INTERMEDIATE CAPITAL GROUP PLC

ANNUAL REPORT & ACCOUNTS

Resilient value creation

2020

Our purpose

We create value by providing capital to help businesses develop and grow through public and private markets.

Our culture

Our culture centres around long-term relationships with a wide range of stakeholders; sustainable investment excellence; and an outstanding team demonstrating integrity, diversity and collaboration.

Financial highlights

Ordinary dividend per share
50.8p
2019: 45.0p

Profit before tax
£114.5m
2019: £182.9m

Fundraising
€10.2bn
2019: €10.0bn

AUM growth over five years
110%
2019: 106%

Total Shareholder Return over five years
111%
2019: 210%

STRATEGIC REPORT

GOVERNANCE REPORT

FINANCIAL STATEMENTS

OTHER INFORMATION

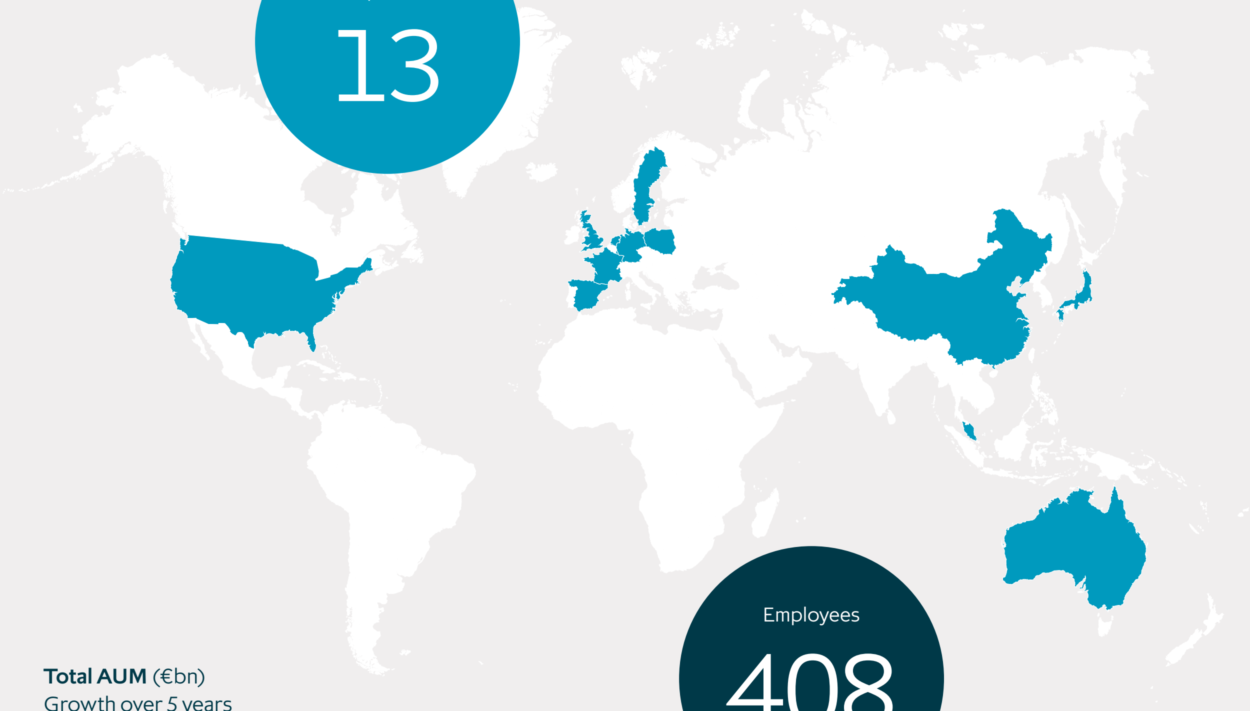
ICG at a glance

GLOBAL

ICG is a leading alternative asset manager with a global footprint, deep access to local markets and a 31-year investment track record.

Countries of operation

13

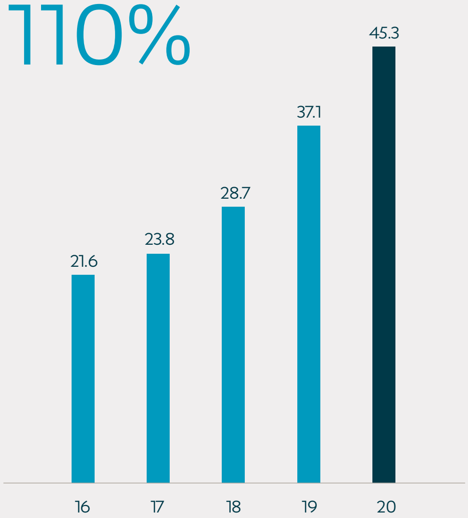


Employees

408

Total AUM (€bn)
Growth over 5 years

110%



Investment strategies

21

Track record (years)

31

RESILIENT

We manage €45.3bn of assets in private debt, private equity, real assets and credit. The funds we manage generate long term contracted fee streams.

AUM in closed-ends funds

86%

Strategic asset class	Third party assets under management	Description	Average life of funds
CORPORATE INVESTMENTS	€20.7bn	Senior direct lending, subordinated debt and equity investments across seven strategies	6–12 years
CAPITAL MARKETS INVESTMENTS	€13.8bn	Multi-asset credit, syndicated loans, CLOs and structured credit across seven strategies	6–10 years
REAL ASSET INVESTMENTS	€4.9bn	Real estate senior debt, subordinated debt and equity across five strategies	6–12 years
SECONDARY INVESTMENTS	€3.4bn	Private equity fund restructuring and private equity fund of funds across two strategies	10–12 years

ICG at a glance continued

TALENTED

Our culture is defined by exceptionally talented individuals. We have deep local origination capabilities across our key markets.

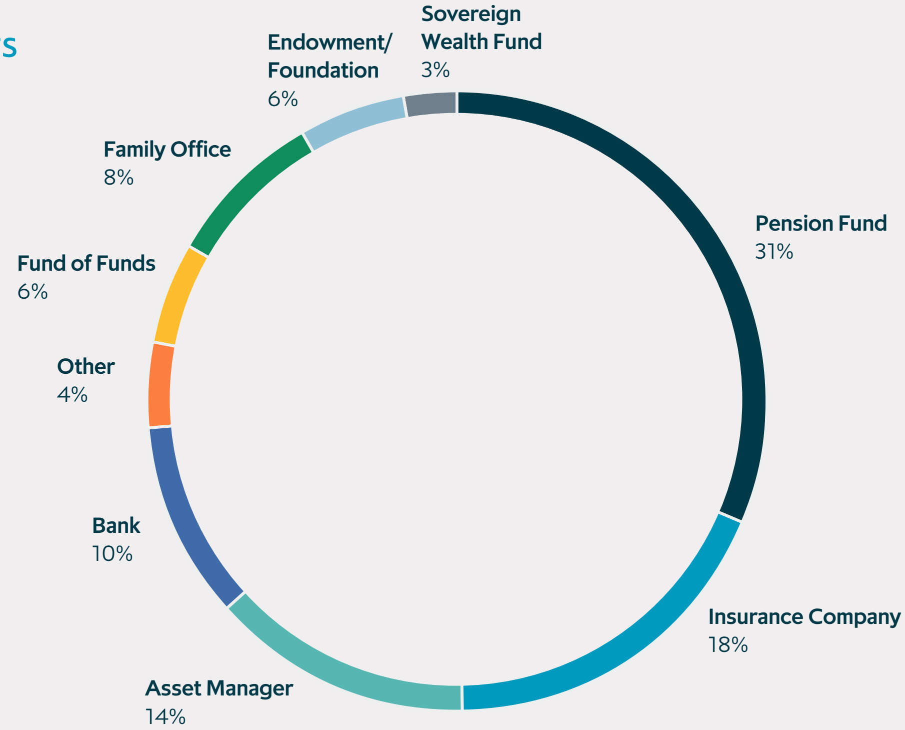
Average years' experience across our investment committees

24

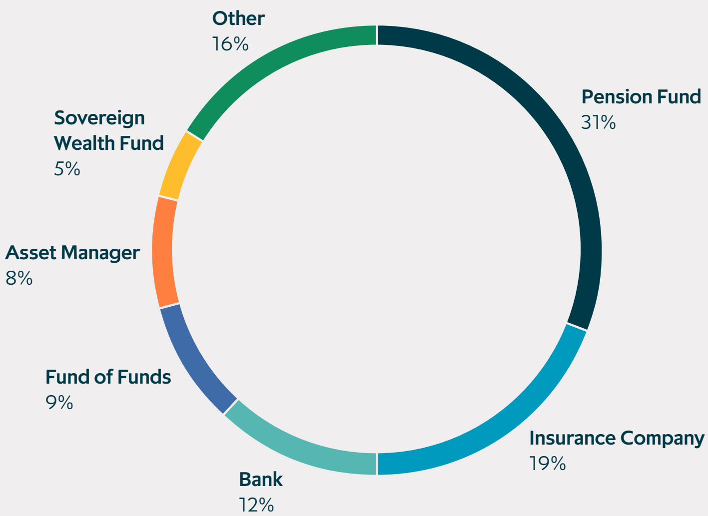
CLIENT FOCUSED

Our clients are institutional investors. We strive to deliver enhanced returns on their capital over the long term.

2020
439 CLIENTS



2015
269 CLIENTS



As at 31 March.

Chairman's statement

A TRULY EXCITING BUSINESS

LORD DAVIES OF ABERSOCH
CHAIRMAN

"Society and the corporate world has changed its working practices as a result of Covid-19. Our priority has been to safeguard the welfare of our people and to ensure that the business continues to operate effectively."

Q

This is your first year in post. Why did you decide to join ICG?

A

First, let me say how thrilled I was to be approached and appointed as the Chairman of ICG. I have watched its growth from afar and am really excited about its future prospects. This is why I was keen to take on the appointment. It is a sector that I know well, and I can already tell the shareholders that there have been no surprises other than pleasant ones since I joined the Board.

Q

In common with other businesses, Covid-19 must have impacted ICG?

A

Globally, governments have taken unprecedented steps to manage the public health impact of Covid-19, and the economic consequences of their actions. Our priority has been to safeguard the welfare of our people and to ensure that the business has continued to operate effectively. The Board and management have worked very closely together, and I have been really impressed with the professionalism and commitment of our teams during these uncertain times.

It will take time for the full impact of Covid-19 to become clear, and life to return to some semblance of normality. The duration of the short-term impact on the performance of the business will depend on the nature and timing of the subsequent economic recovery. In the longer-term, ICG's resilient business model and well capitalised balance sheet means I remain excited about its future prospects.

Q

What are your reflections on the possible longer-term changes resulting from the pandemic?

A

This has been a public health emergency, with a real appreciation in every country for the enormous contribution of their health and other key workers. It is highly likely organisations will place increased emphasis on the physical and mental wellbeing of their employees as a result of this experience. Society and the corporate world has changed its working practices and methods of working, with remarkable speed. Some of these changes will have a lasting impact. The challenges of home schooling have been a reality for many and required flexibility from many employers. I also expect the pandemic to increase the longer term use of technology and accelerating the move to a digital economy.

Q

From your vantage point as an industry and City veteran, how do you believe the role of business has developed in recent years?

A

There has been no shortage of unexpected events, political turmoil and uncertainties during the last 12 months. It seemed at some stages of the year that there was a perfect storm of civil disturbances, climate change challenges, trade disputes, Brexit and the economic impact of the continuing uncertainty around Covid-19. Now that we are towards the middle of 2020, it is interesting to reflect on the developments of the last decade.

We are at the beginning of an industrial revolution and transformation of most industries. The way we buy, the way we communicate and the way that we interact business-to-business is fundamentally changing. There is more and more transparency and an increasing requirement for disclosure in every walk of life, which has highlighted past misdemeanours and bad behaviour, but it has also raised the bar for good governance. The last decade has also seen some of the debate on the nature of capitalism as a force for good or a force for evil develop into mainstream discussion. So, as we look forward, there is no doubt in my mind that the purpose of a business now is very much a board and shareholder issue, as is ensuring that all your employees are treated fairly and equally and that you have the right culture, diversity and governance.

Q

The financial services industry is likely to experience significant disruption in this next decade. Can ICG adapt successfully?

A

Financial services continues to be one of the most challenged industries. A number of mainstream banks are trading at significant discounts because some of their core products face huge challenges from disintermediation or new challengers who are using digital technology more sensibly. ICG operates in the segment of the financial services industry and economy which, in my view, will continue to grow over the next decade. The private capital markets continue to deliver attractive value and are becoming an increasingly important part of the economy.

Access to capital and therefore fundraising is a given, as is producing returns for your investors, but we at ICG are embracing ESG and strong governance, and at the same time taking advantage of our franchise to develop internationally. After six months as Chairman it is clearer than ever that we are a people business. I really do believe that we have an outstanding team that has huge potential and the capacity to lead this Group to even greater heights.

Q

In a nutshell, how would you characterise the Group's year?

A

So, in summary, the Group has performed well during a very uncertain year and faces the future with optimism. As the year develops, I look forward to meeting shareholders and developing your knowledge and trust.

Q

Any closing thoughts to offer?

A

As the incoming Chairman, I am always struck by the expression "success has many parents, failure none". I can take absolutely no credit for the success over the last many years of this company. Kevin, our retired Chairman, deserves from me, the management and the stakeholders a huge vote of appreciation. This is my opportunity, on behalf of you all, to say thank you to Kevin.

The Strategic Report, on pages 2 to 49, has been approved by the Board of Directors and is signed on its behalf by:

LORD DAVIES OF ABERSOCH
CHAIRMAN

10 June 2020

"The purpose of a business now is very much a board and shareholder issue, as is ensuring that all your employees are treated fairly and equally and that you have the right culture, diversity and governance."

Market review

RESILIENT IN A CHANGING MARKET

The global economy is experiencing a period of unprecedented uncertainty. However, we believe that the broader trend towards alternative assets will eclipse any short- or medium-term headwinds.

Q

What is driving the growth of alternative asset management?

A

The growth of the alternative asset management industry has been driven by institutional investors who are attracted by the higher level of returns and lower volatility offered compared to the traditional asset management industry. As a result, over the last decade, alternatives have become mainstream and are now a key part of most investors' investment strategy. In fact, we are seeing institutional investors significantly increasing their allocations to the alternative asset management sector, a trend we believe will continue.

Q

How has the market adapted to the growth of alternatives?

A

The alternative asset management industry has become an integral part of the global financial system, filling the void left by traditional sources of finance such as banks who retrenched following the global financial crisis. In addition, the attractiveness of seeking finance through a public offering has been reducing, with companies seeking to remain private for longer. As private companies seek flexible capital solutions to grow, the alternative asset management industry has played a significant role as provider of such capital.

Q

What is the reason for higher cash returns generated by alternative asset managers?

A

By investing largely in private companies and real assets, the alternative asset management industry has demonstrated over multiple cycles that it can generate cash returns that have significantly outperformed public markets. This is due to an active ownership model, whereby alternative asset managers are actively engaged with their portfolio companies and management teams to deliver operational and strategic change, thereby maximising returns.

Q

Responsible investing has been a significant focus in recent years, will that continue?

A

As social and environmental issues increasingly affect consumer behaviour and business conditions, we expect ESG mandates will become even more critical. Institutional investors have started differentiating asset managers that have more robust environmental, social and governance standards built into the investment processes. Further information on ICG's ESG capabilities can be found on page 38.

Q

How will Covid-19 impact these trends?

A

Investors in this industry have a long-term horizon and therefore expect to be invested through multiple economic cycles. The pandemic will impact every business and industry across the globe, but many investors will see this as an opportunity to invest in high quality companies at attractive valuations. Sector expertise will become more critical to differentiate value creating opportunities. Private lenders are likely to fill in gaps left by banks as they back away from the buy-out market. In addition, we expect a flight to quality to gather momentum as institutional investors seek to streamline their relationships, with a preference for global, multi-strategy managers with a strong sustainable track record. This trend is likely to continue or even to accelerate as a result of the current crisis, benefiting disciplined, resilient managers such as ICG.

Q

Finally, how well is ICG positioned to take advantage of these market trends?

A

We have been in this industry for over 31 years, managing portfolios across economic cycles. In line with our clients, we focus on cash returns over the life of the funds, rather than on unrealised gains and losses. The diversity of the geographies and asset classes in which we invest, combined with our active portfolio management means we are well placed. Furthermore, our recent fundraising success has left us with significant levels of capital available to invest in attractive opportunities. Further information can be found in the business review on page 10.

For more information on how ICG may perform in this changing market see page 12.

Responsible investment and climate change

Responsible investment

We believe in collaborating across the industry to raise investment standards. We recently joined the PRI Investor Reference Group on Corporate Reporting in order to address one of the major challenges we face as an investor in private debt and equity: the lack of good quality corporate ESG reporting.

We analyse ESG issues at each stage of the investment process from screening, through due diligence, closing, monitoring and eventual exit. Each investment strategy implements the ESG considerations relevant to it. These depend on the nature of the strategy, the level of influence over the investment and access to management.

- All strategies apply our Exclusion List
- All strategies apply our ESG Screening Checklist
- Screening and monitoring tool deployed

Future impact

Carbon footprint analysis of Europe Fund VII.

Climate change

We recognise that climate change will have an adverse effect on the global economy. This presents both risks and opportunities for investments. We are conscious that we have a significant role to play in achieving the transition to a low carbon economy, in line with the goals of the Paris Agreement.

Climate change has been a particular focus for us over the last year.

- Climate change policy now in place
- First Task Force on Climate-related Financial Disclosure (TCFD) (see page 42)

Future impact

We plan to take steps to integrate ESG deeper into our investment practices and the business as a whole. We are exploring strategies and investment opportunities that make a positive contribution to society while maximising value for our stakeholders.

Chief Executive's review of the year

ANOTHER STRONG YEAR

We have continued to grow our global alternative asset management business in line with our strategic objectives.

BENOÎT DURTESTE
CHIEF EXECUTIVE OFFICER

Delivering:

- Strong fundraising: €10.2bn raised across a diverse range of strategies and well in excess of our target
- Stable fee rates: weighted average fee rate[1] at 0.86% in line with the prior year
- Substantial investment capacity: after deploying €5.9bn across our strategies we have €11.4bn of capital available to support portfolio companies and take advantage of market opportunities
- Robust financial position: strong balance sheet, with £1.2bn of available liquidity

Notwithstanding the above, the year-end unrealised valuation of the portfolio has been negatively impacted by the market dislocation due to the Covid-19 pandemic.

Resilient business model

The human consequences of the Covid-19 pandemic are of the utmost importance to management and the Board and will remain a focus for some time to come. We have remained fully operational throughout the lockdowns imposed by many governments and are proud of the way our teams have responded and adapted to new working practices. We remain alert to the practical challenges for some, as well as the increased mental and physical health risks, and have put in place comprehensive support for our people. We have been in contact with our key outsourced providers and have been reassured that they have sufficient, robust processes in place. We have also supported two charities who are working to soften the wider impact of Covid-19 around the world.

As a result of the pandemic and measures to manage it, the global economy has contracted sharply in recent weeks. We have entered a period of significant uncertainty. The timing and nature of any economic recovery, as well as the potential longer-lasting effects on countries, policies and industries, remain highly unpredictable. Since the emergence of the pandemic, we have been in active dialogue with our portfolio companies and working with their management teams to understand, and address, the specific challenges they are facing. We have discussed remediation measures and exit strategies, as well as the buy-and-build opportunities which we anticipate will arise with some sector consolidation.

1 These are non IFRS alternative performance measures. Please see the glossary on page 183 for further information.

Resilience becomes the new watchword, and over the decade since the Global Financial Crisis (GFC), we have transformed and strengthened our business model. We have evolved from being a balance sheet investor to become a leading global alternative asset manager. We now have a diversified product offering from which we derive dependable recurring fee streams from a broad and global institutional client base, supported by a strong and well-capitalised balance sheet. These are the foundations of our resilient business model. In addition, as our funds are primarily closed-ended, long in duration, and with no redemption option, we are differentiated from traditional asset managers, and better able to withstand economic cycles.

The alternative asset management industry has also evolved over the last decade to become an integral part of the global financial system. Institutional investors, attracted by enhanced returns, lower volatility and diversification opportunities, have increased their allocations to alternative investment strategies year-on-year. At the same time, the investment market has grown, with companies staying private for longer, benefiting from alternative sources of financing. We expect these long-term trends to continue and, as after the GFC, potentially further to accelerate in the wake of the current crisis.

Fundraising increases recurring fee streams

At €10.2bn (2019: €10.0bn), this has been an exceptional year for fundraising, the lead indicator for future fees and profitability. Of this, €2.5bn was raised in the last two months of the year by which time the potential impact of Covid-19 was already becoming evident. With 86% of our AUM in closed end funds, investor commitments and related fee streams are fixed for the life of the fund (typically 6-12 years) and are unaffected by valuation movements.

We had significant success during the year in raising €1.6bn across our three new strategies: Sale & Leaseback, Infrastructure Equity and European Mid-Market. Fees on all three are payable on committed capital from the first close, and hence have already started to contribute to our profits. We continue to fundraise for our Sale & Leaseback and Infrastructure Equity funds.

We had further success with Senior Debt Partners. We decided to bring forward fundraising for this, one of our largest strategies, to take advantage of favourable market conditions and raised €3.3bn in the year, across Fund IV and segregated mandates. Our liquid open-ended credit strategies raised €1.8bn, continuing the momentum of prior years. We also raised money for our real estate strategies; the fourth vintage of our Asia Pacific Fund; completed the fundraising for our Strategic Equity strategy; closed two CLOs; and raised money for our Australian Senior Loans fund, demonstrating the depth and diversity of our product offering.

As at the end of March 2020, we had €11.4bn of capital available to deploy across all strategies. This places us in a strong position to access the attractive deal opportunities that are emerging.

During the year, we deployed €5.9bn across our direct investment strategies, in line with the prior year. Of note, deployment in the current year was weighted more to our senior secured debt strategies as we adopted a more conservative approach to investing amid changed market conditions.

We have had no significant outflows from our open-ended funds (which represent 14% of total AUM) during the year or up to the date of this report. Indeed, these funds have experienced net inflows since the year end, reflecting the relevance of our strategies to fund investors and our increasingly established track record in this market.

Diversified portfolios support resilient long-term performance

To date, the negative effect of the economic shock caused by Covid-19 on our portfolios has been reduced by diversification, the nature of the instruments we invest in, and our conservative approach to structuring. We are investing across 21 strategies globally and have very little exposure to industries which are most exposed to the Covid-19 crisis. Private debt consists a significant proportion of our portfolios which is structurally less susceptible to valuation swings when compared to private or indeed public equity. We do not leverage our funds, even for our senior debt strategies.

We continue to adopt a robust valuation methodology taking account of the longer-term prospects for our portfolios as assessed at the year end. In addition, our disciplined approach to realising assets when possible in order to anchor performance means we already have good visibility over the likely outcomes for many of our vintages. Our clients assess our performance on the returns we generate over the life of a fund, and we still expect to meet or exceed our fund return hurdle rates over the longer term.

Our balance sheet capital is invested alongside our funds and is both an enabler and an accelerator of the growth of our fund management business. Our balance sheet portfolio is widely diversified, investing in over 300 companies, across 36 industries and 34 countries through the funds it has invested in. Although we experienced unrealised losses on our balance sheet portfolio due to the market dislocation caused by the Covid-19 pandemic, these were moderate due to our diversification. Only 5% of the balance sheet portfolio is exposed to oil and gas, and other industries currently most exposed to a downturn. A further 13% is invested in CLOs managed by our team, in line with regulatory minimums. We believe this level of diversification increases the resilience of the portfolio.

Chief Executive's review of the year continued

Robust financial position and progressive dividend

The Group maintains conservative financial leverage, and we continuously manage our sources of balance sheet financing to ensure we have appropriate diversification, and had liquidity of over £1.2bn at year-end. The weighted average life of drawn debt at 31 March 2020 was 4.2 years with £250m of maturities in the financial year ending 31 March 2021, in part funded by raising a €500m seven-year Eurobond with a coupon of 1.625% in February 2020.

In line with our dividend policy, and reflecting the performance of our Fund Management Company, our resilient business model and our robust financial position, the Board recommends a final dividend of 35.8p per share (2019: 35.0p) equating to a total for the year of 50.8p per share (2019: 45.0p), an increase of 13%. This represents 80% of the post-tax profits of the Fund Management Company, using the Group's effective tax rate. It is also covered 0.75 times by total adjusted earnings. We continue to make the dividend reinvestment plan available.

Board changes

We have seen a number of changes at board level, welcoming Lord Davies of Abersoch as Chair and Vijay Bharadia and Antje Hensel-Roth (in April 2020) as Executive Directors. They bring with them a wide variety of experience and perspectives and are already making valuable contributions to board proceedings. We are grateful to Kevin Parry (former Chair) and Philip Keller (former CFOO) who have left the Board having contributed to the Group's strategy over many years.

Outlook: significant long-term growth potential

It is likely to be some time before the full social and economic impact of Covid-19 is known. During this time the Board and management will continue to work closely together to manage the business in the best interests of our people, our shareholders, our clients and other stakeholders.

