31 March 2015	5.4	4.8	3.6	–	13.8

AFS assets	France £m	Australia £m	US £m	UK £m	Other £m	Total £m
At 1 April 2014	63.7	34.0	14.5	25.2	39.0	176.4
Total gains or losses in the income statement						
– Realised gains	1.2	(3.4)	–	(2.0)	(9.8)	(14.0)
– Foreign exchange	(5.7)	(2.0)	1.6	(2.4)	(1.7)	(10.2)
Total gains or losses in other comprehensive income						
– Unrealised gains	(7.3)	18.1	(3.6)	5.7	(11.9)	1.0
Purchases	0.1	–	–	2.0	(0.1)	2.0
Realisations	(2.9)	(7.8)	–	(2.2)	(3.6)	(16.5)
Transfer between levels	(11.3)	–	–	(0.4)	(9.9)	(21.6)
At 31 March 2015	37.8	38.9	12.5	25.9	2.0	117.1

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 – Structured entities controlled by the Group	**2016 £m**	2015 £m
At 1 April	**–**	189.6
Transferred to level 2	**–**	(189.6)
At 31 March	**–**	–

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.

		Sensitivity of financial asset to adjusted earnings multiple	
Financial assets at fair value	**Value in accounts £m**	**+10% £m**	**–10% £m**
2016			
Financial assets designated as FVTPL	**962.3**	**1,071.5**	**820.3**
Derivative financial instruments held at fair value – warrants	**19.8**	**25.2**	**14.3**
AFS financial assets held at fair value	**79.2**	**86.3**	**72.2**
	1,061.3	**1,183.0**	**906.8**
2015			
Financial assets designated as FVTPL	679.8	785.5	546.1
Derivative financial instruments held at fair value – warrants	13.8	18.7	8.9
AFS financial assets held at fair value	117.1	137.0	92.8
	810.7	941.2	647.8

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

5. FINANCIAL RISK MANAGEMENT CONTINUED

DERIVATIVES

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

	Group 2016			Group 2015		
	Contract or underlying principal amount £m	Fair values Asset £m	Fair values Liability £m	Contract or underlying principal amount £m	Fair values Asset £m	Fair values Liability £m
Foreign exchange derivatives						
Forward foreign exchange contracts	**1,172.8**	**5.6**	**(24.6)**	1,408.9	10.4	(12.7)
Cross currency swaps	**456.5**	**23.8**	**(36.5)**	74.6	13.3	(0.7)
Interest rate swaps	**20.0**	**2.2**	**–**	34.8	3.2	–
Total	**1,649.3**	**31.6**	**(61.1)**	1,518.3	26.9	(13.4)

Included in derivative financial instruments is accrued interest on swaps of £1.9m (2015: £0.7m).

	Company 2016			Company 2015		
	Contract or underlying principal amount £m	Fair values Asset £m	Fair values Liability £m	Contract or underlying principal amount £m	Fair values Asset £m	Fair values Liability £m
Foreign exchange derivatives						
Forward foreign exchange contracts	**1,077.1**	**4.3**	**(22.8)**	1,336.7	9.5	(12.7)
Cross currency swaps	**456.5**	**23.8**	**(36.5)**	74.6	13.3	(0.7)
Interest rate swaps	**20.0**	**2.2**	**–**	34.8	3.2	–
Total	**1,553.6**	**30.3**	**(59.3)**	1,446.1	26.0	(13.4)

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 2015.

The capital structure comprises debts, which includes the borrowings disclosed in note 24, 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.icgam.com.

6. 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 £127.7m (2015: £200.7m).

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into the Fund Management Company (FMC) and the Investment Company (IC). Segment information about these businesses is presented below and is reviewed by the Executive Committee.

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 Executive Directors is allocated equally to the FMC and the IC.

ANALYSIS OF INCOME AND PROFIT BEFORE TAX

Year ended 31 March 2016	Mezzanine £m	Credit Funds £m	Real Estate £m	Secondaries £m	Total FMC £m	IC £m	Total £m
External fee income	**57.8**	**29.9**	**19.1**	**2.1**	**108.9**	–	**108.9**
Inter-segmental fee	**12.7**	**2.8**	**1.7**	**1.2**	**18.4**	**(18.4)**	–
Fund management fee income	**70.5**	**32.7**	**20.8**	**3.3**	**127.3**	**(18.4)**	**108.9**
Other operating income					–	**5.0**	**5.0**
Gains on investments					–	**128.6**	**128.6**
Net interest income					**(0.4)**	**80.1**	**79.7**
Dividend income					**19.3**	**16.4**	**35.7**
Net fair value loss on derivatives					–	**(17.3)**	**(17.3)**
					146.2	**194.4**	**340.6**
Impairment					–	**(39.4)**	**(39.4)**
Staff costs					**(30.4)**	**(8.8)**	**(39.2)**
Incentive scheme costs					**(24.5)**	**(39.7)**	**(64.2)**
Other administrative expenses					**(30.1)**	**(9.4)**	**(39.5)**
Profit before tax					**61.2**	**97.1**	**158.3**

Year ended 31 March 2015	Mezzanine £m	Credit Funds £m	Real Estate £m	Secondaries £m	Total FMC £m	IC £m	Total £m
External fee income	61.8	22.9	10.7	0.4	95.8	–	95.8
Inter-segmental fee	14.0	3.3	1.0	0.4	18.7	(18.7)	–
Fund management fee income	75.8	26.2	11.7	0.8	114.5	(18.7)	95.8
Other operating income					–	4.5	4.5
Gains on investments					–	111.6	111.6
Net interest income					(0.4)	118.8	118.4
Dividend income					13.2	3.4	16.6
Net fair value loss on derivatives					–	(7.1)	(7.1)
					127.3	212.5	339.8
Impairment					–	(37.6)	(37.6)
Staff costs					(27.4)	(9.3)	(36.7)
Incentive scheme costs					(19.0)	(30.5)	(49.5)
Other administrative expenses					(28.9)	(10.1)	(39.0)
Profit before tax					52.0	125.0	177.0

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

7. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

RECONCILIATION OF FINANCIAL STATEMENTS REPORTED TO THE EXECUTIVE COMMITTEE TO THE POSITION REPORTED UNDER IFRS

Included in the table below are statutory adjustments made for the co-investment in funds, the structured entities controlled by the Group, the joint venture investment in Nomura ICG KK, the change in the Longbow deferred consideration estimate and the Employee Benefit Trust (EBT) settlement.

For internal reporting purposes the interest earned and impairments taken on assets where we co-invest in funds (ICG Europe Fund V, ICG Europe Fund VI, ICG Asia Pacific Fund III and ICG North America Private Debt Fund) is presented within interest income and impairments whereas under IFRS it is included within the value of the investment. The structured entities controlled by the Group are presented as fair value investments for internal reporting purposes, whereas the statutory financial statements present these entities on a fully consolidated basis. The joint venture investment in Nomura ICG KK is presented internally on a proportional consolidation basis, whereas it is equity accounted under IFRS. The one off impacts of the change to the Longbow deferred consideration estimate and EBT settlement were excluded for internal reporting purposes.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2016	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Japan joint venture £m	Longbow deferred consideration £m	EBT settlement £m	Total adjustments £m	Financial statements £m
Fund management fee income	108.9	–	(9.9)	(0.7)	–	–	(10.6)	98.3
Other operating income	5.0	–	1.0	–	–	–	1.0	6.0
Gains on investments	128.6	(6.0)	15.5	(0.4)	–	–	9.1	137.7
Net interest income	79.7	(24.5)	30.1	–	–	–	5.6	85.3
Dividend income	35.7	–	(17.3)	–	–	–	(17.3)	18.4
Net fair value loss on derivatives	(17.3)	–	(1.0)	–	–	–	(1.0)	(18.3)
	340.6	(30.5)	18.4	(1.1)	–	–	(13.2)	327.4
Impairment	(39.4)	30.5	–	–	–	–	30.5	(8.9)
Staff costs	(39.2)	–	–	0.4	–	–	0.4	(38.8)
Incentive scheme costs	(64.2)	–	–	–	–	–	–	(64.2)
Other administrative expenses	(39.5)	–	(2.2)	0.5	–	2.3	0.6	(38.9)
Change in deferred consideration estimate	–	–	–	–	(17.8)	–	(17.8)	(17.8)
Profit before tax	158.3	–	16.2	(0.2)	(17.8)	2.3	0.5	158.8

