ICG

DELIVERING A RECORD YEAR THROUGH

CONNECTED EXCELLENCE

INTERMEDIATE CAPITAL GROUP PLC
ANNUAL REPORT & ACCOUNTS 2018

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DRIVING LONG TERM OPPORTUNITY THROUGH
CONNECTED EXCELLENCE

At ICG, our proven track record over 29 years demonstrates our ability to respond to market opportunities and generate consistently high returns across economic cycles.

+ See our strategic performance on page 16 to 19

Central to our success is our disciplined investment culture, which brings together a network of skills and expertise through long standing relationships, to provide us with unique market insight and opportunities. Our strong balance sheet and access to capital is critical in enabling us to pioneer new strategies and serve as an anchor investor to develop and accelerate new funds.

+ Read about what makes us different on page 10 to 13

Together, this connected excellence gives us an advantage in our market, ensuring we are well placed to capitalise on future opportunities and continue to generate long term value for our shareholders and fund investors.

+ Read about our markets on pages 14 to 15

Assets under management

€28.7BN

2017: €23.8bn

+ Page 22

Profit before tax

£199.1M

2017: £252.4m

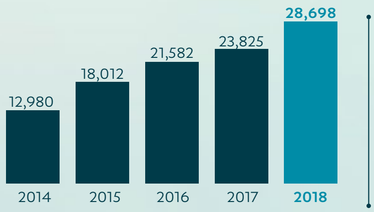
+ Page 20

Ordinary dividend per share

30.0P

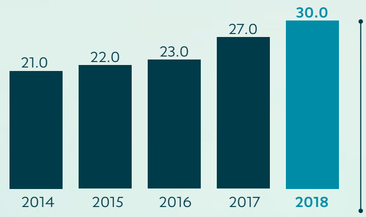
2017: 27.0p

+ Page 4



121.1% Growth over 5 years

TOTAL AUM



42.9% Growth over 5 years

ORDINARY DIVIDENDS / PER SHARE

ICG AT A GLANCE

ICG is a specialist asset manager with over 29 years' history in private debt, credit and equity. We manage €28.7bn of assets in third party funds and proprietary capital, principally in closed end funds.

Our strategy, and operational focus, is to grow our specialist asset management activities to generate returns for our fund investors and to deliver increased shareholder value. We will do this by optimising profit from existing strategies and selectively innovating and pioneering new strategies that increase diversification by asset class and geography.

Using our in house distribution team, we seek to establish and build relationships with a broad, and geographically diverse, range of institutional fund investors.

297
employees
+ Read more on page 34

13
countries of operation

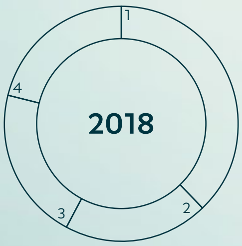
18
investment strategies

29
year investment track record
+ Read more on page 10

Fund investors by type

1	Pension schemes	35%
2	Insurance companies	18%
3	Banks	8%
4	Asset managers	11%
5	Fund of funds	6%
6	Family offices	5%
7	Endowments/Foundations	6%
8	Other	11%

Fund investors by geography



1	EMEA (excluding UK and Ireland)	38%
2	UK and Ireland	20%
3	Americas	21%
4	Asia Pacific	21%

Assets under management

€28.7BN

2017: €23.8bn

+ Read more on page 22

Our business model

Our business model enables the Group to deliver its strategic objectives as a specialist asset manager across four asset classes.

CORPORATE INVESTMENTS	CAPITAL MARKET INVESTMENTS	REAL ASSET INVESTMENTS	SECONDARY INVESTMENTS
Providing debt and equity capital to mid market private companies across Europe, Asia Pacific and North America	Investing in debt instruments issued on capital (public) markets in Europe and North America	Providing debt and equity financing for real estate investments in the UK commercial property market	Investing in private equity funds and their assets through secondary market transactions

Our asset management activities, to source and manage investments on behalf of third party funds and our balance sheet, are reported as our Fund Management Company (FMC). Our balance sheet portfolio, reported as our Investment Company (IC), is an enabler and accelerator of growth and now invests solely to support the growth of our specialist asset management franchise. A common infrastructure platform supports both FMC and IC operations.

Profit before tax

£199.1M

2017: £252.4m

+ Read more on page 20

Ordinary dividend per share

30.0P

2017: 27.0p

+ Read more on page 4

Our strategic objectives

are supported by our investment track record

Grow assets under management	Invest selectively	Manage portfolios to maximise value
+ Read more on page 6	+ Read more on page 7	+ Read more on page 7

AN INTRODUCTION FROM THE CHAIRMAN

ANOTHER STRONG YEAR OF GROWTH

KEVIN PARRY OBE
CHAIRMAN

"Fundraising continues to be excellent as investors have trusted us with their funds due to our sustained strong investment performance"

DEAR SHAREHOLDER

This has been a strong year of delivering our strategic goals, with record fundraising and record fund management profits. Your Board is focused on delivering sustainable shareholder value without compromising our ethical standards and our responsibilities to the Group's stakeholders.

Business developments

Our strategy and operational focus is to grow our specialist asset management franchise. We do this by growing our existing strategies whilst at the same time continuing to innovate and pioneer new strategies that increase diversification by asset class and geography. Our balance sheet capital is both an enabler and accelerator of growth and is only invested to support the delivery of our strategy.

We raised a record €7.8bn of new assets under management during the year, including €5.4bn in successor funds for Senior Debt Partners, North American Private Debt and Real Estate Senior Debt. In addition, we raised €2.2bn across our capital market strategies validating the investment made in this asset class in recent years. The weighted average fee rate was 0.86% compared with 0.91% in the previous year. The change in the average rate reflects the mix of funds currently being managed.

The long term structural trend of increasing investment into alternative asset classes combined with the positive macro economic environment supporting growth in company earnings, provides a favourable market backdrop for alternative asset managers. We always overlay our disciplined investment culture to market conditions with an objective of meeting or exceeding clients' expectations commensurate with their risk appetites in each of our strategies. In the financial year, we invested €4.9bn across our direct investment funds to provide financing to companies to support their growth, ownership transition and day to day working capital needs. Alongside our funds, the Investment Company invested £0.6bn proportionately to its commitment to the relevant strategy. Our portfolios continue to perform well which bodes well for future fundraising success.

As at 31 March 2018 €21.6bn (2017: €18.3bn) of our total assets under management had been invested leaving €7.1bn (2017: €5.5bn) of third party capital available for future deployment across our strategies.

Earnings

The total pre-tax profit for the year was £199.1m (2017: £252.4m) comprising £95.3m (2017: £74.0m) in our fund management business and £103.8m (2017: £178.4m) in the Investment Company. Strong fund raising, a healthy investment and realisation pace and sensible cost control, whilst still investing in our business, increased the fund management operating profit margin to 45.4% (2017: 41.2%).

The momentum in the business supported an increase in our average annual fundraising target to €6bn (previously €4bn) per annum over a three year rolling period and an increased operating margin target in the fund management business of above 43% (previously above 40%).

The profits of the Investment Company in reporting periods will fluctuate with mark to market valuations, but over the years, the net investment returns will bear a close correlation to our investors' returns where on average we seek to meet or exceed a rate of return of 11% per annum on invested capital. Investment Company profits have, as expected, normalised as the prior year's result included a one off recycling of capital gains from reserves.

The earnings per share were 88.8p (2017: 74.5p).

Dividend

In accordance with our dividend policy, the asset management performance has allowed the Board to recommend a final dividend of 21.0p per share (2017: 19.5p) equating to a total for the year of 30.0p per share (2017: 27.0p). The 11% increase represents 110% of the post-tax profits of the Fund Management Company and is covered 3.0 times based on total earnings.

We continue to make the dividend reinvestment plan available.

When we updated our dividend policy last year, our objective was to ensure that the dividend would be fully covered by the fund management profits within three years. The continued growth of our Fund Management Company means we now expect to do this ahead of schedule, in the current financial year. The Board re-confirms its progressive dividend policy, normally paying out between 80% and 100% of the earnings of the Fund Management Company as dividends.

Management and people

The change in Chief Executive following last year's AGM has progressed well. We continue to invest in our investment, distribution and infrastructure teams in line with the planned growth in the business whilst also ensuring we improve operating leverage as we grow assets under management.

The Chief Executive has widened the management team that advises him, and the Chief Financial and Operating Officer, to ensure they receive strong advice and support from senior managers across the Group.

Shareholders approved our new remuneration policy at last year's AGM. The revision to the policy simplifies a number of aspects of the relevant schemes whilst not increasing the proportion of profit paid as bonuses to staff. This year average staff remuneration increased by 6% reflecting the success in fundraising, deployment of capital raised and the overall progress of the Fund Management Company. Total shareholder return in the year was 43%. Further details are in the Remuneration Committee report on page 68.

Although we were not required to publish our gender pay gap data by 4 April 2018, having fewer than 250 UK employees, in the interests of transparency, we plan to voluntarily disclose our gender pay gap statistics for 2018 on our website over the summer.

Consistent with our asset management peers, it is evident that, although we are comfortable that we are rewarding both genders fairly, our senior investment positions are held predominantly by men. We are introducing measures to encourage women to progress within the business but recognise that this may take time to show results.

The success of ICG depends on collaboration and expertise across the investment, distribution and infrastructure teams, and I would like to thank all of our staff for their contribution to our business over the course of the year.

Governance

The Board has been extensively refreshed over the last two years. This year we welcomed Stephen Welton, Amy Schioldager and Andrew Sykes as Non-Executive Directors. Andrew will succeed Peter Gibbs as the Senior Independent Director at this year's AGM, when Kim Wahl and Peter both stand down from the Board having completed their terms as Directors.

I am very grateful to Kim and Peter for their long service to the Board and the considerable contribution they have made to the success of your Company. As Chairman of the Remuneration Committee and, since 2016, Senior Independent Director, Peter has been responsive to shareholder feedback and has contributed extensively at a crucial stage in the Group's development. Both Peter and Kim have provided valuable insight to the Board in their areas of expertise, notably as accomplished investors. The Board wishes them all the best for the future.

Following the AGM, the Board will comprise two Executive Directors and seven Non-Executive Directors, of which 33% are female. Half of the Board's four committees are chaired by women. Further details of the Board and its committees are set out on pages 38 to 92.

To coincide with the changes in executive and non-executive directorships, the Board has undertaken a detailed review of the terms of reference of the Board, its committees and individual directors.

The review reflected the completion of the Group's transformation to a specialist asset manager which has recently been recognised by FTSE Russell reclassifying the Company as an asset manager.

Your Board believes that high standards of corporate governance contribute to value creation and will continue to pursue high standards for the benefit of our stakeholders. Further details on governance matters are set out on page 38.

Outlook

The Group is well positioned to take advantage of favourable conditions for specialised asset managers. Our strategy of continuing to increase diversification by asset class and geography remains unchanged.

We have made an excellent start to the new fundraising year, including €2.6bn from European Fund VII and the final close of our North American Private Debt Fund. We anticipate 2018/19 will be another strong fundraising year, and in aggregate will be above our long term average target of €6bn per annum.

We continue to source attractive deals in a competitive investment climate and anticipate being able to deploy all of the uninvested funds raised in previous financial years over the course of the relevant investment periods, so increasing our fee earning assets under management.

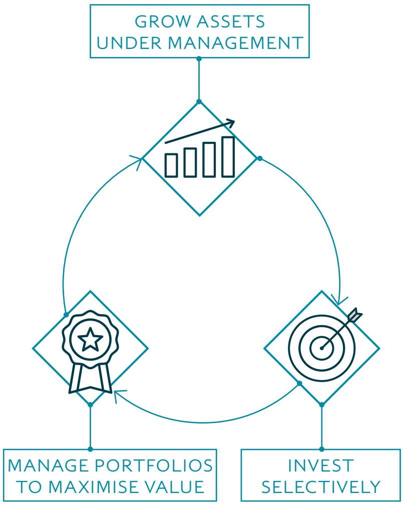
The Strategic Report, on pages 2 to 36, has been approved by the Board of Directors and is signed on its behalf by:

KEVIN PARRY
CHAIRMAN
21 MAY 2018

BUSINESS REVIEW

DELIVERY AGAINST OUR STRATEGIC OBJECTIVES

BENOÎT DURTESTE
CHIEF EXECUTIVE OFFICER



"This is another strong year of impressive performance and successful delivery of our strategy. With AUM at a record €28.7bn, up 20%, and both fundraising and capital deployment at record levels, we continue to deliver on our commitments to investors and shareholders"

We have continued to deliver against our strategic objectives and grow our specialist asset management business.

We continue to demonstrate our ability to develop successful specialist asset management strategies, supported by the strength of our client relationships. Our Fund Management Company (FMC) profits have grown 56% over the last two years, and now exceed the profits of our Investment Company (IC). It is against this backdrop that we increased our fundraising target, to an average of €6bn per annum on a three year rolling basis, and FMC operating margin target, to above 43% during the year.

Alternative asset market growing strongly

Alternative asset classes continue to be attractive to institutional investors for their enhanced returns and diversification opportunities. The characteristics that have driven the growth in alternative asset classes in recent years remain unchanged. The increasing wealth of developing nations, combined with ageing populations in developed nations, drives higher institutional assets under management. At the same time, bond yields and interest rates remain low thereby impacting the returns of traditional asset classes. We expect the conditions driving the long term attractiveness of alternative asset classes to continue and be largely unaffected by market volatility and the expected increase in Central Bank interest rates.

The growing demand for alternative assets makes our markets attractive to new entrants. However, through rising complexity, greater investor expectations and expanding regulation, the market is becoming more sophisticated which increases the barriers to entry. This is accelerating the growth of established and diversified managers as investors look to streamline their number of relationships, preferring global managers with a strong track record, credibility and infrastructure. We are well positioned to take advantage of these market trends as an established global manager focused on the specialist end of alternative asset management.

Strong growth and diversification in assets under management

At €7.8bn, fundraising (inflows) was stronger than in prior periods. As 94% of our AUM is in closed end funds, our inflows are strongly dependent on when our larger funds come to market resulting in fluctuating inflows year on year. Another characteristic of our closed end strategies is the benefit of 'locked in' investor commitments and related fee streams. Current year fundraising was driven by; Senior Debt Partners, our largest strategy, closing its third vintage and raising €4.2bn through both a co-mingled fund and segregated mandates.

The increase in size of our Senior Debt Partners strategy, with assets under management up 68% since 31 March 2017, acts as a differentiator in the European direct lending market as it allows us to offer a broader range of finance solutions to mid-market companies. We upscaled this strategy to permit it to make investments in North American mid-market companies, thereby leveraging our European success with our existing US presence to broaden our direct lending strategy. We have achieved this and been able to increase the average fee rate of the strategy.

Since entering the US market in 2014 we have made good progress in establishing our presence in the world's largest and most competitive market. Our North America Private Debt (mezzanine) strategy has closed $1.3bn for its second fund , including $150m from the balance sheet, of which $0.9bn was raised in the financial year. This makes the fund 71% larger than its predecessor, thereby enabling us to compete for larger deals. In addition, we closed our US based Strategic Secondaries Fund above target early in the financial year and raised a further two US CLOs.

We have made steady progress in converting investor demand into investor commitments for our liquid strategies, raising €1.1bn in the period and increasing the profitability of these scalable strategies. We had further success in closing the third vintage of our real estate senior debt strategy and a first close for the fifth vintage of our real estate proprietary capital fund.

Investing selectively in a competitive market

Our increasing number of strategies means that we operate in a diversified investment market. Across all of our strategies we have seen the investment market remain competitive as institutions seek to deploy the increasing amounts of capital raised.

In these competitive markets, the focus of our local teams and sector specialists together with their longstanding relationships and understanding of the markets in which they operate continues to provide deal flow and early access to investment opportunities. As a result we have seen a year of record deployment, investing €4.9bn across our direct investment strategies, an increase of 21% on the prior year. This means that some of our larger funds are raising successor funds earlier than expected and provides us confidence that all of our direct investment funds will deploy their available capital within their stated investment periods. We believe our origination heavy investment model is a competitive advantage. We will continue to invest appropriately in our investment, distribution and infrastructure teams to maintain this advantage.

Fund returns benefitting from robust portfolio performance

Liquidity in the market continues to provide a healthy environment for realisations. Where possible, our portfolio managers are seeking to capitalise on this liquidity and actively realise assets within their portfolio. This enables them to lock in performance and provides the foundations for future fundraising success.

The portfolios are performing well. Despite increased market volatility, company performance and credit fundamentals remain healthy. We therefore expect the performance of our portfolios and level of realisations to remain robust in the new financial year.

Capital management

We continued to actively manage the Group's sources of financing, extending debt facilities and lowering pricing where possible. During the financial year the Group's nine bilateral debt facilities were renegotiated and consolidated into a single £500m dual tranche revolving credit facility, with initial maturities of two and three and a half years respectively. This, combined with our long term private placement programme, secures the Group's liquidity by extending the maturity of our committed facilities, along with improved terms and a significant reduction in cost. The weighted average life of drawn debt as at 31 March 2018 was 3.6 years.

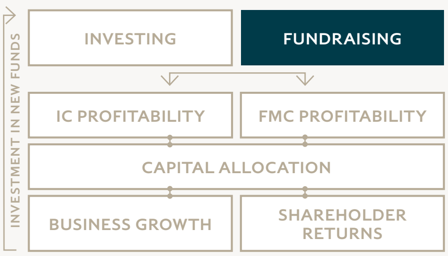
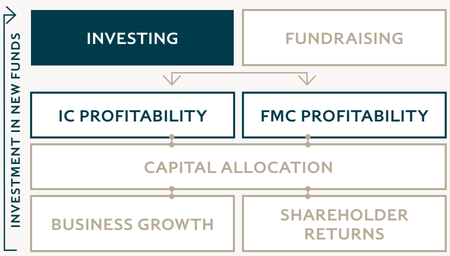
Outlook

We have made an excellent start to the new fundraising year, including €2.6bn for Europe Fund VII. Europe Fund VII is on track to be significantly larger than its predecessor fund, and illustrates that where the opportunity arises we will seek to scale proven strategies to further differentiate our offering from other asset managers. With average fee rates higher and fees charged on committed capital, from today, Europe Fund VII will have an immediate impact on operating leverage. With our UK real estate strategy, strategic equity strategy and capital markets strategies also expected to raise money in the new financial year, fundraising is expected to be strong, and weighted to the first half.

We will continue to look for attractive opportunities to grow and further expand our range of strategies, using our balance sheet capital as an enabler and accelerator of growth. We have recently hired a team with significant experience in both investing and managing high quality infrastructure assets to help us launch a new European infrastructure investment strategy.
In addition, our real estate team are looking at three new strategies to add to their portfolio of products. These strategies are all in the early stages of development and there is no guarantee of success, as illustrated by our decision to discontinue our attempt to develop an Asia Pacific energy strategy due to a lack of attractive investment opportunities. We will continue to keep the market updated on developments at the appropriate time. It is essential to the long term growth of the business that we continue to explore new, scalable strategies.

Our business model with a disciplined investment culture and focus on closed end funds underpins earnings by long term, predictable and highly cash generative fee income streams. This, combined with a proven fund investment performance, permits good medium term visibility of fundraising and fees, whilst offering protection against short term macroeconomic uncertainty.

HOW WE CREATE VALUE

BUSINESS ACTIVITY	Raising new assets under management	Investing capital
WHY DO WE DO IT?	We generate fee income from our managed funds	Investing the capital raised generates investment returns for our fund investors and shareholders
HOW DO WE DO IT?	• We size our fundraising requirements by the market opportunity to invest the capital, developing investment strategies that meet the requirements of institutional fund investors • We use our global in house distribution team who are embedded in the business to attract suitable investors for our funds	• Our specialist and experienced investment professionals identify opportunities to invest capital using long standing networks and relationships • We provide borrowers and investee companies with flexible capital to meet their needs; this is supported by our nimble operating model with its efficient decision making processes
HOW DO WE MEASURE PERFORMANCE? Read more about how we performed on pages 16 to 19	• We have a target of raising an average of €6bn of new third party funds (gross inflows) per annum on a three year rolling basis • We monitor the weighted average fee rate on fee earning assets under management (AUM) to ensure that AUM is profitable. Weighted average fee rate and AUM are alternative performance measures as defined on page 16	• For closed end funds it is important for the capital to be deployed over the investment period. We monitor this against a straight line deployment basis throughout the investment period • For open ended funds we ensure investors' capital is being deployed in an appropriate manner
HOW DOES IT CONTRIBUTE TO PROFIT?	• We earn management fees on AUM once they are committed or invested depending on the fund. Fees contribute to profit in the year in which they are earned • Raising new AUM generates a foreseeable income stream of between 3 and 12 years, depending on the life cycle of the fund	• We earn management fees on invested capital until the underlying investment is realised. In addition, the balance sheet earns a return on its investment in funds
OPERATING MODEL COMPONENT		

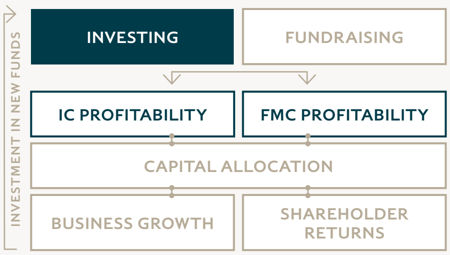
Managing investments

Closely managing our investments is a key component of our investment culture and enhances investment returns

- Our investment professionals actively monitor investments throughout their life, including attending Board meetings for our largest exposures
- Our access to senior management and information about our investments allows us to take timely and appropriate steps to preserve capital and maximise returns
- Investment Committees review the monitoring activities and oversee performance

- The success of managing our investments is reflected in the performance of our funds against the funds' investment objectives, investor expectations and, for our open ended funds, designated market benchmarks
- For our balance sheet portfolio we measure performance by reviewing the net investment return on assets, in the context of relative risk, recognised in the year. Net investment return is an alternative performance measure as defined on page 16

- Delivering returns in excess of the funds' investment objectives earns performance fees. Managing our investments, and thereby increasing value and reducing the risk of loss, maximises these fees
- For our balance sheet portfolio, changes in the value of our investment are reflected in the income statement



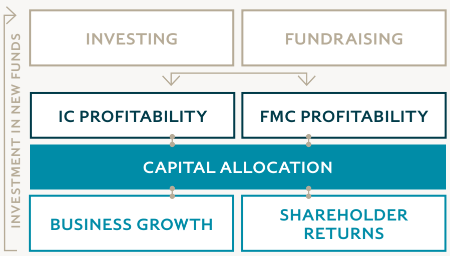
Realising investments

Realising our investments locks in our investment returns, supports future fundraising and releases capital for new investment

- Our experience and market access allows us to identify a range of possible exit routes
- We seek to optimise the value of our investments by realising them at the right moment, which may be well ahead of their contractual maturity
- Where we are not in control of the realisation process we use our relationships to influence our counterparties

- Realising investments locks in fund performance and contributes to our track record. We monitor returns on realised assets against the relevant fund performance hurdle rate
- At a portfolio level, and for open ended funds, realised returns are measured against available benchmarks. The relative performance of the funds, against these benchmarks, is a guide to the success of future fundraising

- Changes in the value of our balance sheet portfolio are reflected through the income statement throughout their holding period, rather than in the year of realisation. Realisations unlock cash from previously recognised and current year value changes
- Only gains realised in cash qualify as profit for remuneration purposes



WHAT MAKES US DIFFERENT

STRENGTH THROUGH CONNECTED EXCELLENCE

INVESTOR INSIGHT

Our dedicated global marketing and distribution team gives us insight which enables the nimble and efficient design of new strategies to respond to market developments, investor demand and investment opportunities.

Strengthening investor relationships by responding to their needs

We continue to expand and strengthen our third party investor relationships by providing our clients with the opportunity to invest in a diversified portfolio of strategies, with a single investment manager, which meet their risk and return requirements.

This year: Our strong investor relationships and attractive strategies resulted in record funds being raised across 11 investment strategies. We currently have 331 investor relationships of which 57 have invested in more than one strategy.

AN OUTSTANDING TRACK RECORD

Our business model is built on providing fund investors with direct access to private markets through a wide range of alternative asset strategies, a disciplined investment approach and a focus of post investment management. We are a specialist among asset managers.

SKILLS AND EXPERIENCE

Our local teams and sector specialists speak the languages, have long standing relationships and understand the markets in which they operate, providing deal flow and early access to investment opportunities.

Promoting diverse and engaged employees

We believe our strategic priorities are best achieved through engaged and motivated employees, enhanced by a diversity of people, cultures and skills. For further information see page 34.

Strong relationships provide access to deals

We leverage our strong relationships to originate and source investment opportunities for our funds and build opportunities based on market conditions. These relationships include financial and investment advisers, banks and other investment managers. Our reputation, built up over 29 years, has generated strong, supportive, asset sourcing networks.

Using our expertise to add value to our portfolio companies

We invest 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.

This year: Our local market presence has enabled us to source attractive deals in competitive markets. This year our direct investment funds have invested into 45 companies across 9 countries.

Our successful approach has enabled us to generate returns for our fund investors consistently at, or above, target across investment strategies. This track record makes us different.

WHAT MAKES US DIFFERENT

STRENGTH THROUGH CONNECTED EXCELLENCE

DISCIPLINED AND RESPONSIBLE APPROACH

Our consistent, efficient and robust investment culture, based on core investment principles and a strong focus on capital preservation underpinned by rigorous risk analysis, is applied consistently across investment strategies.

Ensuring a responsible approach to investment

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 governance factors in all our investment decisions.

Maintaining an analytical approach to investing

Our granular and origination heavy investment approach provides a valuable information database on which our investment teams can gain market intelligence and unique insight.

Managing risk and driving best practice

The Group has an active risk and compliance team who work with business, outside advisers and regulators to identify and manage regulatory risk and promote best practice within the marketing, investment and infrastructure teams. The Group has also established a system of oversight controls to ensure that services from key suppliers, including fund administrators, are delivered in accordance with contractual agreements and to an appropriate quality.

This year: Our investment teams have considered the potential impact of the UK's decision to leave the European Union when making decisions. In addition, infrastructure teams have ensured that our investment teams maintain awareness of, and compliance with, a number of new regulations, including EMIR and MiFID II.

AN OUTSTANDING TRACK RECORD

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ABILITY TO ALLOCATE CAPITAL

Our balance sheet capital is an enabler and accelerator of growth supporting the development of new strategies and actively supporting long standing strategies to create, and maximise, long term shareholder value.

Accelerating development of new strategies

We allocate capital to grow our fund management franchise by providing capital for new investment strategies to invest and demonstrate proof of concept, underwriting start up operating costs, and investing in the acquisition of teams or more established fund management businesses.

This year: We have committed balance sheet capital to five new strategies in our real asset and capital markets asset classes to demonstrate proof of concept and track record prior to fundraising.

Maintaining access to financing

We are committed to financial discipline and maintaining an appropriate Group-wide capital structure. The availability of capital is further underpinned by our relationships with key finance counterparties, including banks, bond holders and rating agencies.

Our successful approach has enabled us to generate returns for our fund investors consistently at, or above, target across investment strategies. This track record makes us different.

OUR MARKETS

Our ability to deliver our strategic objectives is framed by the markets in which we operate, whether to raise new funds, invest the capital raised or to maximise value from existing investments. Whilst our markets differ by asset class and geography, they all exhibit some common characteristics.

GROW ASSETS UNDER MANAGEMENT

Our success in growing assets under management is dependent on our ability to attract institutional investors such as pension funds, insurance companies or sovereign wealth funds into the higher return alternative investment strategies that we offer.

The long term, structural trend towards alternative investment strategies is projected to continue as:

1. Institutional investors find it difficult to achieve their long term investment objectives through traditional investment strategies, such as public bonds and equities
2. The absolute size of global assets under management is set to increase as the wealth of populations in developing nations grows and the trend of ageing populations in developed nations continues

The growing demand for alternative assets makes our markets attractive to new entrants. However, through rising complexity, greater investor demands and expanding regulation the market is becoming more sophisticated and in so doing increasing the barriers to entry. This is accelerating the growth of diversified managers as investors look to streamline their number of relationships with a preference for global managers with a strong track record, credibility and infrastructure.

We are well positioned to take advantage of these market trends as an established global manager focused on the specialist end of alternative asset management. Our strategies offer institutional investors access to a range of risk/reward and geographical profiles investing in private, and therefore less liquid, asset classes and high yielding liquid specialist markets.

INVEST SELECTIVELY

We believe that the environment for alternative investments is most attractive in the midmarket corporate sector where higher risk-adjusted returns can be achieved. It is this investment market in which we specialise.

CORPORATE INVESTMENTS

Our corporate investment strategies selectively invest in, and lend to, midmarket private companies.

As these companies often require flexible/tailored capital, bank financing or public debt markets may not be an appropriate source of finance for corporate transactions. These transactions may be acquisitions, refinancing or growth capital. The volume of this activity defines the size of our investment opportunity.

We compete with other providers of finance in this market. However, in private markets local knowledge, long standing relationships, certainty of funding and flexibility of approach are real advantages to accessing deals and a significant hurdle for new entrants.

We are well positioned to take advantage of these market trends. As an established manager with a local network of investment professionals, we are able to offer a range of financing options as our experience enables us to adapt our investment structures to meet the requirements of corporates.

REAL ASSET INVESTMENTS

Our real asset investment strategies are currently focused on selectively providing finance to private midmarket assets in the UK commerical real estate market.

As banks reduce their overall exposure to real estate, mid market assets are increasingly reliant on non-bank providers of capital to finance transactions, be they acquisitions, refurbishment or expansion. It is transaction volumes in the UK property and property finance markets that frame the size of our investment opportunity.

We compete with other providers of finance in this market. However, our smaller asset focus, deep knowledge of the UK ommercial real estate market, strong industry relationships and flexible approach mean we are able to originate attractive deals.

"We are well positioned to take advantage of favourable market conditions and the long term structural trend towards alternative asset classes"

BENOÎT DURTESTE
CHIEF EXECUTIVE OFFICER

CAPITAL MARKET INVESTMENTS

Our capital market investment strategies are focused on selectively investing in traded, largely liquid loans, bonds and structured instruments.

Companies raise debt to deliver better terms, facilitate growth and to enhance the returns. The secondary market of this debt is driven by portfolio managers seeking to maximise their income or returns. The investment market is therefore driven by the number of companies raising debt or secondary flows of previously raised debt.

We compete with other providers of finance in this market. However, our access to financial intermediaries across local markets, our information database, our sector specialists and long term relationships mean we are able to source quality investments.

SECONDARY INVESTMENTS

Our secondary investment strategies are focused on selectively investing in private equity funds operated by established managers and related direct investments.

Our Strategic Equity strategy involves a direct approach to investment by leading the restructuring of, and investment into, older, often underperforming, private equity funds. Investments into these funds provide attractively priced access to mature underlying portfolios of assets with good visibility on performance and exit potential. Our structuring skills, private equity investment experience and strong industry relationships have allowed us to develop a leading position in the highly complex and structured part of the secondaries market.

ICG Enterprise Trust plc invests in primary and secondary private equity funds, and selective direct co-investments. Competition for the most desirable investment opportunities can be high, but the strong industry relationships of the team, with access to ICG's market knowledge and industry exposure, are significant advantages in this activity.

MANAGE PORTFOLIOS TO MAXIMISE VALUE

Our ability to manage our portfolios to maximise value from our investments is in the context of the wider macroeconomic environment.

Our investment preference is for non-cyclical, low capex, high cash generative businesses. We seek to position our diversified portfolios so they are resilient to typical economic cycles and realisations are not dependent on market conditions. The benefit of closed end funds and long term investment horizons means we can continue to hold investments and only realise them when conditions are favourable.

Our long term track record and a fund's performance are solely based on cash realised returns. However, public company valuations impact the value of our equity investments at any balance sheet date as our portfolio is mark to market.

The current attractiveness of alternative asset classes to investors has increased demand for our assets and prices have increased. These market conditions have enabled our portfolio managers to realise assets within their portfolio enabling them to lock in performance, underpinning future performance fees and providing the foundations for future fundraising success.

HOW WE HAVE PERFORMED

Our Key Performance Indicators (KPIs) include alternative performance measures where they provide additional insight into performance from the perspective of shareholders and other stakeholders.

As detailed on page 20 the IFRS GAAP numbers include the impact of the consolidated structured entities which are determined by IFRS to be controlled by the Group, although the Group's loss exposure to these funds is limited to the capital invested by the Group in each fund.

For each of these measures we disclose the IFRS GAAP outcome for the current year. The Glossary on pages 167 to 171 includes the definitions of these alternative performance measures and reconciliation to the relevant IFRS GAAP measures.

The following KPIs are alternative performance measures:

- Return on equity
- Weighted average fee rate
- FMC operating margin
- Asset impairments
- Assets under management

+ Our KPIs are disclosed on pages 17 to 19

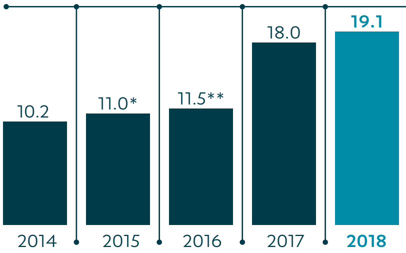
+ Details of our Executive Director KPIs are on pages 82 to 83

Group performance measures

RETURN ON EQUITY (ROE) (%)

19.1%

IFRS GAAP 2018 – 21.4% (2017: 19.5%)



The Group has targeted an ROE in excess of 13% which will be achieved by the growth of the business and maintaining an efficient balance sheet measured by a target gearing of between 0.8x and 1.2x.

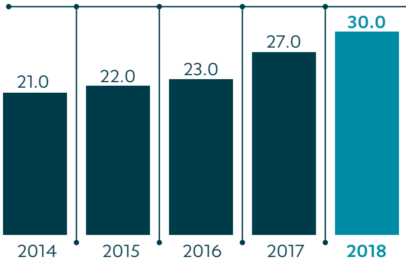
ROE has, as expected, decreased in the year as the prior year benefited from the one-off recycling of previously unrealised gains from reserves. Excluding the recycled capital gains, the prior year ROE was 13.2% which is more indicative of the performance for that year. Against this measure, ROE increased in the current year reflecting the profitability of our fund management business and the efficiency of our capital base.

* Adjusted for £20.3m one-off benefit from the Employee Benefit Trust (EBT) Settlement.

** 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.

ORDINARY DIVIDEND PER SHARE (P)

30.0P



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

We have a progressive dividend policy, meaning that unless there are significant adverse circumstances the ordinary dividend per share will increase, or at least be maintained, year on year.

To reflect the growth of the Fund Management Company (FMC), we intend to recommend a dividend which represents a pay-out of 80-100% of the post-tax profits of the FMC. We anticipate the FMC profits will grow as a proportion of the total profits but until FMC profits can cover our pay-out policy, we will continue to draw on IC profits to comply with our progressive dividend policy. We currently anticipate recommending growing the dividend per share by at least 6-8% per annum.

Prior to declaring dividend payments the Board ensures there are sufficient distributable reserves and funds available to make the payments and considers the impact on regulatory capital, debt covenants and debt ratings. These are not currently constraints on making ordinary dividend payments.

In the current year, the Group has generated sufficient returns from the business to grow the ordinary dividend year on year.

STRATEGIC OBJECTIVE

1. GROW ASSETS UNDER MANAGEMENT

We aim to increase our third party AUM to maximise the profitability of the business and increase shareholder value 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.

2019 PRIORITIES

Our focus in FY19 is to raise Europe Fund VII and raise further funds for our capital market strategies. We also expect to complete raising successor funds for North America Private Debt and UK Real Estate. Europe Fund VII will contribute to profit in the year as fees are charged on committed capital. The other strategies generate fees on invested capital and therefore will contribute to profit as they are invested.

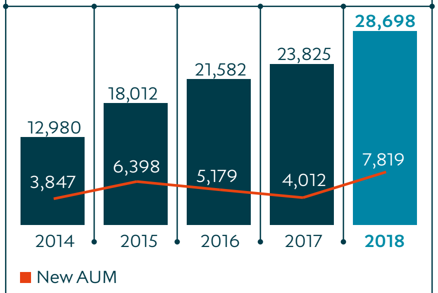
+ You can read more about the associated principal risks on pages 30 to 33

WHAT WE MEASURE

WHY WE MEASURE IT AND HOW WE PERFORMED

TOTAL AUM (€M)

€28.7BN



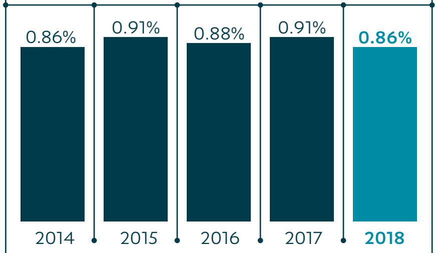
Raising third party funds is the lead indicator of the Group's profitability. We target raising €6bn of new third party funds (gross inflows) per annum on a three year rolling average.

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.

WEIGHTED AVERAGE FEE RATE (%)

0.86%

IFRS GAAP 2018 – 0.91% (2017: 0.98%)



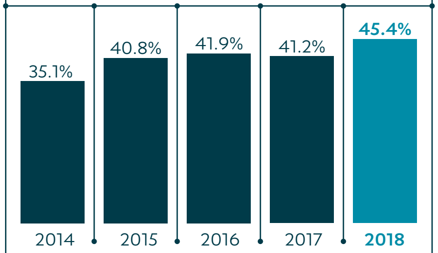
The Group monitors the weighted average fee rate on fee earning AUM to ensure that AUM is profitable. Fees reflect the risk/return profile of the underlying asset and are typically higher for corporate investment and secondary investment funds.

The weighted average fee rate on fee earning AUM is 0.86%, down from 0.91%. This is entirely due to product mix as we raise and invest our lower fee earning strategies, including Senior Debt Partners, which has increased fee rates by not offering discounts on their latest fundraise.

FMC OPERATING MARGIN (%)

45.4%

IFRS GAAP 2018 – 45.4% (2017: 41.2%)



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 43%.

FMC operating margin is significantly above the prior year as the Group continues to benefit from the raising and deployment of capital whilst maintaining discipline and control over the cost base.

HOW WE HAVE PERFORMED
CONTINUED

STRATEGIC OBJECTIVE

2. INVEST SELECTIVELY

We aim to invest our AUM on a selective basis to deliver returns for our fund investors and shareholders.

We will utilise:

- Our local teams and sector specialists
- A disciplined approach to considering each investment opportunity

2019 PRIORITIES

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.

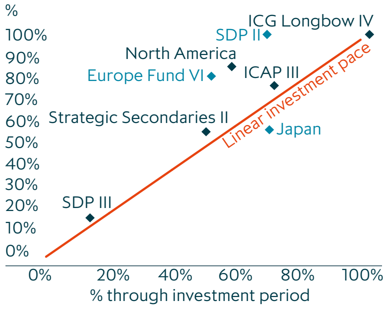
The Group will maintain its disciplined approach to investment in a highly competitive market.

+ You can read more about the associated principal risks on pages 30 to 33

WHAT WE MEASURE

DEPLOYMENT OF DIRECT INVESTMENT FUNDS (%)

Fund invested at 31 March 2018



WHY WE MEASURE IT AND HOW WE PERFORMED

Closed end funds have a finite life and represent 94% of our AUM. For closed end funds it is important for the capital to be deployed over the investment period. We monitor this against a straight line deployment basis throughout the investment period. Deployment of capital materially ahead of the expected rate may indicate that we are not sufficiently selective or robust in our investment decision making.

Our teams have identified sufficient suitable investment opportunities to allow us to maintain the investment pace for our closed end funds during the year.

STRATEGIC OBJECTIVE

3. MANAGE PORTFOLIOS TO MAXIMISE VALUE

We aim to manage our portfolios to deliver returns on invested capital for our fund investors and shareholders. By doing so we build on our strong track record and generate capital to invest in new products.

We do this by:

- Engaging regularly with management and sponsors
- Attending and participating in portfolio company Board meetings for our larger investments
- Reviewing the performance of each investment at least quarterly
- Proactively working out problems where appropriate

2019 PRIORITIES

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.

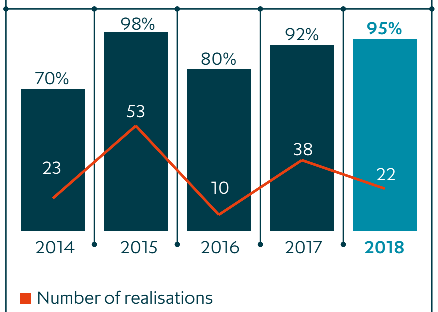
The Group aims to maximise returns in older funds by realising assets to crystallise value for our fund investors and for the balance sheet. The timing of these realisations remains uncertain as they are rarely in the Group's control.

+ You can read more about the associated principal risks on pages 30 to 33

WHAT WE MEASURE

PERCENTAGE OF REALISED ASSETS EXCEEDING PERFORMANCE HURDLE (%)

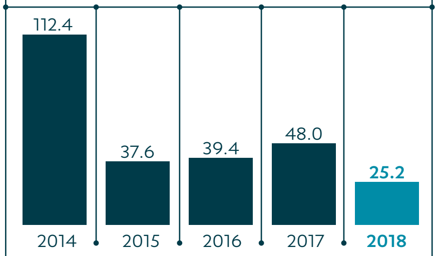
95%



ASSET IMPAIRMENTS (£M)

£25.2M

IFRS GAAP 2018 – £18.8m (2017: £25.3m)



WHY WE MEASURE IT AND HOW WE PERFORMED

A key indicator of our ability to manage portfolios to maximise value is the number of fully realised assets where the return is above the fund performance hurdle rate. This is the minimum return level fund investors expect and the point at which the Group earns performance fees. Details of the hurdle rate per fund can be found on page 165.

At 95%, the number of assets realised above the fund hurdle rate was higher than the prior year when a small number of older assets were realised below target. The Group has exceeded the performance hurdle for each of the funds to which these assets relate.

IC impairments are asset specific and are charged when there is an event which results in a reduction in the value of an interest bearing instrument or an available for sale financial asset. Impairments impact the performance and returns of a fund. However, as we invest alongside third party clients in our strategies our interest and the aggregate return on investment, including but not limited to impairments, is aligned with that of our fund investors. Therefore the net returns of our fund investments are a relevant indicator of performance which reflects the total performance of the investments in the funds. This is how our fund investors assess their investment and from the financial year beginning 1 April 2018 will be how we will report our Investment Company income for management purposes, thereby removing asset specific impairments as a key performance indicator.

FINANCE AND OPERATING REVIEW

Financial information enables management to monitor the performance of the business and inform decision making in support of delivering the Group's strategic objectives. The financial information prepared for, and reviewed by, management and the Board is on a non IFRS basis and therefore as it differs from the IFRS financial statements on pages 110 to 166 are alternative performance measures as defined in the glossary on p167. The Board believes that presenting the financial information in this review on a non GAAP basis assists shareholders in assessing the delivery of the Group's strategy through its financial performance consistent with the approach taken by management and the Board.

The Group's profit before tax on an IFRS basis was below last year at £199.1m (2017: £252.4m), detailed in the table below:

			2018			2017
Income statement	**Internally reported £m**	**Adjustments £m**	**IFRS as reported £m**	Internally reported £m	Adjustments £m	IFRS as reported £m
Revenue						
Fee and other operating revenue	**173.9**	**(16.7)**	**157.2**	146.6	(12.5)	134.1
Finance and dividend income	**139.0**	**50.8**	**189.8**	174.4	29.8	204.2
Net gains on investments	**144.7**	**108.3**	**253.0**	201.4	85.4	286.8
Total revenue	**457.6**	**142.4**	**600.0**	522.4	102.7	625.1
Finance costs	**(63.1)**	**(103.3)**	**(166.4)**	(55.2)	(98.2)	(153.4)
Impairments	**(25.2)**	**6.4**	**(18.8)**	(48.0)	22.7	(25.3)
Administrative expenses	**(201.0)**	**(15.0)**	**(216.0)**	(183.0)	(11.3)	(194.3)
Other	**–**	**0.3**	**0.3**	–	0.3	0.3
Profit before tax	**168.3**	**30.8**	**199.1**	236.2	16.2	252.4

A full reconciliation between the internally reported financial information and the IFRS consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows is provided in note 3 to the financial statements.
The adjustments can be summarised as follows:

Consolidated structured entities

IFRS deems the Group to control funds where it can make significant decisions that can substantially affect the variable returns of investors. There are 14 credit funds and CLOs required to be consolidated under this definition of control. This has the impact of including the assets and liabilities of these funds in the consolidated statement of financial position and to recognise interest income and gains or losses on investments in the consolidated income statement.