We have made a strong start to the fundraising year, but overall fundraising will be slower in the current financial year. In addition to the wider market challenges, this is in part because once Senior Debt Partners is fully raised, we will have none of our larger funds in the market in the coming year, in line with our well-established, long-term fundraising plan.

Since the outbreak of the pandemic, both investment and realisation activity have slowed materially. While we do not expect significant realisations in the coming financial year, we have already signed a number of new investments across strategies and geographies. Once lockdown measures are eased further and there is greater clarity around the economic outlook, we expect investment activity to pick up. We will, as always, remain disciplined in our approach, but expect to find attractive opportunities for investments which will support business recovery and success over the long investment horizons of our strategies.

We will continue to manage our portfolios closely, and while we take a robust approach to portfolio valuations, it is too early to take a view on the extent of further unrealised write downs which might be required if conditions further deteriorate during the year.

However, our focus on closed-end funds, with clients committed over a long term, enables us to manage our portfolios through economic cycles, with the aim of continuing to deliver superior returns for all our investors.

Our market fundamentals remain strong and we expect the current environment to present further opportunities for us to innovate and increase diversification by asset class and geography. We have a proven track record of launching and scaling up new strategies, making us an attractive proposition for new teams. During the year, we began the process for developing a global secondaries fund strategy as well as a US private equity fund strategy, with high profile hires. The teams will use balance sheet capital to make initial investments and demonstrate proof of concept for these scalable strategies, before commencing preparations for launching dedicated third-party funds.

These are unprecedented times, but with our resilient business model underpinned by a strong, well-capitalised balance sheet, we are in a strong position from which to navigate the challenges and capitalise on the opportunities that this crisis will present. We have transformed into a leading global alternative asset manager and are well placed for significant long-term growth and shareholder value creation.

BENOÎT DURTESTE
CHIEF EXECUTIVE OFFICER

10 June 2020

Key performance indicators

HOW WE HAVE PERFORMED

Our key performance indicators (KPIs) include alternative performance measures, providing additional insight into the performance of our business.

Our strategic objectives

1 **Grow AUM**
We generate fee income from funds we manage

2 **Invest selectively**
Investing capital generates investment returns for our clients and shareholders

3 **Manage portfolios to maximise value**
Closely managing our portfolios is a key component of our investment culture and enhances investment returns. Realisations lock in our returns, support future fundraising and release capital for new investment

Alternative performance measures

The IFRS financial information on page 21 includes the impact of the consolidated funds 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.

The glossary on pages 183 to 187 includes the definitions of these alternative performance measures and reconciliation to the relevant IFRS measures.

+ Read more in our glossary on pages 183 to 187

The following KPIs are alternative performance measures:

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

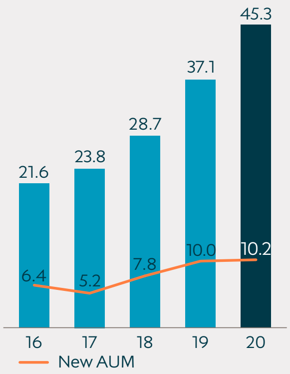
+ Read more about Executive Director KPIs on page 85

+ Read more about the associated principal risks on pages 28 to 35

Key performance indicators continued

Total AUM (€bn)

€45.3bn

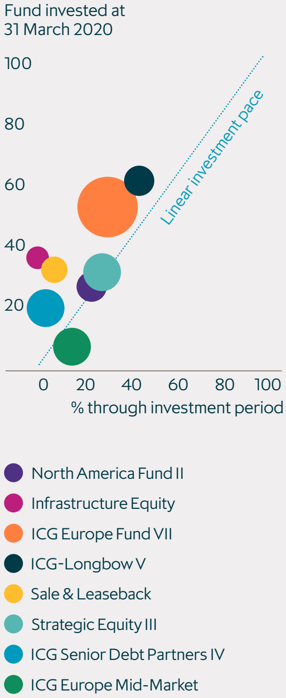


Overview
Raising third-party funds is the lead indicator of the Group's profitability. We target raising €6bn of new third-party funds per annum on a three-year rolling average.

Review of performance
AUM has increased during the year with record fundraising outstripping the pace of realisations from older funds. Fundraising is expected to be slower for the coming financial year due to the impact of Covid-19 but we expect to continue to capitalise on the increasing allocations by institutional investors to alternative asset classes and grow AUM in the longer-term.

Strategic alignment
1

Deployment of direct investment funds (%)



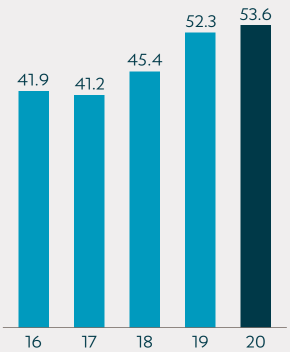
Overview
Closed end funds have a finite life and represent 86% of AUM. For these funds it is important for the capital to be deployed over the investment period. We monitor this against a straight-line deployment basis. We recognise that investment pace is not linear and depends on market conditions. We continually assess whether we are being sufficiently selective in our investment decision making.

Review of performance
Our teams have taken a cautious approach to deployment during the year but have found sufficient attractive investment opportunities to maintain the investment pace for our closed-end funds.

Strategic alignment
2

FMC operating margin (%)

53.6%



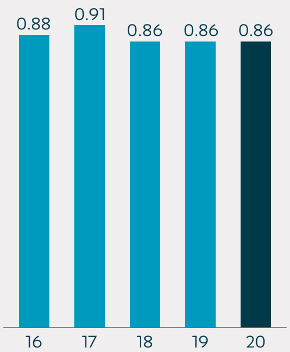
Overview
The operating margin of the FMC is a measure of the efficiency and scalability of the business. The Group has invested substantially in its growth and the return on this investment is measured through the operating margin. The Group is targeting a margin above 50%.

Review of performance
FMC operating margin is significantly above our target as the Group continues to benefit from the raising and deployment of capital while maintaining discipline and control over the cost base.

Strategic alignment
1

Weighted average fee rate (%)

0.86%



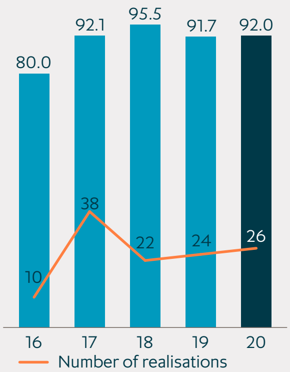
Overview
The weighted average fee rate is a measure of profitability. Fees reflect the risk/return profile of the underlying asset. The weighted average fee rate across the Group will depend on the composition of AUM between the lower fee earning credit funds and the higher fee-earning corporate and secondaries strategies. We will continue to review the relevance of this measure to shareholders.

Review of performance
The weighted average fee rate on fee earning AUM is 0.86%, in line with the prior year.

Strategic alignment
1

Percentage of realised assets exceeding performance hurdle (%)

92.0%



Overview

A key indicator of our ability to manage portfolios to maximise value is the level of realised assets for which the return is above the fund performance hurdle rate. This is the minimum return level clients expect and the point at which the Group earns performance fees. Details of the hurdle rate per fund can be found on page 180.

Review of performance

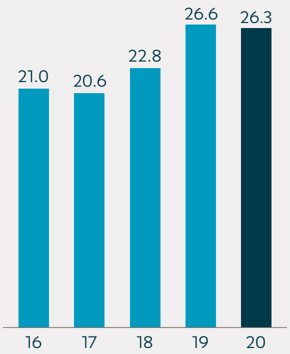
The Group has exceeded the performance hurdle for each of the funds to which these assets relate.

Strategic alignment

3

UK senior management gender diversity (%)

26.3%



Overview

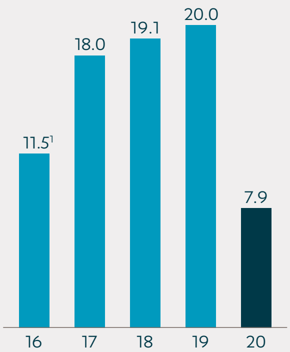
We believe a more diverse and inclusive workforce will enhance the delivery of our strategic objectives and shareholder value. We have pledged to increase the number of women in senior management roles in an industry in which senior investment positions are held predominantly by men.

Review of performance

We continue to make progress in improving our gender balance across the business while maintaining our rigorous recruitment process. We are developing business practices and a culture in which diversity and inclusion thrive. It will take time for the measures we have put in place to be reflected in these statistics.

Return on equity (ROE) (%)

7.9%



Overview

The Group has targeted an ROE in excess of 13%, to 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.

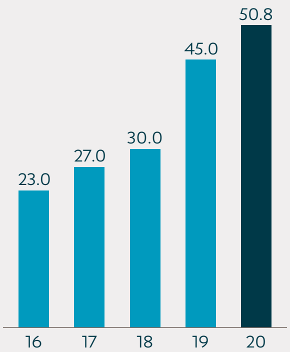
Review of performance

ROE is lower than target as Covid-19 related market conditions in the final quarter of the financial year have impacted valuations and resulted in unrealised losses in the IC, despite profits in the FMC remaining strong.

1 Adjusted for £2.3m one-off benefit from the EBT settlement and excludes the impact of the movement in deferred consideration payable on the ICG-Longbow acquisition.

Ordinary dividend per share (pence)

50.8p



Overview

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

Review of performance

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.

Our business model

WHAT WE DO

We adopt responsible and sustainable business practices to make a positive impact to society through our investments.

+ Read more about our responsible investment approach on pages 38 to 41

We receive fee income for managing client portfolios.

Fundraising

We invest over the long term to create value for our clients

ICG

We offer a wide range of strategies to our clients and deliver enhanced returns on their capital

Investments

We deploy our clients' capital to offer flexible solutions to our investee companies

We invest to generate income and returns on capital deployed.

Our unified platform is a competitive advantage

Marketing

Our global in-house team is client focused. They cover our full range of strategies, providing opportunities for our clients to invest in a diversified portfolio with a single investment manager.

Operating platform

Supporting all aspects of the business, delivering a consistent quality of service to clients.

Our resilient model is sufficiently flexible to adapt to business development and other emerging trends.

HOW WE INVEST

Our investment process

Our disciplined investment culture brings together a network of skills and expertise, through long-standing relationships, to provide us with unique market insight and opportunities.

We position our diversified portfolios so they are resilient to typical economic cycles. 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.

Originate

- Utilise local networks to identify potential investment opportunities

Diligence

- Refine opportunities to those which meet fund requirements
- Identify due diligence requirements

Approve

- Detailed due diligence undertaken
- Investment Committee assessment and approval

Monitor

- Regular interaction with portfolio companies
- Formal quarterly review of performance

Local teams and sector expertise

We believe the environment for alternative assets is most attractive in the mid-market corporate sector where higher risk-adjusted returns can be achieved. It is this market in which we have a competitive advantage.

Our teams have sector expertise and long-standing relationships. They understand the markets in which they operate. This enables deal flow and early access to investment opportunities. This is a key competitive advantage in sourcing and managing investments.

Our reputation, built up over 31 years, has generated strong, supportive, asset sourcing networks.

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

Our standardised approach to oversight

Governance

Our Board is highly engaged and provides support and robust challenge to management. This ensures prudent management of the Group's resources, focus on the Group's strategic objectives and effective risk management.

Risk management

Effective risk management is critical to the delivery of our strategic objectives. All employees have a role in identifying and managing risk and this is supported and overseen by our independent risk function and the activities of the Board and the Risk Committee.

Compliance

Our regulatory permissions are fundamental to our business as an alternative asset manager. Compliance with financial regulation is critical and the activities of our business are overseen and monitored by our independent compliance function, the Board and the Risk Committee.

Our business model continued

HOW WE CREATE VALUE

	RAISE FUNDS	INVEST CAPITAL
	We generate fee income from funds we manage	**Investing capital generates returns for our clients and shareholders**
KEY ACTIVITIES	▶ We size our fundraising requirements by the market opportunity to invest, developing investment strategies that meet the requirements of our clients ▶ We use our global in-house marketing team, which is embedded in the business, to attract suitable clients for our funds	▶ Our highly experienced investment professionals identify opportunities to invest capital using long-standing local networks and relationships ▶ We provide investee companies and borrowers with flexible capital to meet their needs; this is supported by our nimble operating model with its efficient decision making processes
CONTRIBUTION 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 into closed-end funds generates a predictable income stream of between three and 12 years, depending on the lifecycle 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 which correlates to our clients' returns on those funds ▶ We earn performance fees if the underlying fund hurdle rates are met
MEASURING PERFORMANCE	▶ We have a target of raising an average of €6bn of new third-party funds per annum on a three-year rolling basis ▶ We monitor the weighted average fee rate for each strategy on fee earning AUM. Weighted average fee rate and AUM are alternative performance measures as defined on page 13 + Read more on page 14	▶ For closed-end funds it is important for capital to be deployed over the investment period. We monitor this on a straight line deployment basis throughout the investment period ▶ For open-ended funds we ensure clients' capital is being deployed in an appropriate manner + Read more on page 14

MANAGE INVESTMENTS

Closely managing our investments is a key component of our investment culture and enhances 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 monitor the performance of the portfolio

- Our success in managing our investments is reflected in the performance of our funds against their investment objectives, client 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. Net investment return is an alternative performance measure as defined on page 13

+ Read more on page 15

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

REALISE 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 fund 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 assets are reflected through the income statement throughout the holding period of the asset, rather than in the year of realisation. Realisations unlock cash from previously recognised and current year value changes
- Only gains realised in cash qualify for remuneration purposes

+ Read more on page 82

Resourcing the business

An effective operating platform is critical to our business model and to support our growth ambitions.

We focus on delivering functional alignment to support our investment strategies and clients. To do this we need to attract and retain high calibre operational talent.

We consider whether processes should be carried out in-house or by third-party service providers. We rely on third-party service providers, whose activities are closely monitored by our in-house teams. The effective sourcing of services provides an opportunity to optimise capacity and productivity.

We look for opportunities to standardise processes across investment strategies to ensure we have streamlined workflows and to prevent processes from becoming bespoke as we grow.

Data and technology can be transformational. Through our investment strategies we receive information on close to 1,450 private companies across Europe, the US and Asia. We track key metrics of financial health on an average of over 400 private companies every quarter, allowing us to provide timely and detailed insights into a historically opaque segment of the markets. Having the ability to store all key data, including fund performance data, in one place can create significant economies of scale.

+ Read more about our suppliers on page 47

Our business model continued

HOW WE USE OUR BALANCE SHEET

Our balance sheet enables and accelerates the growth of our business, creating value for shareholders.

Business Development

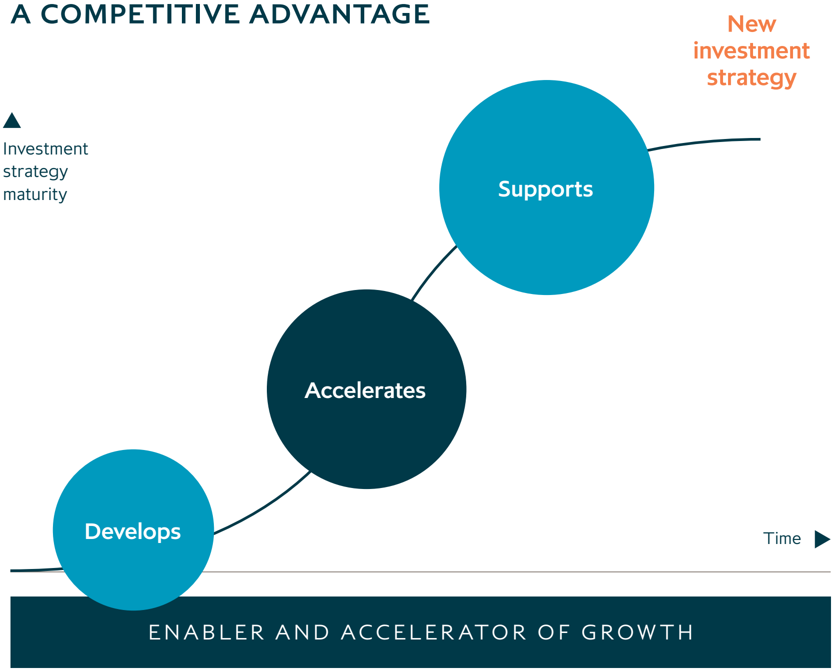
Our balance sheet supports the growth of our fund management business, acting as an enabler and accelerator of growth.

New investment strategies are **developed** by demonstrating proof of concept and aligning interests with clients by committing capital to new funds.

Once established, the growth of strategies is **accelerated** by further investment in the team, our in-house marketing capability and ongoing capital commitment.

Continued **support** of established strategies enables the business to take advantage of further growth opportunities.

OUR BALANCE SHEET IS A COMPETITIVE ADVANTAGE



Dividends

We have a progressive dividend policy, which means that unless there are significant adverse consequences, the ordinary dividend will increase, or at least be maintained, year-on-year. The Board intends to distribute between 80% and 100% of the post-tax earnings of the Fund Management Company (FMC).

CASE STUDY

Strategic Equity

Our Strategic Equity strategy illustrates the competitive advantage and power of our balance sheet.

The team identified a proof of concept investment which was underwritten by the balance sheet when they joined in 2014. The balance sheet subsequently committed a further $200m as the anchor investor in their first third-party fund, enabling the team to raise capital and generate income.

This year, Strategic Equity closed its latest fund at $2.4bn, significantly ahead of its original target, supported by a balance sheet commitment of $200m. This fund achieved an increased average fee rate, translating into a significant increase in fee income.

The balance sheet has accelerated the maturity of this strategy so that within five years it is generating the same level of management fees as the European Corporate strategy was earning only five years ago, 26 years after its launch.

Finance and operating review

The financial information prepared for, and reviewed by, management and the Board is on a non IFRS basis. These are alternative performance measures as defined in the glossary on page 183. The financial statements based on IFRS are on pages 120 to 179.

1 These are non IFRS alternative performance measures.

+ Please see the glossary on page 183 for further information

Under IFRS, the Group is deemed to control funds where it can make significant decisions that can substantially affect the variable returns of investors. There are 16 credit funds and CLOs that are required to be consolidated under this definition of control. This has the impact of including all of the assets and liabilities of these funds in the consolidated statement of financial position and recognises all the related interest income and gains or losses on investments in the consolidated income statement. However, the legal and economic structure of these funds means that shareholders are only exposed to the Group's own investment into these funds and CLOs.

The Board believes that presenting the financial information in this review on a non-IFRS basis, and therefore excluding the impact of the consolidated credit funds and CLOs, assists shareholders in assessing their investment and the delivery of the Group's strategy through its financial performance. This is consistent with the approach taken by management, the Board and other stakeholders.

The Group's profit after tax on an IFRS basis was below the prior year at £110.6m (2019: £184.5m). On the alternative performance measurement basis, it was also below the prior year at £109.2m (2019: £269.3m). The reconciliation is as follows:

	2020			2019		
Income statement	**Alternative performance measurement basis £m**	**Adjustments £m**	**IFRS as reported £m**	Alternative performance measurement basis £m	Adjustments £m	IFRS as reported £m
Revenue						
Fee and other operating revenue	**277.8**	**(11.7)**	**266.1**	219.8	(7.2)	212.6
Finance and dividend income	**41.2**	**(11.1)**	**30.1**	34.4	(8.8)	25.6
Net investment returns/gains on investments	**49.4**	**68.0**	**117.4**	275.1	(49.2)	225.9
Total revenue	**368.4**	**45.2**	**413.6**	**529.3**	**(65.2)**	**464.1**
Finance costs	**(31.2)**	**(27.1)**	**(58.3)**	(36.7)	(17.2)	(53.9)
Administrative expenses	**(226.4)**	**(15.0)**	**(241.4)**	(214.3)	(13.6)	(227.9)
Other	**–**	**0.6**	**0.6**	–	0.6	0.6
Profit before tax	**110.8**	**3.7**	**114.5**	**278.3**	**(95.4)**	**182.9**
Tax	**(1.6)**	**(2.3)**	**(3.9)**	(9.0)	10.6	1.6
Profit after tax	**109.2**	**1.4**	**110.6**	**269.3**	**(84.8)**	**184.5**

The prior year difference between internal and IFRS financial information is primarily in the valuation of the CLO loan notes within the Investment Company. The adoption of IFRS 9 in the prior year prompted the Group to reconsider the valuation technique used to determine the valuation of the CLO loan notes in the IFRS financial information. The IFRS valuation of CLO loan notes has been aligned with the valuation technique used under the alternative performance measure basis resulting in a one-off reduction to the IFRS reported profit after tax. Going forward we do not anticipate profit, or earnings per share, on an alternative performance measure basis to be materially different to that on an IFRS basis.

The Group has adopted IFRS 16 'Leases' with effect from 1 April 2019, with the impact of adoption detailed in note 2 to the financial statements.

Alternative performance measures are denoted by [1] throughout this review. The definition, and where appropriate, reconciliation to the IFRS measure, is included in the glossary on page 183.

Finance and operating review continued

Overview

The Group's profit before tax[1] for the period under the alternative performance measurement basis was 60% lower at £110.8m (2019: £278.3m), with Fund Management Company (FMC) profit of £183.1m (2019: £143.8m) and Investment Company (IC) loss[1] of £72.3m (2019: £134.5m profit).

Our principal profit metric is FMC profit which has benefited from the increase in assets under management, increased fee income and a slower increase in operating costs. The IC has reported a loss reflecting lower net investment returns due to unrealised losses recognised in March 2020 arising from the year end portfolio valuations which have been negatively impacted by the market dislocation due to the Covid-19 pandemic.

The IC loss includes a gain of £26.6m (2019: gain of £17.2m) arising from the fair value of hedging derivatives. We use derivatives to match the currency exposure of our Investment Company assets and related liabilities; the fair value movement reflects the average unhedged net asset position in the period.

Income statement Alternative performance measurement basis	**31 March 2020 £m**	31 March 2019 £m	Change %
Fund Management Company	**183.1**	143.8	27%
Investment Company	**(72.3)**	134.5	(154%)
Profit before tax	**110.8**	**278.3**	**(60%)**
Tax	**(1.6)**	(9.0)	n/a
Profit after tax	**109.2**	**269.3**	**(59%)**

The effective tax rate is lower than the standard corporation tax rate of 19%, as detailed on page 152. This is 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 offset the taxable profits of our UK Fund Management business, reducing the overall Group charge.

Based on the alternative performance measurement profit above, the Group generated a ROE[1] of 7.9% (2019: 20.0%) and earnings per share[1] for the period of 38.3p (2019: 94.9p).

Net current assets[1] of £762.3m are up from £328.1m at 31 March 2019, with a £784.7m increase in cash, partially offset by financial liabilities maturing within one year increasing by £256.0m.

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 (AUM). New AUM, or fundraising, is our best lead indicator to recurring future fee streams and therefore increasing sustainable profits. In the year to 31 March 2020, the net impact of fundraising and realisations increased third party AUM[1] by 24% to €42.8bn. 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 2019	17,144	11,505	3,581	2,231	34,461
Additions	4,795	2,526	1,701	1,128	10,150
Realisations	(1,180)	(204)	(190)	(91)	(1,665)
FX and other	(70)	4	(148)	97	(117)
At 31 March 2020	**20,689**	**13,831**	**4,944**	**3,365**	**42,829**
Change %	21%	20%	38%	51%	24%

Corporate Investments

Corporate Investments third party funds under management increased 21% to €20.7bn in the year, with new AUM of €4.8bn, including €3.3bn for Senior Debt Partners and €0.9bn for the new Europe Mid-Market Fund, exceeding the realisations from our older funds.

Capital Market Investments

Capital Market Investments third party funds under management increased 20% to €13.8bn, with new third party AUM of €2.5bn raised in the year. During the year we raised two CLOs, one each in Europe and the US, raising a total €0.7bn. The remaining €1.8bn was raised across our other liquid credit funds and multi-asset mandates.

Real Asset Investments

Real Asset Investments third party funds under management increased 38% to €4.9bn, with new AUM of €1.7bn raised in the year, primarily for ICG-Longbow Fund V, our UK real estate partnership capital strategy, and our UK real estate senior debt strategy. Included in this strategic asset class is our new Sale & Leaseback strategy which raised €0.5bn during the year and Infrastructure Equity which raised €0.2bn. As both these strategies charge fees on committed capital they are immediately contributing to the Group's profit.

Secondary Investments

Secondary Investments third party funds under management increased 51% to €3.4bn, with new AUM of €1.1bn raised in the year for our Strategic Equity strategy, including €0.3bn for Strategic Equity Fund III and €0.3 of segregated mandates.