Year ended 31 March 2015	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Japan joint venture £m	EBT settlement £m	Total adjustments £m	Financial statements £m
Fund management fee income	95.8	–	(6.9)	(0.2)	–	(7.1)	88.7
Other operating income	4.5	–	1.8	–	–	1.8	6.3
Gains on investments	111.6	14.5	12.0	(0.2)	–	26.3	137.9
Net interest income	118.4	(14.5)	15.2	–	–	0.7	119.1
Dividend income	16.6	–	(10.2)	–	–	(10.2)	6.4
Net fair value (loss)/gain on derivatives	(7.1)	–	9.8	–	–	9.8	2.7
	339.8	–	21.7	(0.4)	–	21.3	361.1
Share of results of joint ventures accounted for using equity method	–	–	–	(0.5)	–	(0.5)	(0.5)
Impairment	(37.6)	–	–	–	–	–	(37.6)
Staff costs	(36.7)	–	–	0.3	(17.6)	(17.3)	(54.0)
Incentive scheme costs	(49.5)	–	–	–	–	–	(49.5)
Other administrative expenses	(39.0)	–	(2.6)	0.9	(0.3)	(2.0)	(41.0)
Profit before tax	177.0	–	19.1	0.3	(17.9)	1.5	178.5

EMPLOYEE BENEFIT TRUST

In the prior year the Group settled a claim for taxes in respect of the Employee Benefit Trust (EBT). Under the terms of the settlement the participating employees met the income tax and employees' national insurance (NI) payable on contributions to the EBT which were allocated into dependent funds for their benefit. The Group settled the employer NI due together with other costs of the settlement including interest on late paid tax, totalling £25.9m, with a further £3.6m accrual held on the balance sheet as at 31 March 2015. In the current year, £1.3m of this accrual was utilised with the remaining £2.3m released to the income statement.

LONGBOW DEFERRED CONSIDERATION

On 1 October 2014, the Group acquired the remaining 49% of Longbow Real Estate Capital LLP, thereby giving it 100% of the equity of the UK real estate debt specialist. Cash consideration of £14.0m was paid on acquisition with a further £23.9m recognised as the fair value of contingent consideration. The contingent consideration arrangement is based on a multiple of adjusted net income as at 31 March 2016, less the £14.0m paid to acquire the 49% equity holding.

The final deferred consideration amount has been calculated at £41.7m following the outstanding success of this business, thereby resulting in a £17.8m increase to the original estimate. This has been recognised through the income statement.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

7. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2016

	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Japan joint venture £m	Longbow deferred consideration £m	EBT settlement £m	Total adjustments £m	Financial statements £m
Non current financial assets	**1,798.0**	**(2.9)**	**1,919.7**	**1.1**	**–**	**–**	**1,917.9**	**3,715.9**
Other non current assets	**34.1**	**–**	**1.3**	**–**	**–**	**–**	**1.3**	**35.4**
Cash	**112.7**	**–**	**72.2**	**(2.4)**	**–**	**–**	**69.8**	**182.5**
Current financial assets	**182.6**	**–**	**–**	**–**	**–**	**–**	**–**	**182.6**
Other current assets	**202.8**	**2.9**	**55.1**	**(1.0)**	**–**	**–**	**57.0**	**259.8**
Total assets	**2,330.2**	**–**	**2,048.3**	**(2.3)**	**–**	**–**	**2,046.0**	**4,376.2**
Non current financial liabilities	**761.2**	**–**	**1,913.0**	**–**	**–**	**–**	**1,913.0**	**2,674.2**
Other non current liabilities	**84.6**	**–**	**–**	**–**	**–**	**–**	**–**	**84.6**
Current financial liabilities	**106.6**	**–**	**–**	**–**	**–**	**–**	**–**	**106.6**
Other current liabilities	**161.7**	**–**	**93.8**	**(2.3)**	**17.8**	**(2.3)**	**107.0**	**268.7**
Total liabilities	**1,114.1**	**–**	**2,006.8**	**(2.3)**	**17.8**	**(2.3)**	**2,020.0**	**3,134.1**
Equity	**1,216.1**	**–**	**41.5**	**–**	**(17.8)**	**2.3**	**26.0**	**1,242.1**
Total equity and liabilities	**2,330.2**	**–**	**2,048.3**	**(2.3)**	**–**	**–**	**2,046.0**	**4,376.2**

2015

	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Japan joint venture £m	Total adjustments £m	Financial statements £m
Non current financial assets	1,690.7	(2.2)	1,291.8	1.1	1,290.7	2,981.4
Other non current assets	28.7	–	0.3	–	0.3	29.0
Cash	278.5	–	115.3	(1.9)	113.4	391.9
Current financial assets	243.9	–	–	–	–	243.9
Other current assets	93.3	2.2	58.8	(1.3)	59.7	153.0
Total assets	2,335.1	–	1,466.2	(2.1)	1,464.1	3,799.2
Non current financial liabilities	665.4	–	1,373.4	–	1,373.4	2,038.8
Other non current liabilities	37.7	–	(0.8)	0.3	(0.5)	37.2
Current financial liabilities	40.9	–	–	–	–	40.9
Other current liabilities	155.4	–	70.8	(2.5)	68.3	223.7
Total liabilities	899.4	–	1,443.4	(2.2)	1,441.2	2,340.6
Equity	1,435.7	–	22.8	0.1	22.9	1,458.6
Total equity and liabilities	2,335.1	–	1,466.2	(2.1)	1,464.1	3,799.2

CONSOLIDATED STATEMENT OF CASH FLOWS

	2016			
	Internally reported £m	Consolidated structured entities £m	Japan joint venture £m	Financial statements £m
Interest, fees and dividends received	256.3	58.8	(2.5)	312.6
Interest paid	(47.0)	(48.3)	–	(95.3)
Net purchase of current financial assets	(35.8)	–	–	(35.8)
Purchase of loans and investments	(247.1)	(1,131.2)	–	(1,378.3)
Cash in from realisations	394.3	708.1	–	1,102.4
Other operating expenses	(144.2)	(2.3)	1.4	(145.1)
Net cash generated from/(used in) operating activities	176.5	(414.9)	(1.1)	(239.5)
Net cash used in investing activities	(22.5)	(9.1)	–	(31.6)
Dividends paid	(378.2)	–	–	(378.2)
Net increase in long term borrowings	131.1	364.9	–	496.0
Net cash flow from derivatives	(52.5)	12.0	–	(40.5)
Purchase of own shares	(27.4)	–	–	(27.4)
Proceeds on issue of shares	3.4	–	–	3.4
Net cash from financing activities	(323.6)	376.9	–	53.3
Net increase/(decrease) in cash	(169.6)	(47.1)	(1.1)	(217.8)
Cash and cash equivalent at beginning of period	278.5	115.3	(1.9)	391.9
FX impact on cash	3.8	4.0	0.6	8.4
Cash and cash equivalent at end of period	112.7	72.2	(2.4)	182.5