The Group is not exposed to the liabilities and cannot access the assets of the CLO entities except for the investment made by the Group into these structured funds. Financial information prepared for internal reporting purposes includes the fair value of the balance sheet investment in the statement of financial position, and includes the management fee and dividend income received from these entities in the income statement. This is consistent with the treatment of the CLOs for regulatory reporting purposes.

The consolidated financial statements of ICG Group presented in accordance with IFRS include the financial statements of the CLO entities which meet the requirements for consolidation of IFRS 10 Consolidated Financial Statements. CLOs are structured as tranches of debt, of which control is essentially determined by reference to ownership of the most subordinated tranche of debt. This is not equity, and hence no non-controlling interests arise on the consolidation of these entities. Upon consolidation, all intragroup balances and transactions, including any related intragroup profits and losses, are eliminated in full. The difference in profit between the internally reported and IFRS consolidated measures is solely due to a difference in valuation assumptions applied for the asset held by ICG and the corresponding liability held by the CLO entity.

Reclassification of income

The Group invests in its European, Asia Pacific and North American Private Debt (mezzanine) strategies either through a fund structure or directly into the underlying assets, depending on the fund. This impacts the presentation of the income statement for investments in debt instruments under IFRS. For those investments made directly, the Group generates interest income and is subject to impairment risk, whereas for the investments made through a fund structure the income is recognised as a net gain on investment.

Regardless of the investment mechanics, internal financial information is presented on an asset by asset basis for all European, Asia Pacific and North American Private Debt (mezzanine) strategies. This is presentational only and has no impact on the profit of the Group. As previously indicated, for the financial year beginning 1 April 2018 our internal financial information will report our Investment Company income at a Net Investment Returns level, thereby increasing the alignment between our internally reported and IFRS GAAP reporting.

Non GAAP measures are denoted by [1] throughout this review. The definition, and where appropriate, reconciliation to a GAAP measure, is included in the glossary on page 167.

OVERVIEW

The Group's internally reported profit before tax[1] for the period was 29% lower at £168.3m (2017: £236.2m), with Fund Management Company (FMC) profit of £95.3m (2017: £74.0m) and Investment Company (IC) profit of £73.0m (2017: £162.2m). Our principal profit metric is FMC profit which has benefitted from the increase in assets under management, increased fee income and a slower increase in operating costs. IC profits have, as expected, normalised after the prior year included the one off recycling of £54.4m of realised capital gains from reserves and include the impact of the fair value charge on hedging derivatives of £6.5m (2017: £1.3m).

Income statement – as internally reported	31 March 2018 £m	31 March 2017 £m	Change %
Fund Management Company	**95.3**	74.0	29%
Investment Company	**73.0**	162.2	(55%)
Profit before tax	**168.3**	236.2	(29%)
Tax	**55.7**	(34.9)	n/a
Profit after tax	**224.0**	201.3	11%

The effective tax rate is lower than the standard corporation tax rate of 19%, as detailed in note 12 to the financial statements. This is in part due to a significant proportion of the Investment Company's assets being invested directly into funds based outside the United Kingdom. Investment returns from these funds are paid to the Group in the form of non-taxable dividend income. This outcome is in line with other UK investment companies. The Investment Company's taxable costs can therefore be used to offset the taxable profits of our UK Fund Management business, reducing the overall Group charge.

In addition, there are two deferred tax accounting adjustments in the current year which have further reduced the tax charge:

1. Finance Act 2017 widened the definition of the 'Substantial Shareholder Exemption' rules which exempt companies from tax on the disposal of an investment in which 10% of the shares are held and certain other conditions met. As a result there are a small number of legacy assets, dating from when ICG was a principal investor, that will now qualify for SSE and be exempt from tax. As tax had previously been expected to be paid on these balances, a deferred tax liability of £15.4m had been accrued which has been released in the current year.

2. The Group has reviewed, and updated, its transfer pricing policy to reflect current business practices and in line with the OECD's 'Base Erosion and Profit Shifting' (BEPS) guidelines. The updated methodology was prepared in conjunction with our corporate tax advisers and the use of external benchmarking. Following this exercise, and in light of the Group's ongoing low risk tax status in the UK and no open enquiries elsewhere, the Directors reassessed the necessity for a tax risk provision. The Directors concluded that whilst there remains an inherent risk of challenge by UK and overseas tax authorities this was not sufficient to maintain the provision of £27.1m.

Based on the internally reported profit above, the Group generated an ROE[1] of 19.1% (2017: 18.0%) and adjusted earnings per share[1] for the period of 79.3p (2017: 68.9p).

Net current assets[1] of £228.1m are down from £594.1m at 31 March 2017.

FINANCE AND OPERATING REVIEW
CONTINUED

FUND MANAGEMENT COMPANY

Assets under management

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

In the year to 31 March 2018, the net impact of fundraising and realisations increased third party AUM[1] by 22% to €26.5bn. AUM by strategic asset class is detailed below.

Third party AUM by strategic asset class	Corporate Investments €m	Capital Market Investments €m	Real Asset Investments €m	Secondary Investments €m	Total Third Party AUM €m
At 1 April 2017	10,805	6,171	3,290	1,551	21,817
Additions	5,003	2,161	581	74	7,819
Realisations	(1,547)	(455)	(230)	(43)	(2,275)
FX and other	(388)	(194)	(132)	(113)	(827)
At 31 March 2018	**13,873**	**7,683**	**3,509**	**1,469**	**26,534**
Change %	28%	25%	7%	(5%)	22%

Corporate Investments

Corporate Investments third party funds under management increased 28% to €13.9bn in the year as new AUM of €5,003m outstripped the run off of our older funds. Fundraising in the period related to our Senior Debt Partners and North America Private Debt strategies.

Capital Market Investments

Capital Market Investments third party funds under management increased 25% to €7.7bn, with new third party AUM of €2,161m raised in the year. During the year we raised three CLOs, one in Europe and two in the US, raising a total €1,173m, including €65m committed from the balance sheet to meet regulatory requirements, thereby further increasing the operating leverage of this strategy. The remaining €1,053m was raised across our other liquid credit funds, a substantial increase on the €153m raised in the prior year and a reflection of the investment made into these strategies.

Real Asset Investments

Real Asset Investments third party funds under management increased 7% to €3.5bn, with new AUM of €431m raised in the year for our UK real estate senior debt programme and a €150m first close for ICG Longbow Fund V, our UK real estate partnership capital strategy. Fundraising for this strategy is ongoing with further closes expected in the new financial year.

Secondary Investments

Secondary Investments third party funds under management decreased 5% to €1.5bn, with new AUM of €74m raised in the period for our Strategic Equity strategy offsetting the negative impact of FX. The new AUM in the period resulted in a final close for our Strategic Secondaries Fund at $1.1bn, including a $200m commitment from the balance sheet, in excess of its target size of $1bn.

Fee earning AUM

The investment rate for our Senior Debt Partners strategy, Real Estate funds and North American Private Debt Fund has a direct impact on FMC income as fees are charged on an invested capital basis. The total amount of third party capital deployed on behalf of the direct investment strategies was €4.9bn in the year compared to €4.0bn in the last financial year. The direct investment funds are investing as follows, based on third party funds raised at 31 March 2018:

Strategic asset class	Fund	% invested at 31 March 2018	% invested at 31 March 2017	Assets in fund at 31 March 2018	Deals completed in year
Corporate Investments	ICG Europe Fund VI	81%	40%	14	6
Corporate Investments	North American Private Debt Fund	85%	64%	18	6
Corporate Investments	Senior Debt Partners III	16%	n/a	4	4
Corporate Investments	Asia Pacific Fund III	77%	44%	6	2
Real Asset Investments	ICG Longbow Real Estate Fund IV	100%	71%	32	9
Secondary Investments	Strategic Secondaries II	54%	21%	7	4

The investment rate of our direct investment funds has resulted in fee earning AUM increasing 12% to €21.0bn since 1 April 2017 as detailed below.

Third party fee earning AUM bridge	Corporate Investments €m	Capital Market Investments €m	Real Asset Investments €m	Secondary Investments €m	Total Third Party Fee Earning AUM €m
At 1 April 2017	8,516	6,171	2,667	1,388	18,742
Additions	2,184	2,255	664	74	5,177
Realisations	(1,275)	(494)	(496)	(43)	(2,308)
FX and other	(198)	(250)	(69)	(122)	(639)
At 31 March 2018	**9,227**	**7,682**	**2,766**	**1,297**	**20,972**
Change %	8%	24%	4%	(7%)	12%

Fee income

Third party fee income[1] of £167.1m was 21% higher than the prior year driven by the investment of those funds that charge fees on invested capital, fees from our recently established secondaries strategy and the CLO issuance programme. Details of movements are shown below:

Fee income	31 March 2018 £m	31 March 2017 £m	Change %
Corporate Investments	**93.0**	78.2	19%
Capital Market Investments	**34.9**	23.7	47%
Real Asset Investments	**18.5**	21.9	(16%)
Secondary Investments	**20.7**	14.8	40%
Total third party funds	**167.1**	138.6	21%
IC management fee	**17.8**	18.1	(2%)
Total	**184.9**	156.7	18%

Third party fees include £23.1m of performance fees (2017: £9.8m), of which £17.2m (2017: £8.5m) related to Corporate Investments as the realisation of assets from older vintages increase the likelihood that performance conditions will be met. The remaining £5.9m (2017: £1.3m) primarily related to our Alternative Credit and Strategic Equity strategies. Performance fees are an integral recurring part of the fee income profile and profitability stream of the Group.

The weighted average fee rate[1], excluding performance fees, across our fee earning AUM is 0.86% (2017: 0.91%). This slight decrease is due to the successful investment of our Senior Debt Partners and growth in our Capital Markets funds during the year.

Weighted average fee rates	31 March 2018 %	31 March 2017 %
Corporate Investments	**1.00%**	1.04%
Capital Market Investments	**0.55%**	0.53%
Real Asset Investments	**0.89%**	0.95%
Secondary Investments	**1.40%**	1.29%
Total third party funds	**0.86%**	0.91%

Dividend income

Dividend receipts[1] of £25.2m (2017: £23.2m) are higher than prior year due to the increased number and improved performance of CLOs.

Operating expenses

Operating expenses of the FMC were £114.8m (2017: £105.7m), including salaries and incentive scheme costs.

Salaries were £42.1m (2017: £39.0m) as average headcount increased 6% from 238 to 252. This increase is directly related to investing in our capital markets and senior debt strategies. Other administrative costs have decreased to £31.9m (2017: £32.9m) as the amortisation cost of historic placement fees reduces.

The FMC operating margin[1] was 45.4% up from 41.2% in the prior year, as a result of average fee earning AUM increasing 14% to €19.1bn for the year thereby increasing the operating leverage of our existing strategies.

FINANCE AND OPERATING REVIEW
CONTINUED

INVESTMENT COMPANY

Balance sheet investments

The balance sheet investment portfolio[1] increased 11% in the year to £1,898.5m at 31 March 2018, as illustrated in the investment portfolio bridge below:

	£m
At 1 April 2017	1,711.6
New and follow on investments	572.4
Net transfer from current assets	75.8
Accrued interest income	66.8
Realisations	(571.3)
Impairments	(25.2)
Fair value gains	135.0
FX and other	(66.6)
At 31 March 2018	**1,898.5**

Realisations comprise the return of £375.6m of principal, the crystallisation of £37.7m of rolled up interest and £158.0m of realised capital gains.

In the period £288.0m was invested alongside our Corporate Investments strategies for new and follow on investments. Of the remaining £284.4m, £118.2m was invested in CLOs in accordance with regulatory requirements, £102.3m in our European liquid strategies and £55.6m in our Strategic Equity strategy.

The Sterling value of the portfolio decreased by £55.0m due to FX movements. The portfolio is 43% Euro denominated, 30% US dollar denominated and 17% Sterling denominated. The Group minimises the FX impact of non-Sterling assets through asset/liability management and derivative transactions.

The balance sheet investment portfolio is weighted towards the higher returning asset classes as detailed below:

	Return profile	**As at 31 March 2018 £m**	**% of total**	As at 31 March 2017 £m	% of total
Corporate Investments	**15-20%**	**1,257**	**66%**	1,120	66%
Capital Market Investments	**5-10%**	**370**	**19%**	333	19%
Real Asset Investments	**c10%**	**111**	**6%**	107	6%
Secondary Investments	**15-20%**	**161**	**9%**	152	9%
Total balance sheet portfolio		**1,899**	**100%**	1,712	100%

In addition, £107.2m (2017: £89.7m) of current assets are held on the balance sheet with the intention of being 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 the fundraising as potential investors can see the types of assets they will be investing in. At 31 March 2018, these assets primarily related to our Capital Markets strategies.

Net investment returns

Net investment returns[1] of £240.1m (2017: £312.8m) represents the total return generated from the balance sheet portfolio in the year, analysed as follows:

Investment returns	31 March 2018 £m	31 March 2017 £m	Change %
Interest income	**113.2**	144.7	(22%)
Other income	**7.4**	14.7	(50%)
Capital gains	**144.7**	201.4	(28%)
Investment income	**265.3**	360.8	(26%)
Asset impairments	**(25.2)**	(48.0)	(48%)
Net investment returns	**240.1**	312.8	(23%)

Interest income[1] was below the prior year due to the average interest bearing portfolio weighted more towards lower risk and lower return assets. Cash interest income has decreased to 37% (2017: 38%) of the total.

Capital gains[1] were, as expected, lower than the prior financial year when the income statement benefitted from the recycling of £54.4m of capital gains from reserves on realisation of the underlying assets. Excluding this one off item, capital gains were in line with the prior year as the valuation of the portfolio benefitted from the modest increase in global stock markets over the financial year and the improved performance of a number of portfolio companies.

Net realised capital gains[1] in the period were £159.8m (2017: £235.3m), of which £154.7m (2017: £150.9m) had previously been recognised as unrealised gains in the P&L with the remaining £5.1m (2017: £84.4m) recognised in the current year, including the recycling from reserves. Fair valuing the equity and warrants gave rise to a further £123.7m (2017: £112.5m) of unrealised gains in the current period. Of this, £139.6m (2017: £117.0m) is recognised in the income statement and a £15.9m unrealised loss in reserves (2017: £4.5m).

During the period we took asset specific impairments against our weaker assets of £32.6m compared to £57.6m in the last financial year. With write backs of £7.4m (2017: £9.6m), net asset impairments[1] were £25.2m (2017: £48.0m). As previously indicated, for the financial year beginning 1 April 2018 we will report our Investment Company income at a Net Investment Returns level, thereby removing asset specific impairments as a key performance indicator. This will align our reporting with that of our third party clients and reflects the total performance of our investments.

Interest expense

Interest expense[1] of £56.6m was £2.7m higher than the prior year (2017: £53.9m), due to the increase in private placement debt borrowings.

Operating expenses

Operating expenses[1] of the IC amounted to £86.2m (2017: £77.3m), of which incentive scheme costs of £64.0m (2017: £54.2m) were the largest component. The £9.8m increase is due to higher bonuses payable as a direct result of realisations. Other staff and administrative costs were £22.2m compared to £23.1m last year, a £0.9m decrease.

GROUP CASH FLOW AND DEBT

The balance sheet remains strong, with £729.7m of available cash and debt facilities at 31 March 2018. The movement in the Group's unutilised cash and debt facilities during the period is detailed as follows:

	£m
Headroom at 31 March 2017	970.8
Bank facilities matured	(42.6)
Movement in cash	(242.3)
Movement in drawn debt	97.9
FX	(54.1)
Headroom at 31 March 2018	**729.7**

Total drawn debt at 31 March 2018 was £1,021m compared to £1,119m at 31 March 2017, with unencumbered cash of £248m compared to £490m at 31 March 2017.

FINANCE AND OPERATING REVIEW
CONTINUED

The movement in unencumbered cash in the year of £242.3m reflects that this has been a strong year for deployment for our funds and balance sheet, compared with the prior year which saw a high level of realisations.

Capital position

Shareholders' funds increased by £145.0m to £1,317.6m (31 March 2017: £1,172.6m), as the retained profits in the period were offset by the payment of the ordinary dividend. Total debt to shareholders' funds (gearing) as at 31 March 2018 decreased to 0.77x from 0.95x at 31 March 2017. Access to permanent capital enables us to accelerate growth by investing in the development of new scalable strategies. With a number of new ideas in the pipeline we expect gearing to increase during the new financial year.

MANAGING RISK TO DELIVER OUR STRATEGY

Effective risk management provides the framework within which we can successfully deliver our strategic priorities.

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 is responsible for setting the risk appetite of the Group, defining and monitoring the risk culture and establishing and maintaining appropriate systems and controls to manage key risks. A robust risk management framework has been implemented to support this.

The Group's risk management framework is overseen by the Risk Committee under delegation from the Board. The Risk Committee also considers the effectiveness of the internal control environment to manage the principal risks faced by the Group. Details of the activities of the Risk Committee in this financial year can be found in the Risk Committee report on pages 59 to 63.

OUR RISK MANAGEMENT FRAMEWORK

ICG PLC BOARD
The Board is responsible for Risk Management and sets overall risk appetite
+ See page 28

BUSINESS STRATEGY
Purpose and future direction

ICAAP
Internal assessment of regulatory capital requirements
+ See page 62

RISK COMMITTEE
Oversees the Group's risk management framework and system of internal controls
+ See page 59

BUSINESS DECISION MAKING
Commercial & Operational steering committees
+ See page 27

OPERATIONAL RISK GROUP
+ See page 43

RISK REGISTERS
+ See page 27

CULTURE AND CONDUCT

CHIEF RISK OFFICER
Oversight, challenge and support to embed the Group's risk management framework
+ See page 43

Identifying principal and emerging risks

The Risk Committee determines the principal risks through a consideration of the strategy and operating environment of the Group (top down review) and an analysis of individual processes and procedures (bottom up review). The principal risks to the Group are updated at least annually and recommended to the Board by the Risk Committee.

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

The bottom up assessment encompasses the identification, management and monitoring of risks in each area of the business. The infrastructure and in-house distribution teams maintain detailed risk registers which are regularly reviewed, updated and challenged by the Chief Risk Officer (CRO) and the Operational Risk Group (ORG). In addition, the Group's Investment Committees, Commercial and Operational steering committees and Performance Review meetings provide oversight of risks related to the activities of the Group. This process ensures risk management responsibilities are embedded in the business' first line operations.

Executive responsibility for each principal risk is reviewed and agreed. 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. Key risk indicators are set and these are monitored by the Risk Committee. The Risk Committee also considers any risk mitigation plans.

The Directors confirm that they have undertaken a robust assessment of principal risks in line with the requirements of the UK Corporate Governance Code. Supplier Management was added as a principal risk of the Group during the year.

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory/legislative change and macroeconomic and political change, which in the current year have included the ongoing developments in respect of the UK's decision to leave the European Union.

MANAGING OUR PRINCIPAL RISKS

RISK APPETITE

The Group considers its principal risks across three categories:

1. Strategic and business risks

The risk of failing to deliver on our strategic objectives resulting in a negative impact on investment performance and Group profitability.

2. 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.

3. 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. Reputation and brand risk is carefully managed as part of the risk management framework.

Relative willingness to tolerate risk (Risk appetite):

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 framework, the Board sets the risk appetite in relation to each principal risk and monitors this via key agreed risk indicators and risk tolerances. Where a risk is approaching or is outside the tolerance set, the Board will consider the appropriateness of actions being taken to manage the risk.

Strategic and business risk	Lower	Higher
1. Loss or missed opportunity as a result of major external change		
2. Failure to maintain acceptable relative investment performance		
3. Failure to raise new third party funds		
4. Failure to deploy committed capital in a timely manner		
Market, credit and liquidity risk	**Lower**	**Higher**
5. Loss as a result of adverse market fluctuations		
6. Loss as a result of exposure to a failed counterparty		
7. Failure to meet financial obligations		
Operational risk	**Lower**	**Higher**
8. Loss of a 'key person' and inability to recruit into key roles		
9. Negative financial or reputational impact arising from regulatory or legislative failing		
10. Technology and information security risks		
11. Failure of key business processes		
12. Failure to adequately select/manage key suppliers		

+ See pages 30 and 33 for principal risks

MANAGING OUR PRINCIPAL RISKS

VIABILITY STATEMENT

> After undertaking a robust assessment, the Directors have a reasonable expectation of the Group's continued viability over the next three years.
>
> **KATHRYN PURVES**
> CHAIR OF THE RISK COMMITTEE

Our strategy to grow our specialist asset management activities, enabled by our business model, is outlined in detail throughout the Strategic Report (see pages 2 to 36). The strength of our business model, with its focus on closed end funds, is 'locked in value'. Once established each investment strategy has a more foreseeable fundraising pattern and long term predictable fee streams. This is what generates shareholder returns and allows for visibility in the growth of profit and dividend distributions.

The period covered by the Group's strategic plan and the typical period over which regulatory changes are implemented is three years, which combined with an assessment of the period over which forecasting assumptions are most reliable, and that there are currently no drawn bank facilities and no maturity of committed facilities within two years, has led the Directors to choose a period of three years to March 2021 for their formal assessment of viability. The Directors are satisfied that a forward looking assessment of the Group for this period is sufficient to enable a reasonable statement of viability.

Assessment of viability

The Group's prospects are assessed primarily through its strategic and financial planning processes. At least annually, the Directors review the Group's three year strategic plan, underpinned by the Group's strategy and principal risks. The strategic plan is built on a fund by fund basis using a bottom up model. For each fund assumptions are made on the deployment of existing capital, the raising of successor funds, and the performance of the underlying portfolio. In addition, the strategic plan includes assumptions about the launch of new strategies, the ability to refinance debt as it falls due and the development of the regulatory environment.

Although the output of the Group's strategic and financial planning processes reflects the Directors' best estimate of the future prospects of the business, 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 Internal Capital Adequacy Assessment Process (ICAAP).

The stress test scenario uses the 2008/09 financial crisis as its basis and reflects a number of the principal risks of the business through reducing new funds raised, lowering the deployment of capital and reduced net investment returns. Further details are included in the Group's Pillar 3 disclosures on our website.

As part of the ICAAP process, a reverse stress test exercise is also undertaken to identify the circumstances under which the business model becomes unviable. This indicates that only under major unprecedented macroeconomic conditions does the Group's viability come into question. As part of this exercise it is assumed that the Group is subjected to controlled run off, allowing the Group to meet contractual maturities as they fall due with significant headroom.

The review of the three year strategic plan is underpinned by regular briefings to the Board 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 44 to 45). 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 28.

Viability statement

Based on the results of the analysis, and in accordance with the provisions of the UK Corporate Governance Code, 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 2 to 36.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis as set out on page 95.

MANAGING OUR PRINCIPAL RISKS
CONTINUED

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR
STRATEGIC AND BUSINESS RISKS		
1 Loss or missed opportunity as a result of major external change (including macroeconomic, political and/or competitive impact)	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 or create more opportunities for certain asset classes managed by the Group.	Deterioration of Group performance compared to plan. Deterioration in outlook for investment valuations or loan impairment rates. + See pages 19 and 82
2 Failure to maintain acceptable relative investment performance	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. In the short term, fund underperformance may result in lower performance fees in the FMC. For the IC this may result in a lower return on assets as the IC is exposed to credit risk through its co-investments with, and its investments in, funds.	Performance of closed end funds compared to performance hurdles. Performance of capital market strategies compared to benchmark. Performance of CLOs including the ability to pay dividends to equity holders. Deterioration in outlook for investment valuations or loan impairment rates. + See pages 19 and 82
3 Failure to raise new third party funds	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 17 and 82
4 Failure to deploy committed capital in a timely manner	Failure to deploy capital reduces the value of future management fees, investment income and performance fees. There is also a negative impact on investment performance and the ability to raise new funds.	The proportion of direct investment funds behind their target investment pace. + See pages 18 and 82
MARKET, CREDIT AND LIQUIDITY RISKS		
5 Loss as a result of adverse market fluctuations arising primarily from exposure to interest rates and foreign exchange rates	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.	Within Treasury Policy hedging thresholds and no material breach of interest rate covenant.
6 Loss as a result of exposure to a failed counterparty	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 above the Treasury Policy limits.

LINK TO STRATEGY

- GROW ASSETS UNDER MANAGEMENT
- INVEST SELECTIVELY
- MANAGE PORTFOLIOS TO MAXIMISE VALUE

KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR	FOCUS FOR FY19
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, including valuations and impairments. The Board receives regular updates on external political/ economic developments. The business model is based on long term investment in illiquid funds, therefore fee streams are 'locked in'. This provides some mitigation against market downturn.	During the year this risk has remained elevated due to ongoing political uncertainty. To help mitigate the risk associated with Brexit ICG has received regulatory approval and established a Luxembourg licensed entity to ensure the Group maintains access to European Union investors.	This risk will remain a key area of focus due to the political uncertainties in the UK and as part of the Brexit negotiations. In addition, we remain vigilant to the potential impact of global trade wars, economic uncertainties, e.g inflation expectations and the withdrawal of liquidity.
The Group has disciplined investment policies, and all investments are selected and regularly monitored by the Group's Investment Committees. Rigorous credit research and procedures are applied both before and during the period of investment. The Group limits the extent of credit and market risk by diversifying its portfolio assets by sector, size and geography. Oversight and routine contact with the major portfolio investments supports the delivery of both capital preservation and anticipated returns. ICG's investments via its balance sheet are also regularly monitored.	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. Investment performance remains positive across all key asset classes.	Maintaining a robust investment process and investment discipline.
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.	Investor sentiment remains supportive of the Group's strategies but the fundraising environment is highly competitive. During the year the Group has seen positive momentum and delivered above its target for raising third party funds. The Group announced in January 2018 that it has raised its fundraising target to an average of €6bn a year from €4bn.	Maintaining discipline on fees and terms. Diversification of risk by selectively expanding the portfolio of investment strategies. Continuing to grow existing and new 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.	In a highly competitive environment, capital deployment for the larger strategies remains ahead of plan.	Maintaining investment discipline and local presence. Closely monitoring external market developments and opportunities.
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. Portfolio credit risk is included in Principal Risk 2 above.	During the year the Group has updated and applied its hedging policy consistently.	Market volatility as a result of political/economic uncertainties, including the developments relating to Brexit. Continued focus on enhancing FX systems and controls.
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 updated and applied its policy to manage counterparty credit risk consistently.	Ongoing monitoring of counterparty exposures.

MANAGING OUR PRINCIPAL RISKS
CONTINUED

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR
MARKET, CREDIT AND LIQUIDITY RISKS CONTINUED		
7 Failure to meet the Group's financial obligations as they fall due	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		
8 Loss of a 'Key Person' and inability to retain/recruit into key roles	Breach of any 'Key Person' 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 a key employee 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 Person on a material fund. Loss of a key employee without appropriate/timely internal succession. Employee engagement survey feedback. Recruitment and retention rates.
9 Negative financial or reputational impact arising from regulatory or legislative failing	The Group's reputation, ability to raise new funds and operate its fund management business would be impaired as a result of a material regulatory or legislative failing. Adverse regulatory change could impact the ability of the Group to deliver its strategy in areas such as people risk, deploying capital, raising new AUM.	Number and significance of any regulatory or legislative breaches. Identification and delivery of all material regulatory/legislative change.
10 Technology/information security inadequate or fails to adapt to changing business requirements and/or external threats	The Group's ability to deliver on its strategic objectives relies on technology and information security which adapts to changing business demands and external threats. Failure to deliver an appropriate technology platform may impact the Group's reputation, and its ability to raise new funds and operate its fund management business.	Any material breach, attempted breach or severe disruption due to systems/data security failure. Any material loss or reputational damage arising from external threats. Service availability.
11 Loss or missed opportunities arising from failure of key business processes, including valuations, financial reporting and external reporting	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. Moreover, failure to maintain adequate processes and internal controls over financial reporting and related activities could result in significant losses and/or regulatory penalties or other claims.	Any failure of business process resulting in significant business disruption, financial or reputational damage. Increased incidents of processing failures or delays, or over reliance on detective, higher level monitoring or audit validation controls.
12 Loss or missed opportunities arising from a failure to adequately select/manage key third party suppliers	The Group's ability to raise new funds and operate its fund management business would be impaired as a result of the failure to select/manage key third party suppliers.	Any failure of business process resulting in significant business disruption, financial or reputational damage.

LINK TO STRATEGY

- GROW ASSETS UNDER MANAGEMENT
- INVEST SELECTIVELY
- MANAGE PORTFOLIOS TO MAXIMISE VALUE

KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR	FOCUS FOR FY19
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.	↓ ICG's committed bank facilities have been renegotiated to extend the maturity, reduce cost and minimise refinancing risks.	Continued focus on balance sheet efficiency. Regulatory capital requirements.
The Group rewards its investment professionals and other key employees in line with market practice. Senior investment professionals typically receive long term incentives and 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 feedback from the employee engagement survey is also considered. The Group has succession plans in place for key employees. These are reviewed by the Nominations and Governance Committee of the Board. 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.	↑ There was no significant impact in the year as a result of the loss of any employee. However, staff attrition has increased and the recruitment market remains challenging for talent. The planned change of the Chief Executive Officer was completed smoothly after the AGM in July 2017 with the internal successor taking over. For a period of time the departing Chief Executive continued to be a 'key person' on a small number of funds. This arrangement ended before 31 March 2018.	Managing the impact of the UK's departure from the European Union on our workforce. Continued focus on succession planning and managing 'Key Person' fund clause requirements.
The Group has a governance structure in place, supported by a risk framework that allows for the identification, control and mitigation of material regulatory/legislative 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. Horizon scanning for relevant regulatory/legislative change is a key part of the Legal and Compliance process and external advisers are used to support this.	↔ During the year the Group has continued to enhance its processes and controls in order to remain compliant with current and expected legislation. Changes resulting from MiFID II have been implemented where relevant and we continue to monitor/implement future proposed changes such as GDPR and SMCR.	General Data Protection Regulation (GDPR), Capital Requirements Directive V (CRD V) and the Senior Managers and Certification Regime (SMCR) will remain key areas of focus.
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.	↔ The ongoing evolution of external threats has resulted in an increase in risk to the Group. In response, the Group has continued to improve its systems and controls to identify and manage technology and information security risks. During the year there continued to be a high level of focus on cyber security and disaster recovery.	The implementation of the GDPR requirements, cyber security and the continued enhancements to business continuity planning and disaster recovery processes remain key areas of focus.
Control procedures are in place to ensure that key business processes are identified, documented and monitored. The effectiveness and efficiency of the control framework for key business processes are subject to periodic review by management, the Chief Risk Officer, and Internal Audit, and corresponding oversight by the Risk and Audit Committees of the Board.	↔ There were no significant business process failures or material control weaknesses identified during the year. The volume of business change remains high.	Focus continues on enhancing processes to support the growth of the business. Particular focus will be given to enhancements to the processes for the open-ended strategies. Specific enhancements to be introduced to the liquid credit funds business area.
Control procedures including appropriate due diligence, monitoring and oversight are in place to ensure supplier management is effectively carried out.	↔ There were no significant business process failures during the year.	Oversight of third party service providers.

OUR RESOURCES AND RELATIONSHIPS

DELIVERING ON OUR STRATEGY

OUR RESPONSIBILITY TO OUR PEOPLE

To successfully deliver our strategic priorities we need to attract, engage, motivate and retain the best talent.

Developing our talent

We consider that training and development are essential to attract and retain people of the highest calibre and invest significantly in this area. Our performance management system, actively encouraging our managers to deliver effective career coaching and providing tailored training opportunities, enable our people to develop and enhance core skills, increase technical competency and develop future leaders.

Effective two way communication

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, including our regular, confidential, employee engagement surveys, quarterly whole company business briefings and regular team meetings.

Our employee engagement surveys inform us where we are doing well and where there is room for further development. Our most recent survey was conducted during the year, once again demonstrating that we perform well against other high performing companies.

Flexible and inclusive culture

We aim for employees to have a sense of wellbeing, and promote an agile and inclusive working culture where employees can freely question practices and suggest alternatives. We support flexible working, with 8% of employees benefitting from these arrangements, and offer access to a range of flexible benefits. We ensure our levels of overall remuneration are without gender bias, and sufficiently designed to attract, develop and retain talented employees.

DIVERSITY & INCLUSION

Our vision is to provide an inclusive and respectful environment in which each individual is motivated to make their fullest contribution; in which they feel fairly recognised, rewarded and included regardless of age, gender, race, sexual orientation, disability, religion or beliefs.

OUR RESPONSIBILITY TO OUR COMMUNITY

We are proud that our corporate and social responsibility policies and practices have helped promote opportunities to young people and are committed to expanding our contribution to our community.

Supporting ThinkForward

We have supported ThinkForward, a charity working to reduce the risk of young people becoming NEET (not in education, employment or training) since its inception. Our partnership was extended for a further five years in 2016 with an annual commitment of £100,000.

Supporting young people

ICG's investment has enabled a full time coach to be placed into the Harpley Centre at Tower Hamlets Pupil Referral Unit to work with those young people most at risk of becoming NEET. The coach supports them to maximise their opportunities whilst in full time education, to develop their skills and work readiness so that they are more likely to transition into long term employment or further education.

Increasing our community involvement

We recognise that the level of charitable donations made by the Company could be more generous and aligned to our purpose. We have established a working party to look at this issue, with a view to increasing our charitable givings, and the Board will consider its recommendations.

Diversity

We have developed a diversity and inclusion strategy with the aim of increasing diversity and creating an inclusive workplace. Whilst diversity is wider than gender balance, our employees represent 31 different nationalities; we recognise that our female population of 29% of permanent employees is unrepresentative. Our strategy will tackle this issue by reviewing our employee brand, our external profile and talent pipeline, our environment and our employee retention.

Supporting women in private equity

Emma Osborne, one of our fund managers, is one of the founders of Level 20, a not for profit organisation set up to attract, nurture, and promote women in private equity, to achieve greater gender diversity both for the benefit of the industry and the community at large. We are proud to support and be associated with Level 20.

OUR RESOURCES AND RELATIONSHIPS
CONTINUED

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.

We quantify and report our organisational greenhouse gas emissions in alignment with the World Resources Institute's Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance update to the Corporate Standard.

We quantify and report Scope 2 emissions according to two different methodologies: the location based method, using average emissions factors for the country in which the reported operations take place; and the market based method, which uses the actual emissions factors of the energy procured.

We voluntarily report our Scope 3 indirect emissions from business travel and water consumption using the GHG Protocol Corporate Value Chain (Scope 3) Standard.

Our absolute Scope 1, 2 and 3 emissions have decreased, despite the increase in numbers of staff meaning our GHG emissions re full time employees has also decreased. This is due to several factors, such as increased use of video conferencing facilities, reductions in emission factors for electricity use and an increase in rail travel. We will continue to look for opportunities to improve performance in this area.

Operational scope	Greenhouse gas emission source	2018	2017	Units
Direct emissions (Scope 1)	**Combustion of fuel and operation of facilities**	**48**	74	Tonnes CO_2e
Indirect emissions (Scope 2)	**Purchased electricity/heat (location based)**	**603**	852	Tonnes CO_2e
	Purchased electricity/heat (market based)	**624**	840	Tonnes CO_2e
Indirect emissions (Scope 3)	**Business travel: flights and rail**	**2,254**	2,888	Tonnes CO_2e
Total		**2,905**	3,814	Tonnes CO_2e
Emissions per FTE		**7.4**	11.7	Tonnes CO_2e per FTE

Modern slavery

ICG abhors slavery and human trafficking. We seek to ensure there are no such practices in our business and supply chain. During the year we have carried out staff training and awareness raising and incorporated slavery considerations into supplier selection and due diligence. We have also conducted a review of our own business, our investee companies that are covered by our statement, and material suppliers. No concerns were raised in any of our due diligence.

The Group's full policy on Modern Slavery can be found at www.icgam.com

Bribery and corruption

ICG is committed to ethical business across all its operations and investments. ICG's policy is never to offer, pay, request or receive bribes, and to refuse any request to pay them. ICG ensures that opportunities for corruption are reduced, that it will not invest in companies or projects that engage in corruption and will investigate and deal with all reported cases of corruption in line with the policy. The policy applies to all entities within the ICG Group wherever ICG does business.

Employee diversity

As at 31 March 2018, of our permanent employee population of 297, 85 are women and 212 men. While we do not record the religion or ethnicity of employees we benefit from our employees representing 31 different nationalities.

The senior management team (excluding the Group's Board) comprises of one woman and seven men. ICG's Board of 11 comprises two Executive Directors, and nine Non-Executive Directors of which three are women. Two men leave the Board at the AGM which will result in women comprising 33% of the Board. Biographies of the Board are on pages 40 and 41.

Human rights

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.

GOVERNANCE

CONTENTS

LETTER FROM THE CHAIRMAN

KEVIN PARRY OBE
CHAIRMAN

KEY GOVERNANCE ACHIEVEMENTS

- Supporting Benoît Durteste as our new CEO
- Continuation of the process of refreshing the composition of the Board to include a wider range of skills and backgrounds, including the appointment of a new Senior Independent Directive and our first US Board member
- Adoption of a new, simplified remuneration policy
- Considering diversity, inclusiveness and stakeholder engagement

DEAR SHAREHOLDER

In last year's report, I described the process to appoint Benoît Durteste as our Chief Executive. His appointment was the catalyst for the Board to revise governance procedures and practices at ICG to serve the third stage of the Group's development. In 1989, ICG started as an Investment Company. From 2009 to 2017, it transitioned from an investment company to an asset manager. We have now established the appropriate governance for a fully fledged specialist asset manager with a balance sheet aligned with the needs of our investors.

Strategy and operational excellence

The Board places great emphasis on the Group's strategy and operational excellence. Every meeting of the Board considers one or more strategic issues and reviews part of the Group's operations. This year our work has been complemented by a number of more informal sessions prior to Board meetings to debate matters of future significance. These debates will be supported by a dedicated Board strategy session in July. Business unit heads' attendance at Board meetings ensures the Board has a good overview of operational developments and issues. Further details are on pages 44 to 45.

Culture, purpose, diversity and inclusion

To address the needs of our investors, staff and other stakeholders, we have commenced a review of our culture. Early in the year, Directors attended a bespoke session facilitated by an outside specialist following which we reasserted our desire for a high-performing entrepreneurial culture operating to high ethical and regulatory standards. More work will be undertaken in FY19 to define those broad principles.

We have considered how to express the purpose of ICG. The Board has adopted as a working draft, the following purposes:

- To provide capital for businesses to grow, including by the transition of ownership
- To build value by generating returns for our clients (pension funds, insurers, sovereign wealth funds and foundations)

The Board is committed to diversity and inclusion. We are strong on employing a broad range of nationalities, skills and experience but recognise we have much to do on gender and ethnic diversity; we have historically under invested in this important aspect of a contemporary business. We therefore commissioned an external audit of the Group's diversity and inclusiveness practices in conjunction with a small number of broadly comparable companies operating in the private equity and loan markets. Whilst our Board level initiatives have proved successful, our operational practices have considerable scope for development. Fully worked through transformation plans are being developed but in the meantime we have continued and commenced some tactical improvements. For example, we support and engage with Level 20, an organisation aimed at attracting women into private equity which was co-founded by one of our portfolio managers; our female Non-Executive Directors have held discussion forums with our existing senior female executives to share their experiences and our senior management team has undergone unconscious bias training, which will be expanded to the rest of the business in the coming year. The Board has committed to signing up to the Women in Finance initiative in the coming weeks.

Governance: Board composition, Board committees, regulation and management

Your Board continues to manage the Company in the long term interests of stakeholders, and we remain committed to maintaining high standards of corporate governance; we have been in compliance with the requirements of the UK Corporate Governance Code throughout the year. We are supportive of the continued enhancement of governance standards that are currently being finalised.

This year's Board and Committee review built on the prior external review by using structured self assessment questionnaires developed by the external reviewers. Key matters of focus are set out in page 47.

In the last 12 months, we refreshed the composition of our Non-Executive Directors, and following this year's AGM, we join the 30% club with 33% of our Directors being women. Further details on Board and Committee compositions are set out in the report of the Nominations and Governance Committee on page 64.

The Board has adopted a new Board charter (available at www.icgam.com) which sets out the Board reserved responsibilities and the delegations to individuals and committees. The committees' responsibilities are similarly defined together with those of the Chairman, Senior Independent Director, CEO, CFO and Directors generally. The revised structures have been drawn up taking account of the anticipated changes to the Corporate Governance Code and the future introduction of the Senior Managers and Certification Regime of the FCA applying to asset managers. When those regimes are finalised, we will consider our governance procedures further and make any necessary amendments to ensure conformance with requirements.

The volume of applicable law and regulation relevant to asset managers continues to increase and this year we have also had to address Brexit. Your Board took a pragmatic view of Brexit and did not delay actions whilst people debated the merit of the outcome of the UK's referendum. We have historically passported services from the United Kingdom to the rest of the EU. We have now established and staffed a base in Luxembourg providing fund management services to ICG European-domiciled funds and passporting these funds throughout the EU. We are satisfied that our preparations for Brexit will avoid any disruption to our important European business. Apart from Brexit, we have also implemented compliance with Markets in Financial Instruments (MiFID); amended policies and procedures to comply with the Fourth Money Laundering Directive; and undertaken a risk assessment and introduced new policies and procedures as required by the new UK Corporate Tax Evasion requirements; and are close to completing our compliance with General Data Protection Regulation (GDPR). Outside Europe, we have implemented the Manager-in-Charge regime in Hong Kong and enhanced policies and procedures in compliance with the new Outsourcing Regulations in Singapore. We have commenced work on FCA's Senior Manager and Certification Regime and in particular how to embed its responsibilities in the business controls of risks. Procedures against bribery and corruption and financial crime, and the support of whistleblowers remain an important focus of the Risk Committee. The Audit Committee will in the next financial year, conduct a thorough process to recommend external auditors to act with effect from the end of the 2020 audit process. The Nominations and Governance Committee is committed to strong succession planning. The Remuneration Committee is operating the approved remuneration policy in the interests of our stakeholders. The reports of the Committees address their work, on behalf of the Board.

Managerially, two Steering Committees have been established to advise the Executive Directors. The result is that many more executives are involved in general management than previously. This reflects the breadth of our investment strategies, distribution requirements and the infrastructure that supports the business.

Environmental and social issues

In addition to governance considerations we continue to consider environmental and social issues. For some time the consideration of ESG issues has been part of our due diligence procedures prior to investing in portfolio companies. ICG itself has a low environmental impact (see page 36).

This year the Board considered whether we play a full enough role in the societies in which we operate. Whilst we are significant indirect tax payers, we benefit from a low effective corporation tax rate because, in common with much of our industry, we operate through transparent vehicles whereby tax falls either on our portfolio companies or our investors. The Board is satisfied that our tax practices are conservative and that we do not undertake aggressive tax planning.

Apart from paying tax, society benefits from the work of private sector charities. We have for the last five years supported disadvantaged children in London through ThinkForward, a charity working with young people to reduce the risk of them becoming NEET (not in education, employment or training). ICG's investment has enabled a full time coach to be placed into the Tower Hamlets Pupil Referral Unit (PRU) to work with young people most at risk of becoming NEET and to provide mentoring opportunities. In common with many companies, we also match monies raised by our staff for a wide range of other charities. However, we believe we can be more coherent and more generous in our charitable giving and align it with the Company's purpose. A working party has been established to look at this issue and, with a view to increasing our charitable giving, the Board will be considering its recommendations. We will in due course consult with shareholders on the future quantum of charitable donations.