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 €5.9bn in the year compared to €6.0bn in the last financial year. The direct investment funds are investing as follows, based on third party funds raised at 31 March 2020:

Strategic asset class	Fund	% invested at 31 March 2020	% invested at 31 March 2019	Assets in fund at 31 March 2020	Deals completed in year
Corporate Investments	ICG Europe Fund VII	52%	38%	8	2
Corporate Investments	North American Private Debt Fund II	26%	22%	7	2
Corporate Investments	Senior Debt Partners III*	90%	43%	37	17
Corporate Investments	Senior Debt Partners IV*	19%	–	4	4
Corporate Investments	Asia Pacific Fund III	93%	93%	8	0
Corporate Investments	Europe Mid-Market Fund	7%	–	1	1
Real Asset Investments	ICG Longbow Real Estate Fund V	61%	25%	14	6
Secondary Investments	Strategic Secondaries II	100%	82%	12	1
Secondary Investments	Strategic Equity III	30%	–	3	3

* Co-mingled fund, excluding mandates and undrawn commitments

Finance and operating review continued

Fee earning AUM has increased 21% to €35.9bn since 1 April 2019 primarily due to the immediate impact of those funds which charges fees on committed capital and the deployment of Senior Debt Partners and real estate funds. New investments made are partially offset by realisations in our older funds 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 2019	13,545	11,123	2,891	2,067	29,626
Additions	4,091	2,360	1,186	1,128	8,765
Realisations	(1,952)	(319)	(188)	(90)	(2,549)
FX and other	(43)	18	(105)	156	26
At 31 March 2020	**15,641**	**13,182**	**3,784**	**3,261**	**35,868**
Change %	15%	19%	31%	58%	21%

Fee income

Third party fee income[1] of £277.8m was 26% higher than the prior year due to the successful fundraising of funds which charge fees on committed capital and investments made by other funds that charge fees on invested capital. Details of movements are shown below:

Fee income	31 March 2020 £m	31 March 2019 £m	Change %
Corporate Investments	**156.4**	131.1	19%
Capital Market Investments	**53.2**	42.8	24%
Real Asset Investments	**25.1**	22.4	12%
Secondary Investments	**43.1**	23.5	83%
Total third-party funds	**277.8**	**219.8**	**26%**
IC management fee	**22.4**	20.5	9%
Total	**300.2**	**240.3**	**25%**

Third party fees include £23.5m of performance fees (2019: £21.9m), of which £19.9m (2019: £16.4m) related to Corporate Investments and £3.3m (2019: £5.3m) to our Strategic Equity fund strategy. At 8.5% (2019: 10.0%) of total third-party fees, the amount of performance fees recognised in relative terms has reduced from the prior year reflecting the expected slowdown in realisations in the near term due to the Covid-19 pandemic. Performance fees remain a small but integral part of the fee income profile and profitability of the Group.

Third party fees are 85% denominated in Euros or US dollars. The Group's policy is to hedge non-Sterling fee income to the extent that it is not matched by costs and is predictable. Total fee income included a £4.0m (2019: £2.0m) FX benefit in the year.

The weighted average fee rate[1], excluding performance fees, across our fee earning AUM is 0.86% (2019: 0.86%).

Weighted average fee rates	31 March 2020 %	31 March 2019 %
Corporate Investments	**1.05%**	1.05%
Capital Market Investments	**0.49%**	0.52%
Real Asset Investments	**0.91%**	0.88%
Secondary Investments	**1.49%**	1.29%
Total third-party funds	**0.86%**	**0.86%**

Other income

In addition to fees, the FMC recorded dividend receipts[1] of £41.2m (2019: £34.4m) from the increased number and performance of CLOs. CLOs are structured so that dividends can only be paid if the fund is meeting its leverage covenant test. If the credit ratings of the underlying portfolios were to be sufficiently downgraded, the level of dividends received from CLOs in the short term would reduce.

Operating expenses

Operating expenses of the FMC were £158.3m (2019: £130.9m), including salaries and incentive scheme costs.

Salaries were £55.7m (2019: £47.3m) as average headcount increased 20% from 282 to 337, with continued investment across our platform. Increased headcount also increased incentive scheme costs to £56.8m (2019: £44.5m). Other administrative costs have increased to £45.8m (2019: £39.1m) reflecting the growth of the business, with no individually significant increases.

The FMC operating margin[1] was 53.6% up from 52.3% in the prior year, as a result of average fee earning AUM increasing 26% to €33.1bn for the year thereby increasing the operating leverage of our existing strategies.

Investment Company

Balance sheet investments

The balance sheet investment portfolio[1] reduced 3% in the year to £2,197m at 31 March 2020, representing 5.5% (2019: 7.1%) of total assets under management, as illustrated in the investment portfolio bridge below.

	£m
At 1 April 2019	2,255.7
New investments	329.4
Net transfer from current assets	11.6
Realisations	(475.2)
Net investment returns	38.0
Cash interest received	(16.5)
FX and other	53.8
At 31 March 2020	**2,196.8**

Realisations comprise the return of £262.7m of principal and the crystallisation of £212.5m of net investment returns.

In the period £128.5m was invested alongside our Corporate Investments strategies for new and follow on investments. Of the remaining £200.9m, £45.1m was invested in new and reset CLOs, £111.9m in our Real Asset Investment strategies and £43.9m in our Strategic Equity strategy.

The Sterling value of the portfolio increased by £58.6m due to FX movements. The portfolio is 49% Euro denominated, 24% US dollar denominated and 16% Sterling denominated.

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

	Target return profile	**As at 31 March 2020 £m**	**% of total**	As at 31 March 2019 £m	% of total
Corporate Investments	15-20%	**1,327**	**60%**	1,343	59%
Capital Market Investments	5-10%	**433**	**20%**	556	25%
Real Asset Investments	c10%	**297**	**14%**	183	8%
Secondary Investments	15-20%	**140**	**6%**	174	8%
Total balance sheet portfolio		**2,197**	**100%**	**2,256**	**100%**

In addition, £12.8m (2019: £110.7m) of current assets are held on the balance sheet prior to being transferred to third party investors or funds.

Finance and operating review continued

Net investment returns

Net investment returns[1] of £49.4m (2019: £275.1m) represent the total return generated from the balance sheet portfolio in the year and represent 2.2% of the average balance sheet portfolio (2019: 12.6%). In the first eleven months of the financial year net investment returns were £201.8m, but have been reduced by net unrealised losses of £152.4m recognised in March 2020 as a result of the year end portfolio valuations which have been negatively impacted by the market dislocation due to the Covid-19 pandemic. However, recognised unrealised losses do not result in cash outflows. The Group's long-term business model, involving management of predominantly closed-end funds, means that teams are not forced to exit investments to meet liquidity needs. They have the benefit of time and can wait for valuations to potentially recover. ICG's funds are structured to perform through economic cycles.

Net investment returns by asset class were as follows:

	31 March 2020 £m	31 March 2019 £m	Change %
Corporate Investments	**105.9**	201.1	(47%)
Capital Market Investments	**(87.2)**	38.1	(329%)
Real Asset Investments	**9.0**	8.4	7%
Secondary Investments	**21.7**	27.6	(21%)
Total net investment returns	**49.4**	**275.1**	**(82%)**

The fair value of the Group's Corporate Investments is determined in line with industry guidelines and uses both earnings multiple and discounted cash flow valuation techniques. The reduction in net investment return is due to the unrealised losses arising from the year-end valuations which reflected weaker market conditions arising from the expected economic impact of the Covid-19 pandemic.

Within Capital Market Investments is the Group's regulatory investment in the CLOs it manages. The fair value of the CLO equity assets is assessed using discounted cash flow models, a key assumption of which is the expected default rate. In light of recent developments, the expected default rate was increased to 8% from 3% per annum. The CLO debt assets are valued based on observable market prices which during March 2020 experienced considerable decline due to Covid-19. This has resulted in a reduction in the carrying value of the Group's investments in CLO's and liquid funds.

We take a robust approach to valuations, but given the uncertainty arising from the Covid-19 crisis it is not possible to determine the extent of any further unrealised or realised losses that may arise in the future if conditions deteriorate further. Conversely, if conditions improve, we may experience recoveries.

Interest expense

Interest expense[1] of £57.8m was £3.9m higher than the prior year (2019: £53.9m), following the issuance of a €500m bond in February 2020 and of private placement debt in the current and prior year.

Operating expenses

Operating expenses[1] of the IC amounted to £68.1m (2019: £83.4m), of which incentive scheme costs of £47.5m (2019: £66.4m) were the largest component. The £18.9m decrease is due to a reduction in the value of our deal vintage bonus scheme and a lower cash bonus. Other staff and administrative costs were £20.6m compared to £17.0m last year, a £3.6m increase.

Group cash flow and debt

The balance sheet remains well-capitalised, with £1.2bn of available cash and debt facilities at 31 March 2020, excluding the consolidated funds and CLOs. During the year, the Group issued new US private placement debt and a €500m bond, to refinance upcoming debt maturities and extend the overall debt maturity profile. The bond has a coupon of 1.625% and a maturity of seven years. The movement in the Group's unutilised cash and debt facilities during the year is detailed as follows:

	£m
Unutilised cash and debt facilities at 31 March 2019	572.7
Private placement notes issued	139.7
Bond issued	444.1
Movement in cash	753.9
Movement in drawn debt	(730.9)
FX	37.0
Unutilised cash and debt facilities at 31 March 2020	**1,216.5**

Total drawn debt at 31 March 2020 was £1,915m compared to £1,184m at 31 March 2019, with unencumbered cash of £917m compared to £163m at 31 March 2019. The increase in unencumbered cash is due to the €500m bond issuance, and the drawdown of £250m on the Group's bank facilities in early March as a precautionary measure.

Capital position

Shareholders' funds reduced by £74.2m to £1,309.2m (31 March 2019: £1,383.4m), as the retained profits in the period were offset by the payment of the ordinary dividend and purchase of own shares. Total net debt[1] to shareholders' funds (net gearing[1]) as at 31 March 2020 increased to 0.76x from 0.74x at 31 March 2019. Gross gearing[1] of 1.46x (2019: 0.86x) is a less meaningful measure in the current year given the level of unencumbered cash on the balance sheet.

Risk management

MANAGING RISK

Effective risk management is key to our success and is recognised as an essential part of delivering the Group's corporate strategy.

Our approach

The Board is accountable for the overall stewardship of the risk management framework, internal control assurance, and for determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives. In doing so, the Board sets a preference for risk within an effective control environment, to generate a return for clients and investors and protect their interests.

The risk appetite is reviewed by the Risk Committee, on behalf of the Board, and covers the principal risks that the Group expects to encounter in delivering its strategic objectives. The Committee is provided with management information on a quarterly basis and monitors performance against set thresholds and limits to ensure that the Group's strategic objectives can be achieved, within the boundaries of the risk appetite.

The Board also seeks to promote a strong risk management culture by encouraging acceptable behaviours, decisions and attitudes toward taking and managing risk throughout the Group.

Managing risk

Risk management is embedded across the Group through the risk management framework, which ensures that current and emerging risks are identified, assessed, monitored, controlled and appropriately governed based on a common risk taxonomy and methodology. The risk management framework is designed to protect the interests of all stakeholders and meet our responsibilities as a UK listed company and parent of a number of regulated entities.

The Board reviews the risk management framework regularly and it forms the basis on which the Board reaches its conclusions on the effectiveness of the Group's system of internal controls.

Lines of defence

We operate a risk framework consistent with the principles of the 'three lines of defence' model. This ensures clarity over responsibility for risk management and segregation of duties between those who take on risk, those who oversee risk and those who provide assurance.

- The first line of defence is the business functions and their respective line managers, who own and manage risk and controls across the processes they operate
- The second line of defence is made up of the control and oversight functions, Legal, Risk and Compliance, who provide assurance that risk management policies and procedures are operating effectively
- Internal Audit is the third line of defence and provides independent assurance over the design and operation of controls established by the first and second lines to manage risk

Assessing risk

We have adopted a bottom-up and top-down approach to risk assessment:

- The Risk Committee undertakes a top-down review of the external environment and the strategic planning process to identify the most consequential and significant risks to the Group's activities. These are referred to as the principal risks
- The business undertakes a bottom-up review which involves a comprehensive risk assessment process designed to facilitate the identification and assessment of key risks and controls related to each business function's most important objectives and processes. This is assessed through the emerging risk and control self-assessment process (RCSA) and the Risk Taxonomy

The Risk Taxonomy is a top-down comprehensive set of risk categories designed to encourage those involved in risk identification to consider all types of risks that could affect the Group's strategic objectives.

Key developments

In August, a new Head of Risk was appointed, presenting the Group with an opportunity to further develop the risk management framework, ensuring it keeps pace with industry standards and reflects the risk profile of the Group.

During the year, progress has been made to further deliver and embed the risk management development plan (RMDP) that commenced the previous year, focusing on the implementation of the RCSA programme. The Head of Risk has expanded the RMDP into a three-year programme to further strengthen risk management and embed the framework in the activities of the business.

During the financial year, other key initiatives included:

- Testing our business continuity and recovery plans, which have been invoked in response to Covid-19
- Mitigating the impact of Brexit on the business by strengthening EU operations and obtaining the required permissions to enable continuity of marketing services
- Enhancing our product approval process to continue to ensure risks are identified and mitigated and that new products are operationally feasible
- Undertaking a review of our supplier management framework to improve the management of our third-party administrators
- Refining our risk appetite by enhancing our risk appetite statements and metrics
- Implementing the Senior Management and Certification Regime (SMCR), including training and support for senior managers and certified staff

Principal risks and uncertainties

The Group considers its principal risks across three categories:

1. Strategic and external risks

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

2. Financial 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 resulting from inadequate or failed internal processes, people or systems and external events.

Reputational risk is not in itself one of the principal risks, however, it is an important consideration and is actively managed and mitigated as part of the wider risk management framework.

The Group continuously monitors internal and external environments to identify new and emerging risks. Following the year end, there have been significant developments in relation to the Covid-19 outbreak. These developments are unprecedented and likely to have a material impact on a number of our principal risks, most notably on external environment risk, sustained investment underperformance risk including valuation risk, and adverse market fluctuation risk.

Risk management continued

Covid-19

The global impact of the Covid-19 outbreak continues to rapidly evolve and has caused severe disruption, thereby adversely impacting many global economies across many industries. The full scale of the impact is not yet known, and unpredictable and uncontrollable outcomes may still have the potential to materially impact a number of our principal risks. It remains uncertain as to how quickly economic activity will resume and accordingly it is impossible to gauge the longer-term impact of the crisis to our business, or industry performance more generally. Much will depend on the duration of the lockdown and the shape of the subsequent economic recovery. The Board, Risk Management Committee and Executive Directors continue to closely monitor the impacts on our business as a result of the crisis, which are considered within the relevant principal risks on the following pages.

The magnitude of the Covid-19 crisis is unprecedented and has provided valuable insights to the Group's risk management framework and our business continuity arrangements. We intend to apply this experience into developing our risk framework to incorporate more severe scenario planning, with revised assumptions and sensitivities. Our risk reporting will also be enhanced to provide a more dynamic profile of emerging risks and the potential impact to our principal risks.

The Directors confirm that they have undertaken a robust assessment of principal risks in line with the requirements of the UK Corporate Governance Code. The Board does not have access to, and oversight of, detailed information on the business planning, risk management and internal controls of joint ventures and associates as detailed in note 30. The principal risks of the Group are described on the following pages.

Strategic objectives

1 **Grow AUM**

2 **Invest selectively**

3 **Manage portfolios to maximise value**

Risk trend

↑ Risk heightened in the year ended 31 March 2020

↔ Risk consistent with that in the year ended 31 March 2019

↓ Risk reduced in the year ended 31 March 2020

Strategic and external risks

EXTERNAL ENVIRONMENT (INCLUDING POLITICAL RISK)

Strategic alignment

1 2 3

Risk trend

↑

Risk appetite

Moderate to high

Executive Director responsible

Benoît Durteste

Risk description

Macroeconomic and political uncertainty creates risks for the Group's operations and broader risks to tax, credit, liquidity and foreign exchange. This may have direct financial consequences by negatively impacting balance sheet exposures, profitability and surplus capital. Additionally, it may also limit the Group's ability to raise new AUM, deploy capital, and effectively manage our portfolios, resulting in a reduction in revenue streams.

Key controls and mitigation

A range of complementary approaches are used to inform strategic planning and risk mitigation. This includes active management of the Group's balance sheet, our portfolios, scenario planning and stress testing.

The Board actively monitors and assesses macroeconomic conditions and geopolitical events impacting the Group's key markets, and acts as appropriate to ensure impacts to the balance sheet, funds and our clients are minimised.

The Investment Committees also receives financial performance and specific market information for each investment, to determine valuations and impairments.

The business model is predominantly based on long-term investment in closed-end funds, therefore fee streams are 'locked in', which provides some mitigation against market downturn.

The Group mitigated the impact of Brexit on the business by strengthening EU operations and obtaining the required permissions to enable continuity of marketing services.

Trend and outlook

Due to the Covid-19 crisis, in the near term we expect to experience a slowdown in fundraising, capital deployment and realisation activity. The key controls, trends and outlook associated with these risks are described further under the relevant principal risk headings.

The Group cannot fully eliminate the downside impacts of Covid-19, however the risks will continue to be monitored to ensure appropriate controls and mitigants are implemented.

SUSTAINED INVESTMENT UNDERPERFORMANCE

Strategic alignment
1 2 3

Risk trend
↔

Risk appetite
Moderate

Executive Director responsible
Benoît Durteste

Risk description

Prolonged and/or significant investment and fund underperformance may decrease the demand for our products, which could negatively affect the Group's balance sheet exposures, our ability to retain and raise new AUM and funds as well as reducing revenues.

Key controls and mitigation

The Group has in place a robust and disciplined investment process where investments are selected and regularly monitored by the Group's Investment Committees for fund performance, delivery of investment objectives, asset performance and to identify 'at risk' assets that are subject to a detailed review. Additional monitoring is in place for the Group's balance sheet exposures.

Rigorous credit research is 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.

Robust oversight of major portfolio investments supports the delivery of capital preservation and anticipated returns.

Trend and outlook

The funds are in line with or ahead of their required hurdle rates or respective industry benchmarks. However, if the disruptions caused by Covid-19 continue, our funds' portfolio companies could suffer materially, which would decrease the value of our funds' investments and thereby adversely impact our funds' performance. Our Investment Company could experience material unrealised losses given we have investments in our funds.

We have extensively engaged with the management of our portfolio companies to assess the risks faced and continue to provide support as necessary to implement relevant remediation measures. In our Capital Market Investments strategies, we are regularly monitoring the market developments and actively managing the portfolio.

We have enhanced client reporting to include comprehensive commentary on the potential impact of Covid-19 on each business, together with a summary of actions being taken.

FAILURE TO RAISE OR RETAIN THIRD-PARTY FUNDS

Strategic alignment
1

Risk trend
↔

Risk appetite
Low to moderate

Executive Director responsible
Benoît Durteste

Risk description

Failure to raise new funds would negatively impact the Group's long-term income and ability to launch new strategies. Additionally, failure to retain funds would reduce the Group's management fee income.

Key controls and mitigation

The Group has dedicated fundraising and scalable business support teams to grow and diversify the institutional client base by geography and type.

The product portfolio has been expanded to address a range of client requirements.

Client sentiment in open-ended funds is monitored through regular engagement.

Trend and outlook

In this financial year, the Group significantly exceeded its fundraising target. However, due to the impacts of Covid-19 we are anticipating a slowdown of fundraising for new or successor strategies which may result in delayed growth in management fees.

The Group's track record and reputation remains strong and we are focusing our fundraising efforts on strategies that are expected to be attractive in the current environment, such as direct lending. We are also considering launching opportunistic strategies while continuing to market new strategies launched in the prior year, such as the Sale & Leaseback and the Infrastructure fund.

UNTIMELY DEPLOYMENT OF COMMITTED CAPITAL

Strategic alignment
2 3

Risk trend
↑

Risk appetite
Low to moderate

Executive Director responsible
Benoît Durteste

Risk description

Failure to deploy committed capital in a timely manner would reduce the value of the Group's future management fees, investment income and performance fees. Additionally, there is a potential negative impact on investment performance and the ability to raise new funds.

Key controls and mitigation

The rate of investment is kept under review by the Investment Committees and senior management to ensure acceptable levels are maintained in current market conditions.

The Group monitors the investment pace of the direct investment funds against targets.

Trend and outlook

Due to Covid-19, the Group may experience a decline in the pace of our investments and, if our funds are unable to deploy capital at a pace that is sufficient to offset the pace of our realisations, our management fee revenues could decrease.

The Group will continue to maintain investment discipline and remain alert to new opportunities. Our deep local origination capabilities remain a competitive advantage in sourcing investment opportunities. The Group will closely monitor external market developments and opportunities.

Risk management continued

Financial risks

ADVERSE MARKET FLUCTUATIONS

Strategic alignment
3

Risk trend
↑

Risk appetite
Moderate to high

Executive Director responsible
Vijay Bharadia

Risk description

The risk of loss arising from fluctuations in market variables including, but not limited to, foreign exchange rates, interest rates, credit spreads and the performance of the underlying portfolio. This could lead to changes in the values of assets and liabilities on the Group's balance sheet and the investments we manage as part of our AUM which could materially reduce revenue, earnings and cash flow. Heightened market volatility can also have a negative short-term impact on the Group's stock market performance.

Key controls and mitigation

The extent of credit and market risk is limited by diversifying the Group's portfolio assets by sector, size and geography.

The Group hedges non sterling income, expenditure, assets and liabilities to minimise short-term volatility in the financial results of the Group.

Currency and interest rate exposures are reported monthly and reviewed by the Group's Treasury Committee.

Portfolio valuations are reviewed quarterly by the Group Valuation Committee.

Trend and outlook

Political and economic uncertainties, notably the impact of Covid-19, continue to increase the volatility of foreign exchange and interest rates.

The Group will continue to monitor and appropriately mitigate the impact on the availability and cost of capital and will implement appropriate measure to mitigate the impact of these fluctuations.

The Group's implementation of a new treasury system, aimed at delivering automation of key controls and integration with other systems, is on track.

The impact to the Group's investment portfolio arising from Covid-19 is discussed under principal risk: 'Sustained Investment Under Performance'.

FAILED COUNTERPARTY

Strategic alignment
3

Risk trend
↔

Risk appetite
Low to moderate

Executive Director responsible
Vijay Bharadia

Risk description

The Group uses derivatives to hedge market risk on its balance sheet and, by entering into these derivatives, is exposed to financial loss as a result of a failed counterparty.

Key controls and mitigation

The Group's counterparties are national or multinational banks. The treasury team identify, evaluate, sanction, limit and monitor various forms of credit exposure, individually and in aggregate.

Counterparty exposures are reviewed by the Group's Treasury Committee on a monthly basis.

Counterparty exposures are also managed within limits agreed by the Board, which are reviewed annually.

Trend and outlook

The Group has managed counterparty credit risk consistently throughout the year, limiting Counterparty exposure.

The Group's implementation of a new treasury system, aimed at delivering automation of key controls and interaction with other systems, remains on track.

FAILURE TO MEET FINANCIAL OBLIGATIONS

Strategic alignment
1 2

Risk trend
↔

Risk appetite
Low

Executive Director responsible
Vijay Bharadia

Risk description

An ongoing failure to refinance our liabilities could result in the Group failing to meet its payment obligations as they fall due.

Key controls and mitigation

The Group obtains debt funding from diversified sources and 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.

Contingency funding is in place to address liquidity requirements in stress scenarios.

Long-term forecasts and stress tests are prepared to assess the Group's future liquidity as well as compliance with the regulatory capital requirements.

Trend and outlook

The Group remains well funded with a high level of current and forecast liquidity present, ahead of dividend and debt repayments later in the year.

During the financial year, the Group issued new US private placement debt and a €500m bond to refinance upcoming debt maturities and extend the overall debt maturity profile.

The Group's liquidity and headroom are detailed on page 161.

Operational risks

UNPLANNED DEPARTURE OF KEY PERSONS

Strategic alignment
1 2 3

Risk trend
↔

Risk appetite
Low

Executive Director responsible
Antje Hensel-Roth

Risk description

A breach of any 'Key Person' clause could result in the Group having to stop making investments for the relevant fund or impair the ability of the Group to raise new funds if not resolved in a timely manner. Additionally, the unplanned departure of a key employee and the inability to recruit into key roles could have a negative impact on the Group's ability to deliver its strategy.

Key controls and mitigation

The Group rewards its investment professionals and other key employees in line with market practice, which is periodically benchmarked to remain competitive. Senior investment professionals also typically receive long-term incentives.

Senior management reinforce a commercial and entrepreneurial culture to attract and retain talent, which is supported by feedback from the employee engagement survey.

The Group has succession plans in place for key employees, and an appraisal and development programme to ensure that individuals remain sufficiently motivated and appropriately competent.

Employee engagement is critical, and the Group undertook an employment engagement survey at the end of 2019 to proactively manage employee satisfaction levels. The outputs will be addressed throughout 2020.

Trend and outlook

The Covid-19 pandemic represents a significant threat to our employees' wellbeing and morale. Our key employees may become unwell or otherwise be unable to perform their duties for an extended period. ICG's Family & Carers Network and our Wellbeing Hub continues to provide links to useful support articles and videos to help staff adjust to this new way of working.

During the year, the Group has successfully managed succession following the expected departure of the CFOO and Chairman.

Careful consideration continues to be made to recruitment and integration capacity as Group growth continues.