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

7. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

	2015			
	Internally reported £m	Consolidated structured entities £m	Japan joint venture £m	Financial statements £m
Interest, fees and dividends received	254.4	45.7	(1.4)	298.7
Interest paid	(33.8)	(33.5)	–	(67.3)
Net purchase of current financial assets	(126.4)	–	–	(126.4)
Purchase of loans and investments	(359.8)	(1,324.2)	–	(1,684.0)
Cash in from realisations	505.6	782.7	–	1,288.3
Other operating expenses	(95.0)	(7.6)	(0.4)	(103.0)
Net cash generated from/(used in) operating activities	145.0	(536.9)	(1.8)	(393.7)
Net cash used in investing activities	(19.9)	–	–	(19.9)
Dividends paid	(81.0)	–	–	(81.0)
Net increase in long term borrowings	110.8	481.8	–	592.6
Net cash flow from derivatives	135.4	17.5	–	152.9
Purchase of own shares	(124.0)	–	–	(124.0)
Proceeds on issue of shares	1.0	–	–	1.0
Net cash from financing activities	42.2	499.3	–	541.5
Net increase/(decrease) in cash	167.3	(37.6)	(1.8)	127.9
Cash and cash equivalent at beginning of period	114.9	158.6	–	273.5
FX impact on cash	(3.7)	(5.7)	(0.1)	(9.5)
Cash and cash equivalent at end of period	278.5	115.3	(1.9)	391.9

ANALYSIS OF NON CURRENT FINANCIAL ASSETS BY GEOGRAPHICAL SEGMENT

	2016 £m	2015 £m
Europe	**1,897.6**	1,868.8
Asia Pacific	**177.2**	166.4
North America	**1,641.1**	946.2
	3,715.9	2,981.4

GROUP REVENUE BY GEOGRAPHICAL SEGMENT

	2016 £m	2015 £m
Europe	**304.0**	387.4
Asia Pacific	**47.5**	22.0
North America	**97.8**	16.8
	449.3	426.2

8. FINANCE AND DIVIDEND INCOME AND FINANCE COSTS

GROUP FINANCE AND DIVIDEND INCOME	2016 £m	2015 £m
Interest income recognised under the amortised cost method	**100.7**	143.7
Interest income recognised under the FVTPL method in structured entities controlled by the Group	**87.2**	40.4
Dividend income from equity investments	**18.4**	6.4
Interest on bank deposits	**1.0**	0.1
Net fair value movements on derivatives	**–**	2.7
	207.3	193.3

Interest income recognised under the amortised cost method includes £0.9m (2015: £1.0m) accrued on impaired loans.

GROUP FINANCE COSTS	2016 £m	2015 £m
Interest expense recognised under the amortised cost method	**34.6**	29.3
Interest expense recognised under FVTPL method in structured entities controlled by the Group	**57.7**	25.2
Net fair value movements on derivatives	**18.3**	–
Arrangement and commitment fees	**11.3**	10.6
	121.9	65.1

9. GAINS AND LOSSES ARISING ON INVESTMENTS

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

	2016 £m	2015 £m
Realised gains on ordinary shares recycled to profit	**(19.8)**	(18.0)
Impairments of AFS financial assets recycled to profit	**1.8**	1.9
Net gains recycled to profit	**(18.0)**	(16.1)
Gains and losses arising on AFS financial assets		
– Fair value movement on equity instruments	**38.4**	(4.3)
– Fair value movement on other assets	**1.4**	1.5
Foreign exchange	**2.8**	(4.5)
Gains/(losses) arising in the AFS reserve in the year	**42.6**	(7.3)
Net movement in the AFS reserve in the year	**24.6**	(23.4)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

9. GAINS AND LOSSES ARISING ON INVESTMENTS CONTINUED

GAINS AND LOSSES ARISING ON INVESTMENTS RECOGNISED IN THE INCOME STATEMENT

	2016 £m	2015 £m
Realised gains on warrants	**0.3**	0.1
Realised (losses)/gains on assets designated as FVTPL	**(1.0)**	6.6
Realised gains in structured entities controlled by the Group	**5.7**	11.2
Realised gains of AFS financial assets recycled from AFS reserves	**19.8**	18.0
Realised gains on other assets	**2.1**	0.3
	26.9	36.2
Unrealised gains and losses on assets designated as FVTPL		
– On equity instruments excluding those held within structured entities controlled by the Group	**95.9**	117.9
– On warrants	**17.1**	(1.9)
– In structured entities controlled by the Group	**(81.8)**	(1.7)
– On other assets	**–**	(0.9)
	31.2	113.4
Unrealised gains and losses on liabilities designated as FVTPL		
– In structured entities controlled by the Group	**70.9**	(7.4)
Realised gains and losses on liabilities designated as FVTPL		
– In structured entities controlled by the Group	**8.8**	(4.0)
Fair value movements on FVTPL financial assets	**137.8**	138.2
Realised losses on amortised cost assets	**(0 1)**	(0.3)
Gains on investments	**137.7**	137.9

10. IMPAIRMENT OF ASSETS

IMPAIRMENT ON LOANS AND RECEIVABLES

	2016 £m	2015 £m
New and increased	**10.3**	51.1
Write offs	**2.0**	2.4
Recoveries	**(3.4)**	(15.9)
Net impairment on loans and receivables	**8.9**	37.6

11. ADMINISTRATIVE EXPENSES

Administrative expenses include:	2016 £m	2015 £m
Staff costs	**103.0**	103.5
Amortisation and depreciation	**4.3**	3.1
Operating lease expenses	**4.9**	4.4
Auditor's remuneration	**1.3**	1.3

Staff costs in the prior year include £17.6m of costs associated with the Employee Benefit Trust (EBT) settlement (see note 7).

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

	2016 £m	2015 £m
AUDIT FEES		
Group audit of the annual accounts	**0.5**	0.5
The audit of subsidiaries' annual accounts	**0.4**	0.4
Total audit fees	**0.9**	0.9
Non audit fees in capacity as auditors	**0.1**	0.1
OTHER NON AUDIT FEES		
Taxation compliance services	**0.1**	0.1
Other taxation advisory services	**0.2**	0.1
Other non audit services not covered above	**–**	0.1
Total other non audit fees	**0.3**	0.3
Total auditor's remuneration	**1.3**	1.3

Details of the Company's policy on the use of auditors for non audit services, the reasons the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 51. No services were provided pursuant to contingent fee arrangements.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

12. EMPLOYEES AND DIRECTORS

	2016 £m	2015 £m
Directors' emoluments	**2.6**	3.1

Employee costs during the year including Directors:		
Wages and salaries	**95.1**	78.1
Social security costs	**5.1**	23.4
Pension costs	**2.8**	2.0
	103.0	103.5

The average number of employees (including Directors) was:

	2016 £m	2015 £m
Investment Executives	**130**	120
Infrastructure	**118**	103
Directors	**3**	3
	251	226

The performance related element included in wages and salaries is £64.2m (2015: £49.5m) which is derived as a result of the annual bonus scheme, Omnibus Scheme and the Balance Sheet Carry Scheme.

Social security costs in the prior year include £17.6m associated with the Employee Benefit Trust (EBT) settlement (see note 7).

13. TAX EXPENSE

Analysis of tax on ordinary activities	2016 £m	2015 £m
Current tax		
Current year	**3.1**	23.0
Prior year adjustment to current tax – EBT settlement	**–**	(38.2)
Prior year adjustment to current tax – other	**2.8**	(14.7)
	5.9	(29.9)
Deferred taxation		
Current year	**16.4**	16.5
Prior year adjustment	**(2.1)**	1.3
	14.3	17.8
Tax charge /(credit) on profit on ordinary activities	**20.2**	(12.1)

	2016 £m	2015 £m
Profit on ordinary activities before tax	**158.8**	178.5
Profit before tax multiplied by the rate of corporation tax in the UK of 20% (2015: 21%)	**31.8**	37.5
Effects of:		
Non deductible expenditure	**4.7**	9.9
Non taxable income	**(3.4)**	(5.0)
Overseas tax suffered	**0.6**	–
Current year risk provision charge/(credit) – current tax	**–**	2.9
Prior year adjustment to risk provision – deferred tax	**–**	(3.0)
Prior year adjustment to deferred tax	**(2.1)**	4.3
Changes in statutory tax rates	**(0.8)**	(1.1)
Overseas tax rates	**(13.4)**	(4.7)
Prior year adjustment to current tax – EBT settlement	**–**	(38.2)
Prior year adjustment to current tax – other	**2.8**	(14.7)
Current tax charge/(credit) for the year	**20.2**	(12.1)

The Group's effective tax rate is lower than the standard rate of UK corporation tax of 20%. This reflects the mix of the Group's balance sheet investment returns in the year being weighted towards non UK sourced dividend income and capital gains rather than interest income. As dividend income is exempt from UK corporation tax it has the impact of reducing the Group's effective tax rate.