Communications

We appreciate the desirability of strong communications with shareholders. This year we have continued our practice of holding executive meetings with shareholders and analysts following the annual and interim results. The Chairman once again hosted a working dinner with institutional shareholders attended this year by the two Executive Directors and the incoming chairman of the Remuneration Committee. We also offered meetings to shareholders with or without executive management: the Chairman and the chairman of the Remuneration Committee met with shareholder representative bodies and a number of shareholders to discuss governance related issues, notably the remuneration policy and CEO succession. In February, the Board hosted an investor day to update the market on business developments and to provide ready access to those charged with governance.

We are currently considering how to formalise the Board's engagement with our employees. We are still of a size where communications are not too difficult but we recognise the benefit of additional formal and informal interaction.

The year ahead

The focus on governance will continue in the year ahead. We shall continue to develop the Company's strategy and our interaction with and, obligations to, our various stakeholders. There will be a focus on our culture and how this supports the delivery of sustainable shareholder value without compromising our ethical standards and responsibilities to the Group's stakeholders.

I am very happy to respond to any questions you may have, either at the AGM or otherwise.

KEVIN PARRY
CHAIRMAN
21 MAY 2018

BOARD OF DIRECTORS

1. KEVIN PARRY OBE
N R

CHAIRMAN

Kevin Parry has extensive experience as an executive and a Non-Executive Director of financial institutions, professional services, media and information companies. His experience is international and ranges from small cap companies to FTSE 100 companies and similar sized non listed entities. He is a chartered accountant with significant auditing and transaction experience. His responsibilities as a Director of other companies include acting as a senior independent director, audit committee and risk committee chairman and serving on other board committees. He was an independent Director prior to his appointment as Chairman.

Other Directorships

Standard Life Aberdeen PLC, Daily Mail and General Trust PLC and the Nationwide Building Society

Joined Board

2009 (Chairman since 2016)

2. BENOÎT DURTESTE

CHIEF INVESTMENT OFFICER AND CHIEF EXECUTIVE OFFICER

Benoît Durteste became ICG's CEO and Chief Investment Officer from the 2017 AGM. He is an experienced investor with a strong understanding of the markets in which the Group operates. During his time on the Board he has been a strong contributor to the Group's strategic development, including leading our European investment business.
He contributes a thorough understanding of financial markets and the Group's investment portfolio to Board proceedings. Benoît joined ICG's Paris office in September 2002 from Swiss Re and moved to ICG's London office in 2007.

Other Directorships

ICG Group entities, ICG investee entities and Chairman of the BVCA Alternative Lending Committee

Joined Board

2012 (CEO since 2017)

3. PHILIP KELLER

CHIEF FINANCE AND OPERATING OFFICER

Philip Keller has responsibility for finance, operations, IT, human resources, 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 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.
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

4. PETER GIBBS[1]
R A N RK

SENIOR INDEPENDENT DIRECTOR

Peter Gibbs has extensive asset management experience. His career 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. He also served as a Director of UK Financial Investments. 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

5. VIRGINIA HOLMES
R RK

NON-EXECUTIVE DIRECTOR

Virginia Holmes brings to the Board an extensive knowledge of the financial services industry, including both investment management and banking. Her executive experience includes serving as Chief Executive of AXA Investment Managers in the UK and more than a decade with the Barclays Bank Group. She is an experienced Board director of a number of UK PLCs (including serving on remuneration committees) who enhances the corporate governance understanding of our Board and aids the Board in considering our relationships with stakeholders.

Other Directorships

British Airways Pension Trustees Ltd, Jupiter European Opportunities Trust PLC, USS Investment Management Limited and Investor Forum CIC

Joined Board

2017

11. STEPHEN WELTON
NON-EXECUTIVE DIRECTOR

N R

Stephen Welton has over 25 years' experience in the development capital and private equity industry. He has been Chief Executive of the Business Growth Fund (BGF) since its launch in 2011, having previously spent over 10 years at CCMP Capital. He has also worked as the Chairman and CEO of growth companies and started his career in banking. His current Chief Executive role and deep investment experience means that he is well placed to contribute to the Board on matters relating to strategy and business development.

Other Directorships

Business Growth Fund and a number of subsidiaries, Council Member of Innovate UK

Joined Board

2017

10. KIM WAHL[1]
NON-EXECUTIVE DIRECTOR

A N R RK

Kim Wahl has a 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 provides 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

COMMITTEE KEY

- ● COMMITTEE CHAIRMAN
- A AUDIT
- N NOMINATIONS/GOVERNANCE
- R REMUNERATION
- RK RISK

EXPLANATORY NOTES

1. Until 26 July 2018.
2. Senior Independent Director from 26 July 2018.
3. All Non-Executives are independent.
4. Other Directorships exclude subsidiaries of quoted PLCs, charities and minor positions.

9. ANDREW SYKES[2]
NON-EXECUTIVE DIRECTOR

A N R

Andrew Sykes has a wealth of financial services and non-executive experience. He is currently Chairman of Smith & Williamson Holdings Ltd and a Non-Executive Director of Gulf International Bank (UK) Ltd, where he serves as Chairman of the Audit & Risk Oversight Committee. He was previously Chairman of SVG Capital plc. Andrew spent 26 years of his executive career at Schroders PLC. He is an experienced director of UK listed companies with deep knowledge of the financial services sector and of Corporate Governance requirements. His background as a senior executive in the asset management sector will also be valuable in helpng oversee the Company's continued growth.

Other Directorships

Smith & Williamson Holdings Limited Gulf International Bank (UK) Limited

Joined Board

2018

6. MICHAEL 'RUSTY' NELLIGAN
NON-EXECUTIVE DIRECTOR

A RK

Until 2016 Rusty Nelligan was a partner with PwC. He, as lead client partner for global companies in financial services and pharmaceutical life sciences, was responsible for direction, development and delivery of services for independent audits, assurance and advisory projects relating to corporate governance, internal controls, risk management, regulatory compliance, acquisitions and financial reporting. Rusty was employed by PwC in the US from 1974, in Europe from 1994, and is a US Certified Public Accountant. His extensive and current experience of working closely with major international financial and corporate institutions on matters of corporate governance, financial reporting and internal controls has proven a valuable addition to the Board and Company's development in a growth environment.

Other Directorships

None

Joined Board

2016

7. KATHRYN PURVES
NON-EXECUTIVE DIRECTOR

RK A N

Kathryn Purves is the Chief Executive of IFG Group plc, a wealth management and financial adviser group, having taken up this role in April 2018 after two years acting as a Non-Executive of IFG. She was previously the Chief Risk Officer of Partnership Assurance Group plc. Kathryn's executive experience, particularly in risk management, has proved a valuable resource to the Board and she enhances oversight in a key area for the Group. She also brings valuable investment experience to the Board. Before joining Partnership in 2008, she worked within the private equity industry for 10 years, most recently at Phoenix Equity Partners. Prior to that, she worked for Deutsche Bank in Europe and for UBS Capital in Australia and Asia.

Other Directorships

IFG Group PLC

Joined Board

2014

8. AMY SCHIOLDAGER
NON-EXECUTIVE DIRECTOR

RK A

Having recently retired from an executive career of over 25 years at BlackRock where she was a member of the global executive committee and head of beta strategies, Amy Schioldager brings extensive knowledge of international investment markets and a track record of global expansion. She is ICG's first US based Non-Executive Director; a region that is a key growth area for the Group. She was the Founder of BlackRock's Women's Initiative and Vice Chair of BlackRock's Corporate Governance Committee andbrings valuable expertise to the Board in these areas.

Other Directorships

Boardspan

Joined Board

2018

OUR CORPORATE GOVERNANCE FRAMEWORK

↓ CHIEF FINANCE AND OPERATING OFFICER

↓ HEAD OF FINANCE

↓ INTERNAL AUDIT

AUDIT COMMITTEE

- Comprised of Non Executive Directors
- Oversees internal and external audit and the Group's financial reporting and disclosure

+ Please see pages 49 to 58 for the report of the Audit Committee

↓ COMPLIANCE

↓ 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 59 to 63 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 68 to 92 for the report of the Remuneration Committee

↑ HUMAN RESOURCES

↑ COMPANY SECRETARY

BOARD OF DIRECTORS

- Comprised of the Chairman, 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 AND GOVERNANCE COMMITTEE

- Comprised of Non Executive Directors
- Evaluates the Board's composition, performance and succession planning
- Oversees the Group's culture and diversity initiatives
- Considers candidates for Board positions

+ Please see pages 64 to 67 for the report of the Nominations and Governance Committee

↑ HUMAN RESOURCES

↑ COMPANY SECRETARY

EXECUTIVE DIRECTORS

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

+ Please see page 93 for further details

↑ SENIOR MANAGEMENT TEAM

↑ STEERING COMMITTEES

BOARD ROLES

CHAIRMAN

- Kevin Parry, who is 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 4 for the Chairman's letter to shareholders

NON-EXECUTIVE DIRECTORS

- Peter Gibbs, Virginia Holmes, Rusty Nelligan, Kathryn Purves, Amy Schioldager, Andrew Sykes, Kim Wahl and Stephen Welton act as Non Executive Directors of the Company. Peter Gibbs and Kim Wahl are retiring from the Board on 26 July 2018
- All Non-Executive Directors are independent
- Responsible for providing independent oversight of, and challenge to, the Company's executive management

+ Please see pages 40 and 41 for Directors' profiles

CHIEF EXECUTIVE OFFICER

- Benoît Durteste, whose role is to oversee the Group on a day to day basis
- Accountable to the Board for the overall performance of the Group
- Also serves as Chief Investment Officer

CHIEF FINANCE AND OPERATING OFFICER

- Philip Keller, whose role is to lead and manage the Group's financial affairs on a day to day basis and to manage the infrastructure platform of the Group with regard to prudent risk management measures

SENIOR INDEPENDENT DIRECTOR

- Peter Gibbs, who acts as a sounding board for the Chairman and, where necessary, acts as an intermediary for shareholders or other Directors if they feel issues raised have not been appropriately dealt with by the Chairman. He is retiring from the Board on 26 July 2018 and will be replaced in this role by Andrew Sykes

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

COMMITTEE SECRETARIES

- Nominations and Governance Committee – Company Secretary
- Remuneration Committee – Company Secretary
- Audit Committee – Head of Finance
- Risk Committee – Chief Risk Officer

WHO MANAGES OUR RISKS?

CHIEF RISK OFFICER

- 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
- Has direct access to Non Executive Directors

GROUP COMPLIANCE OFFICER

- 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

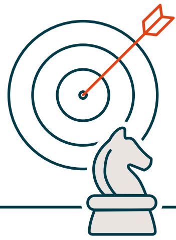
- Responsible for providing independent assurance on the effectiveness of the risk management processes, governance and internal controls
- Internal audits are undertaken in accordance with an annual risk based plan approved by the Audit Committee
- Reports to the Chair of the Audit Committee and also has direct access to Executive Directors

OPERATIONAL RISK GROUP

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

THE BOARD'S YEAR

AREAS OF BOARD FOCUS



STRATEGY, NEW PRODUCTS AND MARKETS

+ Macroeconomic updates, including specific consideration of ongoing geopolitical risks
+ Review of strategic objectives and key deliverables
+ Consideration of new opportunities and business planning

MANAGEMENT AND LEADERSHIP

+ Board composition and skills
+ Succession planning for Non-Executive Directors and executives
+ Business unit updates with relevant senior managers
+ Technical training including regulatory matters and other developments

GOVERNANCE, STAKEHOLDERS AND SHAREHOLDERS

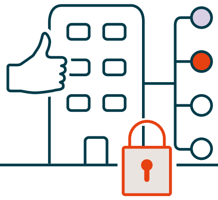
+ Review of feedback from shareholders
+ Oversight of governance framework and risk management
+ Consideration of stakeholder engagement

TIMELINE

	MAY 2017	JULY 2017	SEPTEMBER 2017
KEY ISSUES AND HIGHLIGHTS	+ Dividend strategy + Company valuation + Board evaluation actions + Key business developments and latest financial reports	+ New business opportunities + FY18 Forecast + Key business developments and latest financial reports	+ New business opportunities + Balance Sheet returns update + Key business developments and latest financial reports
ANNUAL MATTERS	+ Approval of Annual Report and AGM Notice + Insurance renewal + Review of shareholdings of senior executives + Adoption of Modern Slavery statements	+ Review of feedback from shareholders on the year end results announcement.	+ Matters arising from AGM and shareholder feedback
BUSINESS UNIT REVIEWS, TRAINING AND TECHNICAL UPDATES	+ Secondaries with business unit head + Culture + Cyber Update with Head of IT	+ Real Assets update + Corporate Governance update	+ Asia Pacific update with business unit head
OTHER MEETINGS HELD	A N R	AGM N RK	A N RK

COMMITTEE KEY

- AGM ANNUAL GENERAL MEETING
- A AUDIT COMMITTEE
- N NOMINATIONS COMMITTEE
- R REMUNERATION COMMITTEE
- RK RISK COMMITTEE



FINANCIAL PERFORMANCE, OUTLOOK AND CAPITAL

+ Review of financial reporting
+ Review of dividend strategy
+ Review of tax strategy
+ Company valuations
+ Review of balance sheet financing

OPERATIONS, RISK MANAGEMENT AND SYSTEMS

+ Review of fund performance
+ Review of regulatory capital position
+ Enhanced reporting on effectiveness of control framework, including the introduction of report ISAE 3402

CULTURE AND VALUES

+ Ongoing review of succession planning at senior management levels including consideration of cultural fit and capability
+ Interaction with stakeholders
+ Diversity, inclusiveness and culture workstreams
+ Review of Employee Engagement Survey

NOVEMBER 2017	JANUARY 2018	MARCH 2018
+ Growth opportunities + Approval of Company's ICAAP + Key business developments and latest financial reports	+ Valuation update + Growth/M&A opportunities + Investment Policy + Tax Strategy + Board evaluation actions + Key business developments and latest financial reports + Culture	+ Board evaluation results + Identification of focus areas for FY19 including stakeholders and diversity + Employee Engagement Survey + Key business developments and latest financial reports
+ Approval of half year reports + Interim dividend	+ Half year results feedback + Confirmation of outside interests of Directors	+ Budget + Annual compliance reports + Committee terms of reference and membership review
+ Marketing and Client Relations update with business area head + Senior Manager and Certification Regime training	+ Operations update	+ Senior Debt update with business unit head + Technical training on CLOs
A N R RK	N R	A N R RK

THE BOARD'S YEAR
CONTINUED

BOARD AND COMMITTEE MEETING ATTENDANCE

Director	Board	Audit	Risk	Nominations	Remuneration
Kevin Parry	6/6	4/4 [c]	4/4	6/6	4/4
Peter Gibbs	6/6	4/4	4/4	6/6	4/4
Kim Wahl	5/6	4/4	3/4	5/6	4/4
Kathryn Purves	6/6	4/4	4/4	6/6	3/4 [c]
Rusty Nelligan	6/6	4/4	4/4	6/6	4/4 [c]
Virginia Holmes	6/6	2/4 [c]	4/4 [c]	6/6 [c]	4/4
Stephen Welton [a]	4/4	2/3 [c]	3/3 [c]	4/4 [c]	3/3 [c]
Amy Schioldager [a]	2/2	1/1 [c]	1/1 [c]	2/2 [c]	2/2 [c]
Andrew Sykes [a]	1/1	1/1 [c]	1/1 [c]	1/1 [c]	1/1 [c]
Christophe Evain [b]	2/2	1/1 [c]	N/A	N/A	1/1 [c]
Philip Keller	6/6	4/4 [c]	4/4 [c]	6/6 [c]	4/4 [c]
Benoît Durteste	6/6	4/4 [c]	4/4 [c]	6/6 [c]	4/4 [c]
Secretary	6/6	4/4	4/4	6/6	4/4

(a) Joined the Board during the year – Stephen Welton joined on 1 September 2017, Amy Schioldager joined on 25 January 2018 and Andrew Sykes joined on 21 March 2018.
(b) Retired from the Board 25 July 2017.
(c) Not a member of this Committee but attended part of some meetings at the invitation of the Committee Chairman.

INDUCTION AND TRAINING

ONGOING TRAINING AND DEVELOPMENT

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 main focus of development for the Board has been in continuing to improve their detailed knowledge of the Group's business and the market environment.

Business unit heads present developments in their areas, including risks and opportunities for growth to the Board on a regular basis. Business areas reviewed during the year included European and Asia Pacific corporate investments, capital market investments, Marketing and Client Relations and secondaries investments. These sessions give Non-Executive Directors (NEDs) a deeper understanding of the Group's business, strategies and markets, and an understanding of team structures to assist with succession planning. They also provide greater opportunity for NEDs to challenge Executive Directors and senior management. The heads of the Group's control and oversight functions and corporate strategy also presented. The Board and its Committees also receive technical updates from external advisers.

A regular training programme has also been established. Under this programme, the NEDs receive detailed and more operationally focused presentations from staff members about specialist topics relating to the Company's business. Sessions held have included a cyber risk review of the Group led by our Head of IT and operational updates in respect of the Fund Administration teams. In addition the Group monitors other external training undertaken by the NEDs.

The Executive Directors attend Board training and have also undertaken courses on anti-money laundering, anti-bribery and corruption and information security. Each also receives formal and ad hoc updates on statutory and regulatory developments from internal and external parties. The Executive Directors regularly lead induction and update sessions for all staff on the Group's strategy and markets.

Induction

The objective of the induction process for new Directors is to enable that Director to contribute to Board proceedings from appointment. Each programme is tailored to the incoming Director and includes a series of meetings and presentations supported by relevant documentation and policies.

Virginia Holmes, Stephen Welton, Amy Schioldager and Andrew Sykes were each inducted during the year. These inductions included detailed briefings from the Chairman and the Executive Directors in respect of the Group's business; from the Company Secretary with regards to legal obligations, Directors' duties and identifying any potential conflicts of interest; and over 15 further meetings providing full coverage of the Group's strategy and operations including NEDs, business unit heads, and heads of control and oversight functions.

Any new Director appointed will receive a thorough induction in line with that provided for previous joiners, adjusted for any particular individual requirements.

"The induction I received on joining the Board has been thorough and in-depth, and has enabled me to contribute to Board proceedings from an early stage on a well-informed basis"

ANDREW SYKES
NON EXECUTIVE DIRECTOR

BOARD EVALUATION

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, an evaluation of individual Directors and the effectiveness of the Board Committees. The Non-Executive Directors (NEDs), 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 exercise was last carried out by Independent Audit from November 2016 to January 2017, with the Board receiving a formal report and presentation to the Board meeting in March 2017.

2017 REPORT

During their review, Independent Audit received full access to the Board and employees of the Group, conducted an extensive on site review of relevant papers and minutes for the preceding year and attended a Board meeting and several Committee meetings as observers. Their final report concluded that there were no significant areas for concern in respect of the performance of the Board, the individual Directors or the Committees. It contained a number of positive findings about the Board and the Committees, including:

- Directors are engaged and want to do the right thing
- there is a culture of openness and mutual respect
- the new Chairman has improved Board processes
- executive management is respected by the Board for their knowledge and willingness to listen and debate
- all Board participants, especially NEDs, added value to the debate around dividend policy
- NEDs have a good range of skills and backgrounds
- Board support is professional

The report also highlighted some areas where Board performance, processes or operations could be improved. The points identified were:

- management information should be reviewed to ensure that it relates to the measures that the Board will find most useful in assessing progress against the Group's strategy and principal risks
- the Group's management systems should be reviewed to ensure that they remain proportionate to the needs of the business while ensuring adequate oversight for the Board
- the Audit Committee's meeting agenda should ensure that appropriate time is given to all matters
- the Risk Committee should use its consideration of the Group's ICAAP as an opportunity for wider business discussions
- the Remuneration Committee should consider how its Chair can be best supported by other members and advisers
- the Nomination and Governance Committee should prioritise succession planning for the Senior Independent Director/Remuneration Committee Chair

Most of these points were already in progress at the time of the Board review.

2018 follow up and internal evaluation

All of the points for improvement outlined in 2017 were reviewed at Board meetings and resolved to the satisfaction of the Board during the course of the year. As a follow up exercise, in January 2018, an extensive survey (provided by Independent Audit) was completed by all Directors and Committee Secretaries to evaluate the effectiveness and performance of the Board and each Committee. A report was produced and debated at the Board in March. The Board formally concluded that the Board and each of its Committees continues to function efficiently and effectively.

The Board concluded the following actions are required following the self-assessment:

- Conducting a long term strategy review
- Ensuring that there are opportunities for effective debate and challenge between Board meetings
- Working to continue to develop an enhanced structure for Board and Committee reporting
- Improving the formality of the link between new strategic initiatives, the Group's risk function and the Risk Committee
- Continuing work to define, measure and develop the Group's culture
- The Remuneration Committee should consider whether to undertake a tender process in respect of its adviser
- The need for the Nominations Committee to improve the succession planning below Executive Director level by means of bespoke development plans

The Board will work on these matters during the year.

ENGAGEMENT WITH STAKEHOLDERS

STAKEHOLDER ENGAGEMENT PROGRAMME

The Company has a comprehensive 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:

- Meetings with principal shareholders: Throughout the year, the Chairman, Senior Independent Director (who is also Chair of the Remuneration Committee), other Committee Chairs, CEO and CFOO have been available to meet with principal shareholders. Meetings were largely held after the interim and full year results announcements and in the lead up to the AGM. The Chairman has been proactive in meeting a number of large shareholders throughout the year and also hosted a dinner for a number of principal shareholders with the incoming Chair of the Remuneration Committee and 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.
- Investor Day: In February 2018 an Investor Day was held which included presentations from the Executive Directors, other members of the senior management team and portfolio managers from across our strategic asset classes. This event 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.
- Remuneration Committee Chair feedback: The Chair of the Remuneration Committee has met with principal shareholders and also with shareholder bodies including the Investment Association, Institutional Shareholder Services and Glass Lewis.
- Senior Independent Director feedback: The Senior Independent Director is available to meet shareholders as required, in particular in respect of any matter that has been previously raised with the Chairman, but not resolved.
- 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 CEO, CFOO and the Head of Investor Relations have regularly met with analysts to enhance the financial community's understanding of the Group. The Executive Directors also hosted a dinner for a number of analysts providing an opportunity for informal discussions and queries.
- Engagement with debt investors: The CFOO 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 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.
- Engagement with fund investors: The Executive Directors and the Group's portfolio managers maintain engagement with fund investors through regular reporting, investor days and other update meetings.
- Engagement with staff: See page 34.
- Engagement with suppliers: The Company recognises that supplier relationships are enhanced by prompt payment. We are committed to settling supplier invoices within agreed contractual terms. Where supplier invoices are in dispute, for whatever reason, we will work with the relevant party to resolve any outstanding issues and facilitate the prompt payment of monies owed. In addition, poor supplier management processes are a key operational risk of the Group as detailed on page 32. During the year, the procedures used to identify and monitor critical supplier relationships have been enhanced to mitigate the risk.
- Annual General Meeting: At the AGM held in July 2017, the Chairman, CEO and other Directors were available to shareholders for discussion and to answer any questions. All shareholders are welcome to attend the AGM.
- Impact on the community and the environment: See pages 35 and 36.
- 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 CEO and the CFOO meet institutional shareholders on a regular basis, and the Chairman and the Senior Independent Director periodically contact the Company's major shareholders and offer to meet with them. When requested to do so, the Senior Independent Director, Committee Chairs and other Non-Executive Directors are happy to attend meetings with major shareholders.

AUDIT COMMITTEE REPORT

RUSTY NELLIGAN
CHAIR OF THE AUDIT COMMITTEE

The following pages set out the Audit Committee (Committee) report for financial year 2018. The report is structured in five parts:

1. **Committee governance: roles and responsibilities, composition and effectiveness (page 50)**
2. **Review of the year: significant financial reporting and auditing issues we addressed (page 52)**
3. **Internal controls: assessment of the adequacy of the control framework (page 55)**
4. **External auditor: appointment, rotation, independence and effectiveness (page 55)**
5. **Internal audit: review of the audit plan, performance and effectiveness (page 55)**

We oversee the Group's financial reporting and related elements of its accounting, internal controls and regulatory compliance, in addition to the internal and external auditing processes.

Our work focuses on the evaluation of significant estimates and judgements underlying the financial statements and the overall fairness and clarity of reported financial information.

DEAR SHAREHOLDER

Key responsibilities of the Committee are to ensure the presentation of fair, balanced and understandable financial information by the Group and, that the related internal controls and audit are effective throughout the period. This also means ensuring that underlying critical estimates and judgements by management are suitably scrutinised and challenged where appropriate.

The financial statements of the Group are prepared in accordance with IFRS and include the consolidation of 14 credit funds which are determined, in accordance with IFRS, to be controlled by the Group, although the Group's loss exposure to these funds is limited to the capital invested by the Group in each fund. The Committee therefore believes that the presentation of alternative performance measures, including eliminating the impact of the consolidation of credit funds, enhances shareholders' understanding of the Group's performance.

The Committee has continued to evaluate the Group's use of alternative performance measures, in part due to the guidance issued by the European Securities and Markets Authority and the increased attention on this area by the Financial Reporting Council. Our focus has been to ensure that where alternative performance measures are used, they do not detract from IFRS GAAP measures, and they are appropriately presented, defined and, where possible, reconciled to relevant IFRS GAAP measures (see page 168). In addition, the Committee, alongside management, has evaluated and refined the presentation and disclosures in the Annual Report, to improve the understandability of the Group's performance and financial position.

The balance sheet portfolio remains a significant component of the Group's financial statements and, therefore, as in prior years, the valuation of the investment in funds and portfolio companies remains an area of significant judgement and corresponding oversight by the Committee. In addition to other review work during the year, we supported the emphasis of this area by the external auditor and obtained specific, satisfactory assurance from internal audit on the quality and effectiveness of the processes underpinning net investment returns. For certain of the more significant and complex valuations, we reviewed and debated critical assumptions and judgements as outlined in specific papers prepared by management.

The Committee routinely evaluates the quality of the Group's financial management and internal controls over financial reporting; the scope, direction and nature of assurance provided by internal audit (including external co-source partners for specific assignments); and the independence and effectiveness of our external auditors. We have advocated continuous reflection, improvement and investment in these areas in light of

AUDIT COMMITTEE REPORT
CONTINUED

increasing levels of regulation and risks, as well as the expanding size and complexity of our business. I consider oversight of these processes to be a critical responsibility of the Committee.

The Audit Committee has 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 Audit and Risk Committees have worked closely together to enable the Group to prepare its financial accounts on a going concern basis and to issue its viability statement (see page 29), taking into account the Group's ICAAP. The Audit Committee supported the Risk Committee's review of the effectiveness of material controls (see page 27), including material controls over financial reporting. Further details can be found in the Risk Committee report on pages 59 to 63.

For the year ahead, the Committee expects to focus significant time on the planned tender of the external audit (see page 55) which, among other things, will involve careful consideration of both audit and non audit services to comply with auditor independence requirements. We are taking this action well in advance of the required rotation date to support a smooth transition for this important activity.

Lastly, in terms of the Committee's own updated assessment of effectiveness, we conducted a structured internal survey, as a follow-on to the external review conducted in the prior year. The results were broadly positive. Further details can be found on page 54 of this report.

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

RUSTY NELLIGAN
CHAIRMAN OF THE AUDIT COMMITTEE
21 MAY 2018

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 have recently been reviewed and updated. Under these terms, the Committee is responsible for:

- 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
- Monitoring the integrity of the financial statements of the Group, including its annual and half yearly reports, trading updates and any other formal announcements 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, and 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. During the year the Committee received independent advice on the appropriateness of the existing Annual Report disclosures for third party carried interest. This advice concluded that the Group met the requirements for disclosure for a UK listed company accounting in accordance with IFRS.

Composition

The Committee consists of independent Non-Executive Directors only. The current members are Rusty Nelligan (Chair of the Committee), Peter Gibbs, Kathryn Purves, Amy Schioldager, Andrew Sykes and Kim Wahl. Biographical details can be found on pages 40 and 41.

As neither Peter Gibbs nor Kim Wahl is seeking re-election to the Board at the Company's Annual General Meeting on 26 July 2018 they stand down from the Committee at this time.

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. Rusty Nelligan, a US Certified Public Accountant, was previously a partner at PwC working for over 20 years as lead client partner for European-headquartered global companies in financial services and pharmaceutical life sciences. 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 Chair of the Committee, together with Deloitte LLP, the Company's external auditor, the Head of Internal Audit, the Head of Finance and the Chief Risk Officer.

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.

In addition, the Chair of the Committee meets with the external auditors, internal audit, Executive Directors, and other members of financial and operational management separately, and as appropriate, throughout the year.

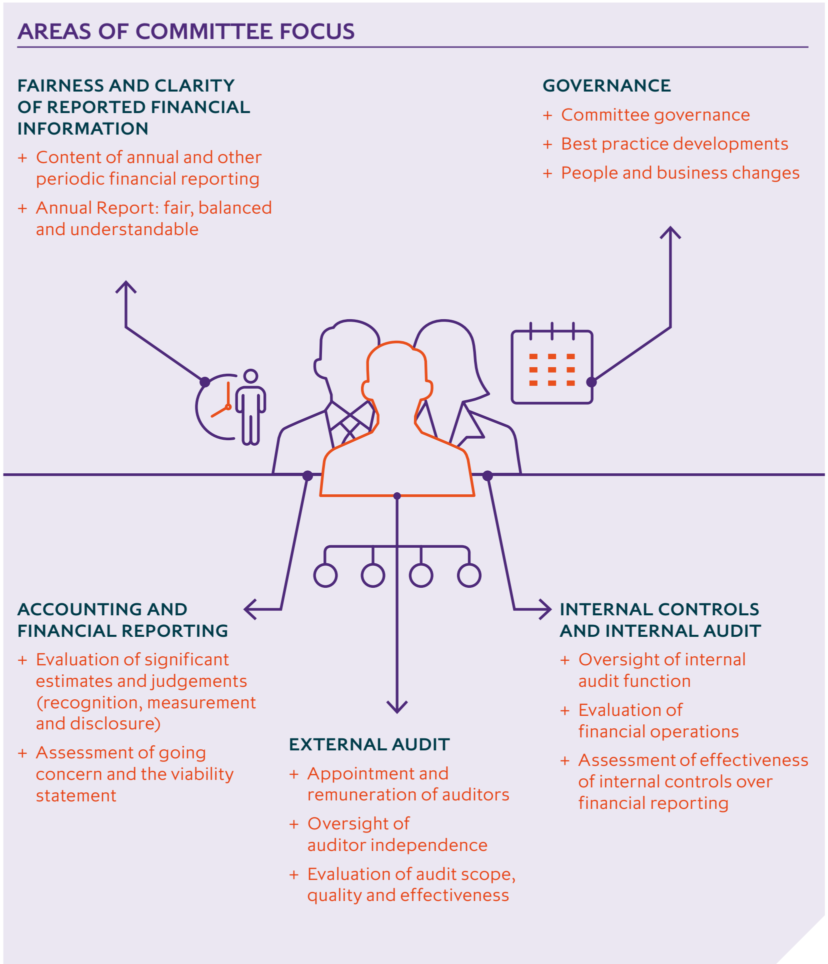
Terms of reference

The Committee's terms of reference are approved and reviewed by the Board on a regular basis, most recently in May 2018. The terms of reference are available on the Group's website or by contacting the Company Secretary.

Effectiveness

The Committee reviews its terms of reference and effectiveness annually. The terms of reference are summarised above.

The annual evaluation of the Committee's effectiveness was undertaken through an online questionnaire managed by Independent Audit. The findings relating to the Committee were discussed with the Committee Chair and shared with the full Board. Overall, the Committee is considered to be performing well, is rigorous and effective in discharging its responsibilities and providing the Board with assurance. In terms of areas for possible improvement, achieving the right balance of information in the papers to facilitate debate of critical assumptions and judgements was something to focus on as well as ensuring that our overall assurance structure continued to reflect changes to the Group's principal risks.



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 46. In addition, there was one sub-Committee meeting to review key aspects of the report and accounts in April 2018. The bulk of the Committee's time has been spent on financial reporting and presentation and the external and internal audit activities.

AUDIT COMMITTEE REPORT
CONTINUED

REVIEW OF THE YEAR

The agenda of the Committee comprises recurring, seasonal and other business. Over the course of the year, the Committee considered and discussed the following significant matters:

REVIEW OF THE YEAR

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
Alternative performance measures (non IFRS GAAP) aid understanding of the financial statements but must not detract from IFRS GAAP measures (see KPIs on pages 16 to 19 and the Finance and operating review on pages 20 to 26)	The Group uses a number of alternative performance measures, including but not limited to: • Weighted average fee rate • Operating margin • Investment portfolio • Cash generated from operating activities • Asset impairments • Cash and debt position • Gearing A full list can be found in the glossary on page 167. We discussed the use of alternative performance measures with executive management and the external auditor and reviewed their continued appropriateness and consistency with prior years. We received comfort from internal audit that the alternative performance measures had been prepared on a consistent basis with prior years and were subject to adequate review and validation controls.	We were satisfied that alternative performance measures, which are widely used in the asset management industry, can provide insight into performance from the perspective of our shareholders and other stakeholders. We reviewed the alternative performance measures and were satisfied that they did not detract from IFRS GAAP measures and were: sufficiently defined and qualified, where necessary; consistently applied, and, where possible, reconciled to relevant IFRS GAAP measures.
The content of the annual, semi-annual and quarterly financial reporting needs to be appropriate, complying with relevant laws and regulation (see page 100 and the Auditor's Report on pages 102 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 the information analysed by management to assess which third party funds, carried interest partnerships, 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 reviewed and challenged management's assessment of potential tax risks in light of the completion of the Group's transfer pricing review and a further year without any open tax enquiries. While there are inherent risks for this area, we agreed with management's conclusion that there was no longer sufficient basis to maintain provisions for this uncertainty, in accordance with the relevant accounting standards. We also reviewed the effectiveness of the financial control environment, including the controls over financial reporting and the preparation of financial information included in the Annual Report. Our assessment of these controls was taken into account by the Board when undertaking its review of the effectiveness of material controls (see page 27).	We concluded that the Group controlled 14 credit funds and exercised significant influence over 5 entities 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 £3.8bn (2017: £3.6bn). There were no significant changes to accounting policies (see pages 116 to 118) and we concluded the accounting policies remained appropriate. Based on our enquiries of management and external auditors, we concluded policies are being properly applied in areas such as assessing control and significant influence, revenue recognition, valuation of financial assets, impairments and taxation provisions. We concluded that the areas of judgement (see pages 116 and 118) are properly explained. We gained comfort from management and the external auditors that the Group complied with its reporting requirements.

REVIEW OF THE YEAR

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
Taken as a whole, the Annual Report needs to be fair, balanced and understandable so that it is relevant to readers (see page 100)	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 clarity. 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 collective knowledge to determine the overall fairness, balance and understandability prior to final approval by the Board. In this context, we especially considered judgemental matters such as the key risks (see pages 28 to 31), 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 and understanding of the Group. This supported the Committee's, and the Board's, assessment 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 had been included to allow readers to understand the uncertainties surrounding outcomes. The Committee welcomed the enhancements made to the presentation of the financial statements and related disclosures in the current year. 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 and enhance the presentations and disclosures in the Annual Report.
Investments represent 83% of our total assets. 97% are carried at fair value and 3% 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 4 and 9 to the financial statements and the Auditor's Report on pages 102 to 109)	We reviewed a detailed report on the valuation process management have undertaken and the judgements made in determining the value of the portfolio. In addition, the Committee reviewed in detail the valuation of a technology asset where the assessment of fair value was particularly sensitive to valuation inputs. We enquired into the realised gains in the income statement as an indicator of the reliability of the valuation process. In addition to executive management procedures and the work of the external auditors, internal audit reviews the valuation process and provides the appropriate assurance to the Committee of management's compliance with the Group's valuation policies, process and procedures.	The Committee concurred with the valuations and determined that no adjustments were necessary.
Revenue recognition involves certain estimates and judgements, particularly in respect to the timing of recognising performance fees, which are subject to performance conditions. (see note 1 to the financial statements and the Auditor's report on pages 102 to 109)	We reviewed the revenue recognition of management fees, performance fees and investment income to confirm 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

REVIEW OF THE YEAR

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
The auditor needs to be independent of management to report on the consolidated and parent financial statements without conflicts of interest (see the Auditor's report on pages 102 to 109)	We reviewed the standing policy on services that can be provided by Deloitte (see External auditor on page 55) and approved the provision of non audit services as required in accordance with this policy. We received confirmations from management and Deloitte of adherence to this policy and reviewed and approved the audit fees in the context of the size and complexity of the Group's audit. The Committee also received reports from Deloitte at each meeting on the fees incurred for audit and non audit services relating to the Group and associated entities.	We concluded that our conflicts of interest policy remains appropriate and in line with current guidance. We determined that the Group audit fee of £1.0m (2017: £0.9m) appropriately reflected the scope and complexity of the work undertaken by Deloitte. The Committee determined that any non audit services performed by Deloitte during the period were in compliance with the Group's non audit services policy and applicable regulation, and were not deemed to impair their independence. A detailed analysis of fees paid by ICG plc and consolidated subsidiaries to Deloitte LLP is shown in note 10 on page 140.
The audit process needs to be effective so that the auditor's opinion is credible and reliable (see the Auditor's report on pages 102 to 109)	We discussed the areas of risks that may result in a material misstatement of the financial statements 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. 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 and an interview with Deloitte about their approach to the audit of the financial statements can be found on page 56.	We were satisfied that the audit is effective and that the approach was directed to provide a reliable audit opinion with a reasonable expectation of detecting material errors, irregularities and fraud.
Oversight of the internal audit function	During the year the Committee considered and approved the updated Internal Audit Strategy including the risk-based plan for FY18 and FY19 and other internal audit activities. 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 58.	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 that 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 95), the viability statement (see page 29), the Auditor's report (see pages 102 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 59 to 63.

The Committee reviewed the operation of the finance function to ensure it was sufficiently resourced and had the appropriate processes and controls over financial reporting to fulfil its first line of defence duties. The Committee was satisfied that the function was able to meet its relevant responsibilities and that the control environment continued to be enhanced to meet regulatory and business developments. The Committee also noted that ad hoc projects, such as updating the Group's transfer pricing documentation, often benefitted from specialised external resource.

The Group has an established control framework as described on page 27. 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 2017 year-end audit, the Audit Committee recommended that Deloitte LLP should be proposed to shareholders as the Company's auditors. The shareholders voted in favour of this 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 following the conclusion of the 2015 year-end audit.

The Committee complies with the UK Corporate Governance Code, the Financial Reporting Council (FRC) Guidance on Audit Committees and the EU Regulation on Audit Reform. In addition, the Committee complies with all aspects of the Competition and Markets Authority Statutory Audit Services Order. Accordingly, 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, independence and industry knowledge to be an effective lead audit partner and propose to tender the audit so that the successful firm will succeed Deloitte when David Barnes' term as lead audit partner comes to an end with the completion of the 2020 year-end audit.

Audit tender

The Committee is responsible for the tender process and will take all key decisions concerning timing, approach, evaluation criteria and recommendations. A Tender Committee has been appointed by the Committee to manage the tender process, chaired by the Chair of the Audit Committee, Rusty Nelligan and also including Kathryn Purves, Chair of the Risk Committee and Chief Financial and Operating Officer, Philip Keller.

The selection of new auditors will be completed by 31 March 2019 so that the successful firm can ensure they are independent ahead of their formal appointment. This will be achieved by the new auditors ceasing any non audit services that are outside the Group's policy from no later than that date. Furthermore, Deloitte LLP will not be invited to participate in the tender process due to their length of tenure as the Group's auditors.

A detailed short-listing process is underway which will consider each firm's independence and ability to effectively manage the external audit of a Group of ICG's scale, complexity and geography. Three mid-tier and the three remaining large-tier firms were included in this process, although the short list consisted of only the large-tier firms as none of the mid-tier firms were deemed to have the necessary skills and/or experience to make the short list.

The Tender Committee will conduct meetings with the proposed lead audit partners from the short-listed firms prior to the formal tender process being initiated in September 2018.

AUDIT COMMITTEE REPORT
CONTINUED

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 in part on the results of observation, inquiry and 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 2017.

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 strengthening their coordination with their tax and overseas financial statement audit teams. The Audit Committee discussed the output with Deloitte who acknowledged that changes could be made to improve their service delivery, and have responded accordingly.

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

- The Committee discusses and agrees the scope of the audit prior to its commencement. The full scope audit coverage amounted to 96% (2017: 96%) of the Group's profit before tax and 95% (2017: 99%) of the Group's net assets. Specific review procedures were performed on another 17 non significant entities
- The Committee reviewed, and was satisfied with, the content of Deloitte's Audit Transparency Report for the year ended 31 May 2017 which sets out Deloitte's commitment to audit quality and governance
- The Audit Quality Review team (AQRt) of the Financial Reporting Council performs an annual audit of Deloitte's audits. Following discussion with Deloitte, insofar as the issues might be applicable, the Committee was satisfied 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 Chair 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 Chair, 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
- The Committee reviewed and discussed the audit findings, including audit differences prior to the approval of the financial statements

In accordance with relevant independence standards, the external auditors do not place direct reliance on the work of internal audit.

Audit materiality

We have discussed the accuracy of financial reporting with Deloitte both as regards accounting errors that will be brought to the 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 estimates that were made at a point in time that did not consider all available information.

Overall audit materiality was set at £12.2m (2017: £11.9m). This equates to approximately 1% of net assets. A lower materiality of £4.8m (2017: £3.7m) 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 combined with their knowledge of the Group, controls environment and assessment of significant risks, 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 102.

To manage the risk that aggregate uncorrected errors become material, we agreed that Deloitte would draw to the Committee's attention all identified uncorrected misstatements greater than £245,000 (2017: £215,000) and for fund management revenues £95,000 (2017: £72,000).

The aggregated net difference between the reported pre-tax profit and the auditor's judgement of pre-tax profit was £0.8m, 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 Committee did not require any adjustment to be made to the financial statements as a result of the audit differences reported by the auditor.

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. Procedures are in place to determine 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 contracted 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
- Preparation of tax filings and other services related to tax filings
- Provision of tax advice

In addition, the level of permissible non audit services must not exceed 70% of the average of the statutory audit fees for the previous three years. The cap applies prospectively from 1 April 2017 and will therefore first apply for our financial year beginning 1 April 2020.

During the year the Group paid £0.4m (2017: £0.3m) to Deloitte LLP for the provision of corporate non audit services which is within the 70% audit fees 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 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 and portfolio companies 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 to ICG Group entities pursuant to contingent fee arrangements.

A detailed analysis of fees paid by ICG plc and consolidated subsidiaries to Deloitte LLP is shown in note 10 on page 140.

AUDIT COMMITTEE REPORT
CONTINUED

Auditor reappointment

Deloitte has reviewed its own and its relevant affiliates' 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.

The Committee, having considered compliance with our policies on independence, 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 2019. Accordingly, a motion to that effect will be put to the 2018 Annual General Meeting of shareholders.

Internal audit

The Group has a Head of Internal Audit who draws on the services of our outsourced internal audit providers, RSM and KPMG to supplement her capacity. The Head of Internal Audit reports to the Audit Committee Chair.

The 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 coverage of the Group as a whole. Its development reflects the priorities of management, the CRO, our regulators and the 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 risk based 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.

The Committee has monitored the working relationship between the Head of Internal Audit and the CRO, ensuring that the roles are coordinated and optimised to reduce the potential for significant gaps in oversight and unnecessary duplication of efforts. The Committee is satisfied that internal audit is independent of the first and second lines of defence. During the year an internal audit review of the risk function and the Group's ICAAP was undertaken with the assistance of our outsourced internal audit provider. This review was closely monitored by the Audit Committee to ensure that the independence of internal audit was not compromised.