Introduction of a new HR system 'Workday' will enhance the Group's recruitment and onboarding processes and reporting.

REGULATORY OR LEGISLATIVE FAILING

Strategic alignment
1 2

Risk trend
↔

Risk appetite
Low

Executive Director responsible
Vijay Bharadia

Risk description

A material regulatory or legislative failing could result in regulatory censure, penalties or other claims negatively impacting the Group's reputation and impairing our ability to retain and raise new AUM. Additionally, adverse regulatory change could impact the ability of the Group to deliver its strategy in areas such as people, deploying capital and raising AUM.

Key controls and mitigation

The Group has a governance structure in place that allows for the identification, assessment and control of material regulatory and legislative risks resulting from the geographical and product diversity of the Group.

The Group has a tailored compliance monitoring programme that specifically oversees regulatory and legislative risks.

Horizon scanning for relevant regulatory and legislative change is a key part of the legal and compliance process and external advisers are commissioned to support this.

Trend and outlook

During the year, the Group successfully managed the implementation of Senior Management and Certification Regime (SMCR) and met its regulatory obligations in advance of the deadline. Compliance will continue to review the Group's arrangements, to ensure SMCR adherence evolves in line with peers and FCA expectations.

The Group successfully mitigated the impacts of Brexit on the business by strengthening EU operations and obtaining the required permissions to enable continuity of marketing services.

The Group continues to invest in relevant system capabilities to enhance compliance and legal processes and internal reporting.

The Group's plan to transition away from LIBOR and equivalents is also on track.

TECHNOLOGY RESILIENCE AND INNOVATION

Strategic alignment
1 2 3

Risk trend
↑

Risk appetite
Low to moderate

Executive Director responsible
Vijay Bharadia

Risk description

The failure of the Group to deliver an appropriate information security platform could result in unauthorised access by malicious third parties, breaching the confidentiality, integrity and availability of our data and systems, negatively impacting the Group's reputation and our ability to maintain continuity of operations and retain and raise new AUM. Additionally, a lack of investment in workplace technology and systems could compromise the ability of the Group to adapt to changing business requirements and deliver our strategy in areas such as fund management and operations.

Key controls and mitigation

The Group's information security policies are 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 technology risks is continuously monitored and subject to regular testing, such as penetration testing, vulnerability scans and patch management. The Group also carries out quarterly phishing tests and delivers an annual user education programme.

Incident management plans and preparedness exercises are complemented by an automated Business Continuity Planning tool.

Trend and outlook

The extended period of remote working by our employees due to the restrictions imposed by the Covid-19 may introduce heightened cyber security risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing attempts.

We increased employee awareness and vigilance of cyber security in response to the rise of malicious campaigns exploiting the crisis.

The Group enhanced its business continuity planning and disaster recovery process via migration to a cloud datacentre, which has proved highly effective in the current Covid-19 environment as our employees carry out their roles and responsibilities from home.

The Group's technology requirements will be kept under review to support the growth of the business.

Risk management continued

Operational risks

FAILURE OF KEY BUSINESS PROCESS

Strategic alignment
1 2

Risk trend
↑

Risk appetite
Low to moderate

Executive Director responsible
Vijay Bharadia

Risk description

Failure of key business processes, including product approval, valuation and client reporting could result in adverse client impact, significant reputational damage and a financial loss across all our principal risks, and could impair the Group's ability to raise and retain new AUM.

Key controls and mitigation

Risks arising from process execution are inherent in the Group's business and we seek to minimise the incidence and impact of these through our controls and management actions.

The Group assesses its operational risk and control environment across its businesses and functions with a view to maintaining an acceptable level of residual risk.

Management are actively engaged in maintaining an appropriate control environment. Our key business processes are regularly reviewed, and the risks and controls are assessed through the risk and control self-assessment process.

The effectiveness of the control framework for key business processes is subject to periodic review by management, the Head of Risk and by Internal Audit, with corresponding oversight by the Risk and Audit Committees.

Trend and outlook

Despite the transition to remote working in response to Covid-19, there were no significant business process failures or material control weaknesses identified during the year.

A target operating model assessment was undertaken to develop a future operating model fit for the growth ambitions of the Group. Resulting recommendations currently being implemented are expected to drive process efficiencies and improve the control environment, which will assist the Group in the effective management of risk across our key processes.

The Group continues to enhance its risk management framework, to ensure it keeps pace with industry standards and reflects the risk profile of the Group.

The risk is heightened to acknowledge these ongoing developments and the impact this may have on the current operating model, now and in the future.

FAILURE OF KEY SUPPLIER

Strategic alignment
1 2

Risk trend
↑

Risk appetite
Low to moderate

Executive Director responsible
Vijay Bharadia

Risk description

The risk that the Group's key third-party suppliers fail to deliver services in accordance with their contractual obligations, which would compromise our operations and impair our ability to respond in a way which meets client and stakeholder expectations and requirements. Failure to adequately select or manage key third-party suppliers, could result in the Group's inability to raise new funds and operate its fund management business.

Key controls and mitigation

The supplier oversight framework consists of policies, procedures and tools to govern the due diligence, appointment, monitoring and oversight of key suppliers.

The stress and scenario testing programme includes consideration of supplier risk.

Trend and outlook

In response to the Covid-19 crisis, we have engaged with all key fund administrators and suppliers for an assessment of their business continuity preparedness and the service levels continue to be monitored closely.

Additionally, the risk function completed a review of the current supplier management framework, resulting in several recommendations for improvement which are being incorporated into the wider target operating model initiatives.

The risk remains heightened but stable to reflect these enhancements, and the potential impacts of Covid-19 on the effectiveness of our suppliers' business continuity programmes and broader business resilience.

FINANCIAL MISSTATEMENT

Strategic alignment
1

Risk trend
↑

Risk appetite
Low

Executive Director responsible
Vijay Bharadia

Risk description

Failure to ensure financial statements are materially accurate, timely and in line with legislative requirements, could result in financial and reputational damage, and regulatory censure and penalties or other claims.

Key controls and mitigation

The Group's financial reporting is aligned to external reporting standards and industry best practice.

Control procedures are in place to ensure that financial reporting processes are identified, documented and monitored.

The effectiveness and efficiency of the control framework for financial reporting is subject to periodic review by management, the Head of Risk and by Internal Audit, with corresponding oversight by the Risk and Audit Committees.

The Group Valuation Committee comprising the CEO, CFOO, Head of Finance, Head of Treasury and Head of Risk sits quarterly to review and challenge the valuation assumptions used in respect of the balance sheet portfolio.

Trend and outlook

The market dislocation arising from the Covid-19 crisis has resulted in increased risk to significant judgements and assumptions used in the valuation of the balance sheet portfolio. Ensuring appropriate governance around quarterly valuations remains a key focus for the Group.

The Group has initiated a number of resource enhancements, including hiring a new Head of Finance with deep valuation expertise to provide dedicated leadership to the finance function. In addition, a number of financial reporting process enhancements will be undertaken to improve the control environment and process efficiency.

Risk profile

The diagram below shows the Group's principal risks. The horizontal axis shows the impact of a principal risk if it were to materialise and the vertical axis illustrates the likelihood of this occurring. The scales are based on the residual risk exposure remaining after mitigating controls.

Strategic and external risks

- A External environment (including political risk)
- B Sustained investment underperformance
- C Failure to raise or retain third-party funds
- D Untimely deployment of committed capital

Market, credit and liquidity risks

- E Adverse market fluctuations
- F Failed counterparty
- G Failure to meet financial obligations

Operational risks

- H Unplanned departure of key persons
- I Regulatory or legislative failing
- J Technology resilience and innovation
- K Failure of key business process
- L Failure of key supplier
- M Financial misstatement

Viability statement

Our strategy to grow our asset management activities, enabled by our business model, is outlined in detail throughout the Strategic Report.

+ Read more on pages 2 to 29

The strength of our resilient business model is its focus on closed end funds. Once established, each investment strategy has significant durability, with a foreseeable fundraising pattern and long-term predictable fee streams. This is what generates shareholder returns.

The period covered by the Group's strategic plan, ICAAP reporting, shareholder fundraising guidance, deployment duration for some of the larger strategies and the typical period over which regulatory changes are implemented is three years. This, combined with an assessment of the period over which forecasting assumptions are most reliable, has led the Directors to choose a period of three years to March 2023 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, future fundraising and realisations, 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.

The review of the three-year strategic plan is underpinned by regular briefings to the Board provided by the heads of business units and business operations functions and discussion of any new strategies undertaken by the Board in its normal course of business (see pages 58 to 59). These reviews consider both the market opportunity and the associated risks, principally the ability to raise funds, invest capital and deliver strong performance. These risks are considered within the Board's tolerance for risk which is detailed on pages 30 to 34.

The Group's viability has been considered with reference to the Covid-19 pandemic, with the Board considering:

- The immediate risks posed by the pandemic to the health and wellbeing of employees and to business continuity, with virtually all employees currently working remotely;
- The impact on the Group's profits, primarily resulting from delayed fundraising, an expected slowdown in investment/realisation activity and increased volatility of net investment returns;
- The strength of the closed ended funds business model and the long-term management fee income visibility this affords;
- The adequacy of the Group's liquidity and capital base throughout the pandemic;
- The operational resilience of the Group's critical functions including origination, portfolio management, risk management and compliance;
- The resilience of the Group's IT systems;

- A detailed assessment of the Group's critical suppliers and fund administrators. This included undertaking specific stress tests of critical processes to ensure the Group can withstand any significant disruption in this area;
- The regulatory and legal environment and any potential conduct risks which could arise; and
- The immediate response of investment teams to the pandemic, proactively increasing monitoring of portfolio companies, interacting and working closely with management teams and the availability of capital to support companies as necessary.

The Board also considered the results of stress testing which is performed as an integral part of the Group's ICAAP, with the Group having sufficient capital and liquidity to fund the balance sheet in each scenario. The scenarios included within the ICAAP are significantly more severe than the anticipated impact of the Covid-19 pandemic.

In addition, the Group undertakes a reverse stress test, with scenarios significantly more severe than those expected in a worst case Covid-19 scenario, to identify the circumstances under which the business model becomes unviable.

Considering current market conditions, the most likely scenario to cause the business model to be unviable is valuation write downs. Analysis of this scenario concluded that write downs significantly in excess of those experienced during the global financial crisis, without any mitigating actions, would be required in order for the Group to breach its banking covenants.

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 28 to 35.

Given the above, the Directors also considered it appropriate to prepare the financial statements on the going concern basis as set out on page 104.

Scenarios	Link to principal risks	Conclusion
Portfolio valuation write down due to a significant global downturn resulting in breach of banking covenants	External environment (including political risk)	This scenario is considered extreme and highly implausible and would make the future viability of the Group less certain.
Loss of key employees, triggering fund 'key man' clauses resulting in fund outflows and a reduction in future inflows	Unplanned departure of key persons	
Regulatory changes require the Group to hold significantly more capital	Regulatory or legislative failing	

Responsible business

INVEST RESPONSIBLY, OPERATE SUSTAINABLY

This year, we have reached significant achievements in enhancing and embedding ICG's Responsible Investing framework. We updated our Responsible Investing Policy and implemented a more structured and rigorous approach to assessing ESG considerations throughout the investment process.

Our approach to responsible investing

EXCLUSION LIST

A Group-wide **Exclusion List** ensures we do not make direct investments in companies that are incompatible with our corporate values. These include businesses whose principal activity is the manufacture of arms, ammunitions or tobacco.

SCREENING CHECKLIST

Our **ESG Screening Checklist** must be completed for each investment opportunity. The checklist identifies potential ESG risks by sector and geography, along with environmental (including climate change), social and corporate governance and ethical concerns.

SCREENING TOOL

A screening and monitoring tool, Reprisk, provides daily updates of negative ESG news stories relating to current and potential portfolio companies.

Over the past 12 months we have:

Conducted in-depth ESG reviews with the senior management of all significant portfolio companies in our Corporate Investments funds

Surveyed 100% of Corporate Investments portfolio companies in our more recent funds on ESG matters with a 100% response rate

Started tracking over 150 ESG KPIs

Engaged external advisers to conduct ESG due diligence for significant new acquisitions

"We are playing a key role in building a more sustainable economy in an age of urgent transition."

EIMEAR PALMER
RESPONSIBLE INVESTING OFFICER

Our ESG priorities

Our ESG priorities reflect our key areas of focus and illustrate some of the material topics that may be considered during our due diligence and monitoring process. These are used as a tool when engaging directly with portfolio companies, where we have significant influence.

ENVIRONMENT

Climate stability
- Greenhouse gas emissions
- Climate change adaptation
- Energy consumption and energy efficiency

Natural resources
- Biodiversity and habitat
- Raw materials use
- Water consumption

Waste management
- Hazardous and non hazardous waste
- Contaminated land
- Plastic pollution

Innovation
- Renewable and alternative energy sources
- Low impact building materials
- Resource conservation

SOCIAL

Human capital management
- Worker rights and working conditions
- Occupational health and safety
- Employee wellbeing

Diversity
- Equal opportunity
- Equal pay

Value chain
- Supply chain management
- Child, slave or bonded labour
- Labour and environmental standards

Society
- Human rights
- Stakeholder engagement
- Inequality

GOVERNANCE

Transparency
- ESG reporting
- Shareholder and investor rights and protections

Anti-bribery and corruption
- Political contributions
- Government payments
- Whistleblowing protections

Corporate governance
- Executive remuneration
- Board structure and composition
- Business ethics

Risk management
- Internal controls
- Regulatory compliance
- Data protection and privacy

Credible and robust ESG training

ICG provides all relevant employees with regular, bespoke responsible investing training, comprehensive responsible investing guidance and access to online ESG tools to ensure they can identify ESG risks and opportunities in their investment activities.

The Responsible Investing Committee selected the PRI Academy to develop a bespoke course specifically for meeting the training needs of ICG.

Responsible business continued

Our annual ESG survey

Our annual ESG survey has been enhanced to include 27 questions and was circulated to 61 portfolio companies. This survey is an important tool for us in engaging with our investee companies on ESG matters.

Climate featured strongly again this year with 25% of the questions specifically focused on this topic.

% increase in portfolio companies setting targets for ESG performance since 2018

24%

% increase in portfolio companies publishing information on ESG since 2018

54%

Working together to mitigate climate change

We work with our portfolio companies to reduce their carbon footprint and, in strategies where we have access to and influence over management, we have started to set targets and KPIs to improve energy efficiency and reduce emissions.

We recently launched a pioneering project to conduct a carbon footprint analysis of the investments held in Europe Fund VII. We are working with an external adviser and expect to have the analysis completed during 2020.

We are committed to collaborating across our industry to tackle environmental challenges and have been involved in the launch of an iCi (Initiative Climat International) network in the UK.

The iCi network was initiated by a group of French private equity companies with the aim of contributing to the objective of limiting global warming to well below two degrees by engaging directly with portfolio companies and collaborating across the industry.

We are keen to support this initiative and hosted 18 UK private equity companies in July 2019 for the UK's inaugural meeting.

% of portfolio companies assessing the business risks and opportunities associated with climate change

25%

% of portfolio companies setting climate change or energy-related objectives and targets, up 20% in the year

44%

Signatory of:

PRI Principles for Responsible Investment

Score: AAB

CDP DISCLOSURE INSIGHT ACTION

6th CDP Filing 'A-' Score

Environment

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

Policies and standards

We have established a Climate Change Policy (see page 42) and report our emissions in line with the World Resources Institute's Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.

Methodology

Consumption data has been converted into CO_2 equivalent using:

- UK Government 2019 Conversion Factors for Company Reporting; and
- International Energy Agency international electricity conversion factors (to calculate emissions from corresponding activity data).

The GHG sources are:

- Scope 1: Natural gas combustion within boilers, road fuel combustion within owned/leased vehicles, and fugitive refrigerants from air-conditioning equipment
- Scope 2: Purchased electricity consumption for our own use
- Scope 3: Business travel (grey fleet, rail, and air) and water use

We report location-based and market-based Scope 2 emissions.

The location-based method reflects the average emissions intensity of national power grids from which energy is consumed.

The market-based figure reflects emissions from electricity purchasing decisions. When quantifying emissions using the market-based approach we have used a supplier specific emissions factor where possible. If these factors were unavailable, a residual mix emissions factor was then used, and as a final alternative, the location-based grid emissions factor was used.

Performance

The table below shows the Group's emissions performance.

In this financial year we achieved a 21% reduction in our total (location-based) emissions compared to last year. This change was primarily driven by a decrease in air travel which reduced Scope 3 emissions. While both Scope 2 and 3 emissions declined, Scope 1 emissions rose this year due to an increase in natural gas consumption at our London head office.

The Group offsets all reported emissions through supporting SolarAid, an international charity that combats poverty and climate change.

CASE STUDY

Head Office move

The design principles for the Group's new head office sought to build a cohesive and collaborative workplace and strive for excellence in terms of social responsibility, among other objectives.

We are working with our landlord and building management company to understand and influence the sustainability credentials for the building itself, targeting an SKA Gold rating.

We are using sustainable products in the office, including those made from recycled materials.

Operational scope	Greenhouse gas emission source	2020[1]	2019	Units
Energy consumption	Electricity	**1,468**	1,574	mWh
	Fuel	**68**	44	mWh
Direct emissions (Scope 1)	Combustion of fuel and operation of facilities	**66**	49	Tonnes CO_2e
Indirect emissions (Scope 2)	Purchased electricity/heat (location-based)	**448**	535	Tonnes CO_2e
	Purchased electricity/heat (market-based)	**479**	554	Tonnes CO_2e
Indirect emissions (Scope 3)	Business travel: flights and rail	**2,647**	3,401	Tonnes CO_2e
Total greenhouse gas emissions		**3,161**	3,985	Tonnes CO_2e
Emissions per FTE[2]		**6.6**	8.9	Tonnes CO_2e per FTE[2]

1 77% of the Scope 1 emissions, 52% of Scope 2 (location-based) emissions and 54% of Scope 2 (market-based) emissions arise in the UK and offshore areas.
2 Full Time Equivalent (FTE) employees include contractors as well as permanent employees.

Responsible business – TCFD disclosures

RECOMMENDATIONS OF THE TASK FORCE

This year we undertook a formal review of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, conducting a gap analysis of our management systems and processes against these recommendations.

These disclosures are our response to the recommendations of the TCFD. They set out how we incorporate climate-related risks and opportunities into our governance, strategy, risk management and targets.

"We believe that climate change poses a significant and real threat to the global economy. We are committed to assessing climate risks and opportunities throughout our investment process."

BENOÎT DURTESTE
CHIEF EXECUTIVE OFFICER

Governance

The Responsible Investing (RI) Policy covers 100% of the Group's AUM and provides the overarching charter for our approach to responsible investment. It is supplemented with a dedicated Climate Change Policy, which requires us to consider the implications of greenhouse gas emission reductions (mitigation) and of the physical impacts of climate change (adaptation) in our investment research and valuation decision making processes.

The Board reviews our approach to responsible investing and corporate sustainability and is accountable for our RI Policy, for monitoring its implementation and for approving material changes to it.

The Executive Directors are responsible for ensuring the effective implementation of our RI Policy. The Management Committee supports the Executive Directors in overseeing and monitoring our policies and procedures, addressing issues if they arise and approving new strategies, including those with specific climate-related objectives and targets.

Day to day implementation of the RI Policy is the responsibility of all investment professionals, guided by ICG's RI Committee. The RI Committee oversees the promotion, support and integration of responsible and sustainable business practices, including in respect of climate change matters, across the investment strategies and their portfolios.

Current year

- We completed the Carbon Disclosure Project (CDP) Climate Change disclosure for the sixth time in 2019. This includes questions on both our investment practice and processes and our operations. We received an 'A-' score for our performance in 2019, up from 'B' in 2018

Strategy

Funds invest in a range of assets which differ in terms of size, geographical location and industry sector. We monitor and manage these assets depending on the strategy's investment horizon, risk profile and asset concentration. For each investment strategy, we analyse ESG issues, including climate change, at each stage of the investment process, from screening, through due diligence, closing, monitoring and eventual exit.

The Capital Market Investment strategies tend to have high volumes of underlying assets, and due to the position in the capital structure, our ability to influence management is more limited.

Our Corporate and Real Asset Investment strategies are more concentrated and generally our investment teams have more access to, and influence over, management of the portfolio companies.

Current year

- We have taken account of climate-related risks and opportunities when developing our new Sale & Leaseback and Infrastructure Equity investment strategies.
- We have engaged an external consultant to conduct a climate risk assessment of a majority of the Group's funds to identify climate risk exposure to help focus our engagement efforts and improve the identification of climate risk pre-investment
- Our new London head office will be furnished with the most energy efficient and sustainable materials possible and will source 100% renewable energy

Risk management

We have integrated the review, assessment and monitoring of climate change considerations into our investment process. For potential investments we identify whether there are any material climate change related issues associated with the investment. We use our ESG Screening Checklist to guide this process, which assesses whether a potential investment operates in a high carbon emitting industry and also incorporates guidance which helps investment teams to understand climate-related risks and opportunities.

In situations where we have significant influence in the capital structure, external ESG due diligence, including a specific analysis of climate-related risks and opportunities, is conducted as standard and the results incorporated in the Investment Committee papers.

The results of the screening and due diligence process are recorded in each investment proposal, so that the Investment Committee can confirm that climate-related issues have been explicitly assessed and ensure they are considered when making the investment decision. Where material climate-related issues are identified, the Investment Committee may decide not to proceed, or request further action is taken to ensure these issues are properly investigated or require further actions to be taken following an investment.

Current year

- We declined a number of transactions where climate-related risk was a factor. These included transactions which had significant exposure to the oil and gas sector, which faces structural challenges in the transition to a low carbon economy
- As a Group we are not exposed to material environmental risks given our global footprint operating from leased offices. We have a comprehensive risk governance framework and compliance processes and procedures to ensure that all risks, including ESG risks, are monitored and managed and that ICG is fully compliant with all applicable environmental legislation

Metrics and targets

While we don't set emission targets for our fund portfolios systematically, where we have influence in the capital structure we encourage our portfolio companies to set targets to reduce their carbon footprint.

Current year

- Our Europe Fund VII acquired a company operating in the pharmaceutical industry and we worked with them to establish KPIs to improve energy efficiency and reduce corresponding emissions per finished product and implement an action plan to minimise air emissions
- We are in the process of undertaking a carbon footprint analysis of our Europe Fund VII
- We disclose our organisational greenhouse gas emissions in alignment with the World Resources Institute's Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (see page 41). We quantify and report our Scope 1 and 2 emissions and voluntarily report our Scope 3 indirect emissions from business travel and water consumption
- In 2019, ICG committed to targeting an 80% reduction in the emissions from our own operations (Scope 1 and 2) by 2030 and we remain on track to achieve that target
- The selection criteria for our new Warsaw premises included energy efficiency and sustainable fit-out considerations. The office has a LEED Platinum certificate

Non financial information statement

PEOPLE AND CULTURE

"It is vital to our success to strategically manage our most critical asset: the quality, effectiveness and wellbeing of our people."

ANTJE HENSEL-ROTH
CHIEF PEOPLE AND EXTERNAL AFFAIRS OFFICER

Q

As Chief People and External Affairs Officer what are the key behaviours you look for in employees?

A

As a leading alternative asset manager, we create value for our clients and shareholders by investing capital to help businesses develop and grow. Our teams focus on delivering performance for our clients by driving innovation, taking responsibility and making thoughtful decisions, and managing risk appropriately. We act with integrity in everything we do.

Q

How do you attract and retain top talent?

A

Our people strategy rests on three pillars: outstanding career opportunities; exceptional engagement; and economic alignment.

We focus on top talent from across all parts of the market globally and create teams that bring complementary experience and diversity of thought.

We cultivate relationships with established leaders and high potential individuals in the external market as well as focusing on bringing people up through the Group.

What unites us all, is an ambition to further enhance the contributions our company makes and the impact we can have personally – whether that is through raising funds, investing well or running a high quality business infrastructure.

We are fully aligned such that individual and corporate success become synonymous.

Q

What are your priorities for the employees of the Group?

A

Developing and retaining a diverse and talented workforce and helping our teams to make a meaningful impact in their work is critical. We invest in our people, offering opportunities to grow their knowledge, skills and capabilities. This year, we established a dedicated Learning and Development function to further enhance development and pro-active people management at every level, encouraging collaboration, entrepreneurialism and innovation.

Our positive working environment is enhanced by our market-leading Wellbeing programme spanning mental and physical aspects, as well as our employee-led networks. These support inclusion and global connectivity – a critical success factor in a high growth business.

Q

How do you monitor employee engagement?

A

We listen really hard. Nothing can replace personal and regular engagement, be it NED/employee focus groups; senior management lunches and town halls; or taking the pulse through team managers and individual conversations.

In addition, we undertake a formal employee engagement survey every two years and are proud to have sustained or improved on very high levels of engagement this year: 96% of our employees gave a high overall engagement score, placing us well ahead of the financial services sector peer group and comfortably in the top quartile globally across all sectors.