14. DIVIDENDS

	2016		2015	
	Per share pence	**£m**	Per share pence	£m
Ordinary dividends paid				
Final	**15.1**	**55.5**	14.4	55.5
Interim	**7.2**	**22.7**	6.9	25.5
	22.3	**78.2**	21.3	81.0

The proposed final ordinary dividend for the year ended 31 March 2016 is 15.8 pence per share (2015: 15.1 pence per share), which will amount to £49.8m (2015: £54.9m). In addition to the final ordinary dividend, the Directors recommend a special dividend of £200m, which will amount to 63.4 pence per share.

Of the £78.2m (2015: £81.0m) of ordinary dividends paid during the year, £1.1m were reinvested under the dividend reinvestment plan that was offered to shareholders (2015: £0.4m). In addition, a special dividend of £300m was paid in July 2015, which amounted to 82.6 pence per share.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

15. EARNINGS PER SHARE

Earnings	2016 £m	2015 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	**138.6**	189.3

Number of shares	2016	2015
Weighted average number of ordinary shares for the purposes of basic earnings per share	**330,685,568**	376,175,974
Effect of dilutive potential ordinary shares share options	**42,077**	37,402
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**330,727,645**	376,213,376

Earnings per share (EPS)	**41.9p**	50.3p
Diluted earnings per share	**41.9p**	50.3p

16. INTANGIBLE ASSETS

	Goodwill		Investment Management Contract		Total	
Group	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Cost						
At 1 April	**4.3**	4.3	**7.2**	5.1	**11.5**	9.4
Additions	**–**	–	**18.3**	2.1	**18.3**	2.1
At 31 March	**4.3**	4.3	**25.5**	7.2	**29.8**	11.5
Amortisation and impairment losses						
At 1 April	**–**	–	**4.7**	3.7	**4.7**	3.7
Charge for the year	**–**	–	**1.5**	1.0	**1.5**	1.0
At 31 March	**–**	–	**6.2**	4.7	**6.2**	4.7
Net book value at 31 March	**4.3**	4.3	**19.3**	2.5	**23.6**	6.8

Company	Investment Management Contract 2016 £m	2015 £m
Cost		
At 1 April	**1.6**	–
Additions	**18.3**	1.6
At 31 March	**19.9**	1.6
Amortisation and impairment losses		
At 1 April	**0.2**	–
Charge for the year	**0.6**	0.2
At 31 March	**0.8**	0.2
Net book value at 31 March	**19.1**	1.4

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 €5.9m (£5.1m) to acquire an investment management contract from Resource Europe which is now fully amortised.

In May 2014, Intermediate Capital Managers Limited paid £0.6m to acquire an investment management contract from Credos Capital Management LLP to support its Alternative Credit strategy. This was followed, in December 2014 by Intermediate Capital Group plc paying $2.5m (£1.6m) to acquire an investment management contract from Newglobe Capital Partners LLP to support its PE Secondaries strategy.

In February 2016, the Group purchased an investment management contract from Graphite Capital Management LLP for a consideration of £18.3m. The management contract relates to the Graphite Enterprise Trust, now renamed the ICG Enterprise Trust which has been listed on the LSE since 1981 and has been managed by Graphite for this entire period. The entire investment team and two further finance professionals have joined ICG in addition to the management contract. The Directors have assessed the useful economic life as eight years.

Amortisation is charged to the Statement of Comprehensive Income, included in administrative expenses, on a straight-line basis over the estimated useful life of the fund management contract, typically three to eight years.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

17. PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Furniture and equipment				
Cost				
At 1 April	**18.3**	14.7	**16.3**	12.8
Additions	**4.0**	3.7	**3.3**	3.5
Disposals	**–**	(0.1)	**–**	–
At 31 March	**22.3**	18.3	**19.6**	16.3
Depreciation				
At 1 April	**12.7**	11.1	**11.4**	9.8
Charge for the year	**2.5**	1.7	**2.0**	1.6
Depreciation on disposals	**–**	(0.1)	**–**	–
At 31 March	**15.2**	12.7	**13.4**	11.4
Net book value	**7.1**	5.6	**6.2**	4.9

Short leasehold premises				
Cost				
At 1 April	**5.6**	5.5	**4.3**	4.2
Additions	**0.3**	0.1	**–**	0.1
At 31 March	**5.9**	5.6	**4.3**	4.3
Depreciation				
At 1 April	**4.6**	4.2	**3.9**	3.5
Charge for the year	**0.3**	0.4	**0.2**	0.4
At 31 March	**4.9**	4.6	**4.1**	3.9
Net book value	**1.0**	1.0	**0.2**	0.4

Total net book value	**8.1**	6.6	**6.4**	5.3

18. NON CONTROLLING INTERESTS

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

	2016		2015	
	%	£m	%	£m
LREC Partners Investments No.2 Ltd	**41%**	**0.3**	41%	0.3
US CLO 2014-2	**44%**	**–**	44%	–
US CLO 2014-3	**49%**	**–**	49%	–
US CLO 2015-1	**50%**	**–**	–	
US CLO 2015-2	**43%**	**–**	–	
St Paul's CLO II	**66%**	**–**	66%	–
St Paul's CLO III	**51%**	**–**	51%	–
ICG European Loan Fund	**–**	**–**	10%	1.3
ICG High Yield Bond Fund	**14%**	**0.6**	13%	0.6
At 31 March		**0.9**		2.2

	2016 £m	2015 £m
Profit retained for the year	**–**	1.3
Non controlling interests recycled to retained earnings	**(1.3)**	(0.5)
	(1.3)	0.8

19. FINANCIAL ASSETS – NON CURRENT

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Loans and receivables held at amortised cost	**445.4**	625.1	**304.5**	404.0
Investment in subsidiaries	**–**	–	**721.0**	612.6
AFS financial assets held at fair value	**159.4**	158.3	**27.8**	50.6
Financial assets designated as FVTPL	**2,457.2**	1,715.6	**351.7**	313.5
Associates designated as FVTPL	**633.0**	467.5	**–**	–
Investments in equity accounted joint ventures	**1.1**	1.1	**–**	–
Derivative financial instruments held at fair value – warrants	**19.8**	13.8	**7.4**	8.4
	3,715.9	2,981.4	**1,412.4**	1,389.1
Other derivative financial instruments held at fair value	**3.3**	15.6	**2.0**	15.3
	3,719.2	2,997.0	**1,414.4**	1,404.4

Included within associates designated as FVTPL are £508.3m (2015: £355.5m) relating to the Group's 20% investment in ICG Europe Fund V Limited, ICG North America Private Debt Fund and ICG Asia Pacific Fund III, and 16.67% investment in ICG Europe Fund VI Limited.