Internal audit effectiveness

In the prior year, Independent Audit undertook a review of the effectiveness of the internal audit function. The review concluded that the function had, in its short life, succeeded in establishing itself as a necessary and valuable element of the Group's risk and control framework. Independent Audit provided some suggestions for the Committee to consider as the function matures. The suggestions included regular visits to all significant locations, enhancing the reports to include more context about the control environment and consideration of succession planning.

During the current year the Committee monitored the successful implementation of all the agreed improvements identified during the review of the effectiveness of the internal audit function.

RISK COMMITTEE REPORT

KATHRYN PURVES
CHAIR OF THE RISK COMMITTEE

The following pages set out the Risk Committee (Committee) report for financial year 2018. The report is structured in three parts:

1. **Committee governance: roles and responsibilities, composition and effectiveness (page 60)**
2. **Review of the year: significant risk areas we addressed (page 62)**
3. **Internal audit and compliance monitoring (page 63)**

Our work focuses on having a robust risk management framework to identify, assess and manage the principal risks that could impact our business, within our defined risk appetite. This includes external risks, emerging risks and the oversight of risk related regulations such as the ICAAP.

DEAR SHAREHOLDER

The Board is accountable for the oversight of risk management, as an effective risk management framework and risk culture are critical components to support the achievement of our strategic goals. Good risk management practice requires a sound understanding of the Group's risks, the appetite for risk taking and mitigations to limit downside exposure and maximise opportunities.

I am pleased to report that during the year the Board has overseen the continued enhancement of the Group's risk management framework and risk culture. The Committee undertook a robust assessment of the Group's principal risks and associated risk appetite, taking into account changes in the business and the external environment adding a specific principal risk in relation to supplier management. Enhancements were made to management information and risk reporting, and there was a continued focus on emerging and external risks. During the year, the Commercial and Operational Committees were established. These, in addition to the activities of the Operational Risk Group and Investment Committees, further strengthen the robust governance processes.

The principal risks faced by the Group and how they are managed are set out on pages 30 to 33 of this Annual Report.

As previously mentioned, I consider that a core component of an effective risk management framework for a financial services business is the Internal Capital Adequacy Assessment Process (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 major business decisions, and is formally reviewed by the Committee on at least an annual basis. The Committee's current year review included the challenge of the stress test calculations, consideration of the Pillar 1 credit risk calculations and increased disclosure of liquidity risk processes. Internal audit, with the support of our outsourced providers, has reviewed the ICAAP process which along with further benchmarking with peers, advice from consultants and monitoring of the FCA developments have helped the Board to ensure our ICAAP continues to be enhanced.

The Committee has continued its focus on systems of control and monitoring. In particular, a controls assurance report (ISAE3402 Type I) was produced for certain parts of the ICG business, and key controls were independently tested by Deloitte. The focus on senior managers' accountability

RISK COMMITTEE REPORT
CONTINUED

for operating key controls continues and this Committee, together with the Audit Committee, reviewed the reporting on the effectiveness of material controls meeting the requirements of the UK Corporate Governance Code (see page 27).

A particular focus of the Committee has been the work delivered by the Group to implement the MiFID II regulatory requirements and establishing a Luxembourg office with an AIFM licence approved by the Luxembourg regulator.

On going themes include cyber risk and the implementation of General Data Protection Regulation (GDPR). The Committee is satisfied with the work done to date, and will continue to monitor progress over the coming year.

The Committee continued to work closely with the Audit Committee and the Remuneration Committee throughout the year with the aim of effectively covering pertinent topics, such as succession planning, in the most suitable forum. The Committee will continue to focus on maintaining a strong control environment and monitoring the principal risks faced by the Group in delivering its strategic objectives, particularly emerging and external risks which include the impact of the UK's departure from the EU and other possible political developments. Key areas of priority will be the implementation of the General Data Protection Regulation (GDPR) and the Senior Managers and Certification Regime (SMCR) for Asset Managers, whilst remaining vigilent to cyber threats and continuing to develop our risk culture.

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

KATHRYN PURVES
CHAIR OF THE RISK COMMITTEE
21 MAY 2018

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, four times during the current year, and is responsible for:

- Advising the Board on the Group's overall risk appetite and tolerance
- Reviewing the Group's risk management framework and approving risk policies, standards and limits within the overall appetite and tolerance approved by the Board
- Annually reviewing, and recommending to the Board, the Group's principal risks
- Keeping under review the effectiveness of the Group's risk management systems
- Reviewing and approving the statements to be included in the Annual Report concerning risk management
- Reviewing any reports on the effectiveness of systems of risk management and/or the Group's attitude to, and tolerance of, risk, including financial and non financial risks
- Reviewing the Company's procedures for identifying, assessing, controlling and mitigating the material risks faced by the Group; and ensuring these procedures allow proportionate and independent investigation of such matters and appropriate follow up action
- Annually considering and approving the remit of the risk management function; and ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards
- Receiving timely notification of material breaches of risk limits and the remedial action taken or proposed
- Advising the Remuneration Committee on the alignment of remuneration with risk appetite
- Informing the Remuneration Committee of the conduct of any individual who has acted without appropriately taking account of risk

Composition

The Committee consists of Non-Executive Directors only. The current members are Kathryn Purves (Chair of the Committee), Peter Gibbs, Virginia Holmes, Rusty Nelligan, Amy Schioldager and Kim Wahl. Biographical details can be found on pages 40 and 41.

As neither Peter Gibbs nor Kim Wahl is seeking re-election to the Board at the Company's Annual General Meeting on 26 July 2018 they will stand down from the Committee at this time.

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 the CRO of Partnership Assurance Group plc. 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 Chair of the Committee. The CRO, Group Compliance Officer, Head of Internal Audit and the Company Secretary attend all the meetings.

Terms of reference

The Committee's terms of reference are approved and reviewed by the Board on a regular basis, most recently in May 2018. The terms of reference are available on the Group's website or by contacting the Company Secretary.

Effectiveness

The Committee reviews its terms of reference and effectiveness annually. The terms of reference are summarised above.

During the year the Committee members and attendees completed a detailed questionnaire, provided by Independent Audit to evaluate the Committee's effectiveness. Overall, the results were positive and confirmed that the implementation of a robust risk management framework was progressing well and that the Committee was operating effectively by providing a constructive balance of challenge, support and insights. As a result of this evaluation, some specific areas for enhancement were agreed, including the continued focus on embedding the risk culture into core processes and decision making.

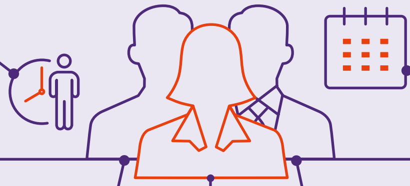
Summary of meetings in the year

The Committee held four meetings during the year. In each of its meetings, it received a report from the CRO and the Group Compliance Officer providing an assessment on each principal risk versus appetite, key risk events, key emerging risks, actions taken or being taken to manage the risks, reports on global compliance (including the monitoring programme) and implementation of relevant regulatory developments. Other work is undertaken periodically including 'deep dives' into particular risk areas such as cyber risk and global economic and political risks. Over the course of the year the Committee considered and discussed the following significant matters:

AREAS OF COMMITTEE FOCUS

GOVERNANCE
+ Committee governance
+ Oversight of risk and compliance policies
+ Best practice and governance code developments

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



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

RISK MANAGEMENT FRAMEWORK
+ Review of the updated risk management framework
+ Industry developments
+ Risk culture training

REGULATORY RISKS
+ Impact and implementation of regulatory change
+ ICAAP
+ Resourcing

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, including the FCA Business Plan, GDPR and the SMCR for Asset Managers. In particular, the Committee considered in detail the requirements of MiFID II and the impact and changes implemented on the Group's business processes. The Committee noted that the most significant impact was on the business processes related to its Capital Markets strategies and product governance.	The regular updates provide sufficient information to enable the Committee to be satisfied that the Group has appropriate systems and controls to identify and implement regulatory change. Furthermore, the Committee was comfortable with the changes being made to satisfy the requirements of the MiFID II regulations. + Principal risk – see pages 30 to 33
Risk appetite and key risk indicators	The Committee considered its risk appetite for the principal risks and how the appetite for risk varied across the classes of principal risk. Key risk indicators were reviewed and the thresholds set were updated as part of the discussion of risk appetite to ensure that the risk framework functioned holistically.	The Committee is satisfied that the framework established is operating effectively to identify areas where risk is increasing or decreasing and to highlight where particular risks may be approaching, or outside, risk appetite. + Principal risk – see pages 30 to 33
ICAAP – the Internal Capital Adequacy Assessment Process	The Committee undertook a detailed review of the ICAAP, with the assistance of our external advisers, reviewing the current and expected future impact of the principal risks facing the Group on the Group's regulatory capital position. As part of this review the Committee received feedback from Internal Audit and Deloitte. In addition the Committee challenged the assumptions made relating to stress testing. Thereafter, the ICAAP was updated and the assumptions relating to the stress testing were made more severe and greater detail was included on how liquidity risk is managed. Following the enhancements made the Committee approved the revised ICAAP. The Pillar 3 disclosures were reviewed and approved.	The Committee is satisfied that the Group has, and will have, adequate regulatory capital based on its current risk profile. The ICAAP is an important tool and will continue to be used in decision making processes. The updated Pillar 3 disclosures are available on the Company's website at www.icgam.com
Other principal risks (see pages 30 to 33) – the Group uses a principal risk register as a key part of the Group's risk management framework. The register summarises the principal risks faced by the Group and the high level risk appetite and specific risk tolerances. Key risk indicators are reviewed periodically for each principal risk to assess the extent to which the risk appetite and tolerances are being approached and where appropriate the associated management actions being taken.	The Committee has overseen and challenged the assessment and management of principal risks faced by the Group by reference to the risk scorecard and risk appetite which has been presented to the Committee regularly during the year. Supplier Management was added as a principal risk faced by the Group during the year as this is becoming a key feature of our business model.	The Committee considers that the principal risks faced by the Group and the risk appetite and key risk indicators for each principal risk are adequately captured by the processes in place. The Committee is satisfied that the risk register is an effective mechanism for identifying and monitoring the business risks to which the Group is exposed; and to ensure that management actions are taken where appropriate.

REVIEW OF THE YEAR		
THE ISSUE AND ITS SIGNIFICANCE	**WORK UNDERTAKEN**	**COMMENTS AND CONCLUSION**
Specific risk reviews	**Major external change** The Committee was regularly updated on the global economic and political risks. As a result of Brexit and its potential impact on the Group's ability to access European clients, the Committee provided oversight and monitored the establishment of a regulated Luxembourg entity. In relation to FX risks, the Committee reviewed and approved the enhanced Treasury policy. The Committee also received updates on SMCR and a detailed working session on culture. The Committee will continue to monitor the progress made in embedding these activites into core processes and decision making. Specific deep dive risk review in areas such as cyber security were also a key feature during the year.	The Committee was satisfied with the updates provided, on major external change and the resultant actions being taken to manage risks within appetite. + Principal risk – see pages 30 to 33
	Regulatory and legislative compliance risk The Committee periodically reviewed the detailed plans for all key regulatory and legislative changes during the year. Specifically, the Committee monitored the progress made in implementing changes resulting from MiFIDII and GDPR. Working with EY a risk assessment was carried out to assess the processes in relation to a new legislation on corporate tax evasion. Actions have since been implemented to ensure reasonable procedures are in place to comply. Hong Kong introduced the 'Manager in Charge' regime. The Committee received an update on the implementation of this. Compliance policy enhancements were reviewed by the Committee; this included Financial Crime and Whistleblowing.	The Committee was satisfied that appropriate action was being taken to manage the regulatory risk of the Group. The Committee supported the proposal to enhance compliance monitoring and increase the focus and resourcing in this area. Specifically, as the Group's Capital Markets business grows, the Committee will oversee the related enhancements in systems and controls. + Principal risk – see pages 30 to 33
	People risk The Committee considered the implications of staff turnover on the operational risk of the Group and, in particular, where it relates to Fund 'key person' clauses. The Committee was briefed on the actions being taken to mitigate the risks, specifically in relation to succession planning for all key roles.	The Committee was satisfied that management's systems to identify, monitor and manage people risk were appropriate. + Principal risk – see pages 30 to 33

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, updates on key policies and review of the Money Laundering Officer's annual report.

Internal audit and compliance monitoring

The Committee supported the Audit Committee in its oversight of the internal audit programme (see page 58), which is risk based. It is designed to permit changes to the programme in the light of changed circumstances.

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. The Committee has endorsed management's desire to increase the scope and depth of compliance monitoring and additional resource has been approved.

In addition, the Committee were provided updates on the development of the ISAE3402 (type 1) controls assurance report. This was completed during the year for relevant parts of the business, with over 130 key controls independently tested by Deloitte.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

KEVIN PARRY OBE
CHAIR OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

The following pages set out the Nominations and Governance Committee (Committee) report for the financial year 2018. The report is structured in two parts:

1. **Committee governance: roles and responsibilities, composition and effectiveness (page 65)**
2. **Review of the year: the significant issues we addressed (page 66)**

We oversee the membership of the Board to ensure a balance of skills and experience amongst the Directors. We also oversee senior management succession planning and the governance practices and processes of the Group. Our work ensures that the Group has a stable Board and senior management team who are able to deliver increased shareholder value.

DEAR SHAREHOLDER

It has been a busy year for the Committee, which has considered a number of Board appointments, helped embed the new CEO's management structure and expanded its role to oversee the Group's governance.

A key focus of the Committee is to consider the skills and experience of the Board and ensure that the Board's membership is adequate to meet the challenges of our business. When considering Board appointments, our priority is to identify persons of independent mind with the strength of character to challenge management and hold it to account. We believe that different and diverse backgrounds make for a stronger Board.

These factors were particularly important this year as the Committee oversaw the search for, and appointment of, three new Non-Executive Directors. Following this year's AGM, the Board will comprise the Chairman, two Executive Directors and six Non-Executive Directors. Three of those nine Directors are women. Peter Gibbs, having served over eight years on the Board, stands down at this year's AGM and is to be succeeded by Andrew Sykes as Senior Independent Director and Virginia Holmes as Chair of the Remuneration Committee. Andrew is an experienced Chair and SID, and Virginia is an experienced member of remuneration committees; both were recruited with this eventual succession in mind. Kim Wahl, having served six years on the Board, also stands down at this year's AGM. In the year we have also welcomed Stephen Welton (an experienced banker, chief executive and investor) and Amy Schioldager (a US based senior asset management executive). Committee compositions have been updated see page 65 to reflect the Board changes and the skill sets of individual directors. Two of the Board's committees are chaired by women and two by men.

All of the Board appointments were made following thorough searches to meet the skill set specifications determined by the Committee. We used three search firms and platforms, identified over 60 candidates on long lists, 11 on short lists and made three appointments.

FY18 was a year of CEO succession. Last year's report described the succession process. This year the Committee supported Benoît Durteste in implementing an enhanced management structure to improve the smooth running of the Group.

During the year, the remit of the Committee was expanded from solely acting as a Nominations Committee, to ensure that Governance matters are appropriately overseen throughout the Group.

The Committee has responsibility for actions to improve our diversity, inclusiveness and culture, which are business priorities not just for us but for all listed companies. These will continue to be key areas for the coming year. To that end, increased focus is being put on personalised executive development plans to ensure there is a pipeline of succession candidates for key positions that embraces diversity and inclusion.

The Committee has also taken responsibility for ensuring Board engagement with employees to ensure their views are incorporated into decision making at Board and Committee level.

I have served nine years on the Board, and two as Chairman. When the revised Corporate Governance code is published, the Committee will consider its implications for Chairman succession.

I would be pleased to respond to any shareholders' questions about the Committee's work either at the AGM or otherwise.

KEVIN PARRY
CHAIR OF THE NOMINATIONS AND GOVERNANCE COMMITTEE
21 MAY 2018

GOVERNANCE OF COMMITTEE

Roles and responsibilities

Prior to any appointment to the Board, the Nominations and Governance Committee considers the balance of skills, experience, independence and knowledge appropriate to determine the requirements and necessary capabilities of the role. In addition, any proposed 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 vacancy
- Succession planning, including the progressive refreshing of the Board, and developing executive talent below the Executive Director level
- 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 skills 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
- Overseeing diversity, inclusiveness, culture, employee engagement and other governance related matters within the Group
- Ensuring the Group is managed to high standards of corporate governance

AREAS OF COMMITTEE FOCUS

Composition

The Nominations and Governance Committee consists of six Non-Executive Directors: Kevin Parry (Chair of the Committee), Peter Gibbs, Kim Wahl, Kathryn Purves, Stephen Welton and Andrew Sykes. Biographical details can be found on pages 40 and 41.

The Company Secretary acts as Secretary to the Committee. Peter Gibbs and Kim Wahl will retire from the Committee on 26 July 2018.

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 May 2018. The terms of reference are available on the Group's website or by contacting the Company Secretary.

Effectiveness

An external evaluation of the Committee's effectiveness was undertaken by Independent Audit in January 2017. The report concluded that the Committee continues to operate effectively. The report highlighted that the Committee needed to consider:

- Succession planning for the Senior Independent Director
- Whether further Non-Executive Director appointments will enhance the expertise of the Board
- The management structure of the Group below the Executive Directors

All of these topics were considered by the Committee during the year, and have been resolved. A further internal evaluation led by the Chairman took place in early 2018. This concluded that refreshing succession planning in respect of the wider executive team should be a priority, as should long term planning for Chairman succession.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT
CONTINUED

REVIEW OF THE YEAR

New Chief Executive

During the year, Benoît Durteste succeeded Christophe Evain as Chief Executive Officer. The Committee sought to ensure that Benoît was appropriately supported in this role, and worked with him to establish two Steering Committees which support the Executive Directors in their roles. The Steering Committees, which are made up of other members of senior management acting in an advisory capacity to the two Executive Directors, act as a forum for discussion and challenge, to ensure that business decisions are made robustly and with the benefit of input from across the business. Their operation is kept under review by Non-Executives, with initial feedback indicating that the discussions are improving the quality and rigour of decision making within the Group.

Appointment of new Non-Executives

At the start of the year, the Committee considered whether further Non-Executives were needed. It was concluded that as the Senior Independent Director(SID), who was also the Chair of the Remuneration Committee, would retire at the 2018 AGM, candidates with senior board and governance experience would be required. The Committee also noted that the planned retirements of Peter Gibbs and Kim Wahl would leave a reduced level of investment expertise on the Board. Further, the Committee wanted to improve the gender balance of the Board and obtain recent knowledge of US business expansion.

The Committee launched search processes for up to three candidates who would, between them, meet these criteria, using three executive search agencies during the year. One (NuRole) is a new, online platform, while the other two (Ridgeway Partners and Russell Reynolds) operate a more traditional model, which led to a wide range of candidates being identified. The agencies conducted extensive research and provided over 60 candidates. A number of strong candidates were identified and interviewed by the Chairman and, if the first interview was successful, other members of the Committee and Executive Directors.

Once feedback on candidates was available, the Committee met at various stages during the year to conclude on whether particular candidates should be offered a role as a Director. In three cases, the Committee unanimously concluded that such an offer should be made.

Stephen Welton was appointed in September 2017. Stephen is the Chief Executive of the Business Growth Fund (and has been since its inception in 2011) and so has considerable insight into the demands of the executive role. He is also an experienced investor with a career background in private equity and banking and was seen as likely to be a valuable contributor to the Board on matters of strategy and business development.

In January 2018, Amy Schioldager joined the Board. Amy had a significant executive career at BlackRock, where in her role as Global Head of Beta Strategies (Index Equities), she had P&L and strategic responsibility for $3.6bn in gross revenues across seven global offices. She was a member of BlackRock's Executive Committee and enhances the Board's understanding of the asset management industry. As she is based in the US, a key growth area for ICG, she is able to add valuable insight into that market. She also has experience of corporate governance matters and, was as Founder and Chair of BlackRock's Women's Initiative on leadership, diversity and inclusiveness. Her appointment increases the number of women on our Board to three, meaning that from the end of the Annual General Meeting female representation will be 33%.

Taking into account the overall profile of the Board, the Committee was keen to ensure that a Non-Executive with extensive FTSE 100 listed board experience should be recruited as the successor to Peter Gibbs as the Senior Independent Director. This led to the appointment of Andrew Sykes in March 2018. Andrew has acted as a director of a number of other boards with a particular focus on the financial services sector, including some as Chairman. He has an executive background in banking and investment management.

As a result of these new appointments, the Committee believes that the previously identified areas where additional expertise was needed are well covered. The Committee is satisfied that the membership of the Board is coherent and mutually complementary, and should support the Group's development over the next few years.

Proposed election and re-election of Directors

The Chairman has met with each Non-Executive Director individually and conducted a formal review of their performance. In the case of the Chairman this was conducted by the SID, and in the case of the Executive Directors by the entire Board. Each appraisal concluded that all Board members remain effective. In addition the Committee has also reviewed the time commitments and training records of Non-Executive Directors and concluded that each of them is able to devote sufficient time to their role, and is undertaking sufficient continued profession development. The Committee has therefore recommended to the Board that all Board members should be proposed to shareholders for re-election (or election in the case of new joiners) at the AGM.

Size, structure and composition 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 recent appointments. While the new Non Executive appointments provide more audit and investment experience, the Committee is keen to ensure that the overall skill set of the Board accurately reflects that of the Group's business. The Committee will monitor the balance of the Board to ensure that broad enough insight and expertise is available from the existing members, and will recommend further appointments if desirable. The table opposite details the experience each Director currently brings to the Board.

Succession planning

During the year, the Committee considered Executive succession. There was also an extensive amount of time spent at Committee meetings on succession planning, 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 path. The Committee has debated the reports presented to it and has agreed that while there are no material concerns in respect of executive succession, further work should be undertaken to ensure that appropriate succession planning is in place for key individuals in executive roles and that talented individuals are retained.

In order to ensure that we have a high quality pipeline of talent for succession to vacant roles, the Committee has begun to put more focus on succession planning below the Executive Director layer. This will improve management in general as it will ensure that the Committee is well appraised of the available talent. In addition, the adoption of bespoke development programmes for some of those who may be considered possible successors to senior roles can be used to assist with gender diversity and related issues.

Expansion of Committee remit

During the year, a full review of the authority of the Board and the delegation of powers to various Committees and individual Directors was conducted. This resulted in the Committee's terms of reference being expanded to include a number of additional governance matters (including diversity, inclusiveness, employee representation and subsidiary governance). Accordingly, the Committee was renamed to reflect this expanded remit, and will report to shareholders on such matters in future.

Diversity, inclusiveness and culture

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 and Governance 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 has assumed responsibility for overseeing the Group's initiatives in the areas of diversity, inclusiveness, culture and employee engagement. As the current wider environment continues to focus on these areas, we will develop our thinking and practices to ensure we are meeting appropriate governance standards.

Gender diversity is a significant focus for the Committee. A bespoke plan is being developed with the Executive Directors and the Head of Human Resources to help drive improvement in this area. As is typical in our industry, women are under-represented at more senior levels of management and a programme is underway to resolve this. However, we recognise that this effort will take some years to have full effect. The Committee will support management in the interim to ensure that as much as possible is being done to change the current balance.

As part of this initiative, gender pay matters are being considered. No disclosure in this area is legally required as we have not yet reached the number of employees at which we are obliged to disclose this data. However, during the year we voluntarily conducted an externally led review of our gender pay practices. This has enabled us to state with confidence that we do not have 'equal pay' issues (i.e. men and women being paid differently for the same job). We have already begun to take action to enhance our ability to recruit and retain a more diverse talent pool and will report on this in full in future annual reports.

In line with the incoming version of the Corporate Governance Code, the Committee will consider during the year how best to seek direct feedback from employees and improve engagement between Non-Executives and staff of the Group, with the goal of incorporating their views in proceedings at the Board and its Committee level. We will give more information in next year's report.

The Committee has also commenced work to study and understand the culture of the Group. This is an important initiative which will inform how the Group operates. During the year, a bespoke training session was delivered by an outside specialist, following which the Committee concluded that the Group should foster a high performing and entrepreneurial culture, having full regard to ethical and regulatory standards. A further update will be provided on this work in next year's report.

Name	Asset Management	Investment	UK Corporate Governance	International	Risk Management	Financial	Remuneration Committee	Audit Committee
Kevin Parry (Chairman)	x	x	x	x	x	x	x	x
Andrew Sykes (SID)	x	x	x		x	x	x	x
Virginia Holmes	x	x	x	x			x	
Rusty Nelligan				x	x	x		x
Kathryn Purves		x	x	x	x			x
Amy Schioldager	x	x		x				x
Stephen Welton	x	x			x	x		

REMUNERATION COMMITTEE REPORT

VIRGINIA HOLMES
CHAIR OF THE REMUNERATION COMMITTEE

During the year, the Committee has undertaken significant work to embed our new Remuneration Policy and consider how to improve our disclosures.

The following pages set out the Remuneration Committee (Committee) report and associated disclosures for financial year 2018. The report is structured into four parts:

DEAR SHAREHOLDER

I am pleased to report on the decisions on Directors' remuneration made by the Remuneration Committee for the financial year. Following the approval of the revised Directors' Remuneration Policy at the 2017 AGM, there have been no other changes to the remuneration of the Executive Directors and Chairman over the course of the year and none are proposed for the immediate future.

We have, however, adopted a different approach to disclosure of Directors' remuneration in this report, with a clear focus, upfront in this Statement and the following two sections, on the information we expect shareholders (and other stakeholders) to find most useful. The detailed back-up data, required by regulation, is available towards the back of the remuneration report (section 4) and fully cross-referenced. We trust that you will be able to access the information you require more readily than in the past.

We continue to proactively engage with our biggest shareholders and the investor representative bodies over the course of the year to ensure that we are alert to their concerns and that the context to our remuneration structures and practice is well-understood. To the extent that we have received suggestions for improvements to our disclosure, we have sought to address those in this report.

The Committee is mindful of the increased focus on companies' responsibility to stakeholders other than shareholders and, in particular, to their workforce. We have included a separate section on the employee context in Section 2 of this report, explaining how the Executive Directors' remuneration is consistent with that of other employees and how the Committee takes into account wider workforce policies when determining Executive Director pay awards.

The Committee places high priority on ensuring the remuneration of the Group's employees in general, and of the Executive Directors in particular, reflects performance against the Group's strategic objectives and is aligned with shareholders' interests.

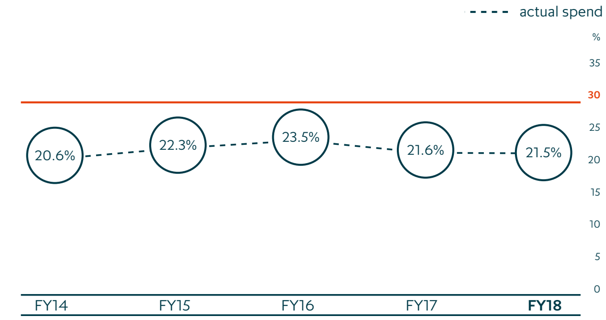
A summary of our Directors' Remuneration Policy, how it is aligned with ICG's corporate strategic objectives and its cascade to other employees is set out in Section 2 of this report. Our approach to company-wide reward in respect of the financial year is summarised below.

This year has been another successful year for the business, raising €7.8bn in new funds and with 95% of realisations above the hurdle rate. We generated record Fund Management Company (FMC) profits, and deployed a record €4.9bn (a 21% increase on the prior year). The cash profit in the year was £254.9m which was lower than the prior year (which saw an unusually high level of realisations) but higher than the two previous years. In accordance with our long-standing policy, 30% of pre-incentive cash profit contributes to the Annual Award Pool (AAP) but our spend on incentives, as in recent years, remains well within the amount available in the AAP on a five year rolling average basis, as we maintain a buffer that allows us to continue to reward our staff, and develop our business even in years of lower cash profit.

In recognition of a very successful year the Committee has determined that £77.7m should be awarded to eligible employees in the form of annual cash bonus, Deferred Share Awards, Balance Sheet Carry and PLC Equity Awards.

The allocation of awards between different staff categories is based on their involvement in the delivery of that cash profit.

AVERAGE AAP SPEND



ALLOCATION OF THE AWARD POOL

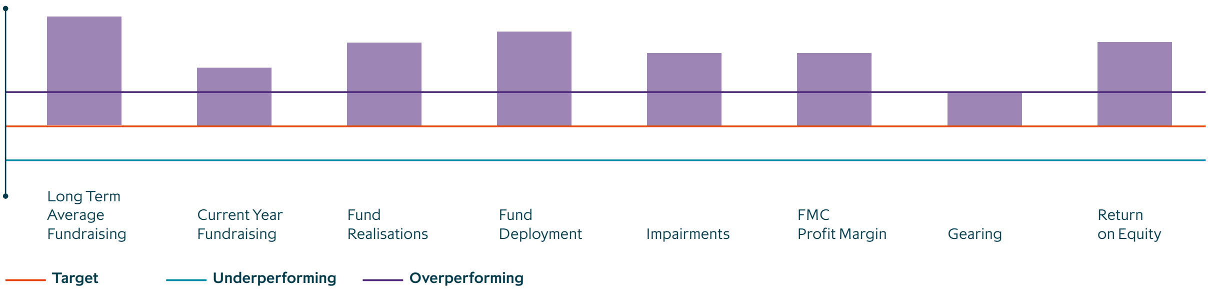
Of the total amount of variable awards made in respect of FY2018, 9% were made to Executive Directors, of which 90% will be deferred in nature. Please see page 82 for more details of how Executive Director compensation is linked to their performance.

TOTAL AWARDS FY18
£77.7m

VARIABLE AWARDS TO EXECUTIVE DIRECTORS
£6.8m
8.8%

VARIABLE AWARDS TO OTHER STAFF
£70.9m
91.2%

The Executive Directors' awards for the year are based on the achievement of a number of corporate and personal key performance indicators that support our corporate strategy. More information on how the Executive Directors' key performance indicators (KPIs) are aligned with the business strategy is on page 82. All KPIs were either met or exceeded during the year.



REMUNERATION COMMITTEE REPORT
CONTINUED

On the basis of his impressive start as CEO, strong investment deployment and his continued focus on fundraising, Benoît Durteste has been awarded an annual bonus of £425,000 and PLC Equity awards of £3,825,000 in respect of FY18. His total single figure includes payments of Balance Sheet Carry that were awarded several years ago, before he held a board position.

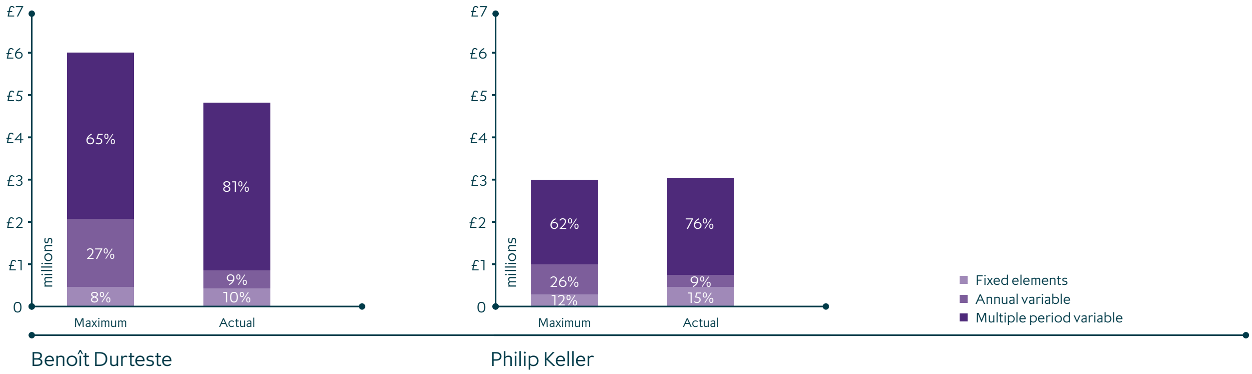
Philip Keller has continued to contribute significantly to the success of the Group and the record FMC profits. He has also delivered a successful balance sheet refinancing and overseen the development of the Group's infrastructure platform in terms of both quality and scalability. Accordingly, he has been awarded an annual bonus of £250,000 and PLC Equity awards of £2,250,000 in respect of FY18.

Details of the Executive Directors' personal performance can be found on page 83.

The total remuneration for the two Executive Directors who were in office throughout the financial year are set out below. The statutory single total figure remuneration table is on page 9.

				Annual Bonus			
£000	Salary	Benefits	Pension	Cash	Equity	Long term incentives	**Total**
Benoît Durteste	386.0	10.7	57.9	425.0	3,825.0	251.7	**4,956.3**
Philip Keller	386.0	8.4	57.9	250.0	2,250.0	38.2	**2,990.5**

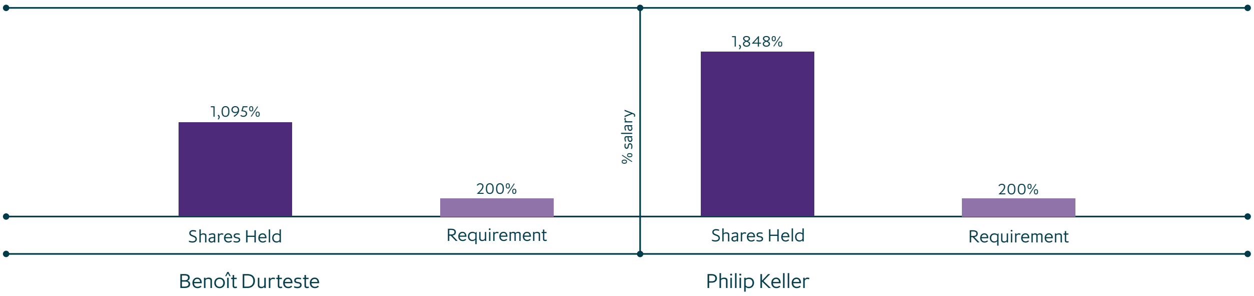
The Committee considers that this outcome is commensurate with the performance for the year and our approved Policy. Shareholders will recall that we imposed an overall 'cap' on Executive Director variable pay in the Policy that was approved at the 2017 GM.
The remuneration delivered to the Executive Directors this year is fully in line with that policy as shown in the charts below.



The Committee places importance upon paying competitively in the context of the specialist asset management industry in which we operate and maintains oversight of the relevant benchmarks. More detail of our desired positioning against the various global comparator groups can be found on page 74.

We are committed to a company-wide remuneration policy that delivers reward based on performance. The Government is proposing the mandatory disclosure of the ratio of the Chief Executive's single total figure remuneration to the remuneration of the median UK employee. As a result of our inclusive and progressive remuneration structure, the CEO : median employee pay ratio for ICG is lower than most comparable UK companies, at 30:1. Full details are provided on page 74.

Our Executive Directors are also well-aligned with shareholder interests through their outstanding share awards and the 200% of salary shareholding requirement. The chart explains the extent to which the shareholding requirement has been met. More details of the share interests of all Directors who held office during the year are included on page 85.



In addition, we believe that it is important to demonstrate the extent to which the Executive Directors are exposed to changes in ICG's share price. We have considered the impact of a 10% share price movement in either direction on the overall wealth of each of the Executive Directors.

	Shares held outright	Maximum rights to shares	Total share exposure	Value at share price on 31 March 2018 (£)	Consequence +/- 10% share price change (£)
Benoît Durteste	398,777	1,778,808	2,177,585	21,383,884	2,138,388
Philip Keller	726,637	1,143,494	1,870,131	18,364,686	1,836,469

I succeeded Peter Gibbs as Committee Chair on 2 April 2018. I know that Peter would like to thank shareholders for their support over the years, in particular recognising that ICG is atypical of other listed asset managers with its focus on private markets and that the remuneration structure (and quantum) of our private equity peers is significantly different from that of a typical FTSE 250 company. I look forward to working with our shareholders in the coming years.

VIRGINIA HOLMES
CHAIR OF THE REMUNERATION COMMITTEE
21 MAY 2018

SECTION 2
SUMMARY OF REMUNERATION POLICY
AN OVERVIEW OF OUR REMUNERATION ARRANGEMENTS

REMUNERATION PRINCIPLES

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

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

Alignment between staff and shareholders
Cap of 30% of cash profit on expected value of awards ensures long term affordability with Business Growth Pool available to facilitate long term growth

Support the long term corporate strategy
Key employees rewarded by awards of equity to incentivise them to grow the business

Promote staff equity ownership
The majority of executive remuneration is in the form of equity; and shareholding guidelines are in place for senior employees

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

DIRECTORS' REMUNERATION POLICY

This section describes the remuneration policy adopted from the date of the 2017 AGM. A full copy of the Directors' Remuneration Policy approved by shareholders at the 2017 AGM on 25 July 2017 is available in the shareholder centre on the ICG website at www.icgam.com

Annual Award Pool (AAP) and Business Growth Pool (BGP)

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

The variable pay of all employees is awarded out of the AAP. In previous years, an adjustment was made to cash profit to reflect the remuneration cost of our in house distribution team. This adjustment was removed from the policy approved in 2017.

The current AAP limit is considered by the Committee to be appropriate for our existing business model and was reviewed and approved by shareholders at the 2017 AGM. Following shareholder consultation and approval, we have introduced a Business Growth Pool (BGP), capped at 3% of the five year rolling average pre-incentive cash profit (PICP), to support the establishment of new business strategies. The BGP will be used to fund the incentives of a particular team, will be ring-fenced and will be limited in duration to the period when the new strategy is in start-up mode. Any awards made from the BGP will be overseen by the Committee and will be reported in future annual reports. No awards were made from the BGP in respect of FY18.

The elimination of the adjustment in respect of the in house marketing team together with the introduction of BGP ensure that the total percentage spend generated for employee reward remains at the same level, or lower, than in prior years.

Annual award pool (AAP)

Each year 30% of PICP is added to the AAP. This caps the amount of variable remuneration that can be paid over a five year rolling period. (See page 79 for details of how our PICP is calculated.) Our investment cash flows can be unpredictable so the five year period 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, Group KPIs, and individual performance. This is subject to the overall cap on the AAP. The ongoing appropriateness of the 30% limit for the existing business will be kept under review. Should it be determined that the limit should be amended, the Committee will engage with shareholders.

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 the AAP. The breakdown of carry payments received during the year is included in note 11 to the financial statements.

Allocation of the award pool

In addition to the KPIs, each Executive Director is measured against the effective application of commercially appropriate risk management practices, metrics and controls. In some years, 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 sensitive KPIs this year. In addition, the Executive Directors are evaluated by the Board in order to establish how effectively they are operating as a team in terms of their complementary knowledge and skills mix, their strategic thinking, decision making, communications, relationship and resource management.

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 two times the Director's annual base salary. Current share ownership levels are on page 85; both Executive Directors currently materially exceed this amount.

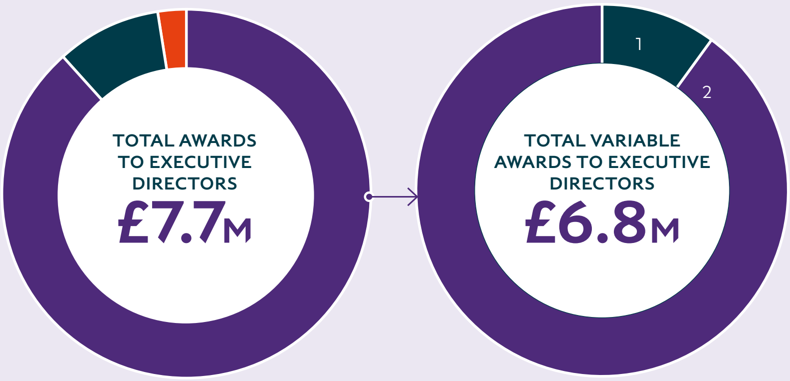
Legacy remuneration arrangements – Balance Sheet Carry (BSC)

A remuneration scheme known as BSC formed part of the Company's remuneration policy for Executive Directors in previous years. No new awards will be made to Executive Directors in future but some awards granted in earlier years and held by Executive Directors may pay out while the new policy is in force. BSC remains available for awards to investment executives.

BSC 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. The hurdle rate is fixed by the Committee, at its discretion, prior to making the first awards in each vintage. The Committee has never set a hurdle rate lower than 5% per annum.

EXECUTIVE DIRECTOR AWARDS

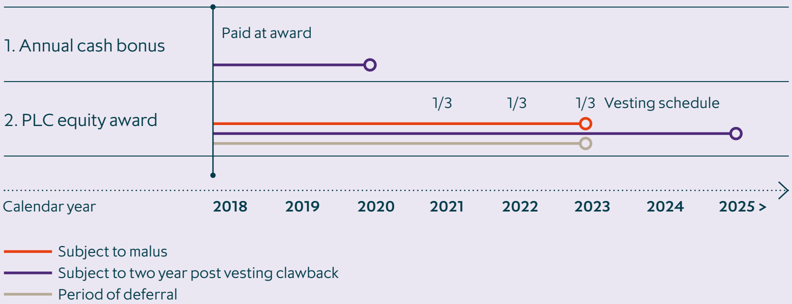
All variable awards made to the Executive Directors are subject to malus and clawback provisions.



Variable awards at risk	£6.8m
Salary	£0.8m
Pension	£0.1m

1. Annual cash bonus	10%
2. PLC equity award	90%

PERIOD OF DEFERRAL AND RISK



Executive Directors may also have the opportunity to participate in carried interest schemes directly with third party funds (see page 85) by purchasing the interest at market value.

100%

of variable awards to Executive Directors in respect of FY18 are at risk

SECTION 2 SUMMARY OF REMUNERATION POLICY

AN OVERVIEW OF OUR REMUNERATION ARRANGEMENTS CONTINUED

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 with the market in their particular field. Where appropriate, employees are benchmarked against the market on a global basis. Executive Director compensation is heavily benchmarked against a range of global peers and the available data set has been discussed regularly by the Remuneration Committee.

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.

In addition, ICG has commissioned two separate third party providers to undertake comprehensive reviews of the competitor landscape to benchmark our Executive Directors and to advise on the appropriateness of our publicly stated compensation target and cap over the medium term.

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.

EXECUTIVE DIRECTOR BENCHMARKING

Our Executive Directors are compared to equivalent individuals at a wide range of public and private companies globally. While it is extremely challenging to obtain publicly available data on many private companies, we are able to gain insight into this area by commissioning bespoke research by leading external recruitment consultants and other independent providers of compensation data. As part of our most recent compensation review project ahead of the Remuneration Policy renewal, a market wide review was carried out. This identified median pay and upper/lower quartile pay at a range of leading asset management and private equity firms, as well as listed financial services firms. The data gathered was used to create the banding ranges for the maximum, on target and minimum awards used for our Executive Directors, which are summarised on page 82 and these remain unchanged from last year.

SECTION 3 EMPLOYEE CONTEXT

REMUNERATION POLICY FOR ALL EMPLOYEES

All employees of ICG are entitled to a base salary, benefits and, in the UK and most locations, pension. The variable compensation for all employees is drawn from the AAP and is allocated by reference to role, responsibility and performance and with regard to regulatory requirements. Awards to individuals may be made up of different types of award as appropriate to incentivise them depending on their role within the business.

	Awards made from Annual Award Pool				Awards from Third Party Funds	
Position	Annual Bonus	Equity Award	Performance Fees	Balance Sheet Carry	Third Party and Shadow Carry	Performance Fees on Third Party Funds
Executive Director	•	•			•	
Investment Executives	•		•	•	•	•
Marketing Executive, Business Infrastructure Partner or Director	•	•				
Other employees	•	•				

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

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

Statement of consideration of employment conditions elsewhere in the Company and employee views

The Remuneration Committee considers the employment conditions and the remuneration structures in place for all employees of the Group when setting the Directors' remuneration policy. The Remuneration Committee also reviews the remuneration arrangements of senior investors and senior management and control function employees and oversees the remuneration structure and market positioning for other roles. The overall and average salary increase across the Group is approved by the Remuneration Committee each year. The Remuneration Committee does not consult with employees when setting the Directors' Remuneration Policy but employees' views are represented at Remuneration Committee meetings through the Head of HR and Head of Reward.