Our employees:

- believe in the effectiveness of their direct manager
- feel ICG has created an inclusive culture in which people of all backgrounds can succeed
- have confidence in the future direction of the Group

We are also taking on board nuanced feedback on how we can improve even further on communicating effectively and enabling individual performance, and are working closely across senior management and individual teams to implement tangible actions.

Employee matters

We aim for employees to have a sense of wellbeing and promote an inclusive working culture where they can freely question practices and suggest alternatives. We support agile working 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.

Employee diversity

As at 31 March 2020, the Group had a permanent employee population of 408 of which 132 are women and 277 men. There were no female Executive Directors. Of the 20 senior managers reporting to the Executive Directors, five were women, as is the Head of Internal Audit who reports to the Chair of the Audit Committee.

Details of the new Executive Director, Antje Hensel-Roth, appointed on 16 April 2020 are set out on page 54.

Measurement

The Board approved a target of increasing the number of women in UK senior management to 30% by 2023 and a shareholder KPI has been established to reinforce a culture of inclusivity which supports a diverse and thriving workforce and lays the foundation for sustainable success (see page 15).

We have published our gender pay gap data which is set out on page 89.

+ Read more on page 106

Human rights and social matters

We do not tolerate discrimination of any nature and comply fully with appropriate human rights legislation.

Policies and standards

We are committed to preventing any form of 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 continued to include anti-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**.

Anti-corruption and bribery

We are committed to ethical business across all our operations and investments. Our policy is never to offer, request or receive bribes, and to refuse any request to pay them. We actively seek to reduce opportunities for corruption, wherever possible. We do not invest in companies or projects that engage in corruption or appear to have a high risk of such behaviour. And we investigate and deal with all reported or identified cases of corruption in line with our policy. The policy applies to all entities within the Group wherever we do business.

+ Read more about environmental matters on page 41

CASE STUDY

Covid-19

£250,000 was donated to two charities working to lessen the impact of Covid-19 on people around the world.

The funds were split equally between the Covid-19 Solidarity Response Fund and City Harvest.

The Covid-19 Solidarity Response Fund is a global initiative to fund the World Health Organization's work to track and understand the spread of the virus. The £125,000 donated will help ensure patients get the care they need and frontline workers get essential supplies and information; and will accelerate efforts to develop vaccines, tests and treatments.

City Harvest is a London-based charity which puts surplus food to good use in a sustainable way. It collects nutritious surplus food from all segments of London's food industry and redistributes it to serve thousands of healthy meals each week to vulnerable people. It will use the £125,000 donated primarily to extend its distribution methods.

Section 172(1) statement

ENGAGEMENT WITH OUR STAKEHOLDERS

The Directors have had regard to wider stakeholder needs when performing their duties under s.172 of the Companies Act 2006.

Shareholders and lenders

The support and engagement of our shareholders and lenders is essential for the future success of our business. We have a productive ongoing dialogue with both.

The Group conducts an active Investor Relations (IR) programme, engaging with shareholders and lenders throughout the year using a variety of channels. The Board regularly receives feedback on shareholder sentiment and sell-side analysts' view of the Group and the wider industry and takes this into account in its decision making. Board members welcome the opportunity to learn more about shareholders' interests. Management also receives regular updates on shareholder engagement, topics raised and key discussion points.

Key considerations

- Ability to deliver continued strong growth for shareholders
- Clear communication of strategy
- Engagement on ESG requirements

How we engaged

- Annual shareholder dinner with the Board
- Regular meetings: over 200 individual meetings with existing and potential shareholders and lenders took place during the financial year in addition to engagement with specialist governance teams at large shareholders
- Annual General Meeting
- Capital Markets Day

Environment and community

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

We have carried out a review of our contribution to wider society and we have decided to substantially increase our work in the area of social inclusion through education. We have established more robust governance around charitable giving and have developed a three-year programme to increase our charitable giving, recently entering into a binding commitment to donate £1.5m over three years to two educational charities identified by the Educational Endowment Foundation which have significant impact on improving the outcomes of underprivileged young people in the UK.

Key considerations

- Identifying the most appropriate way for the Group to positively impact its environment and local communities

How we engaged

- Donated £250,000 to the Covid-19 Solidarity Response Fund for the World Health Organization and City Harvest
- £1.5m, three-year relationship with the Education Endowment Foundation supporting the Nuffield Early Learning Intervention and the Tutor Trust
- Enhanced relationship with SolarAid to offset our carbon dioxide emissions for the year ended 31 March 2020

Employees

The success of the Group depends on collaboration and expertise across teams.

Effective two-way communication with our employees is essential to build and maintain engagement. We have a number of formal and informal channels to achieve this, including our confidential employee engagement surveys, quarterly whole company business briefings and regular team meetings. Our employee engagement informs us on where we are doing well and where there is room for further development.

Key considerations

- Succession planning
- Ensuring that the employee experience is not impacted by our growth trajectory
- Growth and development

How we engaged

- Employee engagement survey
- Programme of employee engagement with Board, both formal and informal
- Employee AGM with all NEDs present
- Ongoing diversity initiative and Diversity and Inclusion Council
- Recruitment of a specialist learning and development professional

Clients

We are continually considering the position of our clients, and how we can best engage with them. Our distribution team engages regularly with all investors and potential investors with detailed updates on fund performance, new funds and business developments.

Key considerations

- Continuing to offer suitable funds to clients
- Ensuring our funds meet the demands of portfolio companies for capital to finance their businesses
- Maintaining strict governance procedures to avoid potential conflicts of interest between the strategies of the Group

How we engaged

- Enhanced the reporting of ESG activities for portfolio companies
- Annual investor days
- Regular attendance at investor conferences
- Continual dialogue with clients to identify areas of interest
- Continued membership of the UNPRI

Suppliers

We work to ensure that our key suppliers are engaged with our business and that each party understands the approach of the other. This enables them to better meet our needs and us to understand any points they may have, as well as delivering appropriate oversight of the supplier relationship.

We hold regular relationship meetings with our key suppliers to ensure that any issues in our interactions with them are fully discussed and escalated as needed.

Key considerations

- Capability, including geographic coverage
- Capacity, taking in account future growth ambitions

How we engaged

- Conducted Modern Slavery policy review
- Reviewed prompt payment practices to ensure that suppliers are not left unpaid for inappropriate lengths of time
- Supplier management assessment to determine strength of relationship with key suppliers

Other stakeholders

Regulators

- We participate in industry bodies and consultations and provide input to regulators through these and similar channels

+ Read more on page 17

Section 172(1) statement continued

KEY DECISIONS AND CONSIDERATIONS

ALLOCATED CAPITAL TO SUPPORT BUSINESS GROWTH AND LOCK IN LONG-TERM FEE STREAMS

The Board approves the strategy and business plan of the Group, which defines the approach to capital allocation. Each new product is subject to approval by the Executive Directors who may approve allocations of capital within the limits specified within the Board terms of reference.

In determining which strategies capital is allocated to, consideration is given to the requirements of different stakeholders.

In allocating capital we consider how to best support the growth of the business for shareholders; how the widening of our product range would benefit clients by offering new opportunities and choice; and how different investment strategies benefit our potential portfolio companies by giving them access to capital to support their business and grow.

The Board receives regular updates on the current and proposed future investment strategies of the Group and approves allocations of capital which exceed limits defined in the Board terms of reference.

The Board closely monitors the performance of all investment strategies and considers the implications of that performance for clients, portfolio companies and employees.

The Board concurred with the Executive Directors that the capital allocations made supported the delivery of the Group's strategic objectives, enhancing the profitability of the business and increasing shareholder value.

Key considerations

- Client requirements and interest in new products, including taking into account market soundings
- The potential return for shareholders
- The overall gearing and balance sheet position of the Group

Examples in the year

- Allocating a further €104m in support of the Infrastructure Equity investment strategy, broadening our product range and enabling the Group to offer a fund with a specific ESG mandate
- Allocating $200m to the new Intermediate Capital Asia Pacific IV fund, a successor to the Intermediate Capital Asia Pacific III fund, consolidating the Group's position as a significant investor in this fast growing region
- Allocating $6.4m and €23.5m to support the issuance of CLOs in the US and Europe, enhancing fee income on committed capital with limited incremental operating costs and meeting regulatory requirements

SECURED NEW FINANCE TO SAFEGUARD THE BALANCE SHEET

The Board decided to issue a public bond to diversify its sources of debt and to ensure availability of funding for future growth. A €500m Bond was issued on 7 February 2020 with a seven year maturity period.

The Board mandated a balance sheet review and considered a proposal from management.

It was concluded that the issuance would benefit shareholders by providing long-term stability to the balance sheet on attractive terms.

Key considerations

- Balance sheet position of the Group, with regard to overall gearing and forthcoming maturity dates for existing debt
- The projected cash flow of the Group over a multi-year period
- The potential to continue to grow the business
- A desire to engage with a diverse range of sources to provide debt

NEW OFFICE IN THE HEART OF LONDON

Due to the growth of the Group's business, the existing central London head office was determined to be no longer large enough to house all the Group's UK staff. After considering a number of options (including multi-site options) presented by a Working Group, management and the Board decided to take a lease on an office in central London only a short distance from the existing premises. The lease was signed in May 2020, and the Group's employees will move to the new premises in the second half of 2020.

The Board received regular updates on the project to identify a new office and approved the budget and the new lease.

It was concluded that the proposed building was suitable.

Key considerations

- The new premises were selected after a geographic study showed the potential impact of various locations on staff travel to work, which concluded that a move to another part of London would adversely impact the London employee population. It was also concluded that one site was preferable to a campus style approach as this benefits staff unity
- A number of design refinements and improvements have been made to plans for the new building to ensure that the employee experience is enhanced, and that remote and flexible working patterns are supported
- Considerable planning has also taken place to ensure that the new premises are energy efficient and in line with environmental standards

Section 2

Governance Report

IN THIS SECTION

Letter from the Chairman

MEETING AN UNPRECEDENTED CHALLENGE

"Good corporate governance is a prerequisite to delivering shareholder value."

LORD DAVIES OF ABERSOCH
CHAIRMAN

KEY GOVERNANCE ACHIEVEMENTS

- Appointment of new Chairman
- Appointment of new CFOO
- Appointment of Chief People and External Affairs Officer
- Strategy review and refinement
- Covid-19 response
- Implementation of the updated Corporate Governance Code
- External Board evaluation

Dear shareholder

Your Board maintains high standards of corporate governance. During the year we have continued to operate in accordance with the Corporate Governance Code and the interests of our stakeholders.

During the year, I was delighted to be invited to join the Board of ICG as its Chairman and to succeed Kevin Parry, who stepped down after three years as Chairman and ten years on the Board. I am grateful to Kevin for his insights into the Group and his support during the handover. Kevin and the rest of the Board were instrumental in overseeing the Group's transition to a leading global alternative asset manager over a number of years.

An unprecedented challenge faced by the Group at the outset of my tenure as Chairman has been the effects of the Covid-19 pandemic. In light of the fast-evolving situation across the globe the Board and the Risk Committee have received a number of detailed reports (both during the last two months of the financial year and subsequent to the year end) in respect of the Group's operational readiness and the steps being taken, seeking to ensure that risk was being appropriately managed and that the audit of the Group could be completed in an effective and timely manner. Management's preparations have been thorough, and the Board is satisfied appropriate steps have been taken. This is an unprecedented situation and we will have to deal with unforeseen challenges. The Board is working closely with management to support them in meeting these challenges.

The Group has taken action to protect its people and maintain business continuity, with all team members working remotely and the Group continuing to operate effectively. We are extremely fortunate to have a highly resilient business model and a tremendous global team.

At this challenging time in particular, clear and regular communication at Board level is of paramount importance. Our Board benefits from open communication channels between executives and non-executives, who are regularly in touch on a number of topics. This has stood us in good stead throughout the year but most particularly in recent weeks as we have faced the volatility resulting from the pandemic. We have also benefited from external input from specialist advisers who have contributed their view of our business, which has led to a broad and inclusive debate. The consistency of communication between Board members is critical, as is the ability to consider a wide range of viewpoints, and we will maintain these traits in the coming years.

Throughout the year, the Board and its Committees considered carefully the requirements of the revised Corporate Governance Code (Code) that applied to the Group with effect from 1 April 2019. We complied with the revised requirements either for the whole of the year ending 31 March 2020 or, in respect of the recommended tenure of the Chairman, as soon as practicable during the year.

Letter from the Chairman continued

The Board embraced the requirement that the Chairman of the Group should not serve more than nine years and conducted a process to identify a successor for Kevin Parry as Chairman. We are actively seeking to complement the current range of skills on our Board. Our strong belief in the benefits of diversity – of gender, ethnicity and thought – underpins our search. We engaged with stakeholders throughout the recruitment process and we were grateful for the strong levels of support for the Company during the period of transition.

During the year, we also welcomed Vijay Bharadia as Chief Finance and Operating Officer of the Group following the retirement of Philip Keller, and also recently appointed Antje Hensel-Roth as Chief People and External Affairs Officer (CPEAO).

I would like to express my gratitude to both Kevin and Philip for their dedication and service to the Group over the years and their professionalism and support in facilitating an orderly succession process. Board succession and composition will continue to remain a priority for the coming year as the Board continues to execute on its succession plan.

The Board were delighted to unanimously support the creation of Antje Hensel-Roth's new role as this will enhance engagement and oversight, and drive greater insight into key business areas. Antje will work closely with the Group's other Executive Directors on the Group's strategy, with responsibility for strategic human capital management, communications and external affairs. The strength of her experience in human capital matters, as well as her strategic acumen and wide-ranging insights into the global alternative investment industry will be of great value to us as we continue our growth agenda. Her appointment also reflects the vital importance we place on the strategic management of our most critical asset: the quality of our people.

+ See page 44

We recognise the importance of our wider stakeholders in delivering our strategy and business sustainability. We are conscientious about our responsibilities and duties to our stakeholders under section 172 of the Companies Act 2006, and the impact of our decisions on different stakeholder groups are uppermost in our mind when discussing issues at the Board table. We have detailed our stakeholders, their importance to our business and our engagement with them in the Strategic Report.

+ See page 46

One of our key stakeholder groups is our employee base. The number of employees at ICG is modest at 408 people, and we believe we have a good understanding of their concerns and interests. The Board regularly meets with groups of people – junior to senior – as part of its engagement strategy. During the year, the Board held informal meetings with members of a number of teams. We have also appointed Amy Schioldager as the Board Director for Employee Engagement and she regularly engages privately with small groups of employees. We held an employee annual general meeting during the year and will hold further 'town hall' style sessions in future, where we address questions raised either directly or anonymously.

These integrated engagements are in addition to the existing Board and management interactions and enhance our insight into the operations of the business.

+ See page 58

Shortly after the start of my term as Chairman, the Board (and each of its Committees) was externally evaluated by Consilium as part of the regular programme of assessing Board effectiveness. The evaluation was conducted in line with the requirements of the FRC Guidance on Board Effectiveness and a detailed report on the findings is set out on page 61. The review found that the Board is functioning well and effectively, and has suggested some minor enhancements to our Board practices that we will build on in the coming year.

The Board has continued to work closely with the Committees supporting it. Key matters considered by each Committee during the year have included:

Audit Committee

Our ongoing financial reporting obligations, especially in the light of Covid-19. Following a recommendation by the Committee, the Board determined that the Group should delay the announcement of its results for the year from 19 May to 4 June to ensure that, given the current environment and regulatory guidance, the external auditors, management and the Board had sufficient time to complete their year-end procedures.

+ See page 62

Risk Committee

The creation of an enhanced risk management and reporting framework in collaboration with the newly appointed Head of Risk.

+ See page 72

Remuneration Committee

A full review of the Group's Directors' Remuneration Policy and stakeholder engagement in respect of the proposed updated policy.

+ See page 79

Nominations and Governance Committee

The various Board changes referred to above, including the appointment of a new Chairman (which was led by the Senior Independent Director in accordance with the Code).

+ See page 76

A topic which has been of particular interest to me for a number of years has been how large companies can incorporate diversity (including but not limited to gender diversity) into their staff to ensure a wider range of skills and experience. I have been pleased to find a diverse Board and a number of initiatives in place in the executive ranks (including a mentoring programme, a number of internal networks such as a Parents and Carers Network for employees and a recent focus on talent development). However, this area remains a work in progress and one the rest of the Board and I will continue to focus on.

In the year ahead, governance matters will continue to be a key component of the Board's agenda, and in particular the requirements of the Code and the Senior Manager Certification Regime will continue to guide our discussion; we will also continue to hold our deliberations in light of our obligations to all of our stakeholders.

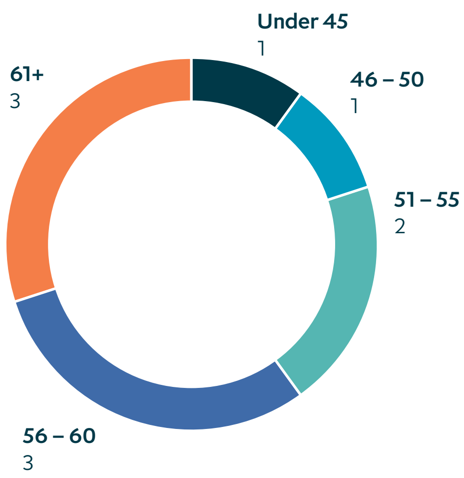
The Board will furthermore maintain its focus on the Group's purpose and culture and how this supports the delivery of sustainable shareholder value without compromising our ethical standards and responsibilities to the Group's stakeholders.

I am very happy to respond to any questions you may have.

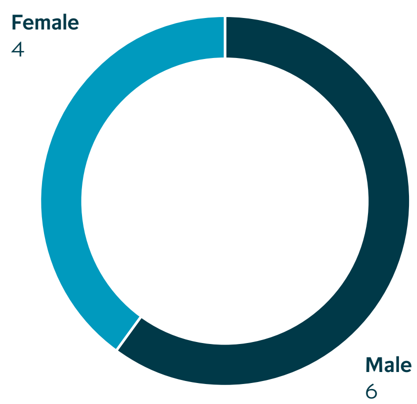
LORD DAVIES OF ABERSOCH
CHAIRMAN
10 June 2020

Board diversity

Age of Board members



Gender of Board members



Board of Directors

Committee key

- A Audit
- N Nominations/Governance
- R Remuneration
- RI Risk
- Committee Chair

1 – Lord Davies of Abersoch N R
Chairman

Lord Davies has extensive experience as an executive and a NED in the financial services sector. In addition, he has wide-ranging governance experience having served on the board of a number of significant companies, charities and other bodies across various jurisdictions as well as having been the Minister for Trade, Investment and Small Business for the UK Government.

Other Directorships

Diageo plc, Corsair Capital LLC, LetterOne Holdings SA, World Rugby Executive Committee Member, Lawn Tennis Association, Glyndebourne Productions Limited, UK India Business Council

Joined Board

2019 (Chairman since 2019)

2 – Benoît Durteste
Chief Executive Officer and Chief Investment 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 its European investment business. He contributes a thorough understanding of financial markets and the Group's investment portfolio to Board proceedings. Benoît joined ICG in September 2002 with previous experience at Swiss Re, GE Capital Private Equity and BNPParibas Levfin.

Other Directorships

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

Joined Board

2012 (CEO since 2017)

3 – Vijay Bharadia
Chief Finance and Operating Officer

Vijay Bharadia has extensive experience as a CFO in the alternative asset management sector. He has worked for the past decade as International CFO for Blackstone with responsibility for financial, tax and regulatory reporting across Europe and Asia, as well as holding a wider operational and governance brief. Prior to that, he worked at Bank of America Merrill Lynch in a variety of roles, latterly as Co-CFO for EMEA Equities. Following an extensive search, he was appointed as ICG's CFOO and joined the Board on 20 May 2019.

Other Directorships

ICG Group entities, Barts Charity

Joined Board

2019

4 – Antje Hensel-Roth
Chief People and External Affairs Officer

Antje Hensel-Roth has a wealth of experience in human capital management and since joining ICG in 2018 has made a strong contribution to the strategic direction of the Group. Prior to joining ICG, she was Global Co-Head of the Investment Management Practice at Russell Reynolds Associates, during which time she acted as an adviser to the global alternative investment community. Antje is responsible for leading both strategic human capital management with a particular focus on business diversification strategies; and communications and external affairs.

Other Directorships

None

Joined Board

2020

5 – Virginia Holmes R RI
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 director of a number of UK PLCs (including serving on remuneration committees), who enhances the corporate governance understanding of the Board and aids it in considering its relationships with stakeholders.

Other Directorships

British Airways Pension Trustees Ltd and affiliated entities, European Opportunities Trust PLC and USS Investment Management Limited

Joined Board

2017

6


7


8


9


10


Explanatory notes:

All Non Executives are independent.

Other Directorships exclude subsidiaries of quoted PLCs, and some private companies and charities.

6 – Michael 'Rusty' Nelligan A RI

Non Executive Director

Rusty Nelligan was a partner with PwC, retiring in 2016. As lead client partner for global companies in financial services and pharmaceutical life sciences, he 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 RI A N

Non Executive Director

Kathryn Purves was the Chief Executive of IFG Group plc, a wealth management and financial advisory group, leaving this role in March 2020 following the sale and de-listing of IFG. Prior to this her most recent executive role was as 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.

Other Directorships

James Hay Partnership, Saunderson House, Aztec Group

Joined Board

2014

8 – Amy Schioldager RI A

Non Executive Director

Amy Schioldager was a senior executive at BlackRock where she was a member of the global executive committee and Head of Beta Strategies. She brings extensive knowledge of international investment markets and a track record of global expansion. She is ICG's first US-based NED; 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 and brings valuable expertise to the Board in these areas.

Other Directorships

American International Group, Inc.

Joined Board

2018

9 – Andrew Sykes A N R

Senior Independent Director

Andrew Sykes has a wealth of financial services and non executive experience. He is currently Chairman of Smith & Williamson Holdings Ltd, and 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 a deep knowledge of the financial services sector and of corporate governance requirements, which, together with his background as a senior executive in the asset management sector, has proven to be invaluable in helping oversee the Group's continued growth.

Other Directorships

Smith & Williamson Holdings Limited

Joined Board

2018

10 – Stephen Welton N R

Non Executive Director

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 since its launch in 2011, having previously spent over 10 years at CCMP Capital. He started his career in banking and has also worked as the Chairman and CEO of various growth companies. His current Chief Executive role and deep investment experience mean 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

Corporate governance framework

Board of Directors

- Comprises the Chairman, Executive and Non Executive Directors (NEDs)
- 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

+ See pages 54 and 55 for further details

Consistent communication

Executive Directors

- Have day to day authority (delegated from the Board) for the management of the Group and its business
- Has general responsibility for:
  - The Group's resources
  - Executing the approved strategy
  - Financial and operational control
  - Managing the business worldwide

+ See pages 54 and 55 for further details

Audit Committee

- Composed of NEDs
- Oversees external and internal audit and the Group's financial reporting and disclosure

Committee liaises with:
- CFOO
- Head of Finance
- Head of Investor Relations
- Internal Audit

+ See pages 62 to 71 for the report of the Audit Committee

Risk Committee

- Composed of NEDs
- Oversees the Group's risk management framework and system of internal controls

Committee liaises with:
- Head of Risk
- Head of International Compliance
- Head of US Compliance

+ See pages 72 to 75 for the report of the Risk Committee

Remuneration Committee

- Composed of NEDs
- Determines the Group's Remuneration Policy
- Reviews the remuneration of senior management

Committee liaises with:
- CPEAO
- Human Resources
- Company Secretary

+ See pages 79 to 101 for the report of the Remuneration Committee

Nominations and Governance Committee

- Composed of NEDs
- Evaluates the Board's composition, performance and succession planning
- Oversees the Group's culture and diversity and inclusion initiatives
- Considers candidates for board positions

Committee liaises with:
- CPEAO
- Human Resources
- Company Secretary

+ See pages 76 to 78 for the report of the Nominations and Governance Committee

Board roles

Chairman

- Lord Davies of Abersoch, who is responsible for:
  - Organising the business of the Board
  - Ensuring its effectiveness and setting its agenda
  - Effective communication with the Company's shareholders

+ See page 51 for the Chairman's letter to shareholders

Non Executive Directors

- Virginia Holmes, Rusty Nelligan, Kathryn Purves, Amy Schioldager, Andrew Sykes and Stephen Welton act as NEDs of the Company
- All NEDs are independent
- Responsible for providing independent oversight of, and challenge to, the Executive Directors

+ See pages 54 and 55 for Directors' profiles

Chief Executive Officer

- Benoît Durteste, who oversees the Group and is accountable to the Board for the Group's overall performance

Chief Finance and Operating Officer

- Vijay Bharadia, who leads and manages the Group's financial affairs and the operating platform of the Group

Chief People and External Affairs Officer

- Antje Hensel-Roth, who has responsibility for strategic human capital management, communications and external affairs

Senior Independent Director

- Andrew Sykes, 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

Key Board support roles

Company Secretary

- Responsible for advising on legal, governance and listing matters at Board level 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 that appropriate matters are discussed

Committee Secretaries

- Nominations and Governance Committee: Company Secretary
- Remuneration Committee: Company Secretary
- Audit Committee: Head of Finance
- Risk Committee: Head of Risk

FY20 Board and Committee meeting attendance

Director	Board	Audit[3]	Risk[3]	Remuneration[3]	Nominations[3]
Lord Davies of Abersoch	3/3[1]	–	–	3/3	3/3
Kevin Parry	4/4[1]	–	–	4/4	4/4[2]
Benoît Durteste	6/6	–	–	–	–
Vijay Bharadia	5/5[4]	–	–	–	–
Philip Keller	1/1[4]	–	–	–	–
Virginia Holmes	6/6	–	4/4	6/6	–
Kathryn Purves	6/6	5/5	4/4	–	6/6
Rusty Nelligan	6/6	5/5	4/4	–	–
Amy Schioldager	6/6	5/5	4/4	–	–
Andrew Sykes	6/6	5/5	–	6/6	6/6
Stephen Welton	6/6	–	–	6/6	6/6
Secretary	6/6	5/5	4/4	6/6	6/6

1 Kevin Parry retired from the Board on 31 December 2019 and was succeeded as Chairman by Lord Davies of Abersoch on 1 December 2019. Lord Davies joined the Board on 7 November 2019.