Included within financial assets designated as FVTPL is £94.6m (2015: £57.4m) related to the Group's joint venture investments in Parkeon and Via Location and £2,092.7m (2015: £1,499.1m) relating to the structured entities controlled by the Group.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

19. FINANCIAL ASSETS – NON CURRENT CONTINUED

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

	Group		Company	
AFS financial assets	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Balance at 1 April	**158.3**	208.0	**50.6**	51.4
Realised gains recycled to the income statement	**(19.8)**	(18.0)	**(6.1)**	(2.1)
Unrealised (losses)/gains	**40.5**	(3.0)	**5.8**	6.2
Purchases	**0.4**	2.0	**0.2**	2.0
Realisations	**(25.5)**	(19.6)	**(24.1)**	(0.7)
Impairments	**(1.8)**	(1.9)	**–**	–
Foreign exchange	**7.3**	(9.2)	**1.4**	(6.2)
Balance at 31 March	**159.4**	158.3	**27.8**	50.6

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Other receivables	**196.9**	108.5	**48.3**	28.3
Amount owed by Group companies	**–**	–	**575.0**	469.5
Prepayments	**19.5**	19.3	**6.7**	5.9
	216.4	127.8	**630.0**	503.7

21. FINANCIAL ASSETS – CURRENT

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Loans and investments held for sale	**182.6**	243.9	**182.6**	169.4
Other derivative financial instruments held at fair value	**28.3**	11.3	**28.3**	10.7
	210.9	255.2	**210.9**	180.1

22. CALLED UP SHARE CAPITAL AND OWN SHARES RESERVE

Group and Company	2016 £m	2015 £m
Allotted, called up and fully paid		
330,310,239 ordinary shares of 23⅓p (2015: 402,804,840 ordinary shares of 20p)	**77.0**	80.6

The own share 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 and includes 4,200,000 shares purchased by ICG plc through share buy backs. The movement in the year is as follows:

Group	2016 £m	2015 £m	2016 Number	2015 Number
At 1 April	**162.0**	62.4	**39,586,992**	17,455,342
Purchased	**24.7**	126.0	**4,209,858**	29,402,938
Options/awards exercised	**(30.4)**	(26.4)	**(8,033,081)**	(7,271,288)
Cancellation of treasury shares	**(79.3)**	–	**(18,241,423)**	–
Share consolidation	**–**	–	**(2,511,618)**	–
As at 31 March	**77.0**	162.0	**15,010,728**	39,586,992

The number of shares held by the Group at the balance sheet date represented 4.5% (2015: 9.8%) of the parent company's allotted, called up and fully paid share capital.

Reconciliation of total number of shares allotted, called up and in issue	Total number of shares allotted, called up and in issue	Number of shares in own share reserve
As at 1 April 2015	402,804,840	39,586,992
Purchased	–	4,209,858
Options/awards exercised	619,303	(7,974,109)
	403,424,143	35,822,741
Cancellation of treasury shares	(18,241,423)	(18,241,423)
	385,182,720	17,581,318
Options/awards exercised	53,767	–
	385,236,487	17,581,318
Share consolidation	(55,033,784)	(2,511,618)
	330,202,703	15,069,700
Options/awards exercised	107,536	(58,972)
As at 31 March 2016	330,310,239	15,010,728

On 23 July 2015, the Company undertook a share consolidation issuing six new ordinary shares at 23⅓ pence each for each holding of seven existing ordinary shares of 20 pence each, reducing shares in issue to 330,202,703.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

23. PROVISIONS

Group and Company	Onerous lease £m
At 1 April 2015	3.2
Utilisation of provision	(0.6)
Unwinding of discount	0.1
As at 31 March 2016	**2.7**

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

Group and Company	**2016 £m**	2015 £m
Less than one year	**0.7**	0.6
One to five years	**2.0**	2.6
As at 31 March	**2.7**	3.2

The Group holds onerous lease provisions of £2.7m (2015: £3.2m) 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.

24. FINANCIAL LIABILITIES

	2016		2015	
Group	**Current £m**	**Non current £m**	Current £m	Non current £m
Liabilities held at amortised cost:				
– Private placements	**82.6**	**398.7**	15.1	286.5
– Listed notes and bonds	**–**	**330.5**	–	325.1
– Unsecured bank debt	**24.0**	**32.0**	–	19.9
– Secured bank debt	**–**	**–**	25.8	–
– Floating rate secured notes	**–**	**–**	–	33.9
Liabilities held at FVTPL:				
– Structured entities controlled by the Group	**–**	**1,913.0**	–	1,373.4
	106.6	**2,674.2**	40.9	2,038.8

Company	2016 Current £m	2016 Non current £m	2015 Current £m	2015 Non current £m
Liabilities held at amortised cost:				
– Private placements	**82.6**	**398.7**	15.1	286.5
– Listed notes and bonds	**–**	**330.5**	–	325.1
– Unsecured bank debt	**24.0**	**32.0**	–	19.9
	106.6	**761.2**	15.1	631.5

25. TRADE AND OTHER PAYABLES

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Trade payables	**1.0**	3.3	**2.1**	2.6
Accruals	**231.3**	198.5	**78.5**	83.4
Amounts owed to Group companies	**–**	–	**208.0**	196.9
Social security tax	**1.1**	7.0	**0.9**	6.8
	233.4	208.8	**289.5**	289.7

Included within accruals are £91.8m (2015: £71.1m) relating to structured entities controlled by the Group and £41.7m (2015: £23.9m) deferred consideration recognised on the acquisition of the remaining 49% interest in Longbow Real Estate Capital.

26. DEFERRED TAX

Group	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2014	9.8	20.3	(18.7)	9.6	21.0
Prior year adjustment	–	(3.0)	5.7	(0.2)	2.5
Prior year adjustment – rate change	(0.5)	(0.7)	0.9	(0.9)	(1.2)
Credit to equity	–	(4.9)	–	–	(4.9)
(Credit)/charge to income	(1.0)	11.2	0.1	6.2	16.5
At 31 March 2015	**8.3**	**22.9**	**(12.0)**	**14.7**	**33.9**
Prior year adjustment	–	(0.9)	(0.3)	0.1	(1.1)
Prior year adjustment – rate change	(0.3)	(0.7)	0.5	(0.5)	(1.0)
Credit to equity	–	5.2	(2.8)	–	2.4
(Credit)/charge to income	(3.0)	8.6	5.6	5.2	16.4
At 31 March 2016	**5.0**	**35.1**	**(9.0)**	**19.5**	**50.6**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

26. DEFERRED TAX CONTINUED

Company	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2014	9.8	1.0	(10.2)	2.6	3.2
Prior year adjustment	–	(3.0)	2.9	(0.1)	(0.2)
Prior year adjustment – rate change	(0.5)	(0.1)	0.5	–	(0.1)
Credit to equity	–	0.5	–	–	0.5
(Credit)/charge to income	(1.0)	8.0	0.3	0.1	7.4
At 31 March 2015	**8.3**	**6.4**	**(6.5)**	**2.6**	**10.8**
Prior year adjustment	–	(0.1)	(0.3)	–	(0.4)
Prior year adjustment – rate change	(0.3)	(0.3)	0.3	–	(0.3)
Credit to equity	–	–	(2.8)	–	(2.8)
(Credit)/charge to income	(3.0)	2.4	4.4	(1.3)	2.5
At 31 March 2016	**5.0**	**8.4**	**(4.9)**	**1.3**	**9.8**

Deferred tax has been accounted for at the substantively enacted corporation tax rate of 19% (2015: 20%).

As at 31 March 2015 the value of losses unrecognised for deferred tax is nil.

27. SHARE BASED PAYMENTS

All share based payment transactions are equity settled. The total charge to the income statement for the year was £17.3m (2015: £16.3m) 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 (£)	
	2016	2015	**2016**	2015
Outstanding at 1 April	**1,161,722**	2,003,945	**4.57**	4.44
Forfeited	**(88,471)**	(344,156)	**4.10**	4.71
Exercised	**(750,187)**	(498,067)	**4.38**	3.97
Outstanding at 31 March	**323,064**	1,161,722	**5.15**	4.57
Of which are currently exercisable	**323,064**	843,521	**5.15**	4.18

The weighted average remaining contractual life is 1.00 years (2015: 1.68 years).