The Pre-Incentive Cash Profits resulting largely from successful realisations and strong fund management profitability were £254.9m. Although lower than 2017, which saw unusually high realisation levels, this was significantly higher than the previous two years. As this is a core measure which aligns the interests of Executive Directors and employees with shareholders, and taking into account increased headcount and high investment rates, the Committee considered that it was appropriate to increase overall spend on annual awards across the Group whilst also taking the opportunity to protect the future sustainability of the business.

SECTION 3 EMPLOYEE CONTEXT CONTINUED

CEO pay ratio

The ratio of the pay of our Chief Executive to the pay, calculated on a similar basis, of our median employee is 30:1. The most recent data produced by PIRC shows a FTSE 350 average mean ratio of 52:1. Our ratio is significantly lower due to an inclusive remuneration policy.

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 directly comparable to that of the Chief Executive.

Percentage change	Salaries and fees	Taxable benefits	Short term incentives
Chief Executive Officer	3.0	5.4	-
All employees	3.9	-6.3	6.7

The year on year decrease for all employees benefits is reflective of the decrease in premiums as a result of the successful re-negotiation of the medical insurance contract.

Gender pay

As noted in the Chairman's statement, we were not required to report our gender pay gap this year but nevertheless believe that, as a FTSE 250 company, we should address this issue in a transparent way, and we will be voluntarily disclosing both our gender pay gap data and further information about our Diversity and Inclusiveness programme. This will be published on our website over the summer.

SECTION 4
ANNUAL REPORT ON 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 regulatory requirements
- 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 taking 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 entirely of Non Executive Directors. During the year, the members of the Committee were Peter Gibbs (Chair of the Committee), Kevin Parry, Kim Wahl and Virginia Holmes. On 2 April 2018, Virginia Holmes replaced Peter Gibbs as Chair of the Committee and Andrew Sykes and Stephen Welton joined the Committee, ahead of the planned retirement of Peter Gibbs and Kim Wahl from the Board on 26 July 2018.

Kathryn Purves and Rusty Nelligan have attended meetings of the Committee during the year at the invitation of the Chairman to ensure that risk and audit matters are taken into account in determining the remuneration of Directors.

+ Biographical details can be found on pages 40 and 41

None of the Committee members have any personal financial interests (other than as shareholders or investors in ICG funds) which would lead to a conflict of interests or conflicts arising from cross directorships or day to day involvement in running the business. The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Committee.

The Committee meets at least three times a year and more frequently if necessary. Executive Directors 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 and the Head of Reward also attend meetings, and the Company Secretary attends and acts 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 46

TERMS OF REFERENCE

The Committee's terms of reference are approved and reviewed by the Board on a regular basis, most recently in May 2018. The terms of reference are available on the Group's website or by contacting the Company Secretary.

EFFECTIVENESS

Following the external review in early 2017, an internal evaluation of the Committee's effectiveness was undertaken during the year. The report concluded that the Committee continues to operate effectively; it suggested that in the coming year the Committee will need to consider the role of the advisers to the Committee, particularly ahead of the retendering of the Company's audit and the independence conflicts that would exist if PwC were appointed auditors.

ADVISERS TO THE COMMITTEE

PwC has been appointed by the Committee and advises the Committee and management on remuneration matters. PwC also provides advice to the Committee on other issues on request. Legal advisers have been available to the Committee during the year to 31 March 2018. These advisers were appointed by the Company. 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.

The fees charged for advice to the Committee were £145,000 (PwC), £9,000 (Mayer Brown) and £29,000 (Willis Towers Watson). Fees are charged on the basis of time spent. PwC also provides tax and due diligence services to the Company.

REMUNERATION COMMITTEE REPORT
CONTINUED

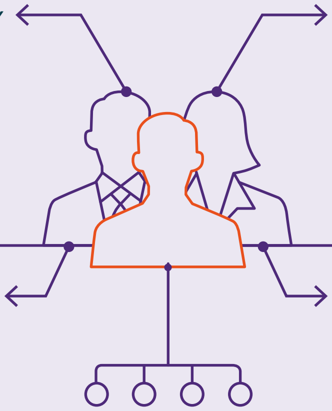
REVIEW OF THE YEAR

The Committee held four meetings during the year. In each of its meetings it discusses people risk, reviews leavers and receives reports on other employee relations matters. Other work is undertaken periodically.

REVIEW OF THE YEAR

REMUNERATION POLICY
+ Discussing shareholder feedback on the Remuneration Policy
+ Policy implementation

KEY PERFORMANCE INDICATORS
+ Setting objectives for the Executive Directors and Executive Committee
+ Monitoring performance



GOVERNANCE, STAKEHOLDERS AND SHAREHOLDERS
+ Consideration of feedback from shareholders
+ Consideration of regulatory requirements

OVERSIGHT OF AWARDS
+ Review of the calculation of PICP
+ Review of market data
+ Oversight of Third Party Carry entitlements
+ Determine ED awards

ANNUAL AWARD POOL (AAP)

During the year there were no awards from the Business Growth Pool.

The actual spend slightly exceeds the 30% AAP for the individual year but remains well below the limit on a five year rolling basis due to prudent management of the AAP over the medium term.

ADJUSTED CASH PROFIT FY18
£254.9m

ANNUAL AWARD POOL
£76.5m
30%

AVAILABLE TO SHAREHOLDERS
£178.4m
70%

ACTUAL VARIABLE COMPENSATION SPEND
FY18 – £77.7m
30.5%

RETAINED PROFIT
£93.5m
52.4%

DISTRIBUTED TO SHAREHOLDERS
£84.9m
47.6%

Determination of the annual award pool (audited)

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

The table below includes the cost of incentives drawn from the AAP for the financial year under review and the four previous years.

£m	FY14	FY15	FY16	FY17	FY18	**Cumulative**
Cash profit	339.1	182.6	184.2	407.5	254.9	**1,368.3**
AAP, being 30% of cash profit	101.7	54.8	55.3	122.2	76.5	**410.5**
Spend on incentives	50.2	48.6	51.5	65.9	77.7	**293.9**
Cumulative rolling percentage of cash profit spent	20.6%	22.3%	23.5%	21.6%	21.48%	**21.48%**

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 reaction to a single year's exceptional 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 cash profit year, the Committee may choose not to distribute the full AAP, but can instead retain some of it for potential use in future years, while in a lower cash profit year the Committee may distribute some of the retained AAP.

This approach allows the Committee to plan over multiple years and smooth fluctuations in realisations. In strong cash 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, employees 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 employees at all levels, and seeks to ensure that employees are rewarded against appropriate benchmarks.

The table opposite sets out the size of the AAP for FY18 and the total compensation spend for that year.

REMUNERATION COMMITTEE REPORT
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 2018 for each Executive Director who served during the year, together with comparative figures for the previous financial year:

	Remuneration in respect of the financial years 2018 and 2017									
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	Total remuneration in respect of the financial years 2018 and 2017 £000	Long term incentives[4] vested from prior years £000	Other remuneration[5] £000	Single total figure of remuneration £000
Benoît Durteste 2018	**386.0**	**10.7**	**57.9**	**425.0**	**879.6**	**3,825.0**	**4,704.6**	**251.7**	**–**	**4,956.3**
2017	375.0	10.6	56.3	330.0	771.9	2,658.4	3,430.3	5,539.5	–	8,969.8
Philip Keller 2018	**386.0**	**8.4**	**57.9**	**250.0**	**702.3**	**2,250.0**	**2,952.3**	**38.2**	**–**	**2,990.5**
2017	375.0	8.9	56.3	281.0	721.2	2,208.0	2,929.2	1,297.2	–	4,226.4
Christophe Evain[6] 2018	**128.7**	**3.9**	**19.3**	**–**	**151.9**	**–**	**151.9**	**31.4**	**–**	**183.3**
2017	375.0	11.5	56.3	400.0	842.8	3,850.0	4,692.8	2,195.0	–	6,887.8

Total emoluments paid to all Directors were £2,566,000 (2017: £2,906,690). See page 89 for details of payments to Non Executive Directors.

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 paid in cash.

3 This figure represents the PLC Equity Awards made for the year ended 31 March 2018.

4 The long term incentive amounts are payments received during the year in respect of BSC and shadow carry awards made in prior years. In the case of Benoît Durteste, 84.6% of the long term incentive payments received in the period relate to awards made in his role as an Investment Executive prior to his appointment as an Executive Director. Due to fluctuations in realisations the amount disclosed may be higher in future years.

5 Individuals are invited to participate in Third Party Carry and must pay the fair market value for their 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 87.

6. Retired on 25 July 2017.

Additional information in respect of the single total figure (audited)

In the financial year under review, in line with the Directors' remuneration policy, the base salary payable to each Executive Director was increased to £386,000 per annum from £375,000 per annum, a 2.9% increase. The percentage increase received is in line with other employees.

Compensation summary

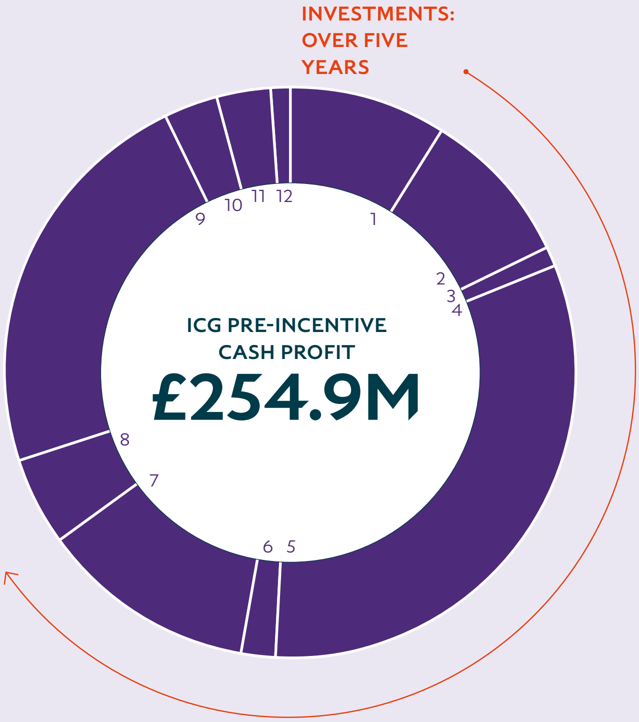
An overview of our remuneration arrangements including details of FY18 awards to Executive Directors and other staff.

56%
of pre-incentive cash profit is long term in nature

LONG TERM NATURE OF CASH PROFIT

Cash profit is generated by realising investments and receiving fund management fees. The holding period for investments is typically 4–8 years. This characteristic means that the Annual Award Pool is inherently deferred as it includes realisations from a number of investment vintages. By generating the award pool in this way we ensure that staff are only rewarded when returns are crystallised.

The following chart shows the origination by year of cash profit generated in FY18:



1. Management fees/Other income	9%	7. FY13	12%
2. Pre FY09	9%	8. FY14	5%
3. FY09	1%	9. FY15	23%
4. FY10	0%	10. FY16	3%
5. FY11	32%	11. FY17	3%
6. FY12	2%	**12. FY18**	1%

REMUNERATION COMMITTEE REPORT
CONTINUED

EXECUTIVE DIRECTORS – KEY PERFORMANCE INDICATORS AND PERFORMANCE IN THE YEAR

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 Committee 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.

A summary of the KPIs, and the Executive Directors' performance against these objectives is set out below. The targets and ranges are set annually for each KPI.

KPI	Link to Strategic Objectives	Weighting		FY18 Target	Performance outcome			FY18 Outcome
		CEO	CFOO		Underperforming	Target	Outperforming	
Long Term Average Fundraising		15%	15%	€4bn p.a.	€3bn	€5bn		€5.7bn
Current Year Fundraising		15%	10%	€6.2bn	€5.2bn	€7.2bn		€7.8bn
% of full realisations above fund hurdle rate		15%	10%	80%	75%	90%		95%
Fund deployment in line with expectations		10%	7.5%	65%	55%	75%		88%
Impairments		15%	12.5%	<2.5%	>3.5%	1.5%>		1.4%
FMC profit margin		10%	15%	43%	40%	43%		45.4%
Gearing		10%	15%	0.8-1.2x		Performance is only within the target range or not		0.8x
Return on equity		10%	15%	13%	11%	15%		19%

Grow assets under management   Invest selectively   Manage portfolios to maximise value

EXECUTIVE DIRECTORS – SETTING THE LEVEL OF AWARD

In considering the appropriate level of awards for the Executive Directors, the Committee considers their collective and individual performance against the KPIs agreed. The Committee believes that this is appropriate in order that the collaborative leadership structure, which has been so important to the overall success of the Group, is maintained. This approach has, over many years, ensured that all Executive Directors are aligned with and jointly responsible for the Group's strategic direction and key decision making. This year, for the first time, the weighting applied to each KPI has been varied between the Executive Directors to reflect the focus of their individual roles. In addition to the above KPIs, each Executive Director is individually measured against the effective application of commercially appropriate risk management practices, metrics and controls. In some years, 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 sensitive KPIs this year. In addition, the Executive Directors are evaluated by the Board in order to establish how effectively they are operating as a team in terms of their complementary knowledge and skills mix, their strategic thinking, decision making, communications, relationship and resource management. Overall, the Board assessed their performance in FY18 to be good. The Executive Directors are also individually appraised and that appraisal is informed by the Board evaluation, peer, HR and Compliance feedback.

In considering the appropriate level of awards for the Executive Directors, the Committee considered a broad range of metrics, including but not limited to:

- Pre incentive cash profit (PICP)
- Performance against KPIs
- Collaboration and leadership to deliver the Group's strategy
- Consideration of employment conditions elsewhere in the Group

Whilst PICP of £255m was down 37% against a record £407m in the prior year, largely the result of the prior year benefiting from the realisation of a small number of large legacy Investment Company assets, overall delivery against the Group's strategic objectives has been excellent. The Group's strategy is to grow our specialist asset manager and, as demonstrated by outperformance against the KPIs, this has been a strong year with fundraising, capital deployment and fund management profits all at record levels, and ahead of internal targets. In line with our growth ambition the Group's fundraising and Fund Management Company operating margin shareholder targets were increased during the year. The Committee also gave thoughtful consideration to the evolution of risk management, compliance and operational scalability when assessing the performance of the Executive Directors during the year.

The Committee considered that it was appropriate to increase overall spend on annual awards across the Group taking into account increased headcount, record levels of deployment and the overall strategic delivery of growing our specialist asset manager. The Committee agreed that awards to each of the Executive Directors should reflect their respective contributions to the overall achievements of the Group and their individual performance against the KPIs set. It was therefore determined that the awards to Benoît Durteste would remain consistent with the value of awards made to the prior Chief Executive Officer in the previous year, and that the awards to Philip Keller would be towards the higher end of the range specified in the policy.

The awards to Benoît Durteste reflect his seamless transition to the role of Chief Executive Officer of the Group and the material contribution he has made to increasing long term shareholder value by maximising the profitability of existing strategies and actively pursuing the addition of a number of new, scalable strategies to the portfolio. This success is particularly reflected in the excellent performance in respect of the two fundraising KPIs. The Committee also wanted to recognise the fact that Benoît Durteste had maintained the investment discipline of the Group which is vital to its future success, particularly given macroeconomic uncertainties demonstrated by the successful outcome on the KPIs relating to realisations and impairments.

Philip Keller's awards reflect his contribution to the overall achievements of the Group, his role in supporting the transition of Chief Executive Officer and effective representation of the interests of the PLC's investments through his participation on certain Investment Committees. He has contributed significantly to the success of the Group and has also secured the medium term financial security of the Group by overseeing the successful refinancing of the Group's bank facilities. The gearing and ROE KPIs were both contributory factors when the Committee made its assessment. He has also continued to oversee progress on risk management, compliance and operational scalability in an increasingly complex environment. As a result the Committee agreed that Philip Keller's awards should be towards the higher end of the range for his role.

The Executive Directors' KPIs for FY19 have been set in the same categories as those disclosed above along with more specific individually weighted targets. The specific short term 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 6 and 7

REMUNERATION COMMITTEE REPORT
CONTINUED

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED)

The following share scheme interests were granted to Executive Directors in relation to their performance in the prior financial year.

				Face Value		
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 subject to continued employment.	300,000	181,000	230,000
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 subject to continued employment.	3,550,000	2,027,007	2,428,415

The share price on the date of award of PLC equity and Deferred Share Awards was £8.060. This was the middle market quotation for the five dealing days prior to 25 May 2017.

EXECUTIVE DIRECTORS' CO-INVESTMENT IN THIRD PARTY FUNDS

Fund investors expect Executive Directors to co-invest in funds. The following amounts have been committed by current Executive Directors from their own resources into third party funds managed by ICG:

Executive Director	EOS €000	ICG EF06 B Fund €000	ICG RF 08B Fund €000	ICG Europe Fund V €000	ICG Europe Fund VI €000	Intermediate Capital Asia Pacific III $000	ICG Velocity Co-invest $000
Benoît Durteste	400	617	1,000	2,250	2,000	1,000	8
Philip Keller	54	428	508	500	750	400	1

Executive Director	Strategic Secondaries Carbon Fund I $000	Strategic Secondaries Carbon Fund II $000	North America Private Debt Fund $000	Total Credit €000	ICG Longbow III £000	ICG Senior Debt Partners I €000
Benoît Durteste	522	1,131	1,000	–	–	250
Philip Keller	385	396	500	116	200	-

TOTAL PENSION ENTITLEMENTS (AUDITED)

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

DIRECTORS' INTERESTS IN SHARES (AUDITED)

The Directors held the following interests in shares of the Company:

		All as at 31 March 2018		
Directors	Shares held outright as at 31 March 2017	**Shares held outright as at 31 March 2018**	**Unvested DSA and PLC Equity Award interests**	**Shareholding requirement met?**
Benoît Durteste	160,976	**398,777**	**1,778,808**	**Yes**
Philip Keller	600,485	**726,637**	**1,143,494**	**Yes**
Kevin Parry	14,922	**20,000**	**–**	**N/A**
Peter Gibbs	–	**30,000**	**–**	**N/A**
Kim Wahl	–	**–**	**–**	**N/A**
Kathryn Purves	2,237	**2,237**	**–**	**N/A**
Rusty Nelligan	–	**106,042**	**–**	**N/A**
Virginia Holmes	–	**10,000**	**–**	**N/A**
Stephen Welton	N/A	**40,000**	**–**	**N/A**
Amy Schioldager	N/A	**–**	**–**	**N/A**
Andrew Sykes	N/A	**–**	**–**	**N/A**

The Executive Directors are each required to hold 78,615 shares, being 200% of their annual salary at the share price prevailing on 31 March 2018. There are no set shareholding requirements for Non Executive Directors, although all are encouraged to purchase a holding to align themselves with small shareholders.

Christophe Evain retired from the Board on 25 July 2017, at that time he held 1,987,263 shares and complied at all times with relevant shareholding requirements.

Subsequently, PLC Equity Awards were made to Executive Directors in respect of their prior year performance. A total of 328,608 interests over shares were awarded to Benoît Durteste and a total of 193,298 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.

REMUNERATION COMMITTEE REPORT
CONTINUED

CARRIED INTEREST ON THIRD PARTY FUNDS

Certain investment executives (including Executive Directors) may be invited to participate in carried interest arrangements under which between 60% and 90% of the carried interest in respect of certain managed funds is available for allocation to executives. Those executives who participate in such arrangements pay full market value for the interests at the time of acquisition. Carried interest on third party funds is not considered remuneration for services provided to ICG PLC. The allocation of carried interest entitlements as at 31 March 2018 was as follows:

	Mezzanine Fund 2003	Intermediate Capital Asia Pacific Mezzanine Fund 2005	Intermediate Capital Asia Pacific Fund 2008	ICG Recovery Fund 2008B
Executive Directors	5.0%	3.1%	12.8%	32.0%
Former Executive Directors	32.5%	28.0%	12.8%	0.0%
Other executives	37.5%	43.9%	54.4%	48.0%
ICG	25.0%	25.0%	20.0%	20.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

	ICG Europe Fund V	ICG EF06 B Fund	ICG Europe Fund VI	ICG Senior Debt Partners I	ICG Senior Debt Partners II
Executive Directors	13.7%	20.3%	19.2%	11.9%	10.7%
Former Executive Directors	10.2%	10.0%	5.5%	8.1%	5.9%
Other executives	56.1%	49.7%	55.3%	60.0%	63.4%
ICG	20.0%	20.0%	20.0%	20.0%	20.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

	Intermediate Capital Asia Pacific III	North America Private Debt Fund	Strategic Secondaries Carbon Fund I	Secondaries Velocity	Strategic Secondaries Fund II	ICG Longbow Development	ICG Longbow IV
Executive Directors	16.3%	11.8%	10.7%	9.5%	9.5%	4.0%	9.8%
Former Executive Directors	3.7%	6.3%	7.3%	8.2%	5.0%	1.7%	2.0%
Other executives	60.0%	61.9%	62.0%	62.3%	65.5%	74.3%	78.2%
ICG	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	10.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100%**	**100%**

These carry holdings include third party carry and shadow carry.

Further details of each of these funds can be found on pages 165 and 166. Total payments from third party carry interests during the year are shown on page 87.

THIRD PARTY CARRY (TPC) PURCHASES

During the financial year Benoît Durteste acquired 32.0% of the TPC interests in ICG Recovery Fund 2008B. Further details of this fund are available on page 165.

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)

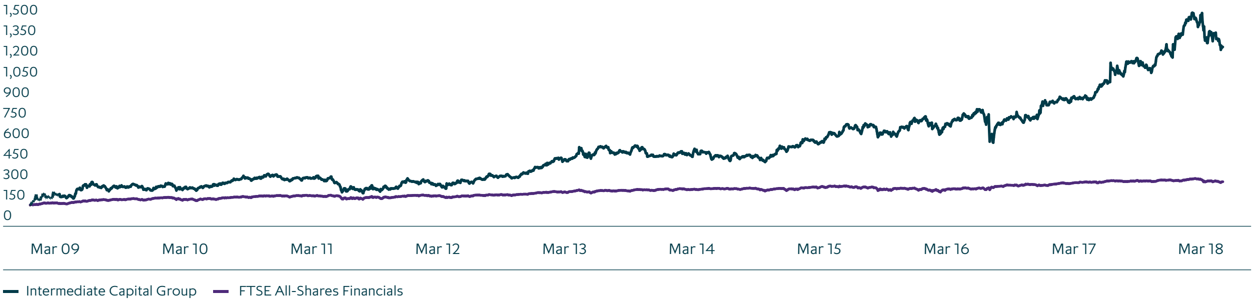
In the financial year ended 31 March 2018, the following payments were made to former Directors in respect of Balance Sheet and Shadow Carry awarded while they were Executive Directors.

Employee	Balance Sheet Carry £	Shadow Carry Payments £	**Total £**
Christophe Evain	24,943	63,595	**88,538**
Tom Attwood	5,901	64,514	**70,415**
François de Mitry	15,890	43,039	**58,929**
Andrew Phillips	–	418,860	**418,860**
Paul Piper	–	28,667	**28,667**

REMUNERATION COMMITTEE REPORT
CONTINUED

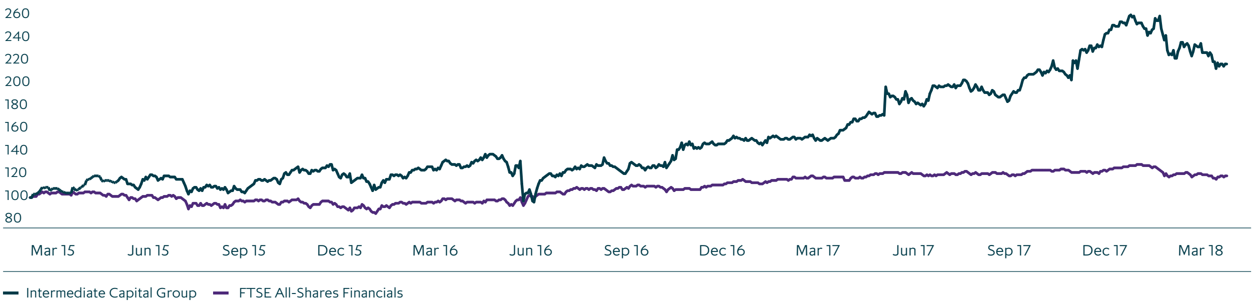
PERFORMANCE GRAPH OF TOTAL SHAREHOLDER RETURN (NINE YEARS)

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 2009 of £100 invested in Intermediate Capital Group plc with the FTSE All Share Financial Index over the subsequent nine 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 compares the value, at 31 March 2015 of £100 invested in Intermediate Capital Group plc with the FTSE All Share Financial Index over the subsequent three 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.



The total shareholder return for the year to 31 March 2018 was 43%.

TOTAL REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The table below details the total remuneration of the Director holding the position of CEO of Intermediate Capital Group plc for the past nine years. The long term award exceeding the maximum in 2017 is due mainly to the one off gain arising from the unanticipated ICG Recovery Fund 2008 transaction.

	Financial year	Total remuneration £000	Percentage of maximum opportunity of short term incentives awarded	Percentage of maximum opportunity of long term incentives awarded
Benoît Durteste	2018[1]	3,412	77%	N/A[2]
Christophe Evain	2018[1]	183	0%	N/A[2]
	2017	6,888	102%	160%
	2016	4,295	76%	98%
	2015	5,103	80%	98%
	2014	4,797	97%	20%
	2013	1,492	24%	1%
	2012	2,973	43%	97%
	2011	5,941	44%	100%
Tom Attwood	2010	4,631	44%	100%

1. The figures above have been pro-rated to reflect the transition of the CEO role from Christophe Evain to Benoît Durteste on 25 July 2017.
2. In line with policy approved as at the 2017 AGM, Executive Directors are no longer entitled to participate in BSC.

A comparison of the change of pay of the CEO to that of all employees of the Group is shown on page 76.

FEES PAID TO NON EXECUTIVE DIRECTORS (AUDITED)

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

Non Executive Directors	Board membership fees £000	Board and Committee Chairman fees £000	Senior Independent Director fee £000	Audit Committee £000	Remuneration Committee £000	Risk Committee £000	**Total for year ending 2018 £000**	Total for year ending 2017 £000
Kevin Parry (Chairman)	–	236.5	–	–	–	–	**236.5**	180.6
Peter Gibbs	75.0	20.0	15.0	12.0	–	–	**122.0**	104.7
Kim Wahl	75.0	–	–	12.0	12.0	–	**99.0**	87.0
Kathryn Purves	75.0	20.0	–	12.0	–	–	**107.0**	84.0
Rusty Nelligan	75.0	20.0	–	–	–	12.0	**107.0**	45.9
Virginia Holmes	75.0	–	–	–	10.8	–	**85.8**	–
Stephen Welton	42.4	–	–	–	–	–	**42.4**	–
Amy Schioldager	14.0	–	–	0.4	–	0.4	**14.8**	–
Andrew Sykes	2.0	–	–	–	–	–	**2.0**	–

REMUNERATION COMMITTEE REPORT
CONTINUED

RELATIVE IMPORTANCE OF SPEND ON PAY

The table 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 movement in staff costs reflects the increased headcount supporting the growth of the Group and the higher cost of awards due to a strong performance year.

	FY17	FY18	Percentage change
Ordinary dividend (£m)	75.7	**84.9**	**12%**
Permanent headcount	281	**297**	**6%**
Employee costs (£m)	139.3	**158.0**	**13%**

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN FOLLOWING FINANCIAL YEAR

ICG's fees have been benchmarked against fees in the upper half of the financial sector for FTSE 250 companies. Accordingly, with effect from 1 April 2018, fees have been increased by approximately 2%.

The proposed salaries for the Executive Directors and fees for the NEDs for FY19 are set out below.

	Annual salaries and fees £000	
Role	**Y/E 31 March 2019**	**Y/E 31 March 2018**
Executive Director	394.0	386.0
Chairman	241.3	236.5
Non Executive Director (other than Chairman)	76.5	75.0
Senior Independent Director	15.5	15.0
Remuneration Committee Chair	20.5	20.0
Audit Committee Chair	20.5	20.0
Risk Committee Chair	20.5	20.0
Member of the Audit Committee, Risk Committee or Remuneration Committee	12.3	12.0

Committee composition is set out on page 77 and in the relevant Committee reports on pages 68 to 71.

For FY19, the AAP will be calculated as described in the Directors' remuneration policy. All incentives (excluding Third Party Carry and certain arrangements in respect of business acquisitions or ICG direct investment funds to the extent that such 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 their achieving specific objectives as set out on page 82.

STATEMENT OF VOTING AT ANNUAL GENERAL MEETING

At the last AGM, votes were cast as follows:

	Votes for	Votes against	Abstentions	Reasons for votes against, if known and actions taken by the Committee
Remuneration Policy	84.97%	15.03%	493,438	While there were no consistent concerns raised last year, the Committee has continued to engage with shareholders and their feedback has been incorporated into the proposed Policy.
Directors' Remuneration Report	84.74%	15.26%	496,266	

The Company recognises the importance of communication with its shareholders, particularly through interim and annual reports and the AGM. During the year, the Remuneration Committee Chair and Company Secretary contacted the Company's major shareholders to offer a meeting or call to discuss the Company's remuneration practices. Where shareholders accepted the offer, after discussions they were generally supportive of the Committee's approach. The Remuneration Committee Chair and the Company Secretary also met with a number of shareholder advisory groups, including the Investment Association, ISS and Glass Lewis, to seek their input on the changes. The Chief Executive, CFOO and the Chairs of the Board and the Remuneration Committee will be available to answer shareholders' questions at the AGM. When requested to do so, Non Executive Directors will attend meetings with major shareholders.

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 and the treatment of long term incentive awards to Executive Directors 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
Benoît Durteste	21 May 2012	July 2016	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					

REMUNERATION COMMITTEE REPORT
CONTINUED

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

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 (with the exception of Stephen Welton, Amy Schioldager and Andrew Sykes) were last re-elected in July 2017. Stephen Welton, Amy Schioldager and Andrew Sykes were appointed subsequent to the last Annual General Meeting and so will be proposed for re-election at the upcoming Annual General Meeting.

Non Executive Director	**Date appointed**
Kevin Parry	June 2009
Peter Gibbs	March 2010
Kim Wahl	July 2012
Kathryn Purves	October 2014
Rusty Nelligan	September 2016
Virginia Holmes	March 2017
Stephen Welton	September 2017
Amy Schioldager	January 2018
Andrew Sykes	March 2018

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the 12 months ended 31 March 2018. The risks to which the Group is subject and the policies in respect of such risks are set out on pages 27 to 33 and are incorporated into this report by reference. The Corporate Governance section set out on pages 37 to 92, is incorporated into this report by reference. The Strategic Report section set out on pages 2 to 36, is also incorporated by reference.

Throughout the year to 31 March 2018 the Group was in compliance with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council. A copy of the Code is available on the Financial Reporting Council's website: www.frc.org.uk.

Significant shareholdings

As at 31 March 2018 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. There have been no notifications made subsequent to the year end.

Institution	Number of shares	Percentage of voting rights
Aviva Investors	24,842,589	8.56
Schroders Plc	12,526,306	4.32
BlackRock Inc	12,022,453	4.15
Old Mutual Plc	11,105,301	3.82
Ameriprise Financial Inc	10,363,727	3.57
J.P Morgan Asset Management	9,423,983	3.25

The Company is a public company limited by shares.

DIRECTORS

The profiles of the Directors currently serving are shown on pages 40 and 41; those details are incorporated into this report by reference. In addition, Chistophe Evain served as an Executive Director during the year, stepping down on 25 July 2017.

The composition of each of the Committees of the Board and the Chair of each Committee are detailed in the report of each Committee, found on pages 49 to 92.

Directors' interests

The interests of Directors who held office at 31 March 2018 and their connected persons, as defined by the Companies Act, are disclosed in the report of the Remuneration Committee on page 85.

Details of Directors' share options are provided in the report of the Remuneration Committee on page 85. During the financial year ending 31 March 2018, 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, so as 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, Kevin Parry, was considered independent at the date of his appointment as Chairman.

DIRECTORS' REPORT
CONTINUED

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

- The development and recommendation of strategic plans for consideration by the Board
- Delivery of objectives and priorities determined 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 maintaining 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.

Delegation to Executive Directors

The Company has two Executive Directors, each of whom has a specific area of responsibility. Benoît Durteste is CEO and in addition to his strategic and operational remit he oversees the Group's Investment Committees in his role as the Chief Investment Officer. Philip Keller is Chief Finance and Operating Officer and is responsible for finance, operations, IT, human resources, compliance and legal.

Two Steering Committees have been put in place during the year to support, assist and challenge the Executive Directors in the exercise of their authority. These Committees are made up of other individuals from the senior management team of the Group and respectively focused on ongoing business operations and business development opportunities.

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 Executive 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 the Chairman

The Non-Executive Directors regularly hold meetings in the absence of the Executive Directors (at least five times per year and usually before or after each Board meeting) and, separately, in the absence of the Chairman (at least twice per year).

Senior Independent Director

Peter Gibbs currently holds the position of Senior Independent Director (SID) of the Company. He will retire from the Board on 26 July and will be succeeded by Andrew Sykes. In accordance with the Code, any shareholder concerns not resolved through the usual mechanisms for investor communication can be conveyed to the SID. Andrew Sykes is available for such meetings in future.

The SID acts as a sounding board for the Chairman and also leads the annual appraisal of the Chairman.

Directors' indemnity

The Company has entered into standard contractual indemnities with each of the Directors. 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.

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. internal controls include giving 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 executive management 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 individuals 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 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 30 to 33 and the report of the Risk Committee on pages 59 to 63.

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 have adopted the going concern basis of preparing the financial statements.

The Directors have made this assessment after reviewing the Group's latest forecasts for a period of three years, noting the £729.7m cash and unutilised committed debt facilities as at the end of FY18. Following the refinancing of ICG's committed bank facilities, effective 4 April 2018, there are currently no drawings and there is no maturity of committed facilities within two years.

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 2 to 36. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance and Operating Review on pages 20 to 26. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management; 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 the business risks successfully in the current economic environment.

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.

DIRECTORS' REPORT
CONTINUED

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 arrangements totalling £20m equivalent dated 26 June 2008, $150m dated 8 May 2013, $279m, £13m and €79m dated 11 May 2015, $292m and €74m dated 29 September 2016 where a change of control of the Company gives rise to a prepayment offer, whereby the Company must make an offer to all holders of the Private Placement notes to prepay the entire unpaid principal amount of the Private Placement notes, together with accrued interest thereon.
2. The £500m committed syndicated loan facilities agreement entered into on 4 April 2018 contains a change of control provision which provides, upon the occurrence of a change of control of the Company, for a 30 day negotiation period with the syndicate lenders to agree terms and conditions which are acceptable to syndicate lenders and the Company for continuing the facilities. If, at the end of the negotiation period, no such agreement is reached, the facilities agreement gives each lender the right, but not the obligation, upon applicable notice, to cancel their commitments under the facilities agreement and declare their participation in the loans then outstanding repayable on demand, together with accrued interest and all other amounts payable thereon.
3. The terms and conditions of the £35m retail bond issue which took place in December 2011, the £80m retail bond issue which took place in September 2012, the €50m wholesale bond issue which took place in March 2014, the €25m wholesale bond issue which took place in June 2014 and 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 the Company if the change of control results in either a credit ratings downgrade from investment grade to sub-investment grade or withdrawal, or a downgrade of one or more notches (or withdrawal of the rating) if already sub-investment grade.
4. The employee share schemes, details of which can be found in the Report of the Remuneration Committee on pages 68 to 92, 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. Awards and options under the Omnibus Plan and the BSC Plan vest immediately on a change of control.
5. Carried interest arrangements in respect of a number of funds vest fully in favour of the Company and certain of its employees following a change of control event.

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 those described above and the usual payment in lieu of notice.

Dividend

The Directors recommend a final net ordinary dividend payment in respect of the ordinary shares of the Company at a rate of 21.0p per share (2017: 19.5p), which when added to the interim net dividend of 9.0p per share (2017: 7.5p), gives a total net dividend for the year of 30.0p per share (2017: 27.0p). The recommendation is subject to the approval of shareholders at the Company's AGM on 26 July 2018.

The amount of ordinary dividend paid in the year was £80.7m (2017: £70.9m).

Distributable reserves

The distributable reserves of the Parent Company at 31 March 2018 were £702.1m.

Disclosures required under UK Listing Rule 9.8.4

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

Non UK branches

A subsidiary of the Company, Intermediate Capital Managers Limited, operates a branch in France.

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 10 to the accounts.

Further details are set out in the Audit Committee report on pages 49 to 58.

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 32 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 36 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 2018 the issued share capital of the Company was 294,055,428 ordinary shares of 26¼p each (including 3,733,333 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 26¼p each carrying equal rights. The Articles of Association of this Company cannot be amended without shareholder approval
- 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

DIRECTORS' REPORT
CONTINUED

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 2017 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 £25,389,909 and, in the case of a fully pre-emptive rights issue only, up to a total amount of £50,779,818.

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 21 May 2018 plus, in the case of a fully pre-emptive rights issue only, a further amount of up to an additional one third of the Company's issued share capital as at 21 May 2018. 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 2017 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 21 May 2017. 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 (other than any who have decided to retire at the relevant 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 Chairman, the Non Executive Directors are satisfied that he continues to be effective and demonstrates commitment to his role.

RESULTS OF RESOLUTIONS PROPOSED AT 2017 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 2017.	1	231,932,244	150,000	218,099
To approve the Directors' Remuneration Report for the financial year ended 31 March 2017.	2	196,438,667	35,368,237	493,438
To approve the Directors' Remuneration Policy for the financial year ended 31 March 2017.	3	196,956,367	34,847,709	496,266
To reappoint Deloitte LLP as auditors of the Company to hold office as the Company's auditors until the conclusion of the Company's Annual General Meeting in 2017.	4	226,583,890	5,715,424	1,029
To authorise the Directors to set the remuneration of the auditors.	5	230,823,328	1,471,230	5,785
To declare a final dividend of 19.5 pence per ordinary share for the financial year ended 31 March 2017.	6	228,820,806	3,479,537	0
To reappoint Kevin Parry as a Director.	7	229,495,336	2,805,007	0
To reappoint Philip Keller as a Director.	8	231,518,799	781,544	0
To reappoint Benoît Durteste as a Director.	9	231,533,999	766,140	204
To reappoint Peter Gibbs as a Director.	10	224,973,372	7,326,971	0
To reappoint Kim Wahl as a Director.	11	228,771,555	992,887	2,535,901
To reappoint Kathryn Purves as a Director.	12	231,884,547	415,796	0
To appoint Michael Nelligan as a Director.	13	231,886,594	413,749	0
To appoint Virginia Holmes as a Director.	14	232,261,620	37,657	1,066
To grant the Directors authority to allot shares pursuant to section 551 of the Companies Act 2006.	15	221,806,965	7,911,468	2,581,910
Subject to the passing of resolution 15, 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.	16	232,275,883	23,213	1,247
In addition to the authority granted under resolution 16 and subject to the passing of resolution 15, to authorise the Directors to allot equity securities.	17	215,811,952	16,487,144	1,247
To authorise the Company to make market purchases of its ordinary shares.	18	228,491,549	3,808,590	204
To approve that a general meeting of the Company (other than the Annual General Meeting) may be called on less than 14 clear days' notice.	19	226,153,600	6,146,742	0

The issued share capital of the Company at the date of the Annual General Meeting was 290,178,170 ordinary shares of 26¼p each (excluding 3,733,333 treasury shares).

2018 ANNUAL GENERAL MEETING

The AGM of the Company will take place at the Head Office of the Company on 26 July 2018 at 4:00pm. 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 2018 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.

BY ORDER OF THE BOARD

ANDREW LEWIS
COMPANY SECRETARY
21 MAY 2018

DIRECTORS' RESPONSIBILITIES

BENOÎT DURTESTE
CHIEF EXECUTIVE OFFICER

PHILIP KELLER
CHIEF FINANCE AND OPERATING 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.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with IFRS as adopted by the EU, 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

BENOÎT DURTESTE
CHIEF EXECUTIVE OFFICER
21 MAY 2018

PHILIP KELLER
CHIEF FINANCE AND OPERATING OFFICER
21 MAY 2018

FINANCIAL STATEMENTS

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AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERMEDIATE CAPITAL GROUP PLC

Report on the audit of the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 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;
- the Consolidated and Parent Company Statements of Changes in Equity; and
- the related notes 1 to 32.

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

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

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.

SUMMARY OF OUR AUDIT APPROACH	
Key audit matters	The key audit matters that we identified in the current year were: • Valuation of unquoted equities, warrants and Collateralised Loan Note Obligations ('CLO Loan Notes') • Impairment of loans and equity investments classified as available for sale • Tax Provisions • Management fee recognition Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	We determined materiality for the Group to be £12.2million (2017: £10.8million). A lower materiality of £4.8million (2017: £3.7million) has been applied for the fund management revenue stream.
Scoping	We performed a full scope audit on components representing 96% of the Group's profit before tax and 95% of the Group's net assets.
Significant changes in our approach	There have been no significant changes to our audit scope during the year.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT	
Going concern We have reviewed the directors' statement in note 1 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 and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**
Principal risks and viability statement Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • the disclosures on pages 30 to 33 that describe the principal risks and explain how they are being managed or mitigated; • 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; or • the directors' explanation on page 29 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 are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

AUDITOR'S REPORT
CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

VALUATION OF UNQUOTED EQUITIES, WARRANTS AND CLO LOAN NOTES	
Key audit matter description	Unquoted equities, warrants and CLO Loan Notes represented £248million (2017: £297million), 18% of Group net assets at 31 March 2018. Valuing unquoted equities, warrants and CLO Loan Notes requires management to make a number of judgements, including the valuation methodology. For unquoted equities management predominantly adopt a Market Approach, where the private company invested in is compared to similar listed companies. Trading multiples of EBITDA are the most common method applied by management. Key judgement is applied by management in determining the suitability of the listed comparable companies and any discount or premium applied to the trading multiple. CLO Loan Notes are securities backed by corporate loans. As a CLO Loan Note holder, ICG receives scheduled payments from the underlying loans. Therefore a key judgement in determining the value of the Loan Note is the risk of the borrower of the underlying loans defaulting, and/or the timing of the repayment. As the above 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 Gains on Investments in the Consolidated Income Statement. The key sources of estimation uncertainty in relation to valuations and valuation techniques and inputs, as well as the significant unobservable inputs are disclosed in note 4 to the financial statements.
How the scope of our audit responded to the key audit matter	We assessed the Group's valuation methodology and challenged its appropriateness. We evaluated 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 determining the appropriateness of the underlying data and assumptions, specifically including discount rates and comparable companies. We verified the inputs to the valuations (specifically to the management accounts and audited financial statements of the investee companies). We reviewed independent information, such as news items, for the investee companies to identify any impact on management's valuation. We assessed the reasonableness of management estimates in previous valuations by performing a retrospective review of valuations based on recent exits. We selected a sample of CLO Loan Notes, comprising different tranches of debt in CLO vehicles. For our sample, we used a Discounted Cash Flow approach to recalculate the fair value. We used our internal specialists to challenge the significant assumptions with reference to independent sources; specifically the risk of the borrower defaulting and the timing of the repayments.
Key observations	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.

IMPAIRMENT OF LOANS AND EQUITY INVESTMENTS CLASSIFIED AS AVAILABLE FOR SALE

Key audit matter description	The Group's impairment charge is £19million for the year ending 31 March 2018. The identification of impairment events and the determination of the impairment charge require the application of significant judgment by management. There is a risk that management fail to identify an impairment event or the quantum of the impairment charge is inaccurate. The Group's impairment policy is disclosed in note 9 to the financial statements. The key sources of estimation uncertainty in relation to impairment are disclosed in note 9 to the financial statements. The description of this key audit matter should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 53.
How the scope of our audit responded to the key audit matter	We tested the design and implementation of key controls around impairments. We reviewed the whole loan portfolio for impairment indicators, including equity assets classified as available for sale. 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. Where ICG expected a loan to be repaid upon the sale of a business, we challenged whether the Enterprise value was an indicator of an impairment. For a sample of impairments that occurred during the year, we assessed management assumptions relating to the timing and recognition of the impairment events and charges and corroborated them to appropriate evidence. We also considered whether any impaired assets classified as available for sale have been correctly recycled through the Consolidated Income Statement.
Key observations	We are satisfied with management's identification of impairment events and the charges recognised in the year.