2 Recused from all parts of meetings relating to Chairman succession.

3 Other Directors attended part or all of some or all meetings at the invitation of the Committee Chair.

4 Vijay Bharadia joined the Board on 20 May 2019. Philip Keller retired from the Board on 25 July 2019.

The Board's year

Specific Board discussions

MAY 2019

Focus area	MAY 2019
STRATEGY, NEW PRODUCTS AND MARKETS	The Board's updates on macroeconomics, markets, new products, people management and processes were supplemented by a focused review of: **Corporate Investments** A presentation by the Head of Asia Pacific provided an update on current fund investment performance and fund deployment, and the fund-raising pipeline including the planned launch of ICG Asia Pacific IV. The Board also considered the key risks of the business and the design and effectiveness of the system of internal controls establish to manage the Asia Pacific business.
OPERATIONS, RISK MANAGEMENT AND SYSTEMS	
MANAGEMENT AND LEADERSHIP	**ESG and responsible investing update** The Board received an update from the Responsible Investing Officer including plans for the publication of the Responsible Investing Report and the introduction of voluntary reporting in line with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).
GOVERNANCE, STAKEHOLDERS AND SHAREHOLDERS	**Charitable giving** The Board approved the creation of a Charity Steering Group to oversee the Group's various charitable initiatives, including the three-year partnership detailed below.
FINANCIAL PERFORMANCE, OUTLOOK AND CAPITAL	**Financial results** Final review and approval of the Group's financial results for the year ended 31 March 2019 including the results statement, Annual Report, investor presentation and supporting data pack.
CULTURE AND VALUES	**Charitable giving** The Charity Working Party (composed of employees and led by the Senior Independent Director) recommended a three-year partnership with two charities identified by the Education Endowment Foundation, during which the Group will contribute a total of £1.5m to causes related to improving educational outcomes for disadvantaged children.

JULY 2019

Board strategy day
A full day meeting permitting a 'deep dive' by the Board into the Group's medium term plans. Consideration was given to the following topics over the course of the day:

External context
Macroeconomic update, including specific consideration of ongoing geopolitical risks to inform the debate on the other agenda topics.

Strategic objectives and key deliverables
Consideration of management's plans to deliver the Group's objectives include the criteria used to assess new business opportunities.

New opportunities and business planning
Deep dive reviews of a number of potential investment strategies and businesses, diversifying the Group's range of funds by geography and asset class. For each investment strategy the Board considered the investment opportunity, the potential client demand, the operational requirement and the risks to the Group.

Management updated the Board on the progress of other business development initiatives underway.

Fund performance and investment pipeline
Performance of the existing funds was reviewed. The Board considered the current investment performance and deployment rate and assessed management's projections of the likely launch of successor funds.

Marketing strategy and client feedback
The resourcing and capability of the marketing function was considered with reference to the potential fund-raising opportunities identified.

Operational requirements
The implications of the Group's growth plans were considered and the associated risks identified.

Talent and development
Management presented their approach to implementing the recommendations set out, including the proposed approach to any identified recruitment needs.

Risk management
Risk was considered within all discussions.

Financing and regulatory capital requirements
A five-year model was presented which included a number of different scenarios. This was used to assess the impact of the proposed business development on the Group's financial position and to forecast if additional financing would be required.

Employee engagement
The designated NED reported on her engagement activities with employees.

Annual matters

May 2019:
- Approval of Annual Report and AGM Notice
- Insurance renewal
- Review of shareholdings of senior managers
- NED fee review

July 2019:
- Review of feedback from shareholders on the year end results announcement
- Principal risks review

Other meetings held

May 2019: A N R RI

July 2019: N

Committee key:

- A Audit
- N Nominations/Governance
- R Remuneration
- RI Risk
- Annual General Meeting

SEPTEMBER 2019

The Board's updates on macroeconomics, markets, new products, people management and processes were supplemented by a focused review of:

Capital Market Investments
A presentation by the Head of Credit Fund Management provided an update on plans for the global capital markets business, current fund investment performance and the fund-raising pipeline. The Board also considered the key risks of the business, including the risk of redemption of funds, and the design and effectiveness of the system of internal controls established.

Brexit update
A brief update on the ongoing implementation of risk mitigation plans, consideration of the implications of a hard Brexit and other related issues.

Shareholder Rights Directive
Consideration of the implications of the Shareholder Rights Directive on the Company.

Operating margin guidance
Review of guidance provided to the market on the operating margin of the Group.

Succession planning
Review of succession plans for Executive Directors; key investment professionals including team heads, portfolio managers and other senior individuals; marketing and client relations team members; and senior corporate and business services employees. The review considered current and future business requirements, capability and cultural fit.

- Matters arising from AGM and shareholder feedback

A N RI

NOVEMBER 2019

The Board's updates on macroeconomics, markets, new products, people management and processes were supplemented by a focused review of:

Market conditions
The Board continued to consider the potential impact of an economic downturn on the Group's investment strategies, its clients and its prospects for growth.

Emerging risks
The potential impacts of global political change on the Group were considered and the Board reviewed potential mitigating actions identified.

Capital Adequacy
On the recommendation of the Risk Committee the Board reviewed the Group's ICAAP which includes a detailed assessment of potential downside scenarios and the regulatory capital required.

SMCR
The Board approved the changes and framework required by new regulation.

- Approval of half year reports
- Interim dividend

A N R RI

JANUARY 2020

The Board's updates on macroeconomics, markets, new products, people management and processes were supplemented by a focused review of:

Secondary Investments
The recently appointed Head of PE Fund Investment updated the Board on the investment management services provided to the ICG Enterprise Trust PLC and the proposed new fund secondaries fund. Fund performance, investment pipeline, shareholder feedback, risk management and internal controls were considered.

ISAE3402 reports
The Board approved Reports on Internal Controls (ISAE3402 reports) prepared to support marketing activities and considered feedback from Deloitte, the Independent Service Auditor.

Balance sheet financing
Consideration of the financing requirements of the Group including a proposed bond issuance.

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

N R

MARCH 2020

Covid-19
A comprehensive update on the business response to Covid-19 was provided. The key areas reviewed were:

Market impact
Consideration of the implications for clients, including investment performance and the potential for redemptions in open-ended funds.

Implementation of business continuity plans and impact on operational requirements
The implications of the global change to remote working on the internal system of controls was considered.

Analysis of the impact on underlying portfolio companies
A update on the actions to support portfolio companies was provided.

Board evaluation
The findings of the independent Board evaluation were reported and discussed.

Year end planning
Routine governance activities related to the financial year end. Consideration of the implications of Covid-19 on the Group's reporting processes.

Year end external audit
Consideration of the potential impact of Covid-19 on the timely delivery of the Group's Annual Report and financial results.

Employee engagement survey
Following the completion of the employee engagement survey the results were presented to the Board for information. Management is identifying opportunities to make enhancements and will share these with the Board.

- Budget
- Annual compliance reports
- Committee terms of reference and membership review

A N R RI

Director induction and skills

Tailored inductions for new Directors

"Induction is critical to enabling a new Director to become effective quickly. My induction ensured I could contribute immediately."

LORD DAVIES OF ABERSOCH
CHAIRMAN

Key meetings and knowledge-shares

The incoming Chairman's induction was tailored to cover key areas and included:

- Detailed handovers with the outgoing Chairman, Kevin Parry
- A Group strategy briefing from the CEO
- An operational matters briefing from the CFOO
- A talent review with the Head of HR
- A Board practices workshop with the Company Secretary
- Investment strategy briefings from business unit heads

"The well structured induction process enabled me to quickly obtain an understanding of the Group's current position and objectives."

VIJAY BHARADIA
CHIEF FINANCE & OPERATING OFFICER

Key meetings and knowledge-shares

The CFOO's induction covered both the Group's business and public market aspects as the CFOO was assuming his first PLC role. Meetings included:

- Multiple strategic and planning sessions with the CEO
- Detailed investment strategy briefings with each business unit head
- Deep dives with function heads within the CFOO's remit
- Workshops with the Company Secretary and the Head of Investor Relations on matters relating to public company regulation and shareholder relationship, which were followed up by detailed sessions with the Group's brokers and external legal advisers

Ongoing training and development

Business and market environment

During the year, the main focus of development for the Board has been to continue improving 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 Capital Market Investments with a focus on Alternative Credit and the proposed Recovery Fund; the new Real Asset Investment strategies, Infrastructure Equity and Sale & Leaseback; a proposed Secondary Investment strategy; and other established investment strategies. These sessions give the 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 the NEDs to challenge Executive Directors and senior management.

Knowledge-sharing

The heads of the Group's control and oversight functions made presentations. The Board and its Committees also received technical updates from external advisers, including lawyers and brokers, on matters such as SMCR or market developments.

Training

A regular training programme has been established. Training ensures the NEDs receive detailed and more operationally-focused presentations about specialist topics relating to the Group's business. Sessions held have included a review of different investment structures, a discussion on the Group's culture, and operational updates in respect of the fund operations 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.

A tailored induction and training process is currently being held for Antje Hensel-Roth, who joined the Board in April 2020.

Board evaluation exercise

2019 internal evaluation recommendations and action

The Board reviews its own performance annually. The assessment covers the effectiveness and performance of the Board as a whole, the Board Committees and an evaluation of each Director.
The key findings in 2019 were:

- The Board should review proposed new fund strategies to ensure that new areas are given appropriate support and scrutiny
- The Board should undertake a mid-year review to ensure the incoming CFOO has been effectively inducted into the Group's processes and that he has an appropriate management structure beneath him
- The Board should receive a briefing on technology and systems and consider any necessary enhancements
- Formal auditor handover sessions should take place to ensure an orderly transition
- The Audit Committee should consider the requirements of the Internal Audit function for the next phase of the Group's growth
- The Risk Committee should continue to broaden the risk management coverage of the business
- Management should continue to simplify information presented to the Remuneration Committee
- The Remuneration Committee Chair to ensure that the first full year of new remuneration advisers is a smooth one through regular reviews
- The Nomination and Governance Committee should provide regular updates as they conduct an orderly and timely search for the Company's new Chairman

What we did this year

The findings of the exercise have informed the areas of focus (and agendas) for the Board and the Committees during the year. The majority of the points flagged have been successfully resolved:

- A number of new strategies received a full review as part of the Board's Strategy Day focus in July 2019
- The CFOO is now fully inducted into the business and has made a number of amendments to the reporting structure beneath him (including establishing a separate Investor Relations function, merging reporting lines in Legal and Compliance and appointing new Heads of Risk, Operations and IT, and Finance)
- The transition processes for both the auditors and the Remuneration Committee advisers have run smoothly and both are now well integrated with the relevant Committee
- The Risk Committee has worked with the newly appointed Head of Risk to refine the risk management framework
- There is greater clarity to the information provided to the Remuneration Committee
- An effective search for the new Chairman was conducted with all Board members well informed at all times

In respect of some of the matters (for example, enhancements of systems and the review of Internal Audit) these have begun to be addressed but further work will be needed in FY21.

2020 External Board evaluation

PROCESS

An external review took place during January and February 2020. This was conducted by Consilium Board Review, an independent consultancy.

The lead evaluator received briefings from the Chairman and Company Secretary before reviewing all Board and Committee materials from the prior year.

A detailed bespoke questionnaire was issued to each Director as well as a number of other senior executives who regularly present to, engage with or observe meetings of the Board or one or more Committee.

Each participant then met with the evaluator for at least 90 minutes to discuss the points raised in the questionnaire.

The evaluator also attended a meeting of the Board and each Committee. A formal written report was presented to the Board and discussed in March. The Board held a follow up discussion in May to agree actions.

FINDINGS

The most important findings of the evaluation were:

- The Board, and each of its Committees, remain effective
- The governance and control framework of the Group are appropriate
- The Group's business model has continued to evolve and the growth of the business has been both very quick and very significant
- It is recognised that the operational platform of the Group is crucial, and needs to be supported as the business continues to grow
- The Board and management have a good and open relationship and benefit from regular communication, but at times have a different perspective on matters
- Often, NED input is strongest on balance and challenge matters

RECOMMENDATIONS AND ACTIONS

- The new Chairman's role will include further Board development as the Group continues to grow
- The Board should continue to focus on the investment strategies, meeting key portfolio managers to enhance the Board's detailed knowledge of the investment business
- The Board should consider how NEDs and Executive Directors can develop a partnership which allows NEDs to add as much value as possible (as well as continuing to act as balance and a challenge)
- The Board's calendar and rolling agenda (and those of the Committees) should be reviewed to ensure that appropriate focus is given to critical matters
- The Group's investor relations approach should be enhanced to be more strategic and enable proactive engagement with shareholders and other stakeholders
- Organisation development and the operating platform should be closely monitored by the Board

Committee reports

AUDIT COMMITTEE REPORT

"The Audit Committee helps safeguard the integrity of the Group's financial reporting through diligent analysis, challenge and counsel."

RUSTY NELLIGAN
CHAIR OF THE AUDIT COMMITTEE

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities relative to the integrity of financial reporting and effectiveness of internal controls. We oversee the Group's financial reporting and related elements of its accounting, disclosures, internal controls and regulatory compliance, in addition to the internal and external auditing processes.

Areas of focus

Governance
- Committee governance
- Best practice developments
- People and business changes
- Relevant policy review

Financial reporting
- Content of annual and other periodic financial reporting
- Use of Alternative Performance Measures
- Annual report: fair, balanced and understandable
- Accounting policies

Estimates and judgements
- Evaluation of significant estimates and judgements
- Assessment of going concern and viability

External audit
- Appointment and remuneration of auditors
- Oversight of auditor independence and objectivity
- Evaluation of audit scope, quality and effectiveness
- Audit tender process

Internal controls and internal audit
- Oversight of internal audit function
- Evaluation of financial operations
- Assessment of effectiveness of internal controls over financial reporting
- Oversight of effectiveness of material controls

Dear shareholder

I am pleased to present the Committee's report for the year ended 31 March 2020. Separate sections on Committee governance, review of the year, external audit, internal controls and internal audit follow.

From an Audit Committee perspective, the fundamental priorities for the finance and assurance functions are:

- Simple and transparent reporting
- Reliable and efficient operations
- Integrated, reliable assurance processes

This year has involved the unique challenge of overseeing the year-end process in the midst of the Covid-19 pandemic outbreak. We have effectively performed our oversight responsibilities during this period, and we continued to make good progress overall.

As we write this report, the human and economic consequences of Covid-19 are still unfolding. Our principal focus was to confirm that appropriate additional steps were taken to evaluate key areas of viability, valuation and other financial reporting, internal controls and audit assurance. Critical assumptions, judgements, estimates, risks, uncertainties, disclosures and process changes were subject to additional scrutiny and debate.

During these extraordinary circumstances I have been able to confer with other members of the Committee and maintain regular contact with management and auditors throughout, asking questions and providing input as the process unfolded. It has worked well because of the professional dedication and teamwork of everyone involved.

The financial statements of the Group include the consolidation of funds and CLOs that the Group controls but its exposure to losses is limited to the capital invested in each fund by the Group. Presentation of alternative performance measures, which eliminate the impact of the consolidation of these funds and CLOs, enhances shareholders' understanding of the Group's performance. These alternative performance measures do not detract from IFRS measures, and they are appropriately presented, defined and, where relevant, reconciled to IFRS measures (see page 183).

The balance sheet portfolio is a significant component of the Group's financial statements and consists mainly of unquoted and illiquid assets. Valuation of the portfolio is, as in prior years, an area of significant judgement and corresponding oversight by the Committee. This year end, the valuation process was performed against the backdrop of the Covid-19 lockdown, and uncertainty over its duration and corresponding impact on the portfolio. Accordingly, we enhanced our scrutiny of this area of significant judgement.

The Committee routinely evaluates the independence and effectiveness of our external auditors, the quality of the Group's financial management and internal controls over financial reporting and the scope, direction and nature of assurance provided by internal audit. During the year, the Committee's activity in this area has focused on planned rotation of the Group's external auditors; finance leadership transition and resource evaluation; and continued improvement to the Annual Report and Accounts.

As reported in the 2019 Annual Report and Accounts, the Board has announced that Ernst and Young LLP (EY) will replace Deloitte LLP (Deloitte), who have been the Group's auditor since inception, for the financial year commencing 1 April 2020. EY have been shadowing Deloitte, including attending Audit Committee meetings, throughout the year, and the smooth transition of the external audit remains a priority for the year ahead. We would like to acknowledge and thank Deloitte, and all those involved in the audit, for their contribution to the Group.

The Audit Committee has continued to co-ordinate with the Risk Committee and the Remuneration Committee with the aim of effectively covering pertinent topics in the most suitable forum.

The UK Government's current initiatives on audit reform, overseen by the Department for Business, Energy, and Industrial Strategy Select Committee, entail potentially far-reaching changes to auditing, regulatory oversight of audit committees, and other elements of corporate governance. The Committee continues to follow developments on this topic.

For the year ahead, the Committee anticipates continued follow-up on the topics outlined above as well as attention to further development of certain elements of internal controls and audit.

The Committee plays a vital role in assisting the Board in its oversight responsibilities for the integrity of financial reporting, effectiveness of internal controls, and assessment of quality of external audits. I would therefore be pleased to discuss the Committee's work with any shareholder.

RUSTY NELLIGAN
CHAIR OF THE AUDIT COMMITTEE

10 June 2020

Key activities and priorities

Focus	Outcomes
Current year	**Current year**
▶ Covid-19 pandemic outbreak and corresponding economic consequences – impact on viability assessment, valuation and other financial reporting, internal controls, and the audit process	▶ Determined appropriate review of material elements and expansion of portfolio valuation process and related evaluation of key assumptions, judgements, estimates, risks, uncertainties, disclosures and assurance
▶ Finance leadership change, resource evaluation and development planning	▶ Supported CFOO transition and review of target operating model
▶ Rotation of external audit appointment from Deloitte to EY, effective 1 April 2020	▶ Assisted coordination of planning and shadowing exercise to facilitate a smooth external audit handover
▶ Review and refresh of Audit Committee terms of reference	▶ Compiled integrated guide and checklist to facilitate efficient adherence to current requirements and membership transitions
Next year	
▶ Internal audit review and development planning	
▶ Internal control framework, including related fraud risk assessment	
▶ UK audit reform – assessment of status, potential impact, and planning requirements for anticipated changes	

Committee reports continued

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.

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.

Roles and responsibilities

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

- 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 fair values, 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
- 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
- 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.

Composition

The Committee consists of independent NEDs only. The current members are Rusty Nelligan (Chair of the Committee), Kathryn Purves, Amy Schioldager and Andrew Sykes. Biographical details can be found on pages 54 and 55.

The Committee members have a wide range of business and financial experience, including accounting and auditing, 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, the outgoing external auditor, EY, the incoming external auditor, the Head of Internal Audit, the Head of Finance and the Head of Risk.

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, Head of 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 2020. The terms of reference are available on the Group's website **www.icgam.com**, or by contacting the Company Secretary.

Effectiveness

During the year, the Committee members and attendees completed a detailed questionnaire and a series of interviews to evaluate the Committee's effectiveness; a Committee meeting was also observed by an external evaluator. The findings related to the Committee were discussed and shared with the Board. Overall it was concluded that the Committee continues to operate effectively. The Committee noted that during the coming year it should continue to work with the finance leadership to strengthen the development of operations, controls and internal audit over the medium term.

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 57. In addition, there was one sub-Committee meeting in May 2020 to review key aspects of the report and accounts and for management to update the Committee on the estimates and judgements applied to the valuation of the investment portfolio.

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:

The matter and its significance	Work undertaken	Comments and conclusion
Performance measures **Alternative performance measures aid understanding of the financial statements but must not detract from IFRS measures** + See KPIs on page 13 and the finance and operating review on page 21	The Group uses a number of alternative performance measures, including but not limited to: ▶ Cash and debt position ▶ Cash generated from operating activities ▶ Gearing ▶ Investment portfolio ▶ Net investment return ▶ FMC operating margin ▶ Weighted average fee rate A full list can be found in the glossary on page 183. We discussed the use of alternative performance measures with the Executive Directors and the external auditor and reviewed their continued appropriateness and consistency with prior years. Internal audit provided assurance that the alternative performance measures had been prepared on a basis consistent 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. A review of the alternative performance measures was undertaken and we were satisfied that they did not detract from IFRS measures and were: sufficiently defined; consistently applied; and, where relevant, reconciled to IFRS measures.
Consolidation and accounting policies **The content of the annual, semi-annual and quarterly financial reporting needs to be appropriate, complying with relevant accounting standards, laws and regulation** + See page 109 and the Auditor's Report on page 111	We reviewed all sections of the Annual Report having particular regard for the Committee's specific responsibilities for the financial statements. We 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 the prior year adjustment to retained earnings in the Parent Company as detailed in note 8. All accounting policies and disclosures were reviewed for continued appropriateness and consistency in light of business developments, changes in accounting standards and the impact of Covid-19. During the year, we reviewed and monitored the implementation of IFRS 16 'Leases'. We agreed with management's impact assessment conclusions and related disclosures.	We concluded that the Group controlled 16 credit and CLO funds and exercised significant influence over five other 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 £2.7bn (2019: £3.7bn). The Committee concluded that the accounting policies and disclosures were appropriate and had been updated properly. Based on our inquiries of the Executive Directors 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 page 127) are properly explained. We gained comfort from the Executive Directors and the external auditors that the Group complied with its reporting requirements.

Committee reports continued

The matter and its significance	Work undertaken	Comments and conclusion
Annual Report **Taken as a whole, the Annual Report needs to be fair, balanced and understandable so that it is relevant to readers** + See page 109	We held preparatory discussions with the Executive Directors to determine the format of the Annual Report and reviewed the assigned responsibilities for its content and overall cohesion and clarity. The Executive Directors 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 content, ensuring that feedback on the prior year Annual Report had been addressed and the impact of Covid-19 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 35), estimates and the period covered by the viability statement.	The Committee received confirmation that individual 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 and, to the extent possible, addressed the impact of Covid-19 on the Group's activities. 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. We were satisfied that the viability statement should consider a three year time horizon given that 86% of AUM is in long-term closed-end funds and the cash resources available to the Group. This reflects our internal planning cycle and the timescale over which changes to major regulations affecting our business typically take place.
Investment valuation **Investments represent 78% of our total assets under IFRS. As the assets are mainly unquoted and illiquid, considerable professional judgement is required in determining their valuation** + See notes 5 and 10 to the financial statements and the Auditor's Report on page 111	The Committee monitored the establishment of the Group Valuation Committee to review and challenge the values determined for the portfolio. We reviewed reports on the valuation processes undertaken and the significant judgements made in determining the value of the portfolio. We challenged the methodologies and assumptions used in light of the market uncertainty surrounding Covid-19. Management were challenged to ensure that the most appropriate valuation methodology was applied to ensure that the portfolio was valued in accordance with the Group's accounting policies, which remain unchanged, and International Private Equity and Venture Capital Valuation guidelines. In the current year, this resulted in an increased use of discounted cash flow models to value assets. The Committee inquired into the progress of ongoing asset realisations after the year end as an indicator of the reliability of the valuation process. In addition to the Executive Directors' procedures and the work of the external auditors, internal audit periodically reviews the valuation process and provides the appropriate assurance to the Committee of the Executive Directors' compliance with the Group's valuation policies, process and procedures.	The Committee noted that the valuation process had been undertaken against a backdrop of significant economic disruption. Consequently, the fair value determinations at the reporting date had involved considerably more judgement, and carried more uncertainty, than in prior years. We reviewed the methodologies used to value the Group's assets, including investments in portfolio companies, real estate investments and CLO debt and equity, and concluded that the valuations had been performed in line with the accounting policies. In our review of the financial statements we were satisfied that sufficient disclosures had been provided on the estimates and judgements made in determining the value of the portfolio.

The matter and its significance	Work undertaken	Comments and conclusion
Revenue recognition **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 3 to the financial statements and the Auditor's Report on page 111	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.	The Committee concluded that revenue has been properly recognised in the financial statements.