Exercise price	2016 Number	2015 Number
£2.230	**30,173**	169,291
£2.947	**25,601**	25,601
£6.008	**181,439**	181,439
£4.844	**16,929**	560,158
£5.048	**68,922**	136,762
£4.101	**–**	88,471
	323,064	1,161,722

INTERMEDIATE CAPITAL GROUP PLC OMNIBUS PLAN

Details of all the different types of awards under the Omnibus Plan are provided in the Remuneration Committee report on pages 69 to 93.

Share awards outstanding under the Omnibus Plan were as follows:

	Number		Weighted average fair value (£)	
Deferred Share Awards	**2016**	2015	**2016**	2015
Outstanding at 1 April	**1,057,780**	736,279	**4.20**	3.56
Granted	**734,024**	830,887	**5.47**	4.38
Vested	**(456,020)**	(393,491)	**3.92**	3.26
Forfeited	**(4,908)**	(115,895)	**5.35**	3.74
Share consolidation reduction	**(190,827)**	–	**4.99**	–
Outstanding at 31 March	**1,140,049**	1,057,780	**4.99**	4.20

	Number		Weighted average fair value (£)	
PLC Equity Awards	**2016**	2015	**2016**	2015
Outstanding at 1 April	**6,672,897**	6,463,717	**3.34**	2.92
Granted	**1,335,214**	1,890,661	**5.47**	4.38
Vested	**(2,272,098)**	(1,681,481)	**2.74**	2.90
Share consolidation reduction	**(819,433)**	–	**4.07**	–
Outstanding at 31 March	**4,916,580**	6,672,897	**4.07**	3.34

	Number		Weighted average fair value (£)	
FMC Equity Awards	**2016**	2015	**2016**	2015
Outstanding at 1 April	**83,989**	98,337	**284.00**	279.00
Granted	**26,996**	33,745	**425.00**	325.00
Vesting	**(38,627)**	(35,277)	**246.00**	245.00
Forfeited	**(3,276)**	(12,816)	**313.00**	292.00
Outstanding at 31 March	**69,082**	83,989	**360.00**	284.00

The fair values of awards granted under the ICG plc Omnibus Plan are determined by the average share price for the five business days prior to grant, except for the FMC equity awards which are determined by an independent third party valuation.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

28. FINANCIAL COMMITMENTS

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

	2016 £m	2015 £m
ICG Senior Debt Partners	**10.3**	13.1
ICG Europe Fund V	**48.7**	63.3
ICG Europe Fund VI	**356.4**	360.2
ICG North American Private Debt Fund	**92.9**	103.9
ICG Asia Pacific Fund III	**99.2**	103.8
Nomura ICG Investment Business Limited Partnership A	**50.7**	33.1
ICG Senior Debt Partners II	**16.7**	18.0
ICG Carbon Funding Limited (PE Secondaries)	**152.9**	15.7
ICG-Longbow UK Real Estate Debt Investments IV	**17.0**	48.6
Longbow Development Fund	**6.5**	12.5
	851.3	772.2

29. 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	
	2016 £m	2015 £m	2016 £m	2015 £m
Within one year	**5.2**	4.5	**2.4**	2.2
Two to five years	**18.1**	13.9	**9.7**	8.9
After five years	**3.3**	4.0	**0.6**	2.2

30. 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 18, 20 and 25.

Aggregated significant transactions with subsidiary undertakings related to dividends received of £192.9m (2015: £51.3m).

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.

31. SUBSIDIARIES

The Group consists of a parent company, ICG plc, incorporated in the UK and a number of subsidiaries held directly or indirectly by ICG plc, which operate and are incorporated around the world. The 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	England and Wales	Advisory company
ICG Global Investment Jersey Limited	Jersey	Investment company
ICG Fund Advisors LLC	United States of America	Advisory company
ICG Debt Advisors LLC	United States of America	Advisory company
ICG Alternative Investment Limited	England and Wales	Advisory company
Intermediate Capital Group Dienstleistungsgesellschaft mbH	Germany	Service company
Intermediate Capital Limited	United Kingdom	General partner
Intermediate Capital GP 2003 Limited	Jersey	General partner
Intermediate Capital GP 2003 No.1 Limited	Jersey	General partner
Intermediate Capital Asia Pacific Mezzanine 2005 GP Limited	Jersey	General partner
Intermediate Capital Asia Pacific Mezzanine Opportunities 2005 GP Limited	Jersey	General partner
ICG European Fund 2006 GP Limited	Jersey	General partner
Intermediate Capital Asia Pacific 2008 GP Limited	Jersey	General partner
ICG Recovery Fund 2008 GP Limited	Jersey	General partner
ICG Minority Partners Fund 2008 GP Limited	Jersey	General partner
LREC Partners Investments No.2 Limited	United Kingdom	Real estate investment company
ICG Global Investment UK Limited	United Kingdom	Holding company
ICG Europe Fund V GP Limited	Jersey	General partner
Intermediate Capital Managers (Australia) Pty Limited	Australia	Advisory company
ICG North America Associates LLC	United States of America	General partner

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

31. SUBSIDIARIES CONTINUED

Name	Country of incorporation	Principal activity
ICG Japan KK	Japan	Advisory company
Intermediate Capital Group Korea Limited	Republic of Korea	Advisory company
ICG ASFL Limited	United Kingdom	Advisory company
ICG Senior Debt Partners UK GP Limited	United Kingdom	General partner
ICG Carbon Funding Limited	United Kingdom	Investment company
ICG Longbow Development (Brighton) Limited	United Kingdom	Holding company
ICG Japan (Funding) Limited	United Kingdom	Holding company
ICG Asia Pacific Fund III GP Limited	Jersey	General partner
ICG Alternative Credit (Luxembourg) GP Sarl	Luxembourg	General partner
ICG Alternative Credit LLC	United States of America	Advisory company
ICG Alternative Credit (Cayman) GP Limited	Cayman Islands	General partner
ICG Senior Debt Partners Sarl	Luxembourg	General partner
ICG Japan (Funding 2) Limited	United Kingdom	Holding company
Nomura ICG KK	Japan	Joint venture
ICG-Longbow Investment 3 LLP	United Kingdom	Limited liability partnership
ICG Strategic Secondaries Advisors LLC	United States of America	Advisory company
ICG Strategic Secondaries Carbon Associates LLC	United States of America	General partner
ICG European Fund 2006 B GP Limited	Jersey	General partner
ICG Debt Administration LLC	United States of America	Service company
ICG – Longbow B Investments LP	United Kingdom	Limited partner
Intermediate Investments Guarantee Limited	United Kingdom	Holding company for loans and investments
ICG Japan (Funding 3) Limited	United Kingdom	Special purpose vehicle
ICG Re Holding (Germany) GmbH	Germany	Special purpose vehicle
ICG Longbow IV GP Sarl	United Kingdom	General partner
ICG Europe Fund VI GP Limited	Jersey	General partner
ICG Strategic Secondaries Associates LLC	United States of America	General partner
ICG Total Credit (Global) GP Sarl	Luxembourg	General partner
ICG Longbow Development GP LLP	United Kingdom	General partner
ICG Nominees 2015 Limited	United Kingdom	Nominee company
ICG Financing (Luxembourg) Sarl	Luxembourg	Special purpose vehicle
ICG Financing (Ireland) Limited	Ireland	Special purpose vehicle
ICG Enterprise Co-Investment GP Limited	United Kingdom	General partner
Intermediate Capital Nominees Limited	United Kingdom	Nominee company
Intermediate Capital Hong Kong Limited	Hong Kong	Advisory company/provider of mezzanine capital
ICG Alternative Investment (Netherlands) B.V.	Netherlands	Advisory company
ICG Europe Fund VI Lux GP Sarl	Luxembourg	General partner
ICG Velocity Co-Investor Associates LLC	United States of America	General partner
ICG NA Debt Co-Invest Limited	United Kingdom	Investment company