TAX PROVISIONS

Key audit matter description	The Group's tax credit for the year is £51.7million (2017: £34.2million charge), £27.1million of which relates to management's release of a tax provision that was recorded in prior years. This is disclosed in note 12 to the Group's financial statements. The Group earns material investment returns from investment funds that are domiciled in low tax jurisdictions. Following a detailed analysis performed by management and the agreement of recent tax returns with HMRC, there is increased management confidence that the tax arrangements are compliant with tax legislation and the provision previously recognised is not required. The Group currently has a 'low risk' status with HMRC and management have not received any enquiries from HMRC in recent years. The Group's tax policy is disclosed in note 12 to the financial statements.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of key controls around tax, specifically any significant judgements made with respect to tax provisions and the interpretation and application of tax legislation. With the assistance of our specialist tax team, we assessed management's compliance with current tax legislation and reviewed the Group's HMRC correspondence during the year to determine if there are any matters under investigation. This formed the basis of our challenge to management with respect to the tax provisions for the investment returns earned from low tax jurisdictions.
Key observations	We agree with the tax credit recognised in the Consolidated Income Statement, which included management's release of the £27.1million tax provision in the year.

AUDITOR'S REPORT
CONTINUED

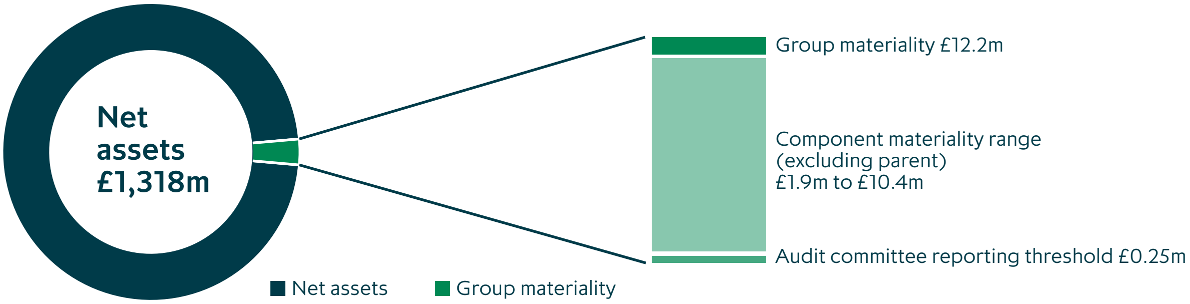
MANAGEMENT FEE RECOGNITION	
Key audit matter description	Management fees represented £147.5million (24.6% of the Group's revenue). There is a risk of potential fraud within management fees. We have also identified a risk that there are errors in the amounts of the management fees reported as there is judgement around the interpretation and application of the terms of the investment management agreements. Therefore there is a risk that the management fee income recorded has not occurred or is incomplete. The Group's revenue accounting policy is disclosed in note 1 to the financial statements. The description of this risk should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 53.
How the scope of our audit responded to the key audit matter	We assessed the design and implementation of key controls around the management fee revenue cycle and the reliability of data provided by third party administrators of funds managed by the Group. We reviewed board minutes to identify any new fund launches to assess if management fees have been recognised on all funds under management. For a sample of management contracts we obtained the most up to date management and side agreements and determined if the terms of the agreements were interpreted and applied correctly. For a sample of management fees, we also recalculated that these were in accordance with the fee terms in the management contract.
Key observations	We are satisfied that management fees are not materially misstated.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality	£12.2million (2017: £10.8million). A lower materiality threshold of £4.8million (2017: £3.7million) has been applied to the Fund Management Company (FMC) management fee income and FMC administrative expense account balances, transactions and disclosures.	£8.6million (2017: £7.6million).
Basis for determining materiality	1% of Net Assets (2017: 1% Net assets). The lower materiality has been based on 5% of profit before tax of the FMC segment.	1% Net Assets, capped at 70% of Group materiality (2017: 70%).
Rationale for the benchmark applied	We considered these measures to be suitable having compared to other industry benchmarks and consider them to be key measures that the users of the financial statements consider when assessing the performance of the Group.	As an investment company, net assets is a key benchmark used to assess the performance of the company.



Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, we set performance materiality to 70% (2017: 70%) of our materiality, namely £8.5m (2017: £7.6m). In arriving at 70%, we considered the judgemental nature of the valuations in the Consolidated Statement of Financial Position and the relative value of transactions recorded in the other primary statements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £245,000 (2017: £215,000) for all items except FMC management fee income and the FMC administrative expense revenue streams. For these balances we report all misstatements above £95,000 (2017: £72,000). 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

The Group operates across Europe, Asia and America and is made up of entities within the Fund Management Company (FMC) and Investment Company (IC) businesses. All the key accounting records are maintained in the UK. We perform our Group scoping on an individual entity by entity basis to determine the significant components or specific balances which may be subject to testing. In performing this scoping we perform both a quantitative and qualitative assessment of all the entities consolidated into the Group. 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 £1.9million - £10.4 million. (2017: £1.8million - £7.3million).

Our qualitative scoping is based on our understanding of the Group and its environment, including group-wide controls, current year events and our assessment of the risks of material misstatement at the Group level. Based on that assessment, we focused our group audit scope on nine significant components (2017: eight) which were subject to full scope audits for the year ended 31 March 2018.

We also performed full scope audits on an additional twelve components (2017: three) that were considered non-significant from a Group perspective as we perform our statutory 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 seventeen (2017: twelve) 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 95% (2017: 98%) of the group's net assets and 96% (2017: 92%) 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 audit work on components was carried out by the Group engagement team.

AUDITOR'S REPORT
CONTINUED

OTHER INFORMATION	
The directors are responsible for the other information. The other information comprises the information included in the annual report including the Strategic Report, Governance Report and the Other Information section, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that: • Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or • Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or • Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.	**We have nothing to report in respect of these matters.**

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions 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.

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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 in respect of these matters.**

OTHER MATTERS

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Shareholders at the Annual General meeting in 1988 to audit the financial statements for the year ending 31 March 1988 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 21 years, covering the years ending 31 March 1988 to 31 March 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

DAVID BARNES (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP
STATUTORY AUDITOR
LONDON, UNITED KINGDOM
22 MAY 2018

David Barnes

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	**2018 £m**	2017 £m
Fee and other operating income		**157.2**	134.1
Finance and dividend income	6	**189.8**	204.2
Net gains on investments	7	**253.0**	286.8
Total revenue		**600.0**	625.1
Finance costs	8	**(166.4)**	(153.4)
Impairments	9	**(18.8)**	(25.3)
Administrative expenses	10	**(216.0)**	(194.3)
Share of results of joint ventures accounted for using equity method	29	**0.3**	0.3
Profit before tax		**199.1**	252.4
Tax credit/(charge)	12	**51.7**	(34.2)
Profit for the year		**250.8**	218.2
Attributable to:			
Equity holders of the parent		**251.0**	217.8
Non controlling interests		**(0.2)**	0.4
		250.8	218.2
Earnings per share	14	**88.8p**	74.5p
Diluted earnings per share	14	**88.8p**	74.5p

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 2018

Group	2018 £m	2017 £m
Profit for the year	**250.8**	218.2
Items that may be reclassified subsequently to profit or loss		
Available for sale financial assets:		
– Losses arising in the year	**(14.6)**	(2.6)
– Reclassification adjustment for net losses/(gains) recycled to profit	**4.6**	(45.7)
– Tax on items taken directly to or transferred from equity	**3.0**	9.1
	(7.0)	(39.2)
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(19.6)**	23.0
Tax on items taken directly to or transferred from equity	**4.9**	(2.8)
	(14.7)	20.2
Total comprehensive income for the year	**229.1**	199.2
Attributable to:		
Equity holders of the parent	**229.3**	198.8
Non controlling interests	**(0.2)**	0.4
	229.1	199.2

Company	Notes	2018 £m	2017 £m
Profit/(loss) for the year	5	**406.5**	(94.6)
Items that may be reclassified subsequently to profit or loss			
Available for sale financial assets:			
– Gains arising in the year		**3.2**	1.6
– Reclassification adjustment for net gains recycled to profit		**(2.0)**	(9.8)
– Tax on items taken directly to or transferred from equity		**(0.2)**	1.6
		1.0	(6.6)
Items that will not be reclassified subsequently to profit or loss			
Tax on items taken directly to or transferred from equity		**4.9**	(2.8)
Total comprehensive income/(expense) for the year		**412.4**	(104.0)

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

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	**2018 Group £m**	2017 Group £m	**2018 Company £m**	2017 Company £m
NON CURRENT ASSETS					
Intangible assets	15	**18.0**	20.7	**13.6**	16.3
Property, plant and equipment	16	**10.5**	9.2	**9.8**	8.2
Investment in subsidiaries	4	**–**	–	**1,175.4**	937.5
Investment in Joint Venture accounted for under the equity method	4	**1.7**	1.3	**–**	–
Financial assets measured at fair value	4	**5,068.5**	4,667.4	**366.9**	344.0
Financial assets measured at amortised cost	4	**171.1**	218.0	**170.7**	195.1
Derivative financial assets	4	**3.2**	6.4	**0.2**	3.2
Deferred tax asset	12	**–**	0.3	**5.6**	–
		5,273.0	4,923.3	**1,742.2**	1,504.3
CURRENT ASSETS					
Trade and other receivables	17	**312.1**	208.3	**764.1**	530.1
Financial assets: loans and investments	4	**107.2**	89.7	**100.1**	89.6
Derivative financial assets	4	**80.0**	40.3	**80.0**	40.3
Current tax debtor		**13.4**	33.7	**9.0**	28.8
Cash and cash equivalents		**520.7**	780.9	**214.8**	443.9
		1,033.4	1,152.9	**1,168.0**	1,132.7
Total assets		**6,306.4**	6,076.2	**2,910.2**	2,637.0
EQUITY AND RESERVES					
Called up share capital	21	**77.2**	77.1	**77.2**	77.1
Share premium account	21	**179.4**	179.0	**179.4**	179.0
Other reserves		**6.2**	20.1	**48.9**	40.0
Retained earnings including Company profit of £406.5m (2017: £94.6m loss)		**1,054.8**	896.4	**785.2**	459.4
Equity attributable to owners of the Company		**1,317.6**	1,172.6	**1,090.7**	755.5
Non controlling interest		**0.5**	0.7	**–**	–
Total equity		**1,318.1**	1,173.3	**1,090.7**	755.5
NON CURRENT LIABILITIES					
Provisions	19	**1.2**	1.3	**1.2**	1.3
Financial liabilities	4	**4,149.6**	4,304.9	**840.5**	1,121.5
Derivative financial liabilities		**76.8**	33.6	**76.8**	32.7
Deferred tax liabilities	12	**8.9**	77.0	**–**	23.3
		4,236.5	4,416.8	**918.5**	1,178.8
CURRENT LIABILITIES					
Provisions	19	**0.5**	0.7	**0.5**	0.7
Trade and other payables	18	**555.3**	464.8	**715.3**	695.4
Financial liabilities	4	**183.7**	–	**183.7**	–
Current tax creditor		**10.8**	14.0	**–**	–
Derivative financial liabilities		**1.5**	6.6	**1.5**	6.6
		751.8	486.1	**901.0**	702.7
Total liabilities		**4,988.3**	4,902.9	**1,819.5**	1,881.5
Total equity and liabilities		**6,306.4**	6,076.2	**2,910.2**	2,637.0

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 21 May 2018 and were signed on its behalf by:

KEVIN PARRY
Director

PHILIP KELLER
Director

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 Group £m	2017 Group £m	2018 Company £m	2017 Company £m
Operating activities					
Interest received		**191.1**	232.4	**30.9**	90.5
Fees received		**139.1**	140.4	**12.1**	24.0
Dividends received		**154.5**	158.5	**5.2**	15.1
Payments to suppliers and employees		**(190.3)**	(135.9)	**(133.0)**	(91.4)
Proceeds from sale of current financial assets		**276.8**	374.6	**276.8**	290.0
Purchase of current financial assets		**(368.0)**	(220.9)	**(361.8)**	(191.8)
Purchase of loans and investments		**(3,914.3)**	(2,344.6)	**(165.5)**	(37.1)
Proceeds from sale of loans and investments		**3,378.6**	1,867.4	**194.5**	307.1
Recoveries on previously impaired assets		**2.4**	–	**–**	–
Net cash outflow from derivative contracts		**(28.7)**	(150.2)	**(27.6)**	(132.1)
Cash (used in)/generated from operating activities		**(358.8)**	(78.3)	**(168.4)**	274.3
Taxes received/(paid)		**12.5**	(7.7)	**17.6**	(6.4)
Net cash (used in)/generated from operating activities		**(346.3)**	(86.0)	**(150.8)**	267.9
Investing activities					
Cash flow on behalf of subsidiary undertakings		**–**	–	**73.1**	305.1
Purchase of property, plant and equipment	16	**(4.2)**	(4.1)	**(4.2)**	(4.0)
Net cash (used in)/generated from investing activities		**(4.2)**	(4.1)	**68.9**	301.1
Financing activities					
Dividends paid	13	**(80.7)**	(270.9)	**(80.7)**	(270.9)
Interest paid		**(188.5)**	(149.4)	**(53.3)**	(53.0)
Increase in long term borrowings		**1,578.3**	1,931.1	**(44.8)**	648.1
Repayment of long term borrowings		**(1,208.9)**	(807.9)	**–**	(466.7)
Purchase of remaining 49% of Longbow Real Estate Capital LLP	3	**–**	(41.7)	**–**	(41.7)
Purchase of own shares		**(26.2)**	(23.6)	**–**	–
Proceeds on issue of shares		**0.6**	1.5	**0.6**	1.5
Net cash generated from/(used in) financing activities		**74.6**	639.1	**(178.2)**	(182.7)
Net (decrease)/increase in cash		**(275.9)**	549.0	**(260.1)**	386.3
Cash and cash equivalents at beginning of year		**780.9**	182.5	**443.9**	48.0
Effect of foreign exchange rate changes		**15.7**	49.4	**31.0**	9.6
Net cash and cash equivalents at end of year		**520.7**	780.9	**214.8**	443.9
Presented on the statements of financial position as:					
Cash and cash equivalents		**520.7**	780.9	**214.8**	443.9

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

The Group's cash and cash equivalents includes £273.1m (2017: £291.0m) of restricted cash held principally by structured entities controlled by the Group.

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

Group	Share capital (note 21) £m	Share premium (note 21) £m	Capital redemption reserve[1] £m	Share based payments reserve (note 24) £m	Available for sale reserve (note 23) £m	Own shares (note 22) £m	Foreign currency translation reserve[2] £m	Retained earnings £m	**Total £m**	Non controlling interest £m	**Total equity £m**
Balance at 1 April 2017	77.1	179.0	5.0	53.8	12.7	(82.2)	30.8	896.4	**1,172.6**	0.7	**1,173.3**
Profit for the year	–	–	–	–	–	–	–	251.0	**251.0**	(0.2)	**250.8**
Available for sale financial assets	–	–	–	–	(10.0)	–	–	–	**(10.0)**	–	**(10.0)**
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(19.6)	–	**(19.6)**	–	**(19.6)**
Tax on items taken directly to or transferred from equity	–	–	–	4.9	3.0	–	–	–	**7.9**	–	**7.9**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**4.9**	**(7.0)**	**–**	**(19.6)**	**251.0**	**229.3**	**(0.2)**	**229.1**
Own shares acquired in the year	–	–	–	–	–	(26.2)	–	–	**(26.2)**	–	**(26.2)**
Options/awards exercised	0.1	0.4	–	(18.9)	–	30.8	–	(11.9)	**0.5**	–	**0.5**
Credit for equity settled share schemes	–	–	–	22.1	–	–	–	–	**22.1**	–	**22.1**
Dividends paid	–	–	–	–	–	–	–	(80.7)	**(80.7)**	–	**(80.7)**
Balance at 31 March 2018	**77.2**	**179.4**	**5.0**	**61.9**	**5.7**	**(77.6)**	**11.2**	**1,054.8**	**1,317.6**	**0.5**	**1,318.1**

Company	Share capital (note 21) £m	Share premium (note 21) £m	Capital redemption reserve[1] £m	Share based payments reserve (note 24) £m	Available for sale reserve (note 23) £m	Own shares (note 22) £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2017	77.1	179.0	5.0	51.0	5.3	(21.3)	459.4	**755.5**
Profit for the year	–	–	–	–	–	–	406.5	**406.5**
Available for sale financial assets	–	–	–	–	1.2	–	–	**1.2**
Tax on items taken directly to or transferred from equity	–	–	–	4.9	(0.2)	–	–	**4.7**
Total comprehensive income for the year	**–**	**–**	**–**	**4.9**	**1.0**	**–**	**406.5**	**412.4**
Options/awards exercised	0.1	0.4	–	(18.1)	–	–	–	**(17.6)**
Credit for equity settled share schemes	–	–	–	21.1	–	–	–	**21.1**
Dividends paid	–	–	–	–	–	–	(80.7)	**(80.7)**
Balance at 31 March 2018	**77.2**	**179.4**	**5.0**	**58.9**	**6.3**	**(21.3)**	**785.2**	**1,090.7**

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

1 The capital redemption reserve is a reserve created when a company buys it owns shares which reduces its share capital. This reserve is not distributable to shareholders. £1.4m of the balance relates to the conversion of A ordinary shares and convertible shares into ordinary shares in 1994. The remaining £3.6m relates to the cancellation of treasury shares in 2015.

2 Other comprehensive (expense)/income reported in the foreign currency translation reserve represent foreign exchange gains and losses on the translation of foreign operations.

Group	Share capital (note 21) £m	Share premium (note 21) £m	Capital redemption reserve[1] £m	Share based payments reserve (note 24) £m	Available for sale reserve (note 23) £m	Own shares (note 22) £m	Foreign currency translation reserve[2] £m	Retained earnings £m	**Total £m**	Non controlling interest £m	**Total equity £m**
Balance at 1 April 2016	77.0	177.6	5.0	43.6	51.9	(77.0)	7.8	955.3	**1,241.2**	0.9	**1,242.1**
Profit for the year	–	–	–	–	–	–	–	217.8	**217.8**	0.4	**218.2**
Available for sale financial assets	–	–	–	–	(48.3)	–	–	–	**(48.3)**	–	**(48.3)**
Exchange differences on translation of foreign operations	–	–	–	–	–	–	23.0	–	**23.0**	–	**23.0**
Tax on items taken directly to or transferred from equity	–	–	–	(2.8)	9.1	–	–	–	**6.3**	–	**6.3**
Total comprehensive (expense)/ income for the year	**–**	**–**	**–**	**(2.8)**	**(39.2)**	**–**	**23.0**	**217.8**	**198.8**	**0.4**	**199.2**
Movement in control of subsidiary	–	–	–	–	–	–	–	0.6	**0.6**	(0.6)	**–**
Own shares acquired in the year	–	–	–	–	–	(23.7)	–	–	**(23.7)**	–	**(23.7)**
Options/awards exercised	0.1	1.4	–	(12.1)	–	18.5	–	(6.4)	**1.5**	–	**1.5**
Credit for equity settled share schemes	–	–	–	25.1	–	–	–	–	**25.1**	–	**25.1**
Dividends paid	–	–	–	–	–	–	–	(270.9)	**(270.9)**	–	**(270.9)**
Balance at 31 March 2017	**77.1**	**179.0**	**5.0**	**53.8**	**12.7**	**(82.2)**	**30.8**	**896.4**	**1,172.6**	**0.7**	**1,173.3**

Company	Share capital (note 21) £m	Share premium (note 21) £m	Capital redemption reserve[1] £m	Share based payments reserve (note 24) £m	Available for sale reserve (note 23) £m	Own shares (note 22) £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2016	77.0	177.6	5.0	41.4	11.9	(21.3)	824.9	**1,116.5**
Loss for the year	–	–	–	–	–	–	(94.6)	**(94.6)**
Available for sale financial assets	–	–	–	–	(8.2)	–	–	**(8.2)**
Tax on items taken directly to or transferred from equity	–	–	–	(2.8)	1.6	–	–	**(1.2)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(2.8)**	**(6.6)**	**–**	**(94.6)**	**(104.0)**
Options/awards exercised	0.1	1.4	–	(11.7)	–	–	–	**(10.2)**
Credit for equity settled share schemes	–	–	–	24.1	–	–	–	**24.1**
Dividends paid	–	–	–	–	–	–	(270.9)	**(270.9)**
Balance at 31 March 2017	**77.1**	**179.0**	**5.0**	**51.0**	**5.3**	**(21.3)**	**459.4**	**755.5**

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General Information

Intermediate Capital Group plc is incorporated in England and Wales 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 Strategic Report.

Basis of preparation

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

The financial statements have been prepared under the historical cost convention, except for financial instruments that are measured at fair value at the end of the reporting period, as detailed in note 4.

In the application of the Group's accounting policies, 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. Details of the critical judgements made and key sources of estimation uncertainty are included in the note to which they relate.

The accounting policies as set out in the notes to the accounts have been applied consistently to all periods presented in these consolidated financial statements.

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. Control is achieved when 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 reassesses 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.

Income recognition

Management fees are charged on third party money managed by ICG on either a committed or invested basis dependent on the fund. 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. Performance fees are recognised only when there is a reasonable expectation that performance conditions will be met and the amounts will be paid in cash.

The accounting policies for the recognition of finance and divided income and net gains on investments are set out in notes 6 and 7 to the accounts.

Foreign currencies

As the Group and Company operate primarily in the United Kingdom, the functional and presentational currency of both the Group and Company is Sterling.

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.

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, as detailed in the Directors, report on page 95.

Changes in presentation

For the year ended 31 March 2018, ICG Group changed its presentation of certain notes to the financial statements, and the classification of balances within them. The purpose of this change to the financial statements was to provide more reliable and relevant information to the reader. This change has been applied retrospectively and has had no impact on results.

The key changes relate to the notes to the financial statements, where the accounting policies and disclosures of critical judgements and key sources of estimation uncertainty have been included within each relevant note. On the face of the Consolidated and Parent Statement of Financial Position, the presentation of non-current financial assets have been enhanced. This enhanced presentation has been applied to note 4 and 7 to the financial statements, where we have provided more relevant information of how our portfolio is classified and measured in accordance with IFRS.

Critical judgements in the application of accounting policies

Critical judgements, apart from those involving estimations that the directors have made in the application of the accounting policy are disclosed within notes 4 and 28.

Key sources of estimation uncertainty

The 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 in note 4.

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: Classification and Measurement	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IAS 40	Transfers of Investment Property	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

IFRS 9 is effective for implementation during the financial year ending 31 March 2019. A detailed analysis of the Group's financial instruments and how these will be affected by the requirements of IFRS 9 has been undertaken and concluded that there is not expected to be any material impact to the returns recognised by the Group.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

2. ADOPTION OF NEW AND REVISED STANDARDS CONTINUED

The changes in accounting for financial instruments arising from the move from IAS 39 to IFRS 9 are as follows:

- Assets previously measured at amortised cost that are managed alongside an equity instrument (£169.1 m as at 31 March 2018) will be measured at fair value.
- Investments solely in debt instruments held directly by ICG Group (£2.0m as at 31 March 2018) will continue to be held at amortised cost. Impairment of loans and receivables held at amortised cost is calculated according to the expected loss model as opposed to the incurred loss model.
- Direct investments in portfolio companies and investments in funds currently classified as available for sale (AFS) (£57.7m at 31 March 2018), will be classified as fair value through profit and loss and any future movements in value will be recognised through the income statement as net gains and losses.

IFRS 15 is effective for implementation during the financial year ending 31 March 2019. An assessment has been performed and there is not expected to be a material impact on the Group's revenue recognition approach. However, there will be increased levels of disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers included within the financial statements.

3. 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 Directors.

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 2018	Corporate Investments £m	Capital Market Investments £m	Real Asset Investments £m	Secondary Investments £m	Total FMC £m	IC £m	Internally Reported Total £m
External fee income	93.0	34.9	18.5	20.7	167.1	–	167.1
Inter-segmental fee	11.9	3.2	1.3	1.4	17.8	(17.8)	–
Fund management fee income	**104.9**	**38.1**	**19.8**	**22.1**	**184.9**	**(17.8)**	**167.1**
Other operating income					–	6.8	6.8
Gains on investments					–	144.7	144.7
Interest income					–	113.2	113.2
Dividend income					25.2	0.6	25.8
Total revenue					**210.1**	**247.5**	**457.6**
Interest expense					–	(56.6)	(56.6)
Net fair value loss on derivatives					–	(6.5)	(6.5)
Impairment					–	(25.2)	(25.2)
Staff costs					(42.1)	(11.1)	(53.2)
Incentive scheme costs					(40.8)	(64.0)	(104.8)
Other administrative expenses					(31.9)	(11.1)	(43.0)
Profit before tax					**95.3**	**73.0**	**168.3**

Year ended 31 March 2017	Corporate Investments £m	Capital Market Investments £m	Real Asset Investments £m	Secondary Investments £m	Total FMC £m	IC £m	Internally Reported Total £m
External fee income	78.2	23.7	21.9	14.8	138.6	–	138.6
Inter-segmental fee	12.7	2.1	1.7	1.6	18.1	(18.1)	–
Fund management fee income	**90.9**	**25.8**	**23.6**	**16.4**	**156.7**	**(18.1)**	**138.6**
Other operating income					–	8.0	8.0
Gains on investments					–	201.4	201.4
Interest income					(0.2)	144.7	144.5
Dividend income					23.2	6.7	29.9
Total revenue					**179.7**	**342.7**	**522.4**
Interest expense					–	(53.9)	(53.9)
Net fair value loss on derivatives					–	(1.3)	(1.3)
Impairment					–	(48.0)	(48.0)
Staff costs					(39.0)	(14.4)	(53.4)
Incentive scheme costs					(33.8)	(54.2)	(88.0)
Other administrative expenses					(32.9)	(8.7)	(41.6)
Profit before tax					**74.0**	**162.2**	**236.2**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

3. 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 to the Investment Company for the following:

- For internal reporting purposes, the interest earned and impairments charged on assets where the Group co-invests in funds (ICG Europe Fund V, ICG Europe Fund VI, ICG Asia Pacific Fund III and ICG North America Private Debt Fund) and where the investment is in a fund where the underlying assets are interest bearing (real estate, liquid credit and senior debt funds) is presented within interest income/impairments whereas under IFRS it is included within the value of the investment/dividends.
- 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. Also included within this adjustment is the joint venture investment in Nomura ICG KK which is presented internally on a proportional consolidation basis, whereas it is equity accounted under IFRS and Questus Energy Pty Limited where the costs are included on a line by line basis in the income statement for internal reporting purposes whereas in the IFRS financial statements these are collapsed into a single line, administrative expenses, to reflect its status as a non controlled entity.

Consolidated income statement

Year ended 31 March 2018	Internally reported £m	Reclass of interest to dividends and gains £m	Consolidated structured entities £m	Financial statements £m
- Fund management fee income	167.1	–	(19.6)	147.5
- Other operating income	6.8	–	2.9	9.7
Fee and other operating income	**173.9**	**–**	**(16.7)**	**157.2**
- Interest income	113.2	(82.8)	156.3	186.7
- Dividend income	25.8	0.8	(23.5)	3.1
Finance and dividend income	**139.0**	**(82.0)**	**132.8**	**189.8**
Net gains on investments	**144.7**	**75.6**	**32.7**	**253.0**
Total revenue	**457.6**	**(6.4)**	**148.8**	**600.0**
- Interest expense	(56.6)	–	(104.2)	(160.8)
- Net fair value (loss)/gain on derivatives	(6.5)	–	0.9	(5.6)
Finance costs	**(63.1)**	**–**	**(103.3)**	**(166.4)**
Impairment	**(25.2)**	**6.4**	**–**	**(18.8)**
- Staff costs	(53.2)	–	2.1	(51.1)
- Incentive scheme costs	(104.8)	–	–	(104.8)
- Other administrative expenses	(43.0)	–	(17.1)	(60.1)
Administrative expenses	**(201.0)**	**–**	**(15.0)**	**(216.0)**
Share of results of joint venture accounted for using equity method	**–**	**–**	**0.3**	**0.3**
Profit before tax	**168.3**	**–**	**30.8**	**199.1**
Tax credit/(charge)	55.7	–	(4.0)	51.7
Profit after tax	**224.0**	**–**	**26.8**	**250.8**

Consolidated income statement

Year ended 31 March 2017	Internally reported £m	Reclass of interest to dividends and gains £m	Consolidated structured entities £m	Financial statements £m
- Fund management fee income	138.6	–	(15.9)	122.7
- Other operating income	8.0	–	3.4	11.4
Fee and other operating income	**146.6**	**–**	**(12.5)**	**134.1**
- Interest income	144.5	(77.3)	130.6	197.8
- Dividend income	29.9	3.3	(26.8)	6.4
Finance and dividend income	**174.4**	**(74.0)**	**103.8**	**204.2**
Net gains on investments	**201.4**	**51.3**	**34.1**	**286.8**
Total revenue	**522.4**	**(22.7)**	**125.4**	**625.1**
- Interest expense	(53.9)	–	(99.0)	(152.9)
- Net fair value (loss)/gain on derivatives	(1.3)	–	0.8	(0.5)
Finance costs	**(55.2)**	**–**	**(98.2)**	**(153.4)**
Impairment	**(48.0)**	**22.7**	**–**	**(25.3)**
- Staff costs	(53.4)	–	2.1	(51.3)
- Incentive scheme costs	(88.0)	–	–	(88.0)
- Other administrative expenses	(41.6)	–	(13.4)	(55.0)
Administrative expenses	**(183.0)**	**–**	**(11.3)**	**(194.3)**
Share of results of joint venture accounted for using equity method	**–**	**–**	**0.3**	**0.3**
Profit before tax	**236.2**	**–**	**16.2**	**252.4**
Tax (charge)/credit	(34.9)	–	0.7	(34.2)
Profit after tax	**201.3**	**–**	**16.9**	**218.2**

Consolidated statement of financial position

	2018		
	Internally reported £m	**Consolidated structured entities £m**	**Financial statements £m**
Non current financial assets	**1,898.5**	**3,342.8**	**5,241.3**
Other non current assets	**28.8**	**2.9**	**31.7**
Cash	**248.0**	**272.7**	**520.7**
Current financial assets	**107.2**	**–**	**107.2**
Other current assets	**244.7**	**160.8**	**405.5**
Total assets	**2,527.2**	**3,779.2**	**6,306.4**
Non current financial liabilities	**840.5**	**3,309.1**	**4,149.6**
Other non current liabilities	**81.9**	**5.0**	**86.9**
Financial liabilities	**183.7**	**–**	**183.7**
Other current liabilities	**188.1**	**380.0**	**568.1**
Total liabilities	**1,294.2**	**3,694.1**	**4,988.3**
Equity	**1,233.0**	**85.1**	**1,318.1**
Total equity and liabilities	**2,527.2**	**3,779.2**	**6,306.4**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

3. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Consolidated statement of cash flows

	2017			
	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Financial statements £m
Non current financial assets	1,711.6	1.1	3,174.0	4,886.7
Other non current assets	36.6	–	–	36.6
Cash	490.3	–	290.6	780.9
Current financial assets	89.7	–	–	89.7
Other current assets	172.9	(1.1)	110.5	282.3
Total assets	**2,501.1**	**–**	**3,575.1**	**6,076.2**
Non current financial liabilities	1,121.5	–	3,183.4	4,304.9
Other non current liabilities	106.5	–	5.4	111.9
Current liabilities	158.8	–	327.3	486.1
Total liabilities	**1,386.8**	**–**	**3,516.1**	**4,902.9**
Equity	1,114.3	–	59.0	1,173.3
Total equity and liabilities	**2,501.1**	**–**	**3,575.1**	**6,076.2**

Consolidated statement of cash flows

	2018			
	Internally reported £m	**Reclass of dividends from realisations £m**	**Consolidated structured entities £m**	**Financial statements £m**
Interest received	**73.0**	**(26.9)**	**145.0**	**191.1**
Fees received	**151.1**	**(0.6)**	**(11.4)**	**139.1**
Dividends received	**25.8**	**152.3**	**(23.6)**	**154.5**
Payments to suppliers and employees	**(172.1)**	**–**	**(18.2)**	**(190.3)**
Proceeds from sale of current financial assets	**276.8**	**–**	**–**	**276.8**
Purchase of current financial assets	**(368.0)**	**–**	**–**	**(368.0)**
Purchase of loans and investments	**(572.4)**	**–**	**(3,341.9)**	**(3,914.3)**
Proceeds from sale of loans and investments	**534.8**	**(124.8)**	**2,968.6**	**3,378.6**
Recoveries on previously impaired assets	**2.4**	**–**	**–**	**2.4**
Net cash outflow from derivative contracts	**(29.2)**	**–**	**0.5**	**(28.7)**
Cash generated used in operating activities	**(77.8)**	**–**	**(281.0)**	**(358.8)**
Taxes received	**12.5**	**–**	**–**	**12.5**
Net cash generated used in operating activities	**(65.3)**	**–**	**(281.0)**	**(346.3)**
Net cash used in investing activities	**(4.2)**	**–**	**–**	**(4.2)**
Dividends paid	**(80.7)**	**–**	**–**	**(80.7)**
Interest paid	**(54.7)**	**–**	**(133.8)**	**(188.5)**
Increase in long term borrowings	**(45.8)**	**–**	**1,624.1**	**1,578.3**
Repayment of long term borrowings	**–**	**–**	**(1,208.9)**	**(1,208.9)**
Purchase of own shares	**(26.2)**	**–**	**–**	**(26.2)**
Proceeds on issue of shares	**0.6**	**–**	**–**	**0.6**
Net cash (used in)/generated from financing activities	**(206.8)**	**–**	**281.4**	**74.6**
Net (decrease)/increase in cash	**(276.3)**	**–**	**0.4**	**(275.9)**
Cash and cash equivalents at beginning of year	**490.3**	**–**	**290.6**	**780.9**
Effect of foreign exchange rate changes	**33.9**	**–**	**(18.2)**	**15.7**
Cash and cash equivalent at end of year	**247.9**	**–**	**272.8**	**520.7**

	2017			
	Internally reported £m	Reclass of dividends from realisations £m	Consolidated structured entities £m	Financial statements £m
Interest received	142.3	(36.7)	126.8	232.4
Fees received	148.9	–	(8.5)	140.4
Dividends received	29.8	159.1	(30.4)	158.5
Payments to suppliers and employees	(115.0)	–	(20.9)	(135.9)
Proceeds from sale of current financial assets	374.6	–	–	374.6
Purchase of current financial assets	(220.9)	–	–	(220.9)
Purchase of loans and investments	(366.0)	–	(1,978.6)	(2,344.6)
Proceeds from sale of loans and investments	716.5	(122.4)	1,273.3	1,867.4
Net cash outflow from derivative contracts	(132.1)	–	(18.1)	(150.2)
Cash generated from/(used in) operating activities	**578.1**	**–**	**(656.4)**	**(78.3)**
Taxes paid	(7.7)	–	–	(7.7)
Net cash generated from/(used in) operating activities	**570.4**	**–**	**(656.4)**	**(86.0)**
Net cash used in investing activities	**(4.1)**	**–**	**–**	**(4.1)**
Dividends paid	(270.9)	–	–	(270.9)
Interest paid	(53.0)	–	(96.4)	(149.4)
Increase in long term borrowings	523.4	–	1,407.7	1,931.1
Repayment of long term borrowings	(342.0)	–	(465.9)	(807.9)
Purchase of remaining 49% of Longbow Real Estate Capital LLP	(41.7)	–	–	(41.7)
Purchase of own shares	(23.6)	–	–	(23.6)
Proceeds on issue of shares	1.5	–	–	1.5
Net cash (used in)/generated from financing activities	**(206.3)**	**–**	**845.4**	**639.1**
Net increase in cash	**360.0**	**–**	**189.0**	**549.0**
Cash and cash equivalents at beginning of year	112.7	–	69.8	182.5
Effect of foreign exchange rate changes	17.6	–	31.8	49.4
Cash and cash equivalent at end of year	**490.3**	**–**	**290.6**	**780.9**

Analysis of non current financial assets by geographical segment

	2018 £m	2017 £m
Europe	**2,451.4**	2,092.5
Asia Pacific	**176.2**	152.3
North America	**2,613.7**	2,641.9
	5,241.3	4,886.7

Group revenue by geographical segment

	2018 £m	2017 £m
Europe	**402.0**	395.4
Asia Pacific	**28.8**	73.5
North America	**169.2**	156.2
	600.0	625.1

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

4. FINANCIAL ASSETS AND LIABILITIES

Accounting policy

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

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
- 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 on 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 and dividend 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 financial assets at 'fair value through other comprehensive income' (FVTOCI) are financial assets not classified elsewhere and include 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 and dividend 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.

Current financial assets held for sale

The Group classifies 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. Financial assets held for sale are initially recognised and subsequently measured at fair value or amortised cost, depending on its measurement requirement under IAS 39 'Financial Instruments: Recognition and Measurement'.

Classification policy

- Direct investments in portfolio companies are measured at FVTPL or FVTOCI
- Investments in funds are measured at FVTPL
- Investments in CLO loan notes are measured at FVTPL or FVTOCI
- Investments in loans held in credit funds consolidated in accordance with IFRS 10 are measured at FVTPL
- Loans to portfolio companies are measured at amortised cost and are subject to impairment
- Current financial assets held for sale are measured at FVTPL or amortised cost, depending on the instrument

Critical judgements in the application of accounting policies and key sources of estimation uncertainty

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 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 or, where the Group holds an investment in an unlisted fund, the net asset value of the fund. We have reviewed the underlying valuation techniques of these funds and consider them to be in line with those of the Group.

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 20.

The Directors have assessed the fair value of the financial assets and have deviated from a quoted price that was available for a direct portfolio investment with a carrying value of £18.5million. In making their judgement, the Directors considered the Group's holding of the shares that were unlisted and the volatility of the listed shares. Determining the fair value of the asset using the available quoted price at the reporting date would have had an £11.4m reduction of net assets and Other Comprehensive Income.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

4. FINANCIAL ASSETS AND LIABILITIES CONTINUED

The categorisation of the Group's assets and liabilities (the difference between which represents the Group's capital) analysed by accounting treatment is summarised below. The table splits out financial assets and liabilities from non financial assets and liabilities and identifies those held at fair value:

Group	Designated as at FVTPL	Available for sale assets at FVTOCI	Total fair value assets/ liabilities	Loans and receivables/ liabilities at amortised cost	Accounted for under the equity method	Total financial assets/ liabilities	Non financial instruments and other	2018 Total assets/ liabilities £m
Non current assets								
Intangible assets	–	–	**–**	–	–	**–**	18.0	**18.0**
Property, plant and equipment	–	–	**–**	–	–	**–**	10.5	**10.5**
Direct investment in portfolio companies	121.5	47.3	**168.8**	171.1	–	**339.9**	–	**339.9**
Investments in funds	1,203.9	10.4	**1,214.3**	–	–	**1,214.3**	–	**1,214.3**
Investments in CLO loan notes	76.2	3.0	**79.2**	–	–	**79.2**	–	**79.2**
Investments in loans held in credit funds [1]	3,606.2	–	**3,606.2**	–	–	**3,606.2**	–	**3,606.2**
Investment in Joint Venture	–	–	**–**	–	1.7	**1.7**	–	**1.7**
Derivative financial assets	3.2	–	**3.2**	–	–	**3.2**	–	**3.2**
Total non current assets	**5,011.0**	**60.7**	**5,071.7**	**171.1**	**1.7**	**5,244.5**	**28.5**	**5,273.0**
Current financial assets								
Trade and other receivables	–	–	**–**	285.7	–	**285.7**	26.4	**312.1**
Financial assets: loans and investments	91.4	–	**91.4**	15.8	–	**107.2**	–	**107.2**
Derivative financial assets	80.0	–	**80.0**	–	–	**80.0**	–	**80.0**
Current tax debtor	–	–	**–**	–	–	**–**	13.4	**13.4**
Cash and cash equivalents	–	–	**–**	520.7	–	**520.7**	–	**520.7**
Total current assets	**171.4**	–	**171.4**	**822.2**	–	**993.6**	**39.8**	**1,033.4**
Non current liabilities								
Provisions	–	–	**–**	1.2	–	**1.2**	–	**1.2**
Financial liabilities [1]	3,309.1	–	**3,309.1**	840.5	–	**4,149.6**	–	**4,149.6**
Derivative financial liabilities	76.8	–	**76.8**	–	–	**76.8**	–	**76.8**
Deferred tax liabilities	–	–	**–**	–	–	**–**	8.9	**8.9**
Total non current liabilities	**3,385.9**	–	**3,385.9**	**841.7**	–	**4,227.6**	**8.9**	**4,236.5**
Current Liabilities								
Provisions	–	–	**–**	0.5	–	**0.5**	–	**0.5**
Trade and other payables	–	–	**–**	555.3	–	**555.3**	–	**555.3**
Financial liabilities	–	–	**–**	183.7	–	**183.7**	–	**183.7**
Current tax creditor	–	–	**–**	–	–	**–**	10.8	**10.8**
Derivative financial liabilities	1.5	–	**1.5**	–	–	**1.5**	–	**1.5**
Total current liabilities	**1.5**	–	**1.5**	**739.5**	–	**741.0**	**10.8**	**751.8**

Included within investments in funds designated as at FVTPL is £893.1m (2017: £653.4m) related to the Group's investment in ICG Europe Fund V Limited, ICG North American Private Debt Fund, ICG Asia Pacific Fund III and ICG Europe Fund VI Limited, which are accounted for as associates designated as FVTPL. Included within direct investment in portfolio companies is £11.3m related to the Group`s joint venture investment in The West Quay Development Company Partnership LLP.

The fair value of loans and receivables held at amortised cost approximates to their fair value in both 2018 and 2017.

[1] Structured entities controlled by the Group, consolidated in accordance with IFRS 10.