In addition to the significant matters addressed above, the Committee maintained a rolling agenda of items for its review including the auditor independence and external audit effectiveness, internal audit, capital strategy, financial and management reporting, risk and treasury management capabilities, relevant people changes, the going concern concept of accounting (+ See page 104), the viability statement (+ See page 36), the Auditor's Report (+ See pages 111 to 119), accounting developments and the auditor's management letter. No issues of significance arose.

External audit

The Group 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, we comply with all aspects of the Competition and Markets Authority Statutory Audit Services Order.

Appointment and rotation

Following review of the audit for the year ended 31 March 2019, the Committee recommended that Deloitte should be proposed to shareholders as the Group's auditors for the financial year ended 31 March 2020. The shareholders voted in favour of this reappointment at the 2019 AGM.

Deloitte has been the Group'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, necessitated by a change in role for the incumbent, occurred following the conclusion of the financial year ended 31 March 2019 audit. The Committee Chair met the new audit partner, Allee Bonnard, prior to her appointment and was satisfied that she had the necessary experience and industry knowledge to be an effective lead audit partner.

It is the Group's current policy to submit the external audit to tender every ten years, as a fair balance between the costs and disruption of a tender and the benefits of a potential fresh pair of eyes and challenge of the incumbent, and for the external audit firm to be rotated at least every 20 years. Under transition arrangements of the relevant regulations, the Group is now required to rotate its external audit firm for the financial year ended 31 March 2022 at the latest. We have elected to make this rotation with effect from the financial year ended 31 March 2021.

Accordingly, the audit was tendered during the financial year ended 31 March 2019, with the Committee recommending to the Board that EY be selected, confirming that their recommendation was free from influence by a third-party, and no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation had been imposed. The second choice candidate was KPMG.

The Committee confirmed to the Board that EY had a senior, experienced team with good working knowledge of auditing valuations of unquoted, illiquid investments. Furthermore, the Committee felt that throughout the tender process EY had demonstrated its commitment to providing the Group with a high quality, focused audit, together with efficient coordination, and effective communication and support.

The tender process was a major project for the Committee, spanning a period of nearly a year concluding in early 2019. In reviewing proposals and presentations from the final candidate firms, we specifically evaluated the respective firms' approach to areas of critical importance (e.g., consolidation, performance fees, valuation, taxes, alternative performance measures, financial-statement disclosures, internal controls over financial reporting, information security, risk and compliance management, and internal audit).

Additionally, our overall evaluation included consideration of the planned approach to maintaining auditor independence and public information relative to the respective firms' overall quality control (transparency reports).

An audit transition period was agreed to comply with relevant auditor independence rules. During this time EY has ensured that no prohibited services are provided to the Group. Accordingly, the Board is recommending to shareholders the appointment of EY at the 2020 AGM, for financial year ended 31 March 2021.

Committee reports continued

Execution

The Committee discusses and agrees the scope of the audit prior to its commencement. For the financial year ended 31 March 2020, the full scope audit coverage amounted to 92% (2019: 96%) of the Group's profit before tax and 96% (2019: 94%) of the Group's net assets. Specific review procedures were performed on another 25 non-significant entities.

We review with Deloitte the risks of material misstatement of the financial statements and confirm a shared understanding of these risks. While planning the audit, Deloitte sets out for the Committee the key tests that they perform on the higher-risk areas, and the Committee provides input on areas that it wants to receive particular attention.

In the current period, we focused on critical estimates and assumptions underlying investment valuation judgements. Moreover, with the emergence of Covid-19 economic consequences at the end of the fiscal year, we discussed and agreed necessary changes and added resources to address the heightened uncertainties. We directed management and Deloitte to expand the level of reporting to the Committee and devoted additional time to portfolio analysis and selected individual asset valuations. We challenged several scenario and sensitivity conclusions, and advocated additional analysis of the balance sheet and disclosures to the financial statements.

The Committee Chair meets or calls the lead audit partner generally monthly throughout the year and more frequently at the public reporting periods, to review Group developments and audit progress. We also discuss with Deloitte, prior to approval of the financial statements to the Board, the audit findings, including audit differences, and observations on internal controls, operations and resources. This includes discussions in private sessions without the Executive Directors present.

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

We are satisfied that the audit is probing, challenging and effective and that the approach provides a reliable audit opinion with a reasonable expectation of detecting material errors, irregularities and fraud.

Materiality

The Committee reviews accuracy of financial reporting with Deloitte including both accounting errors of lesser significance that will be brought to our attention and amounts that would need to be adjusted so that the financial statements give a true and fair view. In principal, errors can arise for many reasons ranging from deliberate fraud to estimates that were made at a point in time that did not consider all available information.

For the financial year ended 31 March 2020, overall audit materiality was set at £7.1m (2019: £13.9m). This equates to 5% of group profit before tax. This is a change in methodology from the prior year and brings the Group more into line with other listed asset managers. In the prior year, materiality was calculated as 1% of net assets with a lower materiality applied to fund management revenues. This is within the range that audit opinions are conventionally thought to be reliable.

The auditors use 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 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 111.

To manage the risk that aggregate uncorrected errors become potentially material, we agree with Deloitte to draw attention to all identified uncorrected misstatements greater than £357,000 (2019: £284,000).

For the financial year ended 31 March 2020, the aggregated net difference between the reported pre-tax profit and the auditor's judgement of pre-tax profit was £5.7m, 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.

Quality and effectiveness

In assessing the quality and effectiveness of the external audit, the Committee looks at the audit team's demonstrated competence, experience, diligence, objectivity, professional scepticism, current knowledge and its relationship with the Executive Directors and senior management. In particular, the Committee assesses the depth of review and level of challenge provided by the external auditors over the significant judgements and estimates made by management.

In the current fiscal year, Deloitte rotated the lead audit partner, which provided an opportunity for another fresh look at established norms. They refreshed prior conclusions on certain critical accounting policies and practices in advance of the handover to EY (e.g., consolidations, performance fees and valuation), and provided significant depth of review of investment valuations in the post-Covid-19 environment, with assistance from their valuation specialist team.

The Committee observed healthy debate initiated by Deloitte, received high-quality reports with detail information on the scope and results of their work, including challenge to management judgements, estimates and assumptions. We gained valuable insight from Deloitte on the nature of operations underlying the Company's production of financial information, and we received a current assessment of internal controls over financial reporting, to the extent observed as a by-product of their audit of the consolidated financial statements.

We also challenged Deloitte and management to sharpen their collective assessment of the depth and quality of disclosure in the financial statements and the effectiveness and efficiency of the internal controls over the financial reporting close process. This resulted in additional focus and resources and a path to further continuous improvement.

The Committee's overall assessment of audit quality 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 results of observation, inquiry and challenge, throughout the year, as well as periodic reflection and input collected separately from Committee members, Executive Directors and other relevant senior management.

Our most recent annual evaluation of Deloitte was considered by the Committee in September 2019. We have discussed some areas for service improvement including strengthening planning and resourcing to improve the efficiency of the audit process, and Deloitte have been responsive to this feedback.

In addition to our annual evaluation and regular review of reports and the working practices of our Deloitte audit team, the Committee undertakes an ongoing assessment of external audit quality and effectiveness including, but not limited to, the following:

- The Committee reviews the content of Deloitte's annual Audit Transparency Report which sets out their commitment to audit quality and governance
- The Audit Quality Review team (AQRt) of the Financial Reporting Council performs an annual audit of a sample of Deloitte's audits. Following discussion with Deloitte, insofar as any issues might be applicable, the Committee determines that Deloitte has proper and adequate procedures in place for the audit
- The Committee oversees formal terms of engagement with the auditor, and agrees the audit fee. We determined that the Group audit fee of £1.3m (2019: £1.2m) appropriately reflected the scope and complexity of the work undertaken by Deloitte
- We receive from Deloitte at every Audit Committee meeting an update on the current status of the audit, including findings, fees, and compliance with independence requirements

On the basis of this review and our ongoing interactions and observations, the Committee remains confident in Deloitte's work.

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 and their successor, EY. The Committee monitors non-audit services provided to the Group by Deloitte and EY to ensure there is no impairment to their independence or objectivity.

Procedures are in place to determine that all significant non-audit services performed by the auditor or their successor in excess of £50,000 are 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.

Our policy and procedures set out the categories of non-audit services which the external auditor and their successor are and are 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, subject to de minimis levels. A copy of the policy can be found on the Group's website, **www.icgam.com**.

During the year, and in light of updated guidance, the policy was updated so that the external auditors are only permitted to perform audit-related services. In general, these are assurance services or other similar work provided by external auditors in their role as statutory auditors of the Group.

The ratio of non-audit services to audit services provided by Deloitte was 0.26:1.

"Audit quality is emphasised by the Committee and supported by close monitoring. Key judgements and estimates are identified and subject to timely professional challenge."

Committee reports continued

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 is effective prospectively from 1 April 2017 and will therefore apply for the first time during the fiscal year 2020.

We received confirmations from the Executive Directors and Deloitte of adherence to this policy.

During the year, the Group paid £0.4m (2019: £0.1m) to Deloitte 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 the fees, £0.1m is in respect of services in their capacity as auditor and £0.3m related to the International Standards on Assurance Engagements 3402 (ISAE 3402) report. 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.

No services were provided to Group entities pursuant to contingent fee arrangements. A detailed analysis of fees paid by the Group to Deloitte LLP is shown in note 12 on page 150.

Transition

The Committee places great importance on the quality and effectiveness of the external audit. To ensure the effective transfer of specific, relevant knowledge of the Group between Deloitte and EY a transition plan was developed by the lead audit partners, in close consultation with the Company.

We have monitored implementation of this plan, part of which involved attendance by EY at all Audit Committee meetings during the year. The Audit Committee Chair has had regular meetings with both audit partners, both separately and together, to ensure the seamless handover of responsibilities.

An audit planning workshop with EY, including members of management and the Committee is planned for July 2020.

EY 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 the relevant regulatory and professional requirements.

The Committee, having considered compliance with its policies on independence, the tender process and the implementation of the audit transition plan is satisfied that EY has demonstrated the skills and service standards to justify a recommendation to shareholders for their appointment as auditors for the year ending 31 March 2021. Accordingly, a motion to that effect will be put to the 2020 Annual General Meeting.

The Committee recognises and acknowledges the contribution of Deloitte to the Group and extends its sincere appreciation to all those who have been involved.

Internal controls

Risk management and internal control matters are the responsibility of the Group's Risk Committee. Its report is set out on pages 72 to 75.

The Group has an established control framework, designed to manage but not eliminate risks and provide reasonable but not absolute assurance against material losses or misstatements.

Effectiveness

The Committee reviews the effectiveness of the financial control environment, including controls over financial reporting and the preparation of financial information included in the Annual Report. That assessment is taken into account by the Board when it undertakes its review of the effectiveness of material controls (see page 74).

The Committee reviews the operation of the finance function to ensure it is sufficiently resourced and has the appropriate processes and controls over financial reporting to fulfil its duties.

Developments

During the year, the Group accomplished a successful transition of the CFOO role, initiated a strategic analysis of its target operating model for finance and other operations, and started further development of its process and control framework. These changes were advocated by the Committee and are considered necessary steps in view of continued regulatory development and business growth.

The Group also expanded its implementation of control reviews over fund management operations, under ISAE 3402 Assurance Reports on Controls at a Service Organisation.

"Internal Audit's insights facilitate the Board's oversight of management's system of internal controls."

Internal audit

The Group has an internal audit function led by an experienced Head of Internal Audit, reporting to the Chair of the Audit Committee. She is assisted by a small in-house team and external service providers with specialised skills, as needed.

Approach

In conformity with the Financial Services Code (Guidance on effective internal audit in the financial services sector), a risk-based planning process is performed annually. This includes consideration of business objectives and a focus on those risks identified as being most likely to impact delivery of the Group's strategy. The resulting plan is reviewed and approved by the Committee, with regular updates provided. This is kept under constant review, with any significant changes recommended to the Committee for approval.

The Group has a number of regulated entities that have specific requirements for internal audit activities. These requirements are taken into account in the planning process and, as appropriate, relevant reports on audit scope and findings are shared with the Boards of the regulated subsidiaries.

Execution

The Committee considered and approved the updated internal audit strategy and plan for fiscal years 2020 and 2021. Updates on delivery of this plan, together with related status of remedial actions, are reported at each meeting of the Committee.

During the year, in accordance with the plan, 12 risk-based reviews were completed, responded to by management and reviewed by the Committee. We pay particular attention to identified themes across the business, relative importance and relationship of findings, recommended and agreed remedial actions and compliance with timescales for resolution and follow-up.

The Committee is satisfied that delivery of the approved internal audit strategy and plan is providing timely and appropriate assurance on the controls in place to feasibly manage the principal risks to the Group.

Effectiveness

The Committee reviews the effectiveness of the internal audit function, assessing qualifications, experience and independence in addition to adequacy of resource and quality of delivery against objectives. This includes assessment of its ability to meet relevant responsibilities and implement agreed improvements.

In the current period, the Committee concluded that the internal audit function is operating effectively, at the present level of operations. We will continue to monitor resourcing in view of regulatory development and business growth.

The Committee is required under the Financial Services Code to undertake an external assessment of the internal audit function at least every five years. This was last undertaken in 2017 and is therefore due to be completed again by 2022.

Committee reports continued

RISK COMMITTEE REPORT

"Our risk management framework helped us to identify the interconnected risks arising from Covid-19 and these were managed in a co-ordinated manner."

KATHRYN PURVES
CHAIR OF THE RISK COMMITTEE

The role of the Committee is to support the Board in identifying and managing risk; complying with regulations; and promoting good conduct.

Areas of focus

Principal and emerging risks

- Identification and management of principal risks
- Risk appetite and tolerances
- Identification of emerging risks

Governance

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

Risk management framework

- Effectiveness of risk management systems
- Review of risk events and remedial actions
- Risk function resourcing

Regulatory risks

- Impact and implementation of regulatory change
- ICAAP
- Compliance function resourcing

Dear shareholder

As a Committee, we support the business by monitoring the risks which matter most.

The Committee monitors the Group's risks, particularly the principal risks, on an ongoing basis. Using the information and evaluations obtained from our regular top-down and bottom-up reviews, alongside the Committee-led principal risk exposure ratings, the Committee creates an effective system for monitoring, planning and developing a Group-wide approach and culture regarding risk.

The external environment continues to present challenges and the Committee has reviewed the potential impact of macroeconomic developments and market volatility on the risk profile of the Group and challenged how these are being managed and mitigated by management. The impact of the Covid-19 pandemic has dominated recent discussions, and the Committee and the Board are working closely to understand both the immediate and potential future impact of the crisis on the Group. However, given the rapid escalation of the continued impact of the crisis, we currently have limited visibility on the longer-term impact of Covid-19 on the global economy. It is therefore difficult to accurately gauge the impact of the crisis on the Group at this stage. We will continue to work with management to position the Group conservatively to deal with the ongoing economic uncertainty.

Business continuity and crisis management has been brought into greater focus as the impact of Covid-19 has provided a real test of the Group's business continuity arrangements. We have remained fully operational throughout the lockdowns imposed by many governments and our teams have responded and adapted well to new working practices. Our risk management framework identified the different kinds of risks being triggered by this single root cause event, recognising that they could not be managed in isolation given their interconnectedness. We intend to apply this experience into developing enhanced scenario planning where assumptions and sensitivities will be re-evaluated as necessary to reflect how the future might unfold. Our risk reporting will also be enhanced to provide a more dynamic profile of emerging risks and the impacts to our principal risks.

In August, we welcomed the new Head of Risk who brings a wealth of experience and a deep understanding of risk management to our risk function, and presents the Group with an opportunity to further develop our risk management framework, ensuring it keeps pace with industry standards and reflects the growth, pace of change and risk profile of the Group.

During the year the Committee has been regularly updated on the progress being made to deliver and embed the risk management development plan (RMDP) that began in the prior year, focusing on the implementation of the risk and control self-assessment (RCSA) programme. The Head of Risk has expanded the RMDP into a three-year programme to further strengthen risk management and embed the framework in the activities of the business.

The Committee also evaluated the Group's approach to the oversight and management of our key suppliers, receiving a detailed briefing on a review of the current framework, benchmarked against best-practice models. The Committee will closely monitor the implementation of improvements aimed at leveraging our supplier capabilities, delivering cost savings and reducing supplier risk exposure.

The UK left the European Union (EU) on 31 January 2020 and entered a transition period until 31 December 2020, during which time EU law and regulation will continue to apply during negotiations on a Free Trade Agreement (FTA). For some time now, we have been strengthening our EU operations in Luxembourg and obtaining the required permissions to continue providing products and services to our clients. As part of our ongoing Brexit planning, we have considered a range of scenarios, including the possibility of a FTA not being in place by the end of the transition period, and put in place arrangements to mitigate any potential impacts. We are keeping Brexit developments under review and at this stage we do not perceive any material risk to the Group's operations.

The Committee remains fully supportive of the RMDP's goal of improving the Group's risk management framework and will continue to challenge management to proactively plan for, and respond to, external emerging risks; the most critical of those being the pandemic. For the year ahead, resilience will continue to be a key theme, with plans in place to enhance frameworks governing operational resilience (covering areas like cyber security, change management and third-party suppliers) along with organisational resilience.

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

KATHRYN PURVES
CHAIR OF THE RISK COMMITTEE

10 June 2020

Committee governance

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 and is responsible for providing oversight and challenge on:

- The Group's risk appetite, material risk exposures and the impact of these on the levels and allocation of capital
- Changes to the risk appetite framework and quantitative risk limits ensuring its ongoing integrity and suitability to support the Board's strategic objectives
- The design, structure and implementation of the Group's risk management framework and its suitability to identify and manage current risks and react to forward-looking issues and the changing nature of risks across all principal risks
- Risk reports on the effectiveness of the Group's risk management framework and system of internal controls, including notification of material potential or actual breaches of risk limits and internal control processes and the remedial action taken or proposed
- Risks in relation to major investments, major product developments and other corporate transactions
- Regulatory compliance across the Group, which includes reviewing and approving the Group's compliance policies and monitoring compliance with those policies
- The remit of the risk management and compliance functions, ensuring they have adequate resources and appropriate access to information to enable them to perform their functions effectively

Committee reports continued

The Committee also reviews and recommends:

- The ICAAP at least annually and more frequently as necessary, to the Board
- The extent of Directors' and Officers' insurance coverage, to the Board
- The prosecution, defence or settlement of litigation or alternative dispute resolution for material potential liabilities, to the Board
- The effectiveness of the Group's risk management and internal controls systems, to the Board
- Alignment of the Remuneration Policy with risk appetite, and adjustments to any employee's remuneration for events that have been detrimental to the Group or events that have exceeded the Board's risk appetite, to the Remuneration Committee
- All notes to the financial statements quantifying or describing risk exposures and all statements to be included in the Annual Report, half year report, prospectuses and circulars concerning risk management, to the Audit Committee

Composition

The Committee consists of NEDs only. The current members are Kathryn Purves (Chair of the Committee), Virginia Holmes, Rusty Nelligan and Amy Schioldager. Biographical details can be found on pages 54 and 55.

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 Chief Risk Officer 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 Head of Risk, Head of International Compliance, 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 2020. The terms of reference are available on the Group's website, **www.icgam.com**, or by contacting the Company Secretary.

Effectiveness

During the year the Committee members and attendees completed a detailed questionnaire and a series of interviews to evaluate the Committee's effectiveness; a Committee meeting was also observed by an external evaluator. The findings related to the Committee were discussed by the Committee and shared with the Board. Overall it was concluded that the Committee continues to operate effectively. It was recommended that, during the year, the Committee should consider how to most effectively run its meetings, potentially by reducing the number of optional attendees to ensure a more streamlined process. For more details of the report, please see page 61.

Monitoring the effectiveness of controls

The Risk Committee is provided with a number of risk reports, which it uses to continually review the Group's risk management framework and works closely with the Audit Committee to review the system of internal controls. The reports enable the Committees to develop a cumulative assessment and understanding of the effectiveness with which internal controls are being managed and risks are being mitigated by management across the Group.

As part of their review the Committees consider whether the processes in place are sufficient to identify all material controls, defined as those critical to the management of the principal risks of the business. Additional reporting on the effectiveness of material controls is provided to the Audit Committee on an annual basis to support the review of the effectiveness of controls in managing the principal risks.

The Board, on recommendation from the Risk and Audit Committees, and considering the work of Internal Audit overseen by the Audit Committee, confirms that the Group's risk management and internal control systems are operating effectively, and material controls operated effectively throughout the year.

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 interim Chief Risk Officer and subsequent Head of Risk providing an assessment on each principal risk versus appetite, key risk events, key emerging risks, actions taken or being taken to manage the risks, and from the Head of International Compliance on global compliance (including the Group's 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:

- The Committee was regularly updated on global economic and political risks including, but not limited to, Brexit and its potential impact on the Group's ability to access European clients and to continue to provide investment management services to European funds. The Committee was informed about the Group's response involving the establishment of a licensed Luxembourg entity which is regulated under AIFMD, which now has a licence to manage a broader range of funds. The Committee will continue to monitor management's response to Brexit to ensure any material uncertainties are appropriately mitigated
- The Group's planning and implementation of the Senior Management and Certification Regime (SMCR) progressed to completion. The Group met its regulatory obligations under SMCR in advance of the deadline and the Committee will continue to review the Group's arrangements, to ensure SMCR adherence evolves in line with peers and FCA expectations
- Following recruitment of the Head of Risk, the Committee received several updates regarding the development efforts to enhance the risk management framework, including details of updates to the risk appetite framework, risk assessment methodologies and associated tool sets. The Committee was briefed on the delivery of the RCSA program and introduction of the Group risk taxonomy, providing a formal structure to facilitate the link between 'top-down' and 'bottom-up' views of risk
- Cyber security has remained a focus for the Committee in the year, having discussed it at several of the meetings. The Head of Information Technology attended to describe details of the steps being taken within the Group to ensure that the Group manages cyber risks appropriately. The Committee is cognisant that the external landscape for cyber security continues to evolve with additional volume of and increasingly sophisticated attacks. Considering the pace of developments in this area, the Committee will continue to review and assess the Group's capabilities
- The Committee received an update on prior recommended actions following a review of the Credit Fund Management business, noting that specific policies and processes have been refined and implemented, some of which can be replicated to benefit the wider business. The Committee challenged the robustness of the technology platform and received comfort from the business that necessary improvements have been made
- The Committee acknowledged and discussed at length the extraordinary impact of Covid-19 on the business and wider economy, and challenged the Group's initial response planning, paying particular attention to operational resilience, employee wellbeing, liquidity and impact on the balance sheet portfolio. The Committee requested ongoing updates on progress as crisis management and mitigation efforts continued to be implemented

Other matters considered

In addition to the significant matters addressed above, the Committee maintained a rolling agenda of items for its review, including the adequacy of resourcing in the compliance and risk functions, updates on key policies and a review of the annual Whistleblowing report and the Money Laundering Officer's report. The Committee privately meets with both the Head of Risk and the Head of International Compliance on a semi-annual basis.

Internal Audit, Risk and Compliance

Internal Audit, Risk and Compliance work closely together to ensure appropriate coverage of the Group's activities.

The Committee supported the Audit Committee in its oversight of the internal audit programme (see page 71), which is risk based. It is designed to permit changes to the programme in light of changed circumstances.

In conjunction with the Audit Committee, the Committee reviews and approves the programme of compliance monitoring annually, and at each meeting reviews the status of the programme and the results of compliance monitoring completed.

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.

Committee reports continued

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

"Antje's appointment to the Board reflects the strategic importance we place on our most critical asset – our people."

LORD DAVIES OF ABERSOCH
CHAIR OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

The role of the Committee is to oversee the membership of the Board to ensure a balance of skills, diversity and experience among the Directors, oversee senior management succession planning and the governance practices and processes of the Group.

Areas of Committee focus

Culture, diversity and inclusion

- Employee engagement
- Gender diversity considerations

Succession planning

- Executive and senior management succession planning
- Talent development

Director skills and experience

- Director induction
- Director training

Appointments

- Chairman succession
- Board composition
- Additional Executive Director appointments

Dear shareholder

Good governance requires the appropriate balance of skills, diversity of thought and experience, independence and knowledge. As incoming Chair I have been impressed by the work done by this Committee.

During the year, the Committee has closely monitored the evolving composition of the Board and overseen inductions for new joiners, myself included. The quality of these induction processes has enabled both the new CFOO and I to quickly become effective.

My appointment as Chairman coincided with the introduction of the SMCR for Asset Managers. The Committee closely monitored this change, ensuring that I was informed of my responsibilities as a Senior Manager and that management had the processes in place to ensure that FCA approval was received promptly.

During the year, the Committee has continued its focus on executive succession planning for key individuals, and has closely overseen the work of the Group's Head of Human Resources in this area. Particular emphasis has been placed on enhancing bench strength across the organisation, including at the level of emerging future leaders.

We were delighted to appoint Antje Hensel-Roth to the Board in a newly created role as Chief People and External Affairs Officer. ICG is a people business and her knowledge and skills will be invaluable as we consider the talent we need to deliver the Group's strategic objectives.