Name	Country of incorporation	Principal activity
ICG Asia Pacific III Scotland GP Limited	United Kingdom	General partner
ICG Asia Pacific III Scotland General Partner LLP	United Kingdom	General partner
ICG EFV MLP Limited	Jersey	General partner
ICG EFV MLP GP Limited	United Kingdom	General partner
ICG Senior Debt Partners Performance GP Limited	Jersey	General partner
ICG EF 2006 EGP Limited	Jersey	General partner
ICG EF 2006 EGP 2 Limited	Jersey	General partner
ICG RF 2008 EGP Limited	Jersey	General partner
ICG MF 2003 No. 1 EGP 1 Limited	Jersey	General partner
ICG MF 2003 No. 1 EGP 2 Limited	Jersey	General partner
ICG MF 2003 No. 3 EGP 1 Limited	Jersey	General partner
ICG MF 2003 No. 3 EGP 2 Limited	Jersey	General partner
ICG Strategic Secondaries Associates II LLC	United States of America	General partner
Intermediate Capital Inc	United States of America	Dormant company
Intermediate Finance Inc	United States of America	Dormant company
Intermediate Finance Limited	United Kingdom	Dormant company
Mezzanine Finance (Guernsey) Limited	Guernsey	Dormant company
ICG America Capital Limited	United Kingdom	Dormant company
Intermediate Finance Guarantee Limited	United Kingdom	Dormant company
ICG Mezzanine 2003 No 1 Nominee Limited	United Kingdom	Dormant company
ICG Mezzanine 2003 No 3 Nominee Limited	United Kingdom	Dormant company
ICG Minority Partners Limited	United Kingdom	Dormant 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.

* JOG Partners Limited is a member of Intermediate Investments LLP

When assessing whether ICG controls any structured entities (funds) it is necessary to determine whether ICG acts in the capacity of principal or agent for the third party investor. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties, whereas a principal is primarily engaged to act for its own benefit. This is determined with reference to decision making authority, rights held by other parties, remuneration and exposure to returns.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

31. SUBSIDIARIES CONTINUED

The table below shows details of structured entities that the Group is deemed to control:

Name of subsidiary	Country of incorporation	% of ownership interests and voting rights 2016
US CLO 2014-1	United States of America	100.00%
US CLO 2014-2	United States of America	56.00%
US CLO 2014-3	United States of America	51.30%
US CLO 2015-1	United States of America	50.30%
US CLO 2015-2	United States of America	57.50%
St Paul's CLO II (i)	Ireland	33.90%
St Paul's CLO III (ii)	Ireland	49.40%
ICG High Yield Bond Fund	Ireland	85.82%
ICG Global Total Credit Fund	Ireland	100.00%

(i)/(ii) The Capital Requirements Directive requires the originator of any securitisation transaction to hold a minimum 5% of the net economic exposure of the transaction. ICG holds (i) 33.9% of St Paul's CLO II and (ii) 49.4% of St Paul's CLO III and is the largest individual shareholder of both CLOs. The kick out rights of third party shareholders are protective in nature as they result from a breach of contract, and therefore not indicative of an agent relationship. ICG is also the collateral manager and as a result management has concluded that as ICG acting as principal.

The Group redeemed its investment in the ICG European Loan Fund during the year and thereby no longer controls this entity.

There are no significant restrictions on the ability of the group to access or use assets and settle liabilities of its subsidiary holdings, with the exception of the structured entities controlled by the Group.

ICG has not provided contractual or non-contractual financial or other support to a consolidated structured entity during the period. It is not the current intention to provide such support, including the intention to assist the structured entity in obtaining financial support.

32. ASSOCIATES AND JOINT VENTURES

ICG's investment strategy is to invest across a range of funds and investments. In assessing whether ICG controls any individual fund it is necessary to determine whether ICG acts in the capacity of principal or agent for the third party investors. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties, whereas a principal is primarily engaged to act for its own benefit. This is determined with reference to decision making authority, rights held by other parties, remuneration and exposure to returns.

As such, depending on the fundraising or investment in a company's capital structure, ICG could end up with significant influence and such entities would be considered either associates or joint ventures.

The nature of some of the activities of ICG plc's associates and joint ventures are investment related which are seen as complementing the Group's operations and contributing to achieving the Group's overall strategy. The remaining associates and joint ventures are portfolio companies not involved in investment activities.

DETAILS OF ASSOCIATES AND JOINT VENTURES

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of Associate	Principal activity	Country of incorporation	Proportion of ownership interest/voting rights held by the Group 2016
Longbow UK Real Estate Debt Investment II	Real estate fund	England and Wales	20.00%
Gerflor Group (i)	Manufacturer of PVC flooring	France	11.76%
Interbest Holding BV	Roadside advertising masts	Netherlands	31.26%
ICG Total Credit Fund (ii)	Credit fund	Ireland	39.67%
ICG Europe Fund V Jersey Limited (iii)	Investment company	Jersey	20.00%
ICG Europe Fund VI Jersey Limited (iv)	Investment company	Jersey	16.67%
ICG North American Private Debt Fund (v)	Investment company	United States of America	20.00%
ICG Asia Pacific Fund III Singapore Pte. Limited (vi)	Investment company	Singapore	20.00%

All associates are accounted for at fair value in accordance with the Group's accounting policy as outlined in note 3 to the financial statements.

Notes

(i) 11.76% represents ICG's holding in ordinary shares in Gerflor Group. One ICG employee is appointed to the four member supervisory board of Gerflor on behalf of the Group and third party funds and therefore ICG has the power to participate in the financial and operating decisions of the Company.

(ii) The fund manager can be removed without cause by only three investors who together hold more than 55% of the issued units. Although this would indicate an agent relationship, as ICG has a 39.7% interest in this entity it has been considered an associate.

(iii) Through a co-investment structure ICG has a 20% shareholding in ICG Europe Fund V Jersey Limited. ICG appoints the General Partner (GP) to the fund however the investors have substantive rights to remove the General Partner without cause by Special Investor Consent, which would only require 24% of investors. The Fund also has an Advisory Council, nominated by the investors, whose function is to ensure that the General Partner is acting in the interest of investors. The Advisory Council could influence investors to invoke Special Investor Consent and remove the GP, and as such ICG acts in the capacity of agent. However as ICG has a 20% holding and therefore significant influence in this entity it has been considered an associate.

(iv) Through a co-investment structure ICG has a 16.67% shareholding in ICG Europe Fund VI Jersey Limited. ICG appoints the General Partner (GP) to the fund however the investors have rights to remove the General Partner without cause by Special Investor Consent, which would only require 34% of investors once the fund completes its fundraising. The Fund also has an Advisory Council, nominated by the investors, whose function is to ensure that the General Partner is acting in the interest of investors. The Advisory Council could influence investors to invoke Special Investor Consent and remove the GP, and as such ICG acts in the capacity of agent. However as ICG has a 16.67% holding and therefore significant influence in this entity it has been considered an associate.

(v) Through a co-investment structure ICG has a 20% shareholding in ICG North American Private Debt Fund. ICG appoints the General Partner (GP) to the fund however the investors have rights to remove the General Partner without cause by 80% Combined Limited Partner Consent, which would only require 34% of investors once the fund completes its fundraising. The Fund also has an Advisory Council, nominated by the investors, whose function is to ensure that the General Partner is acting in the interest of investors. The Advisory Council could influence investors to invoke Combined Limited Partner Consent and remove the GP, and as such ICG acts in the capacity of agent. However as ICG has a 20% holding and therefore significant influence in this entity it has been considered an associate.

(vi) Through a co-investment structure ICG has a 20% shareholding in ICG Asia Pacific Fund III Singapore Pte. Limited. ICG appoints the General Partner (GP) to the fund however the investors have rights to remove the General Partner without cause by Special Investor Consent, which would only require four investors once the fund completes its fundraising. The Fund also has an Advisory Council, nominated by the investors, whose function is to ensure that the General Partner is acting in the interest of investors. The Advisory Council could influence investors to invoke Special Investor Consent and remove the GP, and as such ICG acts in the capacity of agent. However as ICG has a 20% holding and therefore significant influence in this entity it has been considered an associate.