Group	Designated as at FVTPL	Available for sale assets at FVTOCI	Total fair value assets/ liabilities	Loans and receivables/ liabilities at amortised cost	Accounted for under the equity method	Total financial assets/ liabilities	Non financial instruments and other	2017 Total assets/ liabilities £m
Non current assets								
Intangible assets	–	–	–	–	–	–	20.7	**20.7**
Property, plant and equipment	–	–	–	–	–	–	9.2	**9.2**
Direct investment in portfolio companies	171.6	71.3	**242.9**	218.0	–	**460.9**	–	**460.9**
Investments in funds	955.2	11.2	**966.4**	–	–	**966.4**	–	**966.4**
Investments in CLO loan notes	51.3	3.6	**54.9**	–	–	**54.9**	–	**54.9**
Investments in loans held in credit funds [1]	3,403.2	–	**3,403.2**	–	–	**3,403.2**	–	**3,403.2**
Investment in Joint Venture	–	–	–	–	1.3	**1.3**	–	**1.3**
Derivative financial assets	6.4	–	**6.4**	–	–	**6.4**	–	**6.4**
Deferred tax asset	–	–	–	–	–	–	0.3	**0.3**
Total non current assets	**4,587.7**	**86.1**	**4,673.8**	**218.0**	**1.3**	**4,893.1**	**30.2**	**4,923.3**
Current financial assets								
Trade and other receivables	–	–	–	196.6	–	**196.6**	11.7	**208.3**
Financial assets: loans and investments	58.3	–	**58.3**	31.4	–	**89.7**	–	**89.7**
Derivative financial assets	40.3	–	**40.3**	–	–	**40.3**	–	**40.3**
Current tax debtor	–	–	–	–	–	–	33.7	**33.7**
Cash and cash equivalents	–	–	–	780.9	–	**780.9**	–	**780.9**
Total current assets	**98.6**	**–**	**98.6**	**1,008.9**	**–**	**1,107.5**	**45.4**	**1,152.9**
Non current liabilities								
Provisions	–	–	–	1.3	–	**1.3**	–	**1.3**
Financial liabilities [1]	3,183.4	–	**3,183.4**	1,121.5	–	**4,304.9**	–	**4,304.9**
Derivative financial liabilities	33.6	–	**33.6**	–	–	**33.6**	–	**33.6**
Deferred tax liabilities	–	–	–	–	–	–	77.0	**77.0**
Total non current liabilities	**3,217.0**	**–**	**3,217.0**	**1,122.8**	**–**	**4,339.8**	**77.0**	**4,416.8**
Current liabilities								
Provisions	–	–	–	0.7	–	**0.7**	–	**0.7**
Trade and other payables	–	–	–	464.8	–	**464.8**	–	**464.8**
Current tax creditor	–	–	–	–	–	–	14.0	**14.0**
Derivative financial liabilities	6.6	–	**6.6**	–	–	**6.6**	–	**6.6**
Total current liabilities	**6.6**	**–**	**6.6**	**465.5**	**–**	**472.1**	**14.0**	**486.1**

[1] Structured entities controlled by the Group, consolidated in accordance with IFRS 10.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

4. FINANCIAL ASSETS AND LIABILITIES CONTINUED

Company 2018

	Designated as at FVTPL	Available for sale assets at FVTOCI	Total fair value assets/ liabilities	Loans and receivables/ liabilities at amortised cost	Held at cost	Total financial assets/ liabilities	Non financial instruments and other	Total assets/ liabilities £m
Non current assets								
Intangible assets	–	–	**–**	–	–	**–**	13.6	**13.6**
Property, plant and equipment	–	–	**–**	–	–	**–**	9.8	**9.8**
Investments in subsidiaries	–	–	**–**	–	1,175.4	**1,175.4**	–	**1,175.4**
Direct investment in portfolio companies	74.8	–	**74.8**	170.7	–	**245.5**	–	**245.5**
Investments in funds	261.8	7.1	**268.9**	–	–	**268.9**	–	**268.9**
Investments in CLO loan notes	20.2	3.0	**23.2**	–	–	**23.2**	–	**23.2**
Derivative financial assets	0.2	–	**0.2**	–	–	**0.2**	–	**0.2**
Deferred tax asset	–	–	**–**	–	–	**–**	5.6	**5.6**
Total non current assets	**357.0**	**10.1**	**367.1**	**170.7**	**1,175.4**	**1,713.2**	**29.0**	**1,742.2**
Current financial assets								
Trade and other receivables	–	–	**–**	760.4	–	**760.4**	3.7	**764.1**
Financial assets: loans and investments	91.4	–	**91.4**	8.7	–	**100.1**	–	**100.1**
Derivative financial assets	80.0	–	**80.0**	–	–	**80.0**	–	**80.0**
Current tax debtor	–	–	**–**	–	–	**–**	9.0	**9.0**
Cash and cash equivalents	–	–	**–**	214.8	–	**214.8**	–	**214.8**
Total current assets	**171.4**	**–**	**171.4**	**983.9**	**–**	**1,155.3**	**12.7**	**1,168.0**
Non current liabilities								
Provisions	–	–	**–**	1.2	–	**1.2**	–	**1.2**
Financial liabilities	–	–	**–**	840.5	–	**840.5**	–	**840.5**
Derivative financial liabilities	76.8	–	**76.8**	–	–	**76.8**	–	**76.8**
Total non current liabilities	**76.8**	**–**	**76.8**	**841.7**	**–**	**918.5**	**–**	**918.5**
Current liabilities								
Provisions	–	–	**–**	0.5	–	**0.5**	–	**0.5**
Trade and other payables	–	–	**–**	715.3	–	**715.3**	–	**715.3**
Financial liabilities	–	–	**–**	183.7	–	**183.7**	–	**183.7**
Derivative financial liabilities	1.5	–	**1.5**	–	–	**1.5**	–	**1.5**
Total current liabilities	**1.5**	**–**	**1.5**	**899.5**	**–**	**901.0**	**–**	**901.0**

Company								2017
	Designated as at FVTPL	Available for sale assets at FVTOCI	Total fair value assets/ liabilities	Loans and receivables/ liabilities at amortised cost	Held at cost	Total financial assets/ liabilities	Non financial instruments and other	Total assets/ liabilities £m
Non current assets								
Intangible assets	–	–	**–**	–	–	**–**	16.3	**16.3**
Property, plant and equipment	–	–	**–**	–	–	**–**	8.2	**8.2**
Investments in subsidiaries	–	–	**–**	–	937.5	**937.5**	–	**937.5**
Direct investment in portfolio companies	75.1	–	**75.1**	195.1	–	**270.2**	–	**270.2**
Investments in funds	225.0	9.1	**234.1**	–	–	**234.1**	–	**234.1**
Investments in CLO loan notes	31.2	3.6	**34.8**	–	–	**34.8**	–	**34.8**
Derivative financial assets	3.2	–	**3.2**	–	–	**3.2**	–	**3.2**
Total non current assets	**334.5**	**12.7**	**347.2**	**195.1**	**937.5**	**1,479.8**	**24.5**	**1,504.3**
Current financial assets								
Trade and other receivables	–	–	**–**	525.9	–	**525.9**	4.2	**530.1**
Financial assets: loans and investments	58.3	–	**58.3**	31.3	–	**89.6**	–	**89.6**
Derivative financial assets	40.3	–	**40.3**	–	–	**40.3**	–	**40.3**
Current tax debtor	–	–	**–**	–	–	**–**	28.8	**28.8**
Cash and cash equivalents	–	–	**–**	443.9	–	**443.9**	–	**443.9**
Total current assets	**98.6**	**–**	**98.6**	**1,001.1**	**–**	**1,099.7**	**33.0**	**1,132.7**
Non current liabilities								
Provisions	–	–	**–**	1.3	–	**1.3**	–	**1.3**
Financial liabilities	–	–	**–**	1,121.5	–	**1,121.5**	–	**1,121.5**
Derivative financial liabilities	32.7	–	**32.7**	–	–	**32.7**	–	**32.7**
Deferred tax liabilities	–	–	**–**	–	–	**–**	23.3	**23.3**
Total non current liabilities	**32.7**	**–**	**32.7**	**1,122.8**	**–**	**1,155.5**	**23.3**	**1,178.8**
Current liabilities								
Provisions	–	–	**–**	0.7	–	**0.7**	–	**0.7**
Trade and other payables	–	–	**–**	695.4	–	**695.4**	–	**695.4**
Derivative financial liabilities	6.6	–	**6.6**	–	–	**6.6**	–	**6.6**
Total current liabilities	**6.6**	**–**	**6.6**	**696.1**	**–**	**702.7**	**–**	**702.7**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

4. FINANCIAL ASSETS AND LIABILITIES CONTINUED

Fair value measurements recognised in the statement of financial position

The information set out below provides information about how the Group and Company determines fair values of various financial assets and financial liabilities, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

This is followed by a more detailed analysis of the financial instruments which are based on unobservable inputs (Level 3 assets).

Financial assets/ financial liabilities	**Group fair value as at 31 March 2018 £m**	Group fair value as at 31 March 2017 £m	**Company fair value as at 31 March 2018 £m**	Company fair value as at 31 March 2017 £m	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Level 1 assets							
Direct investment in portfolio companies	–	0.8	**–**	0.8	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
Investments in loans held in credit funds consolidated under IFRS 10	–	3.5	**–**	–	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
Investments in funds	**33.4**	50.2	**63.7**	60.7	Quoted bid prices in an active market	n/a	n/a
Total	**33.4**	54.5	**63.7**	61.5			
Level 2 assets							
Direct investment in portfolio companies	**18.5**	38.0	**–**	–	Internally modelled valuation based on a combination of market prices and observable inputs	n/a	n/a
Investments in loans held in credit funds consolidated under IFRS 10	**3,605.9**	3,337.2	**–**	–	The fair value has been determined using independent broker quotes based on observable inputs	n/a	n/a
Current and non current derivative assets	**83.2**	46.7	**80.2**	43.5	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	**3,707.6**	3,421.9	**80.2**	43.5			

Fair value measurements recognised in the statement of financial position

Financial assets/ financial liabilities	**Group fair value as at 31 March 2018 £m**	Group fair value as at 31 March 2017 £m	**Company fair value as at 31 March 2018 £m**	Company fair value as at 31 March 2017 £m	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Level 3 assets							
Direct investment in portfolio companies	**150.3**	204.1	**74.8**	74.3	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 multiple to adjust for points of difference relating to risk and earnings growth prospects. 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 33% and exceptionally as high as 74%. A premium has been applied to four assets in the range of 1% to 101%. The earnings multiple is generally in the range of 10 to 13, and exceptionally a high as 23 and as low as 4	The higher the adjusted multiple, the higher the valuation
					Residual land price. Valuation performed by an independent third party. This valuation technique is a function of expected sales valuation, construction costs, professional fees and expected profit on cost	Cost to complete and sales price per unit	The higher the sales price per unit, the higher the valuation
Investments in loans held in credit funds	**0.3**	62.5	**–**	–	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
Investments in funds	**1,180.9**	916.2	**205.2**	173.4	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 CLO loan notes	**79.2**	54.9	**23.2**	34.8	Discounted cash flow at a discount rate of 11%. The following assumptions are applied to each investment's cashflows: 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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

4. FINANCIAL ASSETS AND LIABILITIES CONTINUED

Financial assets/ financial liabilities	**Group fair value as at 31 March 2018 £m**	Group fair value as at 31 March 2017 £m	**Company fair value as at 31 March 2018 £m**	Company fair value as at 31 March 2017 £m	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Held for sale current financial assets	**91.4**	58.3	**91.4**	58.3	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
Total	**1,502.1**	1,296.0	**394.6**	340.8			
Total assets	**5,243.1**	4,772.4	**538.5**	445.8			
Level 2 liabilities							
Borrowings and loans held in credit funds consolidated under IFRS 10	**(3,309.1)**	(3,183.4)	**–**	–	The fair value of debt securities issued at FVTPL 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
Current and non current derivative liabilities	**(78.3)**	(40.2)	**(78.3)**	(39.3)	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	**(3,387.4)**	(3,223.6)	**(78.3)**	(39.3)			

The following table summarises Group and Company financial assets and liabilities that are held at fair value, by type and level:

Group	2018				2017			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Non current financial assets at fair value								
Financial assets designated as FVTPL	**33.4**	**3,605.9**	**1,368.5**	**5,007.8**	54.5	3,337.2	1,189.6	4,581.3
AFS financial assets held at FVTOCI	**–**	**18.5**	**42.2**	**60.7**	–	38.0	48.1	86.1
Other derivative financial instruments	**–**	**3.2**	**–**	**3.2**	–	6.4	–	6.4
	33.4	**3,627.6**	**1,410.7**	**5,071.7**	54.5	3,381.6	1,237.7	4,673.8
Current financial assets at fair value								
Financial assets designated as FVTPL	**–**	**–**	**91.4**	**91.4**	–	–	58.3	58.3
Other derivative financial instruments	**–**	**80.0**	**–**	**80.0**	–	40.3	–	40.3
	–	**80.0**	**91.4**	**171.4**	–	40.3	58.3	98.6
Financial liabilities at fair value								
– Structured entities controlled by the Group	**–**	**3,309.1**	**–**	**3,309.1**	–	3,183.4	–	3,183.4
Other derivative financial instruments	**–**	**78.3**	**–**	**78.3**	–	40.2	–	40.2
	–	**3,387.4**	**–**	**3,387.4**	–	3,223.6	–	3,223.6

Company	2018				2017			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Non current financial assets at fair value								
Financial assets designated as FVTPL	**63.7**	**–**	**293.1**	**356.8**	61.5	–	269.8	331.3
AFS financial assets held at FVTOCI	**–**	**–**	**10.1**	**10.1**	–	–	12.7	12.7
Other derivative financial instruments	**–**	**0.2**	**–**	**0.2**	–	3.2	–	3.2
	63.7	**0.2**	**303.2**	**367.1**	61.5	3.2	282.5	347.2
Current financial assets at fair value								
Financial assets designated as FVTPL	**–**	**–**	**91.4**	**91.4**	–	–	58.3	58.3
Other derivative financial instruments	**–**	**80.0**	**–**	**80.0**	–	40.3	–	40.3
	–	**80.0**	**91.4**	**171.4**	–	40.3	58.3	98.6
Financial liabilities at FVTPL								
Other derivative financial instruments	**–**	**78.3**	**–**	**78.3**	–	39.3	–	39.3
	–	**78.3**	**–**	**78.3**	–	39.3	–	39.3

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

4. FINANCIAL ASSETS AND LIABILITIES CONTINUED

Reconciliation of Level 3 fair value measurements of financial assets

The following 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.

Group			2018			2017
	Financial assets designated as FVTPL £m	AFS financial assets held at FVTOCI £m	Total £m	Financial assets designated as FVTPL £m	AFS financial assets held at FVTOCI £m	Total £m
At 1 April	1,189.6	48.1	1,237.7	982.1	79.2	1,061.3
Total gains or losses in the income statement						
– Realised gains	(171.2)	(1.8)	(173.0)	(97.4)	(12.4)	(109.8)
– Fair value gains	220.5	–	220.5	173.2	–	173.2
– Foreign exchange	(26.5)	0.9	(25.6)	79.2	5.1	84.3
Total gains or losses in other comprehensive income						
– Unrealised losses	–	(0.4)	(0.4)	–	(0.4)	(0.4)
Purchases	402.4	0.2	402.6	261.5	0.3	261.8
Realisations	(227.8)	(4.8)	(232.6)	(224.4)	(23.7)	(248.1)
Transfer between assets	30.1	–	30.1	15.4	–	15.4
Transfer between levels	(48.6)	–	(48.6)	–	–	–
At 31 March	1,368.5	42.2	1,410.7	1,189.6	48.1	1,237.7

Company			2018			2017
	Financial assets designated as FVTPL £m	AFS financial assets held at FVTOCI £m	Total £m	Financial assets designated as FVTPL £m	AFS financial assets held at FVTOCI £m	Total £m
At 1 April	269.8	12.7	282.5	285.9	27.8	313.7
Total gains or losses in the income statement						
– Realised gains	(43.2)	(1.9)	(45.1)	(10.9)	(8.7)	(19.6)
– Fair value gains	8.4	–	8.4	43.4	–	43.4
– Foreign exchange	(18.7)	0.4	(18.3)	23.6	1.5	25.1
Total gains or losses in other comprehensive income						
– Unrealised gains	–	2.9	2.9	–	0.8	0.8
Purchases	137.9	0.2	138.1	15.5	0.3	15.8
Realisations	(83.9)	(4.2)	(88.1)	(94.8)	(9.0)	(103.8)
Transfer between assets	22.8	–	22.8	7.1	–	7.1
At 31 March	293.1	10.1	303.2	269.8	12.7	282.5

Transfer between assets relate principally to movements between current and non current financial assets.

During the period £48.6m of assets have been transferred from level 3 to level 2 following a reassessment of valuation techniques.

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					
	2018			2017		
	Value in accounts £m	**+10% £m**	**–10% £m**	Value in accounts £m	+10% £m	–10% £m
Group						
Non current financial assets at fair value						
Financial assets designated as FVTPL	**1,368.5**	**1,518.6**	**1,218.3**	1,189.6	1,321.5	1,057.6
AFS financial assets held at FVTOCI	**42.2**	**48.4**	**36.2**	48.1	55.6	40.8
	1,410.7	**1,567.0**	**1,254.4**	1,237.7	1,377.1	1,098.4
Current financial assets at fair value						
Financial assets designated as FVTPL	**91.4**	**100.6**	**82.3**	58.3	64.1	52.5
Company						
Non current financial assets at fair value						
Financial assets designated as FVTPL	**293.1**	**331.9**	**254.3**	269.8	307.0	232.8
AFS financial assets held at FVTOCI	**10.1**	**11.1**	**9.1**	12.7	14.0	11.4
	303.2	**343.0**	**263.4**	282.5	321.0	244.2
Current financial assets at fair value						
Financial assets designated as FVTPL	**91.4**	**100.6**	**82.3**	58.3	64.1	52.5

FINANCIAL LIABILITIES

Accounting policy

Financial liabilities which include borrowings, with the exception of financial liabilities designated as FVTPL, 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 FVTPL include derivative liabilities and other financial liabilities designated as FVTPL within structured entities controlled by the Group. 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 FVTPL 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.

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FOR THE YEAR ENDED 31 MARCH 2018

4. FINANCIAL ASSETS AND LIABILITIES CONTINUED

Group	2018 Current £m	2018 Non current £m	2017 Current £m	2017 Non current £m
Liabilities held at amortised cost:				
– Private placements	82.8	603.6	–	743.5
– Listed notes and bonds	100.9	236.9	–	335.5
– Unsecured bank debt	–	–	–	42.5
Liabilities held at FVTPL:				
– Structured entities controlled by the Group	–	3,309.1	–	3,183.4
	183.7	4,149.6	–	4,304.9

Company	2018 Current £m	2018 Non current £m	2017 Current £m	2017 Non current £m
Liabilities held at amortised cost:				
– Private placements	82.8	603.6	–	743.5
– Listed notes and bonds	100.9	236.9	–	335.5
– Unsecured bank debt	–	–	–	42.5
	183.7	840.5	–	1,121.5

DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Derivative financial instruments for hedging

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.

Group	2018 Contract or underlying principal amount £m	2018 Fair values Asset £m	2018 Fair values Liability £m	2017 Contract or underlying principal amount £m	2017 Fair values Asset £m	2017 Fair values Liability £m
Foreign exchange derivatives						
Forward foreign exchange contracts	978.8	10.9	(1.5)	885.1	7.1	(7.5)
Cross currency swaps	359.0	71.8	(76.8)	382.6	38.2	(32.7)
Interest rate swaps	20.0	0.5	–	20.0	1.4	–
Total	1,357.8	83.2	(78.3)	1,287.7	46.7	(40.2)

Included in derivative financial instruments is accrued interest on swaps of £1.3m (2017: £1.9m).

4. FINANCIAL ASSETS AND LIABILITIES CONTINUED

Company	2018			2017		
	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	**807.8**	**7.9**	**(1.5)**	757.9	3.9	(6.6)
Cross currency swaps	**359.0**	**71.8**	**(76.8)**	382.6	38.2	(32.7)
Interest rate swaps	**20.0**	**0.5**	**–**	20.0	1.4	–
Total	**1,186.8**	**80.2**	**(78.3)**	1,160.5	43.5	(39.3)

The fair value of assets pledged as collateral at 31 March 2018 was £70.4m (31 March 2017: £34.4m), the names of the counterparties are: Citigroup Global Markets Limited, HSBC Bank London, Commonwealth Bank of Australia, Lloyds TSB Bank Plc, Royal Bank of Scotland Plc, Société Générale Paris and Deutsche Bank. All of the Credit Support Annex that have been agreed with our counterparties are fully EMIR compliant.

There were no breaches to loan agreements during the current or prior year.

The change in fair value related to credit risk as at 31 March 2018 was £0.1m (31 March 2017: Nil).

Under the relevant ISDA Master Agreements in place with our counter parties, the close-out netting provision would result in all obligations under a contract with a defaulting party being terminated and there would be a subsequent combining of positive and negative replacement values into a single net payable or receivable. This reduces the credit exposure from gross to net.

Key sources of estimation uncertainty

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.

For details of the Group's risk management policies and disclosures see note 20.

5. 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 £406.5m (2017: loss of £94.6m).

6. FINANCE AND DIVIDEND INCOME

Accounting policy

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. Interest income recognised on financial assets designated at FVTPL relates to structured entities controlled by the Group, consolidated under IFRS 10.

	2018 £m	2017 £m
Interest income:		
– Loans and receivables at amortised cost on unimpaired loans	**21.2**	61.3
– Loans and receivables at amortised cost on impaired loans	**4.9**	5.4
– Loans and investments held for sale	**4.3**	0.4
– Financial assets designated at FVTPL	**156.3**	130.6
– On bank deposits	**–**	0.1
Dividend income from equity investments	**3.1**	6.4
	189.8	204.2

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

7. NET GAINS ON INVESTMENTS

Accounting policy

Net gains and losses comprise realised gains and losses on disposal of financial assets and financial liabilities measured at fair value and the unrealised gains and losses on the revaluation of investments.

	2018 £m	2017 £m
Financial assets		
Change in fair value of financial instruments designated at FVTPL	**255.2**	317.4
Amount reclassified from equity on disposal of Available For Sale assets	**2.3**	54.4
	257.5	371.8
Financial liabilities		
Change in fair value of financial instruments designated at FVTPL	**(4.5)**	(85.0)
Net gains and losses arising on investments	**253.0**	286.8

8. FINANCE COSTS

Accounting policy

Interest expense on the Group's debt is recognised using the effective interest rate method, based on the expected future cash flows of the liabilities over their expected life being the maturity date.

Financial liabilities within structured entities controlled by the Group are held at fair value through profit or loss. Interest expense on these liabilities is recognised when the obligation to pay interest is established.

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

	2018 £m	2017 £m
Interest expense recognised on financial liabilities held at amortised cost	**51.2**	44.0
Interest expense recognised on financial liabilities designated as FVTPL	**104.3**	99.0
Net fair value movements on derivatives	**5.5**	0.5
Arrangement and commitment fees	**5.4**	9.9
	166.4	153.4

9. IMPAIRMENT OF ASSETS

Accounting policy

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. 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.

	2018 £m	2017 £m
Impairments on loans and receivables at amortised cost	**19.3**	18.2
Recoveries on loans and receivables at amortised cost	**(7.4)**	(1.6)
Impairments on Available For Sale financial assets held at fair value	**6.9**	8.7
Net impairments	**18.8**	25.3

Critical judgements in the application of accounting policies and key sources of estimation uncertainty

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, a restructuring or a significant and prolonged decline in the value of the investment.

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 earning, the amount and sources of cash flows, the industry in which the investee operates and the likelihood of cash recovery. Of the net impairments during the year, the management made a key judgement in relation to the partial impairment of £6.4million to a loan investment in one of the Group's portfolio companies. The company has had continued underperformance during the year, which makes the recovery of the Group's asset uncertain. Determining an impairment quantum and timing involves significant judgement. Net assets and profit before tax would have reduced by a further £11m if the asset had been deemed fully impaired in the year.

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 2018

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2018 £m	2017 £m
Staff costs	**155.8**	139.3
Amortisation and depreciation	**5.7**	6.0
Operating lease expenses	**4.0**	4.3
Auditor's remuneration	**1.4**	1.2

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

	2018 £m	2017 £m
AUDIT FEES		
Group audit of the annual accounts	**0.6**	0.5
The audit of subsidiaries' annual accounts	**0.4**	0.4
Total audit fees	**1.0**	0.9
Non audit fees in capacity as auditor	**0.1**	0.1
OTHER NON AUDIT FEES		
Taxation compliance services	**–**	0.1
Other non audit services not covered above	**0.3**	0.1
Total other non audit fees	**0.3**	0.2
Total auditor's remuneration	**1.4**	1.2

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 58. No services were provided pursuant to contingent fee arrangements.

The £0.3m of other non audit fees relate to due diligence work performed as part of the Group's investment activities.

11. EMPLOYEES AND DIRECTORS

Accounting policy

The Balance Sheet Carry ('BSC') scheme forms part of the Company's remuneration policy for investment executives. BSC takes the form of an 'in house' carry arrangement (i.e. on the returns from investments made by the Group on its balance sheet). For full details of this scheme please see page 73.

Management estimate when each vintage will meet its hurdle rate and begin to pay out to participants of the scheme. ICG accrue the cost evenly over the three years preceding the date of the expected first payment, based on the returns recognised through the income statement in relation to these investments. The social security costs associated with these payments are in line with the BSC cost taken through the P&L, the amount accrued to be paid in future periods amounts to £7.7m at 31 March 2018.

	2018 £m	2017 £m
Directors' emoluments	**2.6**	2.3

	2018 £m	2017 £m
Employee costs during the year including Directors:		
Wages and salaries	**124.5**	126.1
Social security costs	**28.0**	9.7
Pension costs	**3.3**	3.5
	155.8	139.3

The monthly average number of employees (including Directors) was:

	2018	2017
Investment Executives	**156**	146
Infrastructure	**132**	127
Directors	**2**	3
	290	276

ICG Plc, the Company, does not have any employees but relies on the expertise and knowledge of employees of ICG FMC Limited.

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

The performance related element included in employee costs is £104.8m (2017: £88.0m) which is derived as a result of the annual bonus scheme, Omnibus Scheme and the Balance Sheet Carry Scheme. Please refer to the report of the Remuneration Committee on pages 68 to 92.

In addition, during the year, third party funds have paid £3.6m (2017: £19.5m) to former employees and £2.7m (2017: £26.9m) to current employees, including Executive Directors, relating to the settlement of carried interests allocated and sold to these employees in prior periods. Such amounts become due over time if, and when, specified performance targets are ultimately realised in cash by the funds.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

12. TAX EXPENSE

Accounting policy

Tax expense comprises current and deferred 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 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.

Analysis of tax on ordinary activities	2018 £m	2017 £m
Current tax		
Corporate tax	**(6.4)**	11.6
Prior year adjustment	**14.6**	(9.7)
	8.2	1.9
Deferred taxation		
Current year	**(41.4)**	26.8
Prior year adjustment	**(18.5)**	5.5
	(59.9)	32.3
Tax (credit)/charge on profit on ordinary activities	**(51.7)**	34.2

	2018 £m	2017 £m
Profit on ordinary activities before tax	**199.1**	252.4
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2017: 20%)	**37.8**	50.5
Effects of:		
Prior year adjustment to current tax	**14.6**	(9.7)
Prior year adjustment to deferred tax	**(18.6)**	5.5
	(4.0)	(4.2)
Non taxable and non deductible items	**–**	3.4
Current year risk provision (credit)/charge	**(27.1)**	2.9
Different tax rates of overseas subsidiaries[1]	**(38.0)**	(16.5)
Changes in statutory tax rates	**–**	(1.9)
Substantial shareholder exemption – deferred tax adjustment[2]	**(15.4)**	–
Other temporary differences	**(5.0)**	–
Current tax (credit)/charge for the year	**(51.7)**	34.2

The effective tax rate is lower than the standard corporation tax rate of 19%. This is in part due to a significant proportion of the Investment Company's assets being invested directly into funds based outside the United Kingdom.

Investment returns from these funds are paid to the Group in the form of non taxable dividend income. This outcome is in line with other UK investment companies. The Investment Company's taxable costs can therefore be used to offset the taxable profits of our UK Fund Management business, reducing the overall Group charge.

In addition, there are two deferred tax accounting adjustments in the current year which have further reduced the tax charge:

1. Finance Act 2017 widened the definition of the 'Substantial Shareholder Exemption' rules which exempt companies from tax on the disposal of an investment in which 10% of the shares are held and certain other conditions met. As a result there are a small number of legacy assets, dating from when ICG was a principal investor, that will now qualify for SSE and be exempt from tax. As tax had previously been expected to be paid on these balances, a deferred tax liability of £15.4m had been accrued which has been released in the current year.
2. The Group has reviewed, and updated, its transfer pricing policy to reflect current business practices and in line with the OECD's 'Base Erosion and Profit Shifting' (BEPS) guidelines. The updated methodology was prepared in conjunction with our corporate tax advisers and the use of external benchmarking. Following this exercise, and in light of the Group's ongoing low risk tax status in the UK and no open enquiries elsewhere, the Director's reassessed the necessity for a tax risk provision. The Director's concluded that whilst there remains an inherent risk of challenge by UK and overseas tax authorities this was not sufficient to maintain the provision of £27.1m.

Deferred tax

Group	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2016	5.0	35.1	(9.0)	19.5	50.6
Prior year adjustment	–	2.7	–	3.3	6.0
Prior year adjustment – rate change	(0.1)	(0.3)	0.1	(0.1)	(0.4)
(Credit)/charge to equity	–	(9.1)	2.8	–	(6.3)
(Credit)/charge to income	0.7	17.2	(1.2)	10.1	26.8
At 31 March 2017	**5.6**	**45.6**	**(7.3)**	**32.8**	**76.7**
Prior year adjustment	**–**	**(22.4)**	**–**	**3.8**	**(18.6)**
Prior year adjustment – rate change	**–**	**–**	**–**	**0.1**	**0.1**
(Credit)/charge to equity	**–**	**(3.0)**	**(4.9)**	**–**	**(7.9)**
(Credit)/charge to income	**(1.2)**	**(14.7)**	**(6.0)**	**(19.5)**	**(41.4)**
At 31 March 2018	**4.4**	**5.5**	**(18.2)**	**17.2**	**8.9**

Company	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2016	5.0	8.4	(4.9)	1.3	9.8
Prior year adjustment	–	2.4	–	3.1	5.5
Prior year adjustment – rate change	(0.1)	(0.1)	–	–	(0.2)
Credit to equity	–	(1.6)	2.8	–	1.2
(Credit)/charge to income	0.4	8.8	1.1	(3.3)	7.0
At 31 March 2017	**5.3**	**17.9**	**(1.0)**	**1.1**	**23.3**
Prior year adjustment	**–**	**(17.6)**	**(0.1)**	**3.7**	**(14.0)**
(Credit)/charge to equity	**–**	**0.2**	**(4.9)**	**–**	**(4.7)**
(Credit)/charge to income	**(1.4)**	**(2.7)**	**(5.1)**	**(1.0)**	**(10.2)**
At 31 March 2018	**3.9**	**(2.2)**	**(11.1)**	**3.8**	**(5.6)**

The net deferred tax balance of £13.9m includes a total deferred tax asset for the UK Group of £2.6m which has not been provided. As a result of the Group's low tax rate driven by the activities of the Investment Company, management have assessed that the taxable profits in the foreseeable future will be lower than the profits arising from the reversal of existing taxable temporary differences. Accordingly the full value of deferred tax assets has not been recognised.

Deferred tax has been accounted for at the substantively enacted corporation tax rate of 19%.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

13. DIVIDENDS

Accounting policy

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.

	2018		2017	
	Per share pence	**£m**	Per share pence	£m
Ordinary dividends paid				
Final	**19.5**	**55.2**	15.8	49.9
Interim	**9.0**	**25.5**	7.5	21.0
	28.5	**80.7**	23.3	70.9
Proposed final dividend	**21.0**	**59.4**	19.5	54.7

Of the £80.7m (2017: £70.9m) of ordinary dividends paid during the year, £1.4m were reinvested under the dividend reinvestment plan that was offered to shareholders (2017: £1.2m). A special dividend of £200m was paid in the prior year, which amounted to 63.4 pence per share.

14. EARNINGS PER SHARE

Earnings	**2018 £m**	2017 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	**251.0**	217.8

Number of shares	**2018**	2017
Weighted average number of ordinary shares for the purposes of basic earnings per share	**282,649,240**	292,255,497
Effect of dilutive potential ordinary shares share options	**25,601**	13,654
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**282,674,841**	292,269,151

Earnings per share	**88.8p**	74.5p
Diluted earnings per share	**88.8p**	74.5p

15. INTANGIBLE ASSETS

Accounting policy

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.

The excess of the fair value at the date of acquisition of the cost of investments in subsidiaries over the fair value of the net assets acquired which is not allocated to individual assets and liabilities is determined to be goodwill. Goodwill is reviewed at least annually for impairment.

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 eight years.

Group	Goodwill 2018 £m	Goodwill 2017 £m	Investment management contract 2018 £m	Investment management contract 2017 £m	Total 2018 £m	Total 2017 £m
Cost						
At 1 April	**4.3**	4.3	**25.5**	25.5	**29.8**	29.8
Additions	**–**	–	**–**	–	**–**	–
At 31 March	**4.3**	4.3	**25.5**	25.5	**29.8**	29.8
Amortisation						
At 1 April	**–**	–	**9.1**	6.2	**9.1**	6.2
Charge for the year	**–**	–	**2.7**	2.9	**2.7**	2.9
At 31 March	**–**	–	**11.8**	9.1	**11.8**	9.1
Net book value at 31 March	**4.3**	4.3	**13.7**	16.4	**18.0**	20.7

Goodwill was acquired in the Longbow Real Estate Capital LLP business combination and represents a single cash generating unit. The recoverable amount of the real estate cash generating unit is based on fair value less costs to sell where the fair value equates to a multiple of adjusted net income, in line with the original consideration methodology. The significant headroom on the recoverable amount is not sensitive to any individual assumption.

Company	Investment management contract 2018 £m	Investment management contract 2017 £m
Cost		
At 1 April	**19.9**	19.9
Additions	**–**	–
At 31 March	**19.9**	19.9
Amortisation		
At 1 April	**3.6**	0.8
Charge for the year	**2.7**	2.8
At 31 March	**6.3**	3.6
Net book value at 31 March	**13.6**	16.3

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FOR THE YEAR ENDED 31 MARCH 2018

16. PROPERTY, PLANT AND EQUIPMENT

Accounting policy
The Group's property, plant and equipment provide the infrastructure to enable the Group to operate. Assets are initially stated at cost, which includes expenditure associated with acquisition. The cost of the asset is recognised in the income statement as a depreciation charge on a straight line basis over the estimated useful life, three years for furniture and equipment, five years for short leasehold premises.

	Furniture and equipment		Short leasehold premises		Total	
Group	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Cost						
At 1 April	**27.1**	22.3	**5.7**	5.9	**32.8**	28.2
Transfer between furniture and equipment/short leasehold premises	**–**	0.5	**–**	(0.5)	**–**	–
Additions	**4.1**	3.9	**0.1**	0.2	**4.2**	4.1
Disposals	**–**	–	**(0.2)**	–	**(0.2)**	–
Exchange differences	**–**	0.4	**–**	0.1	**–**	0.5
At 31 March	**31.2**	27.1	**5.6**	5.7	**36.8**	32.8
Depreciation						
At 1 April	**18.2**	15.2	**5.4**	4.9	**23.6**	20.1
Charge for the year	**2.7**	2.8	**0.3**	0.3	**3.0**	3.1
Disposals	**–**	–	**(0.2)**	–	**(0.2)**	–
Exchange differences	**–**	0.2	**(0.1)**	0.2	**(0.1)**	0.4
At 31 March	**20.9**	18.2	**5.4**	5.4	**26.3**	23.6
Net book value	**10.3**	8.9	**0.2**	0.3	**10.5**	9.2

	Furniture and equipment		Short leasehold premises		Total	
Company	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Cost						
At 1 April	**23.7**	19.6	**4.2**	4.3	**27.9**	23.9
Transfer between furniture and equipment/short leasehold premises	**–**	0.2	**–**	(0.2)	**–**	–
Additions	**4.2**	3.9	**–**	0.1	**4.2**	4.0
At 31 March	**27.9**	23.7	**4.2**	4.2	**32.1**	27.9
Depreciation						
At 1 April	**15.6**	13.4	**4.1**	4.1	**19.7**	17.5
Charge for the year	**2.5**	2.2	**0.1**	–	**2.6**	2.2
At 31 March	**18.1**	15.6	**4.2**	4.1	**22.3**	19.7
Net book value	**9.8**	8.1	**–**	0.1	**9.8**	8.2

17. TRADE AND OTHER RECEIVABLES

Accounting policy

Other receivables are held at amortised cost and represent amounts the Group is due to receive in the normal course of business. Other receivables within structured entities controlled by the Group relate principally to unsettled trades on the sale of financial assets. Amounts owed by Group companies are non interest bearing and repayable on demand. The carrying value of trade and other receivables approximates fair value.

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Other receivables within structured entities controlled by the Group	**166.7**	114.9	**–**	–
Other receivables excluding structured entities controlled by the Group	**119.0**	81.7	**73.0**	39.7
Amount owed by Group companies	**–**	–	**687.4**	486.2
Prepayments	**26.4**	11.7	**3.7**	4.2
	312.1	208.3	**764.1**	530.1

18. TRADE AND OTHER PAYABLES

Accounting policy

Trade and other payables are held at amortised cost and represent amounts the Group is due to pay in the normal course of business. Other payables in the table below relate principally to unsettled trades on the purchase of financial assets within structured entities controlled by the Group. Accruals represent costs, including remuneration, that are not yet billed or due for payment, but for which the goods or services have been received. Amounts owed to Group companies are non interest bearing and repayable on demand. The carrying value of trade and other payables approximates fair value.

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Trade payables	**2.0**	2.6	**1.6**	2.2
Other payables	**382.2**	332.2	**–**	–
Accruals	**169.1**	122.6	**154.2**	109.0
Amounts owed to Group companies	**–**	–	**558.0**	577.1
Social security tax	**2.0**	7.4	**1.5**	7.1
	555.3	464.8	**715.3**	695.4

19. PROVISIONS

Accounting policy

The Group holds onerous lease provisions 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.

Group and Company	Onerous lease £m
At 1 April 2017	2.0
Utilisation of provision	(0.4)
Unwinding of discount	0.1
As at 31 March 2018	**1.7**

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19. PROVISIONS CONTINUED

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

Group and Company	2018 £m	2017 £m
Less than one year	**0.5**	0.7
One to five years	**1.2**	1.3
	1.7	2.0

20. FINANCIAL RISK MANAGEMENT

The Board of Directors has 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 market risk (including exposure to interest rates and foreign currency), liquidity risk and credit risk arising from financial instruments.

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

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

	2018			2017		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Financial assets	**4,198.5**	**1,956.4**	**6,154.9**	4,336.0	1,629.6	5,965.6
Financial liabilities	**(3,314.7)**	**(1,575.6)**	**(4,890.3)**	(3,227.0)	(1,544.7)	(4,771.7)
	883.8	**380.8**	**1,264.6**	1,109.0	84.9	1,193.9

The sensitivity of floating rate financial assets to the 100 basis points interest rate increase is £42.0m (2017: £43.4m) and the sensitivity of financial liabilities to the same interest rate increase is £33.1m (2017: £32.3m). 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 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:

					2018
Group	**Net statement of financial position exposure £m**	**Forward exchange contracts £m**	**Net exposure £m**	**Sensitivity to strengthening %**	**Increase in net assets £m**
Sterling	**0.1**	**985.1**	**985.2**	**–**	**–**
Euro	**820.2**	**(663.8)**	**156.4**	**15%**	**23.5**
US dollar	**271.6**	**(153.1)**	**118.5**	**20%**	**23.7**
Other currencies	**199.1**	**(163.3)**	**35.8**	**10–25%**	**–**
	1,291.0	**4.9**	**1,295.9**	**–**	**47.2**

					2017
Group	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Increase in net assets £m
Sterling	153.9	851.6	1,005.5	–	–
Euro	730.2	(617.2)	113.0	15%	17.0
US dollar	56.8	(6.7)	50.1	20%	10.0
Other currencies	253.0	(221.2)	31.8	10–25%	–
	1,193.9	6.5	1,200.4	–	27.0

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 2018. It is assumed that Group borrowings under its senior debt facilities remain at the same level as at 31 March 2018 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 2018	**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	**110.6**	**26.8**	**351.0**	**335.2**	**823.6**
Listed notes and bonds	**119.0**	**13.0**	**266.5**	**–**	**398.5**
Structured entities controlled by the Group	**87.5**	**87.5**	**262.5**	**3,188.8**	**3,626.3**
Derivative financial instruments	**(9.7)**	**(3.4)**	**44.2**	**4.7**	**35.8**
	307.4	**123.9**	**924.2**	**3,528.7**	**4,884.2**

As at 31 March 2018 the Group has unutilised debt facilities of £729.7m (2017: £970.8m) which consists of undrawn debt of £482.1m (2017: £480.9m) and £247.6m (2017: £489.9m) of unencumbered cash. Unencumbered cash excludes £273.1m (2017: £291.0m) of restricted cash held principally by structured entities controlled by the Group.

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20. FINANCIAL RISK MANAGEMENT CONTINUED

As at 31 March 2017	Contractual maturity analysis 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	34.5	120.5	361.5	411.3	927.8
Private placements	18.2	117.1	111.5	168.0	414.8
Listed notes and bonds	0.7	43.1	–	–	43.8
Unsecured bank debt	76.6	76.6	229.7	3,658.5	4,041.4
Structured entities controlled by the Group					
Derivative financial instruments	(1.8)	(4.7)	(6.8)	12.8	(0.5)
	128.2	352.6	695.9	4,250.6	5,427.3

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. During the financial year, $292m and €74m of US private placements were raised with five, eight and 10 year maturities, enabling the repayment of maturing private placements and a reduction in existing bank facilities.

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.

This risk is mitigated by the disciplined credit procedures that the Investment Committees 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 the 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

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Loans to portfolio companies held at amortised cost	**171.1**	218.0	**170.7**	195.1
Direct investment in portfolio companies held at fair value	**168.8**	242.9	**86.1**	75.1
Investments in funds	**1,214.3**	966.4	**268.9**	234.1
Investments in CLO loan notes within structured entities controlled by the Group	**79.2**	54.9	**23.2**	34.8
Investments in loans held in credit funds	**3,606.2**	3,403.2	**–**	–
Investment in Joint Venture	**1.7**	1.3	**–**	–
	5,241.3	4,886.7	**548.9**	539.1

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 credit rating of these institutions range from BBB+ to AAA.

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 Group's investments in CLO loan notes and loans held in credit funds principally comprise senior loans. The credit risk related to any reduction in the value of investments in loans held in credit funds is borne by the investors in the loan notes or units in these funds. ICG's exposure to the credit risk of the underlying collateral is therefore limited to its investments in these CLOs and credit funds, which at 31 March 2018 was £345.9m (2017: £292.8m).

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.

There are no financial assets that are past due and not impaired.

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 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 2017.

The capital structure comprises debt, which include the borrowings disclosed in note 4, 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 Capital Requirements Directive (CRD IV) sets out a three pillar approach to the assessment and disclosure of the adequacy of a relevant firm's capital resources.

- Pillar 1 calculates a firm's minimum capital resource requirement mechanically by reference to the firm type and based on prescribed factors.
- Pillar 2 requires a subjective assessment of the firm's capital resource requirement by reference to the risks to which it is exposed and within the context of its overall risk management framework. The process, known as the ICAAP, is a key input into the supervisory review process of the Financial Conduct Authority (the FCA).
- Pillar 3 requires public disclosure of information regarding the risk management, capital resources and capital requirements of a firm and group where a group exists with the aim of promoting market discipline.

The Group is required to maintain minimum Pillar 1 regulatory capital of £340.9m (2017: £323.4m), The Group's total capital requirement is £385.6m (2017: £368.1m). The Group's regulatory surplus capital, comprising the Group's total equity (less regulatory deductions) and the regulatory capital requirement, was £607.7m (2017: £519.1m). 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.

21. CALLED UP SHARE CAPITAL AND SHARE PREMIUM

Share capital represents the number of issued ordinary shares in Intermediate Capital Group plc multiplied by their nominal value of 26¼p each.

The Company has the authority limited by shareholder resolution to issue, buy back, or cancel ordinary shares in issue (including those held in trust). New shares are issued when share options are exercised by employees.

Share premium substantially represents the aggregate of all amounts that have ever been paid above nominal value to Intermediate Capital Group plc when it has issued ordinary shares.

Group and Company	Number of ordinary shares of 26¼p allotted, called up and fully paid	Share Capital £m	Share Premium £m
1 April 2017	293,903,724	77.1	179.0
Shares issued	151,704	0.1	0.4
31 March 2018	**294,055,428**	**77.2**	**179.4**

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22. OWN SHARES RESERVE

Accounting policy

Own shares are recorded by the Group when ordinary shares are purchased in the market by ICG plc or through the Employee Benefit Trust (EBT).

The 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 (see note 24) in a way that does not dilute the percentage holdings of existing shareholders.

Own shares are held at cost and their purchase reduces the Group's net assets by the amount spent. When shares vest or are cancelled, they are transferred from own shares to the profit and loss reserve at their weighted average cost. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own shares.

The movement in the year is as follows:

Group	2018 £m	2017 £m	2018 Number	2017 Number
At 1 April	**82.2**	77.0	**13,363,728**	15,010,728
Purchased (ordinary shares of 26¼p)	**26.2**	23.7	**2,872,221**	3,611,309
Options/awards exercised	**(30.8)**	(18.5)	**(4,880,183)**	(3,587,843)
Share consolidation	**–**	–	**–**	(1,670,466)
As at 31 March	**77.6**	82.2	**11,355,766**	13,363,728

The Company held 3,733,333 shares in the Own Share Reserve at 31 March 2017 and 31 March 2018 at a cost of £21.3m. These shares were purchased through share buy back in prior years.

The number of shares held by the Group at the balance sheet date represented 3.9% (2017: 4.5%) of the Parent Company's allotted, called up and fully paid share capital.

23. AVAILABLE FOR SALE RESERVE

AFS financial assets at 'fair value through other comprehensive income' (FVTOCI) are financial assets not classified elsewhere and include 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.

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Balance 1 April	**12.7**	51.9	**5.3**	11.9
Amount reclassified from equity on disposal of AFS financial assets	**(2.3)**	(54.4)	**(2.0)**	(9.8)
Impairments of AFS financial assets recycled to profit	**6.9**	8.7	**–**	–
Change in fair value of AFS financial assets	**(15.9)**	(4.5)	**3.0**	0.8
Foreign exchange	**1.3**	1.9	**0.2**	0.8
Tax on items taken directly to or transferred from equity	**3.0**	9.1	**(0.2)**	1.6
Balance 31 March	**5.7**	12.7	**6.3**	5.3

24. SHARE BASED PAYMENTS

Accounting policy

The Group issues compensation to its employees under equity settled share based payment plans. The Omnibus Plan provides for two different award types to be made over ICG shares: Deferred Share Awards and PLC Equity Awards. FMC Equity Awards were awarded up until May 2017. In addition, Buy Out Awards are shares awarded to new employees in lieu of awards forfeited from their previous employment.

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.

All share based payment transactions are equity settled. The total charge to the income statement for the year was £22.1m (2017: £25.1m) and this was credited to the share based payments reserve in equity. Details of the different types of awards are as follows:

Deferred Share Awards

Awards are made after the end of the financial year to reward employees for delivering cash profits, managing the cost base, employing sound risk and business management. These share awards normally vest one third at the end of the first, second and third years following the year of grant, unless the individual leaves for cause or to join a competitor. Dividend equivalents accrue to participants during the vesting period and are paid at the vesting date. Awards are based on performance against individual's objectives. There are no further performance conditions.

PLC Equity Awards

Awards are made after the end of the financial year to reward senior employees for increasing long term shareholder value. These share awards normally vest one third at the end of the third, fourth and fifth years following the year of grant, unless the individual leaves for cause or to join a competitor. Dividend equivalents accrue to participants during the vesting period and are paid at the vesting date. Awards are based on performance against individual's objectives. There are no further performance conditions.

FMC Equity Awards

FMC Equity Awards were awarded up until May 2017. Awards were made after the end of the financial year to incentivise those employees charged with accelerating the expansion of the Company's fund management business. The awards are over shares in FMC and 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. Awards were based on performance against individual's objectives. There are no further performance conditions.

Buy Out Awards

Shares may be awarded to a new employee in lieu of awards forfeited from their previous employment. These share awards shall vest or be forfeited according to the schedule and terms of the forfeited awards, and any performance conditions detailed in the individual's employment contract.

Intermediate Capital Group plc 2001 approved and unapproved executive share option scheme

All options under the Intermediate Capital Group plc 2001 scheme have vested, and 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 (£)	
	2018	2017	**2018**	2017
Outstanding at 1 April	**25,601**	323,064	**2.95**	5.15
Forfeited	**–**	(68,922)	**–**	5.05
Exercised	**–**	(228,541)	**–**	5.42
Outstanding at 31 March	**25,601**	25,601	**–**	2.95
Of which are currently exercisable	**25,601**	25,601	**2.95**	2.95

The weighted average share price of the date of exercise in 2017 was £5.42. The weighted average remaining contractual life is 1.5 years (2017: 2.5 years).

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FOR THE YEAR ENDED 31 MARCH 2018

24. SHARE BASED PAYMENTS CONTINUED

Exercise price	2018 Number	2017 Number
£2.947	**25,601**	25,601
	25,601	25,601

Intermediate Capital Group plc Omnibus Plan

Share awards outstanding under the Omnibus Plan were as follows:

	Number		Weighted average fair value (£)	
Deferred Share Awards	2018	2017	2018	2017
Outstanding at 1 April	**1,406,126**	1,140,049	**5.98**	4.99
Granted	**1,103,423**	962,285	**8.06**	6.55
Vested	**(652,964)**	(492,679)	**5.63**	4.86
Forfeited	**(16,677)**	(26,141)	**6.84**	4.73
Share consolidation reduction	**–**	(177,388)	**–**	5.97
Outstanding at 31 March	**1,839,908**	1,406,126	**7.35**	5.98

	Number		Weighted average fair value (£)	
PLC Equity Awards	2018	2017	2018	2017
Outstanding at 1 April	**4,224,863**	4,916,580	**4.93**	4.07
Granted	**1,221,931**	1,129,709	**8.06**	6.55
Vested	**(1,103,582)**	(1,293,320)	**3.50**	3.06
Share consolidation reduction	**–**	(528,106)	**–**	4.93
Outstanding at 31 March	**4,343,212**	4,224,863	**6.18**	4.93

	Number		Weighted average fair value (£)	
FMC Equity Awards	2018	2017	2018	2017
Outstanding at 1 April	**71,101**	69,082	**412.0**	360.0
Granted	**11,104**	19,631	**700.0**	515.0
Vested	**(27,072)**	(13,737)	**325.0**	310.0
Forfeited	**(1,085)**	(3,875)	**447.0**	365.0
Outstanding at 31 March	**54,048**	71,101	**514.0**	412.0

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.

Intermediate Capital Group plc Buy Out Awards

Buy out awards outstanding were as follows:

	Number		Weighted average fair value (£)	
Buy Out Awards	2018	2017	2018	2017
Outstanding at 1 April	**508,604**	–	**6.16**	–
Granted	**47,830**	508,604	**9.36**	6.16
Vesting	**(132,237)**	–	**6.16**	–
Outstanding at 31 March	**424,197**	508,604	**6.51**	6.16

The fair values of the buy out awards granted are determined by the average share price for the five business days prior to grant.

25. FINANCIAL COMMITMENTS

As described in the Strategic Report, the Group invests balance sheet capital in the funds it manages to grow the business and create long term shareholder value. Commitments are made at the time of the funds launch and are drawn down by the fund as it invests. Commitments may increase where distributions made by the fund are recallable. At the balance date the Company had undrawn commitments, which can be called on over the next five years, as follows:

	2018 £m	2017 £m
ICG Senior Debt Partners	**9.9**	9.6
ICG Senior Debt Partners II	**8.1**	12.7
ICG Senior Debt Partners III	**20.8**	–
ICG Europe Fund V	**36.4**	33.2
ICG Europe Fund VI	**109.9**	255.3
ICG North American Private Debt Fund	**60.9**	89.0
ICG North American Private Debt Fund II	**107.0**	–
ICG Asia Pacific Fund III	**72.3**	86.2
Nomura ICG Investment Business Limited Partnership A	**45.2**	52.4
ICG Strategic Secondaries Fund II	**79.7**	136.0
ICG-Longbow UK Real Estate Debt Investments IV	**15.7**	12.4
ICG-Longbow UK Real Estate Debt Investments V	**23.3**	–
Longbow Development Fund	**4.3**	4.7
ICG Centre Street Partnership	**2.5**	–
	596.0	691.5

26. OPERATING LEASES

Accounting policy

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.

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	
	2018 £m	2017 £m	2018 £m	2017 £m
Within one year	**5.3**	5.8	**2.5**	2.6
Two to five years	**11.5**	16.1	**4.8**	7.4
After five years	**–**	1.4	**–**	–

At the balance sheet date, there were no significant leasing arrangements attributable to the Group and Parent Company.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

27. RELATED PARTY TRANSACTIONS

The Group is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under accounting standards. The ICG Group consists of the parent company ICG Plc, incorporated in the UK, and its subsidiaries listed in note 28.

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 4, 17 and 18. Aggregated significant transactions with subsidiary undertakings related to dividends received of £441.5m (2017: £5.4m).

The related parties of the Group are members of the Group (subsidiaries), associates and joint ventures (as detailed in note 29), unconsolidated structured entities (as detailed in note 30), key management personnel, close family members of key management personnel and any entity controlled by those parties. The key related party transactions with these entities relate to investments, dividend income and management fees.

Compensation of key management personnel

Key management personnel are defined as the Executive Directors. The remuneration of key management personnel during the year was as follows:

	2018 £m	2017 £m
Short term employee benefits	**1.6**	2.2
Post employment benefits	**0.1**	0.2
Other long term benefits	**0.3**	9.0
Share based payment benefits	**6.1**	8.7
	8.1	20.1

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market rates. The remuneration policy is described in more detail in the remuneration report.

28. SUBSIDIARIES

Accounting policy

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.

Key sources of judgement

When assessing whether ICG controls any funds it manages 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. Across each of the funds where ICG has a significant ownership interest (greater than 15%) we have reviewed these kick-out rights. Where the investors have substantive rights to remove ICG as the investment adviser it has been concluded that ICG is an agent to the fund and thus the fund does not require consolidation into the Group. However, we consider ICG to have significant influence over these funds and have therefore recognised them as associates. Where the conclusion is that ICG acts in the capacity of principal the fund has been consolidated into the Group.

As a fund manager ICG participates in Carried Interest Partnerships (CIPs), the participants of which are ICG and individuals connected to ICG. The Directors have assessed the payments of carry to individuals and whether they require consolidation into the Consolidated Financial Statements. In forming their conclusion the Directors considered whether the CIP participants were providing a service for the benefit of the Group, and whether ICG was acting as principal or agent of the CIPs. The Directors concluded that the CIPs are not controlled by ICG and the participants are not rewarded for a service provided that benefits the Group.

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 and the ICG Group's holding is in the ordinary share class, except where stated. The registered office of all related undertakings is Juxon House, 100 St Paul's Churchyard, London EC4M 8BU, unless otherwise stated.

Directly held subsidiaries

Name	Ref	Country of incorporation	Principal activity	Share class	% Voting rights held
Intermediate Capital Investments Limited		United Kingdom	Investment Company	Ordinary shares	100%
Intermediate Finance II PLC		United Kingdom	Provider of mezzanine	Ordinary shares	100%
JOG Partners Limited*		United Kingdom	Investment company	Ordinary shares	100%
Intermediate Investments Jersey Limited	1	Jersey	Investment company	Ordinary shares	100%
ICG FMC Limited		United Kingdom	Holding company for funds management	Ordinary shares	100%
ICG Global Investment Jersey Limited	2	Jersey	Investment company	Ordinary shares	100%
Intermediate Capital Limited		United Kingdom	General partner	Ordinary shares	100%
LREC Partners Investments No.2 Limited		United Kingdom	Real estate investment company	Ordinary shares	59%
ICG ASFL Limited		United Kingdom	Advisory company	Ordinary shares	100%
ICG Carbon Funding Limited		United Kingdom	Investment company	Ordinary shares	100%
ICG Longbow Development (Brighton) Limited		United Kingdom	Holding company	Ordinary shares	100%
ICG Japan (Funding) Limited		United Kingdom	Holding company	Ordinary shares	100%
ICG Japan (Funding 2) Limited		United Kingdom	Holding company	Ordinary shares	100%
Intermediate Investments Guarantee Limited		United Kingdom	Holding company for loans and investments	Ordinary shares	100%
ICG Japan (Funding 3) Limited		United Kingdom	Special purpose vehicle	Ordinary shares	100%
ICG Re Holding (Germany) GmbH	4	Germany	Special purpose vehicle	Ordinary shares	100%
ICG Nominees 2015 Limited		United Kingdom	Nominee company	Ordinary shares	100%
ICG Financing (Luxembourg) Sarl	5	Luxembourg	Special purpose vehicle	Ordinary shares	100%
ICG Financing (Ireland) Limited	6	Ireland	Special purpose vehicle	Ordinary shares	100%
Intermediate Capital Nominees Limited		United Kingdom	Nominee company	Ordinary shares	100%
Intermediate Capital Hong Kong Limited	7	Hong Kong	Advisory company/ provider of mezzanine capital	Ordinary shares	100%
Intermediate Capital Managers Limited		United Kingdom	Advisory company	Ordinary shares	100%
Intermediate Investments LLP		United Kingdom	Holding company for loans and investments	Holding in partnership investment	100%
Intermediate Capital Asia Pacific Limited	7	Hong Kong	Advisory company	Ordinary shares	100%
Intermediate Capital Group SAS	8	France	Advisory company	Ordinary shares	100%

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

28. SUBSIDIARIES CONTINUED

Indirectly held subsidiaries

Name	Ref	Country of incorporation	Principal activity	Share class	% Voting rights held
Intermediate Capital Group España SL	9	Spain	Advisory company	Ordinary shares	100%
Intermediate Capital Nordic AB	10	Sweden	Advisory company	Ordinary shares	100%
Intermediate Capital Group Beratungsgesellschaft GmbH	4	Germany	Advisory company	Ordinary shares	100%
Intermediate Capital Group Benelux B.V.	11	Netherlands	Advisory company	Ordinary shares	100%
Intermediate Capital Australia Pty Limited	12	Australia	Advisory company	Ordinary shares	100%
Intermediate Capital Group Inc	13	United States of America	Advisory company	Ordinary shares	100%
Intermediate Capital Group (Singapore) Pte. Limited	14	Singapore	Advisory company	Ordinary shares	100%
Longbow Real Estate Capital LLP	15	United Kingdom	Advisory company	Holding in partnership investment	100%
ICG Fund Advisors LLC	16	United States of America	Advisory company	Ordinary shares	100%
ICG Alternative Investment Limited		United Kingdom	Advisory company	Ordinary shares	100%
Intermediate Capital Group Dienstleistungsgesellschaft mbH	4	Germany	Service company	Ordinary shares	100%
ICG European Fund 2006 GP Limited	1	Jersey	General partner	Ordinary shares	100%
Intermediate Capital GP 2003 Limited	1	Jersey	General partner	Ordinary shares	100%
Intermediate Capital GP 2003 No.1 Limited	1	Jersey	General partner	Ordinary shares	100%
Intermediate Capital Asia Pacific Mezzanine 2005 GP Limited	1	Jersey	General partner	Ordinary shares	100%
Intermediate Capital Asia Pacific Mezzanine Opportunities 2005 GP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG European Fund 2006 GP Limited	1	Jersey	General partner	Ordinary shares	100%
Intermediate Capital Asia Pacific 2008 GP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG Recovery Fund 2008 GP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG Minority Partners Fund 2008 GP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG Global Investment UK Limited		United Kingdom	Holding company	Ordinary shares	100%
ICG Europe Fund V GP Limited	2	Jersey	General partner	Ordinary shares	100%
Intermediate Capital Managers (Australia) Pty Limited	12	Australia	Advisory company	Ordinary shares	100%
ICG North America Associates LLC	18	Cayman Islands	General partner	Ordinary shares	100%
ICG Japan KK	19	Japan	Advisory company	Ordinary shares	100%
Intermediate Capital Group Korea Limited	20	Republic of Korea	Advisory company	Ordinary shares	100%
ICG Senior Debt Partners UK GP Limited		United Kingdom	General partner	Ordinary shares	100%
ICG Asia Pacific Fund III GP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG Alternative Credit (Luxembourg) GP Sarl	21	Luxembourg	General partner	Ordinary shares	100%
ICG Alternative Credit LLC	22	United States of America	Advisory company	Ordinary shares	100%
ICG Alternative Credit (Cayman) GP Limited	23	Cayman Islands	General partner	Ordinary shares	100%
ICG Senior Debt Partners Sarl	24	Luxembourg	General partner	Ordinary shares	100%
ICG-Longbow Investment 3 LLP	15	United Kingdom	Limited liability partnership	Holding in partnership investment	100%
ICG Strategic Equity Advisors LLC	25	United States of America	Advisory company	Ordinary shares	100%
ICG Strategic Secondaries Carbon Associates LLC	25	United States of America	General partner	Ordinary shares	100%

Name	Ref	Country of incorporation	Principal activity	Share class	% Voting rights held
ICG European Fund 2006 B GP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG Debt Administration LLC	16	United States of America	Service company	Ordinary shares	100%
ICG-Longbow B Investments LP	15	United Kingdom	Limited partner	Holding in partnership investment	100%
ICG Longbow IV GP Sarl	5	Luxembourg	General partner	Ordinary shares	100%
ICG Europe Fund VI GP Limited	2	Jersey	General partner	Ordinary shares	100%
ICG Strategic Equity Associates LLC	25	United States of America	General partner	Ordinary shares	100%
ICG Total Credit (Global) GP Sarl	26	Luxembourg	General partner	Ordinary shares	100%
ICG Longbow Development GP LLP	15	United Kingdom	General partner	Holding in partnership investment	100%
ICG Enterprise Co-Investment GP Limited		United Kingdom	General partner	Ordinary shares	100%
ICG Alternative Investment (Netherlands) B.V.	11	Netherlands	Advisory company	Ordinary shares	100%
ICG Europe Fund VI Lux GP Sarl	5	Luxembourg	General partner	Ordinary shares	100%
ICG Velocity Co-Investor Associates LLC	25	United States of America	General partner	Ordinary shares	100%
ICG NA Debt Co-Invest Limited		United Kingdom	Investment company	Ordinary shares	100%
ICG EFV MLP Limited		Jersey	General partner	Ordinary shares	100%
ICG EFV MLP GP Limited		United Kingdom	General partner	Ordinary shares	100%
ICG Senior Debt Partners Performance GP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG EF 2006 EGP Limited		Jersey	General partner	Ordinary shares	100%
ICG EF 2006 EGP 2 Limited		Jersey	General partner	Ordinary shares	100%
ICG RF 2008 EGP Limited		Jersey	General partner	Ordinary shares	100%
ICG MF 2003 No. 1 EGP 1 Limited		Jersey	General partner	Ordinary shares	100%
ICG MF 2003 No. 1 EGP 2 Limited		Jersey	General partner	Ordinary shares	100%
ICG MF 2003 No. 3 EGP 1 Limited		Jersey	General partner	Ordinary shares	100%
ICG MF 2003 No. 3 EGP 2 Limited		Jersey	General partner	Ordinary shares	100%
ICG Strategic Equity Associates II LLC	25	United States of America	General partner	Ordinary shares	100%
Intermediate Capital Inc	16	United States of America	Dormant company	Ordinary shares	100%
Intermediate Finance Inc	16	United States of America	Dormant company	Ordinary shares	100%
ICG Mezzanine 2003 No 1 Nominee Limited		United Kingdom	Dormant company	Ordinary shares	100%
ICG Mezzanine 2003 No 3 Nominee Limited		United Kingdom	Dormant company	Ordinary shares	100%
ICG Minority Partners Limited		United Kingdom	Dormant company	Ordinary shares	100%
ICG Debt Advisors (Cayman) Limited	27	Cayman Islands	Advisory company	Ordinary shares	100%
ICG Debt Advisors LLC – Holdings Series	17	United States of America	Investment company	Ordinary shares	100%
ICG Debt Advisors LLC – Manager Series	17	United States of America	Advisory company	Ordinary shares	100%
Intermediate Capital Group Polska SZOO	3	Poland	Service company	Ordinary shares	100%
ICG Luxembourg Sarl	5	Luxembourg	Advisory company	Ordinary shares	100%
ICG Centre Street Partnership GP Limited	2	Jersey	General partner	Ordinary shares	100%
ICG Longbow BTR Limited		United Kingdom	Special purpose vehicle	Ordinary shares	100%
Wise Living Homes Limited		United Kingdom	Special purpose vehicle	Ordinary shares	83.33%
ICG Europe Fund VII GP S.a r.l.	5	Luxembourg	General partner	Ordinary shares	100%

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FOR THE YEAR ENDED 31 MARCH 2018

28. SUBSIDIARIES CONTINUED
Indirectly held subsidiaries CONTINUED

Name	Ref	Country of incorporation	Principal activity	Share class	% Voting rights held
ICG Longbow Fund V GP S.à r.l.	5	Luxembourg	General partner	Ordinary shares	100%
ICG Longbow Senior Debt IV S.à r.l.	5	Luxembourg	General partner	Ordinary shares	100%
ICG Longbow Richmond Limited	15	United Kingdom	Holding company	Ordinary shares	100%
ICG Global Co-Invest CIP GP Sarl	5	Luxembourg	General partner	Ordinary shares	100%
SF Lux Investment SARL	5	Luxembourg	Investment company	Ordinary shares	100%
SF Lux Financing SARL	5	Luxembourg	Investment company	Ordinary shares	100%
ICG North America Associates II LLC	16	Delaware	General partner	Ordinary shares	100%

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. All entities are consolidated as at 31 March.

* JOG Partners Limited is a member of Intermediate Investments LLP.

	Registered offices
	Registered offices
1	Ogier House, The Esplanade, St Helier, JE4 9WG
2	Liberte House 19-23 La motte Street, St Helier JE2 4SY
3	ul.Zajecza 15, 00351 Warszawa
4	12th Floor, Stockwerk, An der Welle 5, 60322, Frankfurt
5	6D Route De Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg
6	6th Floor South Bank House, Barrow Street, Dublin 4
7	Suites 3603-04 36th Floor, Edinburgh Tower, 15 Queens Road, Central Hong Kong
8	7 Rue de Paix, 75002, Paris
9	Serrano 30-3, 28001 Madrid
10	Birger Jarlsgatan 13, 1tr, 111 45 Stockholm
11	Paulus Potterstraat 20, 2hg, 1071 DA Amsterdam
12	Level 18, 88 Phillip Street, Sydney, NSW 2000
13	600 Lexington Avenue, 24th Floor, New York, NY 10022
14	Asia Square Tower One, #39-01, 8 Marina View, Singapore
15	42 Wigmore Street, London, W1U 2RY
16	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19802
17	c/o The Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808
18	89 Nexus Way, Camana Bay, Grand Cayman
19	Level 23, Otemachi Nomura Building, 2-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004
20	(Daechi-dong) 5th Floor, 26, Samseong-ro 86-gil, Gangnam-gu, Seoul
21	5 Allee Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg
22	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808
23	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
24	Rue de Gasperich, Hesperange, Hesperange, L-5826, Luxembourg, Grand Duchy of Luxembourg
25	4001 Kennett Pike, Wilmington, Delaware, 19807
26	49, Avenue John F Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
27	Estera Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1109, Cayman Islands

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 2018
US CLO 2014-1	Cayman Islands	100.00%
US CLO 2014-2	Cayman Islands	56.00%
US CLO 2014-3	Cayman Islands	51.30%
US CLO 2015-1	Cayman Islands	50.30%
US CLO 2015-2	Cayman Islands	57.50%
US CLO 2016-1	Cayman Islands	55.60%
US CLO 2017-1	Cayman Islands	59.90%
St. Paul's CLO II Designated Activity Company (i)	Ireland	33.90%
St. Paul's CLO III-R Designated Activity Company (ii)	Ireland	49.40%
St. Paul's CLO VI Designated Activity Company	Ireland	53.20%
St Paul's CLO VIII	Ireland	52.70%
ICG High Yield Bond Fund	Ireland	100.00%
ICG Global Total Credit Fund	Ireland	100.00%
ICG Total Credit (Global) S.C.A	Luxembourg	100.00%

The structured entities controlled by the Group include £3,777.9m (2017: £3,575.1m) of assets and £3,692.8m (2017: £3,516.1m) of liabilities within 14 credit funds. These assets are restricted in their use to being the sole means by which the related fund liabilities can be settled. All other assets can be accessed or used to settle the other liabilities of the Group without significant restrictions.

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.

29. ASSOCIATES AND JOINT VENTURES

Accounting Policy

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.

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.

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29. ASSOCIATES AND JOINT VENTURES CONTINUED

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 2018	Income distributions received from associate 2018	Income distributions received from associate 2017
Interbest Holding BV (i)	Roadside advertising masts	Netherlands	33.82%	**–**	–
ICG Europe Fund V Jersey Limited (ii)	Investment company	Jersey	20.0%	**47.3**	69.2
ICG Europe Fund VI Jersey Limited (iii)	Investment company	Jersey	16.67%	**3.5**	–
ICG North American Private Debt Fund (iv)	Investment company	United States of America	20.0%	**7.3**	4.1
ICG Asia Pacific Fund III Singapore Pte. Limited (v)	Investment company	Singapore	20.0%	**3.6**	–
				61.7	73.3

All associates are accounted for at fair value.

Notes

(i) The registered address for this entity is Claudius Prinsenlaan 138, Breda, 4818 CP, Netherlands.

(ii) The registered address for this entity is IFC 1 – The Esplanade, St Helier, Jersey JE1 4BP.

(iii) The registered address for this entity is IFC 1 – The Esplanade, St Helier, Jersey JE1 4BP.

(iv) The registered address for this entity is 600, Lexington Avenue, 24th Floor, New York, NY 10022, United States of America.

(v) The registered address for this entity is 1 Raffles Place, #13-01 One Raffles Place, Singapore, 048616.

(ii) – (v) Through a co-investment structure ICG has a shareholding in each of these entities. ICG appoints the General Partner (GP) to each Fund. However, the investors have substantive rights to remove the General Partner without cause by Special Investor Consent (ii, iii, v)/ Combined Limited Partner Consent (iv). The Funds also each have 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/Combined Limited Partner Consent and remove the GP, and as such ICG acts in the capacity of agent. However, as ICG has a 16.67%-20% holding, and therefore significant influence in each entity, they have been considered as associates.

The following changes are of note to the Group's associates during the year:

a. The Group reduced its ownership interest in ICG Total Credit Fund to 12.61% during the year ended 31 March 2018 (31 March 2017: 21.75%) and is no longer considered to have significant influence. As a result ICG Total Credit Fund is no longer classified as an associate and instead is classified as an investment.

b. The Group reduced its ownership interest in Gerflor Group to 3.0% during the year to 31 March 2018 (31 March 2017: 11.76%) and therefore the Group are no longer considered to have significant influence. Gerflor Group is no longer classified as an associate and instead is classified as an investment.

c. The Group's investment in Longbow UK Real Estate Debt Investments II, which was previously classified as an associate was fully realised during the year.

There were no other changes of note in the Group's ownership interests in associates in the year.

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 2018
Nomura ICG KK	Advisory company	Japan	50.00%
Brighton Administration Company Limited	Investment Company	United Kingdom	50.00%

Nomura ICG KK is equity accounted as a joint venture in accordance with IFRS 11. The West Quay Development Company Partnership LLP is accounted for at fair value in accordance with the Group`s accounting policy in note 4 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 the 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.

The Group's investment in HMY, which was previously classified as a joint venture, has been sold during the year. There were no other changes in the Group's ownership interests in a joint venture.

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 associates or joint ventures are ICG Europe Fund V Jersey Limited and ICG Europe Fund VI Jersey Limited, which are associates measured at fair value through profit and loss. The information below is derived from the IFRS financial statements of the entities. Materiality has been determined by the carrying value of the associate or joint venture as a percentage of total Group assets.

The principal place of business for both these entities is Jersey. The entities allow ICG to co-invest into Fund V and Fund VI through a parallel structure, aligning interests with other investors. ICG has 20% exposure to Fund V's net asset value and 16.67% exposure to Fund VI's net asset value. ICG receives performance related carry interest income of 20% of the total performance fee of 20% of profit for both these funds. This is industry standard and is in line with other private equity funds.

	ICG Fund VI Jersey Limited		ICG Fund V Jersey Limited	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Current assets	**1.9**	0.5	**–**	–
Non current assets	**2,751.4**	1,219.6	**1,633.2**	1,759.4
Current liabilities	**(0.6)**	(0.1)	**(0.1)**	(7.5)
Non current liabilities	**–**	–	**–**	–
	2,752.7	1,220.0	**1,633.1**	1,751.9
Revenue	**538.7**	163.1	**294.6**	205.2
Profit from continuing operations	**538.3**	160.9	**294.4**	204.9
Total comprehensive income	**538.3**	160.9	**294.4**	204.9

Summarised financial information for equity accounted joint ventures

Nomura ICG KK made a profit from continuing operations and total comprehensive income of £0.6m for the year ended 31 March 2018 (2017: £0.5m), of which ICG's share of results accounted for using the equity method is £0.3m for the year ended 31 March 2018 (2017: £0.3m).

30. 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

30. STRUCTURED ENTITIES CONTINUED

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 28.

At 31 March 2018, ICG's interest in and exposure to unconsolidated structured entities including outstanding management and performance fees is detailed in the table below, and recognised within financial assets: loans, investments and warrants and trade and other receivables in the statement of financial position:

2018

Funds	Investment in Fund £m	Management fees receivable £m	Management fees %	Performance fees receivable £m	Performance fees %	Maximum exposure to loss £m
CLOs	80.8	2.0	0.35% to 0.60%	–	0.05% to 0.20%	82.8
Credit Funds	24.1	2.7	0.50% to 0.75%	3.6	20% of returns in excess of 0% for alternative credit fund	30.4
Corporate Investment Funds	956.5	28.7	0.50% to 2.0%	22.1	20% – 25% of total performance fee of 20% of profit over the threshold	1,007.3
Real Asset Funds	81.1	12.0	0.40% to 1.33%	–	20% of returns in excess of 9% IRR	93.1
Secondaries Funds	161.1	3.1	1.15% to 1.40%	1.5	10% – 20% of total performance fee of 8% – 20% of profit over the threshold	165.7
Total	**1,303.6**	**48.5**		**27.2**		**1,379.3**

2017

Funds	Investment in Fund £m	Management fees receivable £m	Management fees %	Performance fees receivable £m	Performance fees %	Maximum exposure to loss £m
CLOs	62.3	1.7	0.35% to 0.60%	–	0.05% to 0.20%	64.0
Credit Funds	39.8	0.4	0.50% to 0.75%	–	N/A	40.2
Corporate Investment Funds	61.3	23.7	0.75% to 2.0%	5.3	20%-25% of total performance fee of 20% of profit over the threshold	90.3
Real Asset Funds	92.5	8.7	0.40% to 1.33%	2.7	20% of returns in excess of 9% IRR	103.9
Secondaries Funds	152.1	7.2	1.15% to 1.40%	0.5	20% of total performance fee of 12.5% of profit over the threshold	159.8
Total	**408.0**	**41.7**		**8.5**		**458.2**

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.

31. 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.

32. POST BALANCE SHEET EVENTS

There have been no material events since the balance sheet date.

OUR FUNDS (UNAUDITED)

CARRY EARNING FUNDS			
FUND	THIRD PARTY MONEY	TARGET 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 2008B	€638m	n/a	20% of 12.5 over 8 up to 20% of 15 over 20
Intermediate Capital Asia Pacific 2005	$300m	1.6x	25% of 20 over 8
Intermediate Capital Asia Pacific 2008	$562m	1.6x	20% of 20 over 8
Intermediate Capital Asia Pacific Fund III	$491m	1.7x	20% of 20 over 7
North American Private Debt Fund	$590m	n/a	20% of 20 over 8
North American Private Debt Fund II	$873m	n/a	20% of 20 over 8
Nomura ICG Fund A	¥17,351m	1.3x	25% of 20 over 4
ICG Senior Debt Partners Fund I	€701m	n/a	20% of 15 over 6
ICG Senior Debt Partners Fund II	€1,491m	n/a	20% of 15 over 4 up to 20% of 20 over 7
ICG Senior Debt Partners Fund III	€2,486m	n/a	20% of 15 over 4 up to 20% of 20 over 7
ICG Strategic Secondaries Carbon Fund	$153m	1.9x	20% of 12.5 over 8
ICG Strategic Secondaries Fund II	$868m	1.75x	20% of 12.5 over 8

* Total carry is a fixed percentage of the fund gains. For example in ICG 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 ICG Mezzanine Fund 2003 this is 8%.

THIRD PARTY AUM BY FUND	STATUS	FY18 AUM (€M)	FY17 AUM (€M)
CORPORATE INVESTMENTS FUNDS			
ICG Mezzanine Fund III 2003	Fully invested	11.6	19.6
ICG Europe Fund V	Fully invested	1,101.0	1,310.4
ICG Recovery Fund 2008B	Fully invested	454.1	638.0
ICG Europe Fund IV 2006B	Fully invested	270.6	316.9
ICG Europe Fund VI	Investing	2,500.0	2,500.0
Intermediate Capital Asia Pacific Mezzanine Fund I 2005	Fully invested	6.4	7.4
Intermediate Capital Asia Pacific Fund II 2008	Fully invested	133.7	188.0
Intermediate Capital Asia Pacific Fund III	Investing	398.7	459.6
Nomura ICG Fund	Investing	131.1	145.8
North American Private Debt Fund	Investing	479.2	552.3
North American Private Debt Fund II	Fundraising	708.8	–
ICG Senior Debt Partners	Fully invested	1,596.5	1,220.6
ICG Senior Debt Partners	Investing	5,767.1	3,163.7
ICG ASFL Ltd	Fundraising	313.9	283.1
CORPORATE INVESTMENT FUNDS TOTAL		**13,872.7**	**10,805.4**

OUR FUNDS (UNAUDITED)
CONTINUED

CAPITAL MARKET INVESTMENTS FUNDS			
Alternative Credit Fund I	Fundraising	340.9	141.3
European Loan Strategies	Open ended	1,451.7	548.6
Global Loan Fund	Open ended	19.0	–
Eurocredit CLOs	Fully invested	62.6	332.3
St Paul's CLOs	Fully invested	63.8	149.1
St Paul's CLOs	Investing	2,854.8	2,433.4
US CLOs	Investing	2,790.9	2,468.7
European Investment Fund I	Investing	99.1	97.9
CAPITAL MARKET INVESTMENTS FUNDS TOTAL		**7,682.8**	**6,171.3**

REAL ASSET INVESTMENTS FUNDS			
Longbow UK Real Estate Debt Investments II	Fully invested	–	31.6
ICG-Longbow UK Real Estate Debt Investments III	Fully invested	448.6	658.1
ICG-Longbow UK Real Estate Debt Investments IV	Fully invested	1,074.9	1,108.2
ICG-Longbow UK Real Estate Debt Investments V	Fundraising	149.6	–
Longbow Senior Debt - listed fund	Investing	129.7	118.3
Longbow Senior Debt	Fully invested	860.2	886.8
Longbow Senior Debt	Investing	372.7	–
ICG Longbow Development Fund	Investing	473.2	486.8
REAL ASSETS FUNDS TOTAL		**3,508.9**	**3,289.8**

SECONDARY INVESTMENTS FUNDS			
ICG Strategic Secondaries	Fully invested	82.8	–
ICG Strategic Secondaries	Investing	703.3	872.6
ICG Enterprise Trust - listed fund	Investing	683.6	678.3
SECONDARY INVESTMENTS FUNDS TOTAL		**1,469.7**	**1,550.9**
TOTAL THIRD PARTY ASSETS UNDER MANAGEMENT		**26,534.1**	**21,817.4**

GLOSSARY

Items denoted with a [1] throughout this document have been identified as non IFRS GAAP alternative performance measures. These are defined below:

TERM	SHORT FORM	DEFINITION
Adjusted earnings per share	Adjusted EPS	Adjusted profit after tax (annualised when reporting a six month period's results) divided by the weighted average number of ordinary shares as detailed in note 4.
Adjusted Group profit before tax		Group profit before tax adjusted for the impact of the consolidated structured entities and the presentation of Nomura ICG KK and Questus Energy Pty Limited. As at 31 March, this is calculated as follows:

	2018	2017
Profit before tax	**£199.1m**	£252.4m
Less consolidated structured entities	**(£30.8m)**	(£16.2m)
Adjusted Group profit before tax	**£168.3m**	£236.2m

TERM	SHORT FORM	DEFINITION
Adjusted Investment Company profit before tax		Investment Company profit adjusted for the impact of the consolidated structured entities and the presentation of Nomura ICG KK and Questus Energy Pty Limited. As at 31 March, this is calculated as follows:

	2018	2017
Investment Company profit before tax	**£103.8m**	£178.4m
Less consolidated structured entities	**(£30.8m)**	(£16.2m)
Adjusted Investment Company profit before tax	**£73.0m**	£162.2m

TERM	SHORT FORM	DEFINITION
Adjusted return on equity		Adjusted profit after tax (annualised when reporting a six month period's results) divided by average shareholders' funds for the period. As at 31 March, this is calculated as follows:

	2018	2017
Adjusted profit after tax	**£224.0m**	£201.3m
Average shareholders' funds	**£1,173.5m**	£1,115.8m
Adjusted return on equity	**19.1%**	18.0%

TERM	SHORT FORM	DEFINITION
Asset Impairments		Asset impairments are recognised on debt instruments to the extent that the debt is deemed irrecoverable. Asset impairments are reported on an internal basis and includes impairments on assets where the Group's co-investment is through a fund structure, but the underlying assets are interest bearing. See note 3 for a full reconciliation.
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.
Balance sheet investment portfolio		The balance sheet investment portfolio represents non-current financial assets from the Statement of Financial Position, adjusted for the impact of the consolidated structured entities and the presentation of Nomura ICG KK. See note 3 for a full reconciliation.
Capital gains		Capital gains represent the increase in value of equity investments. Capital gains reported on an internal basis excludes the impact of the consolidated structured entities and excludes capital gains where the Group's investment is through a fund structure, but the underlying assets are interest bearing. See note 3 for a full reconciliation.

GLOSSARY
CONTINUED

TERM	SHORT FORM	DEFINITION
Cash profit	PICP	Cash profit is defined as internally reported profit before tax and incentive schemes, adjusted for non-cash item.
Dividend income		Dividend income represents distributions received from equity investments. Dividend income reported on an internal basis excludes the impact of the consolidated structured entities and includes dividends on assets where the Group's co-investment is through a fund structure. See note 3 for a full reconciliation.
Earnings per share		Profit after tax (annualised when reporting a six month period's results) divided by the weighted average number of ordinary shares as detailed in note 14.
Gearing		Gearing is used by management as a measure of balance sheet efficiency. Gross borrowings, excluding the consolidated structured entities, divided by closing shareholders' funds. Gross borrowings represent the cash amount repayable to debt providers. As at 31 March, this is calculated as follows:
Interest expense		Interest expense excludes the cost of financing associated with the consolidated structured entities. See note 3 for a full reconciliation.
Interest income		Interest income is contractual income earned on debt investments. Interest income reported on an internal basis excludes the impact of the consolidated structured entities and includes interest income on assets where the Group's co-investment is through a fund structure, but the underlying assets are interest bearing. See note 3 for a full reconciliation.
Net asset value per share		Total equity from the Statement of Financial Position divided by the closing number of ordinary shares. As at 31 March, this is calculated as follows:

Cash profit:

	2018	2017
Adjusted profit before tax	**£168.3m**	£236.2m
Add back incentive schemes	**£104.8m**	£88.0m
Other adjustments	**(£18.2m)**	£83.3m
Cash profit	**£254.9m**	£407.5m

Gearing:

	2018	2017
Gross borrowings	**£4,333m**	£4,305m
Less consolidated structured entities	**(£3,312m)**	(£3,186m)
Adjusted gross borrowings	**£1,021m**	£1,119m
Shareholders' funds	**£1,318m**	£1,173m
Gearing	**0.77x**	0.95x

Net asset value per share:

	2018	2017
Total equity	**£1,318m**	£1,173m
Closing number of ordinary shares	**282,699,662**	280,539,996
Net asset value per share	**466p**	418p

TERM	SHORT FORM	DEFINITION
Net current assets		The total of cash, plus current financial assets, plus other current assets, less current liabilities as internally reported. This excludes the consolidated structured entities and the presentation of Nomura ICG KK and Questus Energy Pty Limited. As at 31 March, this is calculated as follows:

	2018	2017
Cash	**£248.0m**	£490.3m
Current financial assets	**£107.2m**	£89.7m
Other current assets	**£244.7m**	£172.9m
Current financial liabilities	**(£183.7m)**	–
Other current liabilities	**(£188.1m)**	(£158.8m)
Net current assets	**£228.1m**	£594.1m

On an IFRS GAAP basis net current assets are as follows:

	2018	2017
Cash	**£520.7m**	£780.9m
Current financial assets	**£107.2m**	£89.7m
Other current assets	**£405.5m**	£282.3m
Current financial liabilities	**(£183.7m)**	–
Other current liabilities	**(£568.1m)**	(£486.1m)
Net current assets	**£281.6m**	£666.8m

TERM	SHORT FORM	DEFINITION
Net debt		Net debt, along with gearing, is used by management as a measure of balance sheet efficiency. Net debt includes unencumbered cash whereas gearing uses gross borrowings and is therefore not impacted by movements in cash balances. Total drawn debt less unencumbered cash of the Group, excluding the consolidated structured entities and the presentation of Nomura ICG KK and Questus Energy Pty Limited. As at 31 March, this is calculated as follows:

	2018	2017
Adjusted gross borrowings	**£1,021.1m**	£1,119.0m
Less unencumbered cash	**(£247.6m)**	(£489.9m)
Net debt	**£773.5m**	£629.1m

TERM	SHORT FORM	DEFINITION
Net investment returns		Net investment returns is the total of interest income, capital gains, dividend and other income less asset impairments.
Operating cash flow		Operating cash flow represents the cash generated from operating activities from the Statement of Cash Flows, adjusted for the impact of the consolidated structured entities, the presentation of Nomura ICG KK. See note 3 for a full reconciliation.
Operating expenses of the Investment Company		Investment Company operating expenses are adjusted for the impact of the consolidated structured entities, the presentation of Nomura ICG KK and Questus Energy Pty Limited. See note 3 for a full reconciliation.
Operating profit margin		Fund Management Company profit divided by Fund Management Company total revenue. As at 31 March this is calculated as follows:

	2018	2017
Fund Management Company Profit	**£95.3m**	£74.0m
Fund Management Company Total Revenue	**£210.1m**	£179.7m
Operating profit margin	**45.4%**	41.2%

TERM	SHORT FORM	DEFINITION
Return on equity	ROE	Profit after tax (annualised when reporting a six month period's results) divided by average shareholders' funds for the period.

GLOSSARY
CONTINUED

TERM	SHORT FORM	DEFINITION
Third party fee income		Fees generated on fund management activities as reported in the Fund Management Company including fees generated on consolidated structured entities which are excluded from the IFRS consolidation position. See note 3 for a full reconciliation.
Weighted average fee rate		An average fee rate across all strategies based on fee earning AUM in which the fees earned are weighted based on the relative AUM.

Other definitions which have not been identified as non IFRS GAAP alternative performance measures are as follows:

TERM	SHORT FORM	DEFINITION
AIFMD		The EU Alternative Investment Fund Managers Directive.
Catch up fees		Fees charged to investors who commit to a fund after its first close. This has the impact of backdating their commitment thereby aligning all investors in the fund.
Closed end fund		A fund where investor's commitments are fixed for the duration of the fund and the fund has a defined investment period.
Co-investment	Co-invest	A direct investment made alongside or in a fund taking a pro-rata share of all instruments.
Collateralised Debt Obligation	CDO	Investment grade security backed by a 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.
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.
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 Company invests the Group's capital in support of third party fundraising and funds the development of new strategies.
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 Person		Certain funds have designated Key Person The departure of a Key Person without adequate replacement triggers a contractual right for investors to cancel their commitments.

TERM	SHORT FORM	DEFINITION
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.
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	Carry	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.
Securitisation		A form of financial structuring whereby a pool of assets is used as security (collateral) for the issue of new 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	14 June 2018
Record date	15 June 2018
Last date for dividend reinvestment election	17 July 2018
AGM and Trading statement	26 July 2018
Payment of ordinary dividend	7 August 2018
Half year results announcement	15 November 2018

COMPANY INFORMATION

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WEBSITE

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Copies of the Annual and Interim Reports and other information about the Company are available on this site.

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