During the year ICG Group received income distributions of £10.0m (2015: £18.6m) via the four co-investment structures above.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016 CONTINUED

32. ASSOCIATES AND JOINT VENTURES CONTINUED

The Group's investment in Gaucho has been sold during the year. There were no other changes in the Group's ownership interests in an associate.

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of Joint Venture	Principal activity	Country of incorporation	Proportion of ownership interest/voting rights held by the Group 2016
Nomura ICG KK	Advisory company	Japan	50.00%
Parkeon (vii)	Parking and transport ticketing solutions	France	52.60%
Via Location (viii)	Truck rental company	France	58.40%
Viadom	Home services	France	50.00%

Nomura ICG KK is equity accounted as a joint venture in accordance with IFRS 11. Parkeon, Via Location and Viadom are accounted for at fair value in accordance with the Group's accounting policy in note 3 to the financial statements. ICG's policy is to fair value investments in a portfolio company on a consistent basis with all other portfolio assets regardless of their classification in the financial statements. Nomura ICG KK is not a portfolio company and was established to operate the Group's core business of fund management activities in Japan. Management therefore consider it more appropriate to equity account for this entity in the financial statements.

(vii) Although ICG holds 52.60% of the ordinary shares it does not solely control Parkeon. The management company of the group is jointly controlled by one of the ICG mezzanine funds, which ICG does not control, and therefore ICG is unable to execute any decision without the consent of this entity. ICG sold its entire holding in Parkeon following the balance sheet date.

(viii) Although ICG holds 58.40% of the ordinary shares it does not solely control Via Location as control of the company is via the Supervisory Board and this control is jointly held with one of the ICG mezzanine funds, which ICG does not control.

SIGNIFICANT RESTRICTION

There are no significant restrictions on the ability of associates and joint ventures to transfer funds to the Group other than having sufficient distributable reserves.

SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATES MATERIAL TO THE REPORTING ENTITY

The Group's only material associate or joint venture is ICG Europe Fund V Jersey Limited, which is an associate. The information below is derived from the IFRS financial statements of the entity. Materiality has been determined by the carrying value of the associate or joint venture as a percentage of total Group assets.

ICG Fund V Jersey Limited	2016 £m	2015 £m
Current assets	**0.2**	0.2
Non current assets	**2,083.0**	1,714.6
Current liabilities	**–**	(0.1)
Non current liabilities	**–**	–
	2,083.2	1,714.7
Revenue	**90.9**	309.1
Profit from continuing operations	**90.6**	308.8
Total comprehensive income	**90.6**	308.8

SUMMARISED FINANCIAL INFORMATION FOR EQUITY ACCOUNTED JOINT VENTURES

Nomura ICG KK's made neither a profit nor a loss from continuing operations and total comprehensive expense for the year ending 31 March 2016.

33. UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. ICG has determined that where ICG holds an investment, loan, fee receivable, guarantee or commitment with an investment fund, CLO or CDO, that this represents an interest in a structured entity. ICG does not have any exposure to loans, guarantees or commitments. Where ICG does not hold an investment in the structured entity, management has determined that the characteristics of control are not met.

ICG acts in accordance within pre-defined parameters set out in various agreements and the decision making authority is well defined, including third party rights in respect of the investment manager. These agreements include management fees that are commensurate with the services provided and performance fee arrangements that are industry standard. As such ICG is acting as agent on behalf of these investors and therefore these entities are not consolidated into ICG's results. Consolidated structured entities are detailed in note 31.

ICG's interest in and exposure to unconsolidated structured entities is detailed in the table below, and recognised within financial assets: loans, investments and warrants in the statement of financial position:

Funds	Investment in Fund £m	Management fees receivable £m	Management fees %	Performance fees receivable £m	Performance fees %	Maximum exposure to loss £m
CLOs	37.8	2.2	0.35% to 0.60%	–	0.05% to 0.20%	40.0
Credit Funds	86.7	4.7	0.50% to 0.75%	2.6	N/A	94.0
Mezzanine & Equity Funds	4.6	15.5	0.75% to 2.0%	11.6	20%–25% of total performance fee of 20% of profit over the threshold	31.7
Real Estate Funds	110.1	3.4	1.22% to 1.33%	1.7	20% of returns in excess of 9% IRR	115.2
Total	239.2	25.8		15.9		280.9

Management fees are charged on third party money managed by ICG on either a committed or invested basis dependent on the fund. The accounting policy for the recognition of performance fees is included in note 3.

ICG's maximum exposure to loss is equal to the value of any investments held and unpaid management fees and performance fees.

ICG has not provided non contractual financial or other support to the unconsolidated structured entities during the year. It is not the current intention to provide such support, including the intention to assist the structured entity in obtaining financial support.

34. 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.

35. POST BALANCE SHEET EVENTS

There have been no material events since the balance sheet date.

GLOSSARY

TERM	SHORT FORM	DEFINITION
Adjusted earnings per share	Adjusted EPS	Adjusted profit after tax divided by the weighted average number of ordinary shares
Adjusted profit after tax		Profit after tax (annualised when reporting a six month period's results), adjusted for fair value movements on derivatives, changes to the estimate of Longbow deferred consideration and the impact of the settlement of the employee benefit trust
Adjusted return on equity	Adjusted ROE	Adjusted profit after tax divided by average shareholders' funds for the period
AIFMD		The EU Alternative Investment Fund Managers Directive
Assets under management	AUM	Value of all funds and assets managed by the FMC. During the investment period third party (external) AUM is measured on the basis of committed capital. Once outside the investment period third party AUM is measured on the basis of cost of investment. AUM is presented in Euros, with non Euro denominated at the period end closing rate
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
Direct investment funds		Funds which invest in self-originated transactions for which there is a low volume, inactive secondary market
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	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
Fund Management Company	FMC	The Group's fund management business, which sources and manages investments on behalf of the IC and third party funds
Gearing		Gross borrowings divided by shareholders' 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

TERM	SHORT FORM	DEFINITION
Internal Capital Adequacy Assessment Process	ICAAP	The ICAAP allows companies to assess the level of capital that adequately supports all relevant current and future risks in their business
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
Key performance indicator	KPI	A business metric used to evaluate factors that are crucial to the success of an organisation
Key risk indicator	KRI	A measure used to indicate how risky an activity is. It is an indicator of the possibility of future adverse impact
Liquid assets		Asset classes with an active, established market in which assets may be readily bought and sold
Open ended fund		A fund which remains open to new commitments and where an investor's 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		Share of profits that the fund manager is due once it has returned the cost of investment and agreed preferred return to investors
Realisation		The return of invested capital in the form of principal, rolled up interest and/or capital gain
Profit margin		Profit divided by total income
Proforma return on equity		Profit after tax (adjusted as for adjusted ROE) divided by average shareholders' funds for the period, assuming any special dividends were paid at the beginning of the reporting period
Return on assets	ROA	Returns divided by the average IC investment portfolio. Returns comprise interest and dividend income, plus net gains on investments, less impairments
Return on equity	ROE	Profit after tax (annualised when reporting a six month period's results) 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
Senior debt		Senior debt ranks above mezzanine and equity
Total AUM		The aggregate of the third party external AUM and the Investment Company's balance sheet
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
Weighted average		An average in which each quantity to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average

SHAREHOLDER AND COMPANY INFORMATION

TIMETABLE

EVENT	DATE
Ex dividend date	16 June 2016
Record date for financial year 2016 final ordinary dividend	17 June 2016
Last date for dividend reinvestment election	15 July 2016
AGM	21 July 2016
Record date for special dividend and share consolidation	29 July 2016
Date of the share consolidation	1 August 2016
Payment of ordinary and special dividend	5 August 2016
Half year results announcement for the six months to 30 September 2016	15 November 2016

COMPANY INFORMATION

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THE FINANCIAL CONDUCT AUTHORITY