The Committee has continued to monitor the feedback from employees gained through focus group sessions led by Amy Schioldager, as the NED responsible for liaising with employees, and the questions raised at our first Employee AGM; this has included a report by Amy of her overall findings. In addition, we have discussed the findings of the Group's employee engagement survey and the enhancement actions implemented as a result of this work.

The formal external evaluation of the Board due in the prior year was deferred to allow this work to take account of the handover of the Chairman's role. This has now been completed and we report further on the improvement objectives arising from that review within this Committee report and elsewhere within the Annual Report.

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

LORD DAVIES OF ABERSOCH
CHAIR OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

10 June 2020

Committee governance

Roles and responsibilities

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 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
- Appointing a NED as the Whistleblowing Champion
- Appointing a NED as the employee engagement champion
- Considering the composition of the Board to ensure that the balance of its membership between Executive Directors and NEDs is appropriate
- Overseeing diversity and inclusiveness, culture, employee engagement and other governance related matters within the Group
- Annually assessing the continued fitness and proprietary of the Senior Management Function (SMF) holders, including the NEDs, together with reviewing the Group's responsibilities map which describes the management and governance arrangements, as required under SMCR
- Ensuring the Group is managed to high standards of corporate governance

Composition

The Nominations and Governance Committee consists of four NEDs: Lord Davies of Abersoch (Chair of the Committee), Kathryn Purves, Andrew Sykes and Stephen Welton. Biographical details can be found on pages 54 to 55.

The Company Secretary acts as Secretary to the Committee. Kevin Parry was Chairman and a member of the Committee until he retired on 31 December 2019.

Appointments of Executive Directors and NEDs 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 2020. The terms of reference are available on the Group's website, **www.icgam.com**, or by contacting the Company Secretary.

Effectiveness

During the year the Committee members and attendees completed a detailed questionnaire and a series of interviews to evaluate the Committee's effectiveness; a Committee meeting was also observed by an external evaluator. The findings related to the Committee were discussed by the Committee and shared with the Board. Overall it was concluded that the Committee continues to operate effectively. It was recommended that, during the year, the Committee should consider how to best formalise its oversight of talent development within the Group. For more details of the report, please see page 61.

Committee reports continued

Summary of meetings in the year

The Committee held six meetings during the year. Over the course of the year the Committee considered and discussed the following significant matters:

- Chairman succession was a key focus with the identification of a preferred candidate from a high quality long list and then a shortlist of three, having regard to the qualities needed to lead the Board, engage with both shareholders and executive management, and understand the governance and regulatory demands applicable to the Group. As the Chairman was conflicted from being engaged in the search for his replacement, the Committee was led in this matter by Andrew Sykes, and assisted by an executive search agent, Russell Reynolds. Russell Reynolds provides search agent services to the Group on commercial terms and has no connection to the individual Directors. The Committee was closely involved in the contractual negotiations with the preferred candidate and the necessary interaction with the FCA to obtain approval for the appointment. The Chairman's role as a Senior Manager under SMCR and his Statement of Responsibilities was carefully reviewed
- After discussion of the executive management structure with the Executive Directors, the Committee recommended that Antje Hensel-Roth be invited to join the Board as Chief People and External Affairs Officer. This was both in recognition of the broad contribution she had made to the strategic direction of the business in recent years and a reflection of the importance that the Committee places on engagement with employees and external stakeholders
- Executive Succession planning by management was reviewed by the Committee with separate discussions in respect of the Group's investment teams (including the Group's CIO), marketing team and corporate and business support teams
- The employee engagement NED, Amy Schioldager, provided insights on the culture of the Group and other feedback from the ongoing informal engagement programme. This was enhanced by the formal report received on the results of the employee engagement survey and managements planned response

Other matters considered

The Board's policy is for at least 33% of members to be female in accordance with the recommendation of the Davies Report. At the date of publication, 40% of the Board is female. The Board does not currently have a policy on ethnic diversity but has determined always to select the best candidate for a role, regardless of race, ethnicity or any other demographic factors.

The Committee monitors the gender balance of the Group with a specific focus on senior management roles and their direct reports (see page 45).

Non Executive Director area of expertise

Name	Asset Management	Investment	UK Corporate Governance	International	Risk Management	Financial
Lord Davies of Abersoch (Chairman)	•	•	•	•	•	•
Virginia Holmes	•	•	•	•		
Rusty Nelligan				•	•	•
Kathryn Purves		•	•	•	•	
Amy Schioldager	•	•		•	•	
Andrew Sykes (SID)	•	•	•		•	•
Stephen Welton	•	•			•	•

REMUNERATION COMMITTEE REPORT

"We have maintained our existing, long-term orientated approach to variable pay."

VIRGINIA HOLMES
CHAIR OF THE REMUNERATION COMMITTEE

IN THIS SECTION

The Committee oversees the Group's Directors' Remuneration Policy and its application to senior employees, including the Executive Directors.

Dear shareholder

I am pleased to present the Committee's Report (Report) for the year ended 31 March 2020, which explains the remuneration decisions made by the Committee for that financial year.

The Report also includes the proposed Directors' Remuneration Policy for the three years ending 31 March 2023 which will be subject to shareholder vote at the AGM on 21 July 2020.

Directors' Remuneration Policy

Our Directors' Remuneration Policy (Policy) was last approved by shareholders in 2017, with nearly 85% of votes in favour. At the 2019 AGM, over 95% of votes were in favour of the Directors' Remuneration Report.

We reviewed the existing Policy in preparation for the required triennial AGM vote this year. We carefully considered the 2018 changes to the UK Corporate Governance Code, the most recent guidelines published by shareholders and voting agencies, and the views collected in our consultations with shareholders and employees.

We consulted extensively with major shareholders on the proposals and are grateful for the helpful suggestions and feedback we received, which we incorporated into our review.

Our existing Policy has helped support the success and growth of the business over the last three years and also takes account of market practices in our sector and in UK listed companies more generally. Therefore, we are not proposing any fundamental changes to it.

The proposed amendments, described later in this section, are designed to keep abreast of the latest developments in best practice for executive remuneration in listed companies and the guidelines published by shareholders and voting agencies.

Proposed policy

We have maintained our existing, long-term orientated approach to variable pay which is well aligned to shareholders. We make a single variable pay award each year, linked to a balanced scorecard of metrics and funded from a capped Group variable pay pool. Our approach encourages and reflects sustained, long-term performance as the variable pay pool is capped as a percentage of the realised cash profits the Group generates over five years from its fund management business and its investments. Furthermore, for Executive Directors, at least 70% of the variable pay award is deferred for five years into shares, with vesting in three equal tranches after the third, fourth and fifth anniversaries of award.

Each Executive Director has a target level and a maximum cap on their total variable pay, expressed in monetary value rather than as a multiple of base salary, in order to discourage upward pressure on base salary. These maximum total variable pay awards are payable for outstanding performance only.

We propose to increase the Minimum Shareholding Requirement for the Chief Executive and introduce a post-cessation shareholding requirement for all Executive Directors. We are also aligning the maximum pension allowance for Executive Directors with the majority of our UK employees.

The proposed Policy is set out in detail in the relevant section of this report.

Remuneration Committee report continued – Statement of the Chair

Proposed changes to Directors' Remuneration Policy

Component	Description of change	Reasons for change
Pension	Decrease in allowance for CEO from 15% to 12.5% of salary	To align Executive Directors and employees
Minimum shareholding requirement	Increase in minimum shareholding requirement from 200% to 300% of salary for CEO	Compliance with best practice and alignment with shareholder interests
Post-cessation shareholding requirement	Introduction of post-cessation shareholding requirement for Executive Directors	Compliance with best practice and alignment with shareholder interests
Malus and clawback	Malus and clawback triggers updated	Compliance with best practice and regulatory requirements
Variable pay quantum	Clarification of on-target amount and maximum cap for awards to individual Executive Directors	To bring the Group in line with best practice reporting

Business performance and remuneration

Business performance in the year ended 31 March 2020 has continued to be strong, with €10.2bn in new funds raised and 92% of realisations above the fund hurdle rate. We generated £183.1m in FMC profits and deployed €5.9bn in new investments. Our Pre-Incentive Cash Profit (PICP) was £365.6m, significantly higher than the prior year.

We have a long-standing policy of awarding variable pay across the workforce of not more than 30% of PICP measured on a five-year rolling basis. The Committee has determined that £70.8m should be awarded to eligible employees under the Annual Award Pool (AAP) for the year ended 31 March 2020, compared with £78.0m in the prior year. The awards are in the form of cash bonuses, deferred awards of ICG shares and Deal Vintage Bonus (DVB) awards, which in prior years was referred to as Balance Sheet Carry awards. DVB awards are a long-term incentive enabling investment teams, excluding Executive Directors, to share in the future realised profits from the Group's own balance sheet investments.

The Committee has allocated 22.2% of PICP on a five-year cumulative rolling percentage basis, which is 7.8 percentage points below the maximum 30% permitted under the Policy. This Policy provides a focus on long-term performance and only takes account of cash profits, thus aligning with shareholders' interests fully. It also allows us to smooth out some of the potential volatility in remuneration, and this, as well as the use of our Business Growth Pool (BGP), provides capacity to continue to develop the business through the cycle.

In addition to the AAP, the Committee allocated £3.9m to the shareholder-approved BGP to fund incentive awards for teams involved in developing new investment strategies during the year. This pool excludes Executive Directors. This year's BGP award of £3.9m compares with £1.7m awarded in the prior year. The increase this year reflects the further investment being made in the future of our business by hiring strong portfolio managers and experienced team members to drive the growth of those areas.

Five year AAP overview

£m	FY16	FY17	FY18	FY19	FY20	**Cumulative**
PICP	184.2	407.5	254.9	336.6	365.6	**1,548.8**
AAP, being 30% of PICP	55.3	122.2	76.5	101.0	109.7	**464.7**
Spend on incentives	51.5	65.9	77.7	78.0	70.8	**343.9**
Cumulative rolling percentage of cash profit spent	23.5%	21.6%	21.5%	23.6%	22.2%	**22.2%**

Executive Director remuneration

The total remuneration for the year for each Executive Director is shown in the table on page 84. Vijay Bharadia joined the Group and the Board as CFOO on 20 May 2019, hence his remuneration for this year is pro-rated for the period since that date.

The base salary for the CEO was not increased in 2019 or in 2020. It remains at £394,000 which is substantially lower than the typical CEO salary level for a company of ICG's size and complexity and as well as similar asset managers. The CFOO's base salary was set at £500,000 on joining in May 2019, and has not been increased in the 2020 remuneration review.

Variable pay awards for the CEO and CFOO for the financial year were respectively £4,638,000 and £1,301,000 (this is the pro-rated amount to reflect the date on which he commenced his role). The awards for this year reflect strong performance across the Executive Director KPIs (please see page 85 for more details). 80% of the CEO's variable pay award and 70% of the CFOO's variable pay award was deferred into ICG PLC shares vesting in equal tranches on the third, fourth and fifth anniversaries of award.

Directors' interests in shares

Our Executive Directors are aligned to the Group's long-term share price and dividends through our Directors' Remuneration Policy:

- At least 70% of Executive Directors' variable pay is deferred in the form of ICG PLC shares
- These deferred shares vest over a five-year period. Vesting starts in the third year from the award date and takes place in three equal tranches over the third, fourth and fifth anniversaries of the award
- Executive Directors are required to build and maintain an on-going minimum shareholding. This is currently 2x base salary for both executives but is proposed to increase to 3x base salary for the CEO under the new Policy
- Under the proposed Policy, Executive Directors will also be required to retain a shareholding for two years after leaving the Board, to further enhance the long-term alignment with shareholders

Appointment of new Executive Director

Just after the end of the financial year, the Committee was delighted to support the appointment of Antje Hensel-Roth as Chief People and External Affairs Officer. She will be proposed for shareholder approval at the AGM. She was appointed on a base salary of £425,000 and will be eligible for a discretionary pay award of up to £1.5m (with on target performance to be rewarded by a target award of £750k); any award will be made up of ICG PLC Equity and cash. Her base salary has been benchmarked to market, and her pension contribution rate has been aligned with the arrangements for other UK-based employees.

Response to the Covid-19 crisis

We have been committed to providing stability and security for our workforce through this difficult period by adapting our ways of working to keep our people as safe as possible while ensuring full business continuity. I am pleased to say that we have not made any redundancies and have not had to furlough any of our employees or take any other form of Government Covid-19 support. We will also continue to pay our planned annual bonus for this year to our employees in recognition of their on-going hard work.

Conclusion

I would like to thank shareholders for their support over the years, and more recently through the consultation on the amendments to our Directors' Remuneration Policy. Our Policy provides a clear, simple and predictable remuneration model, that helps drive the achievement of our corporate strategy and a prudent approach to risk. I hope you will vote for the proposed Policy at the AGM and continue to give your support for our Directors' Remuneration Report.

VIRGINIA HOLMES
CHAIR OF THE REMUNERATION COMMITTEE

10 June 2020

Remuneration Committee report continued – Remuneration at a glance

Pre-Incentive Cash Profit (PICP) from long-term performance

Cash based

The variable pay pool (Annual Award Pool) is calculated as a percentage of PICP and reflects long-term performance.

PICP is generated from FMC profits and income from the realisation of long-term investments.

Long-term in nature

The holding period for the Group's investments is typically four to eight years and the majority of the Group's fund management fees arise from closed-end funds, payable over the life of the fund which can be up to 12 years.

+ Average life of funds detailed on page 3

Aligned to our strategic objectives

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

+ Strategic objectives detailed on page 13

Annual Award Pool (AAP)

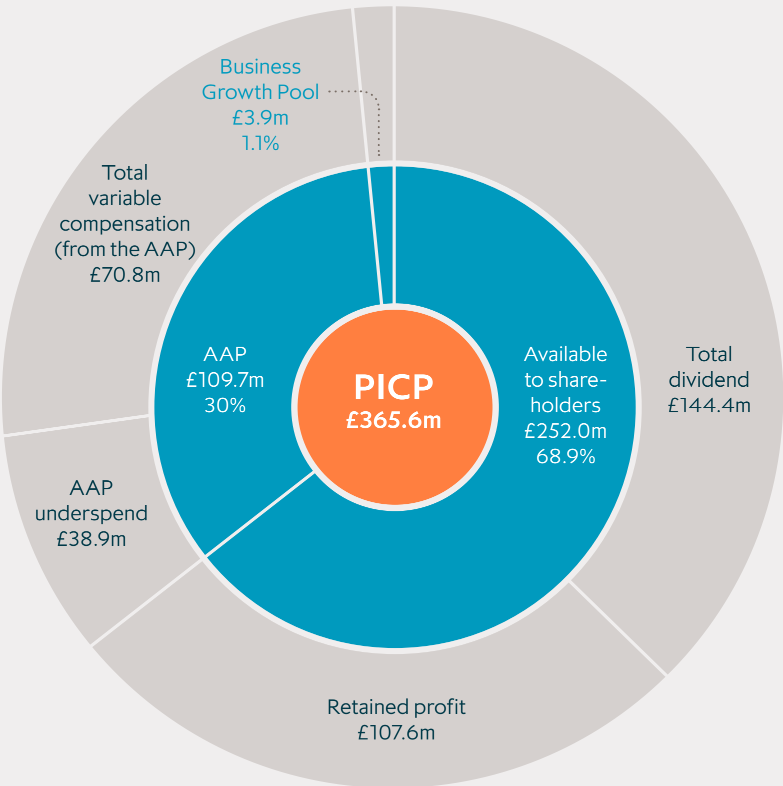
The maximum AAP is 30% of PICP on a five-year rolling basis. The allocation of AAP in the current year is below 30% of current-year PICP and remains well below the limit on a five-year rolling basis due to prudent management of the AAP over the medium term.

In addition to the AAP awards, the Committee approved an allocation of £3.9m (2019: £1.7m) from the shareholder-approved Business Growth Pool in support of new investment teams, which is aligned to our corporate growth and diversification strategy. This is included within the Total Variable Compensation Spend.

The FY20 Total Dividend is the value of the ordinary dividend per share of 50.8p, with the final dividend for the financial year to be paid on 5 August 2020.

Annual Award Pool

£109.7m



Remuneration Policy for all employees

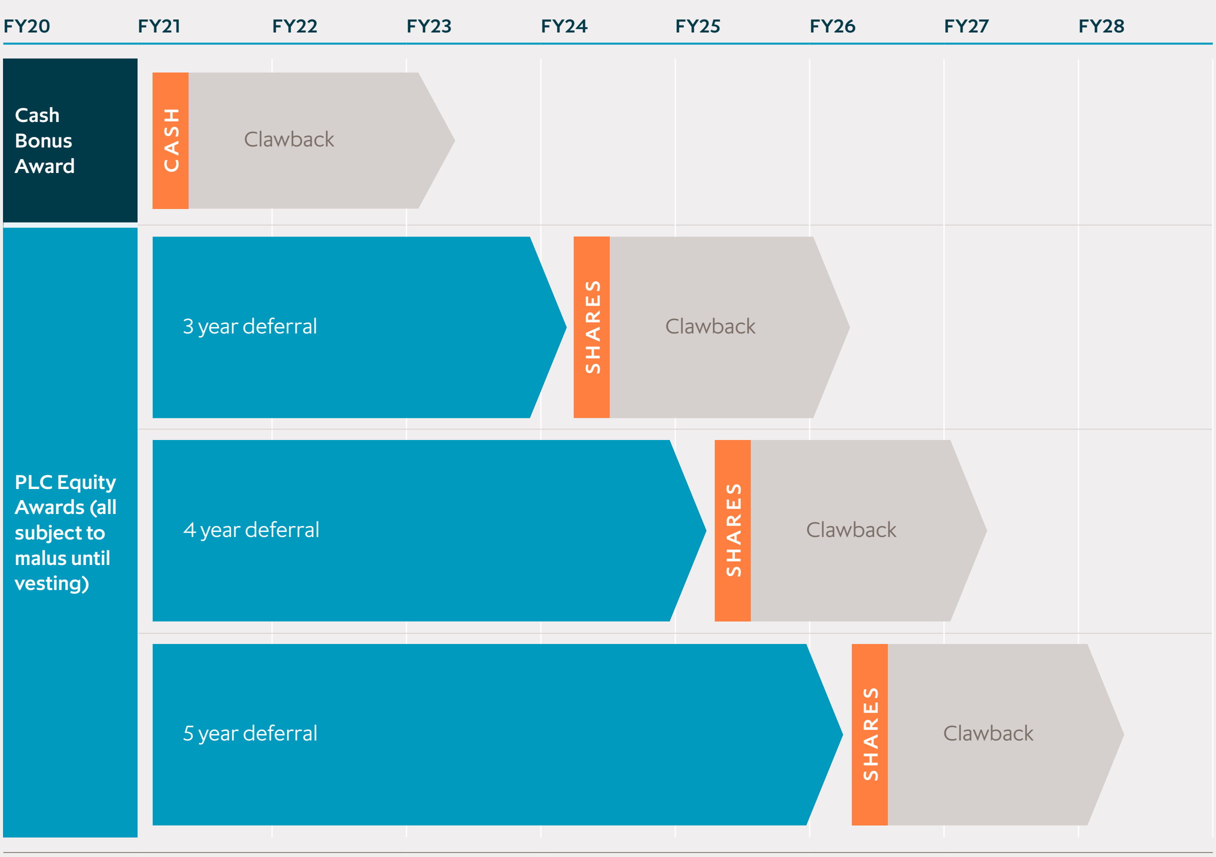
All employees of the Group are entitled to a base salary, benefits and, in the UK and most locations, pension. The variable compensation for all employees is drawn from the AAP and is allocated by reference to role, responsibility and performance, and with regard to regulatory requirements. Awards to 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			
Position	Cash Bonus Award	Deferred Equity Award	Performance Fees	Deal Vintage Bonus
Executive Director	•	•		
Investment Executives	•	•	•	•
Marketing Executive, Corporate and Business Services Partner or Director level Executive	•	•		
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 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.

Delivery of variable remuneration to Executive Directors



Annual report on remuneration

Single total figure of remuneration table (audited)

The following table shows a single total figure of remuneration in respect of qualifying services for the financial year ended 31 March 2020 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 2020 and 2019										Long-term Incentives[6,7]	
Executive Directors	Salaries £000	Benefits[2] £000	Pension allowance £000	Fixed remuneration £000	Short-term incentives, available as cash[3] £000	Total emoluments £000	Recruitment replacement awards[4] £000	Short-term incentives, deferred[5] £000	Total variable remuneration £000	Total remuneration £000	vested from prior years (legacy awards) £000	Single total figure of remuneration £000
Benoît Durteste												
2020	**394.0**	**19.4**	**59.1**	**472.5**	**927.6**	**1,400.1**	**–**	**3,710.4**	**4,638.0**	**5,110.5**	**775.0**	**5,885.5**
2019	394.0	13.8	59.1	466.9	480.0	946.9	–	4,320.0	4,800.0	5,266.9	4,259.0	9,525.9
Vijay Bharadia[1]												
2020	**432.9**	**10.9**	**45.1**	**488.9**	**390.3**	**879.2**	**941.5**	**910.7**	**2,242.5**	**2,731.4**	**–**	**2,731.4**
Philip Keller[1]												
2020	**124.1**	**4.3**	**19.1**	**147.5**	**0.0**	**147.5**	**–**	**0.0**	**0.0**	**147.5**	**151.4**	**298.9**
2019	394.0	9.4	59.1	462.5	125.0	587.5	–	1,125.0	1,250.0	1,712.5	1,140.0	2,852.5

See page 90 for details of payments to NEDs.

1 Fixed remuneration elements for Vijay Bharadia and Philip Keller reflect the remuneration received in respect of qualifying services provided in the year ended 31 March 2020. The fixed remuneration elements have therefore been pro-rated respectively from the date on which Vijay Bharadia joined the Company and the date that Philip Keller left the Company.
2 Each Executive Director's benefits includes medical insurance, life insurance and income protection. For Benoît Durteste and Vijay Bharadia, the benefits also include the grant of share options under the Intermediate Capital Group PLC SAYE Plan 2014 ('the SAYE') in December 2019. The SAYE options were granted with an option price at a 20% discount to the market value at the date of invitation and the value of that discount has therefore been included.
3 This represents the Cash Bonus Award element of the variable remuneration.
4 This figure represents the PLC Equity Awards that were granted to Vijay Bharadia on 1 August 2019 to replace and materially replicate awards Vijay Bharadia forfeited on leaving his previous employer. These awards will vest on the same timetable as the forfeited awards over the next four years.
5 This represents the ICG PLC Equity Awards made for the year ended 31 March 2020 and deferred for three, four and five years.
6 The long-term incentive amounts are legacy award payments received during the year in respect of Deal Vintage Bonus (formerly known as Balance Sheet Carry) awards no longer available to Executive Directors. These awards were made in prior years.
7 Share price movements do not have any impact on the value of long-term incentives vesting during the current year (legacy awards).

Executive Director Performance

A summary of the Executive Directors' KPIs, and the current year outcome, is set out on the following page. KPI targets, weightings and ranges are set annually, reflecting annual objectives and long-term goals.

For the current year, the Board reviewed last year's KPIs and decided that, for Benoît Durteste, the previous year's quantitative metrices should continue to apply with a minor adjustment to equalise the weightings of the qualitative ones. For Vijay Bharadia the same KPIs applied, however, the weightings were adjusted compared to those of his predecessor, to reflect the definition of his role and the fact that he joined part-way through the year.

These KPIs are a reflection of the long-term strategic and mid-term tactical priorities of the Group in creating value. In light of the Group's evolution in recent years and the excellent progress made in terms of size and scale, diversification and positioning within the alternative investment industry and the FTSE, the Committee has reviewed KPIs for the coming year and any adjustments will be disclosed in the 2021 annual report.

The Committee noted that PICP for the year increased to £365.6m from £336.6m in the prior year and that overall delivery against the Group's strategic objectives has been very strong. This was another compelling performance year, with record annual and long-term fundraising, as well as capital deployment and fund management profits all well ahead of the outperformance targets set. The target for annual return on equity was not met, reflecting lower valuations of unrealised assets in the IC in the final quarter as a result of Covid-19.

Performance has also been particularly strong against the qualitative KPIs which were set to underpin the Group's longer-term objectives.

Having considered his delivery across the range of KPIs, the Committee made a total variable pay award to Benoît Durteste of £4.638m, comprising an annual Cash Bonus Award of £927,600 and a deferred PLC Equity Award of £3,710,400, reflecting very strong performance in his dual role as CEO and CIO of the Group.

In considering the awards to be made to Vijay Bharadia, the Committee took into account the KPI outcomes detailed in the table, including his contributions to the strong performance of the Group's quantitative and qualitative KPI performance. This was achieved in the context of his overall convincing start in the CFOO role. The Committee determined that a full year total variable pay award of £1.5m was appropriate. This was pro-rated to £1.301m to reflect the date on which he commenced his role, and comprises an annual Cash Bonus Award of £390,300 and a deferred PLC Equity Award of £910,700.

Strategic objectives
1. Grow AUM
2. Invest selectively
3. Manage portfolios to maximise value

Awards in respect of annual performance

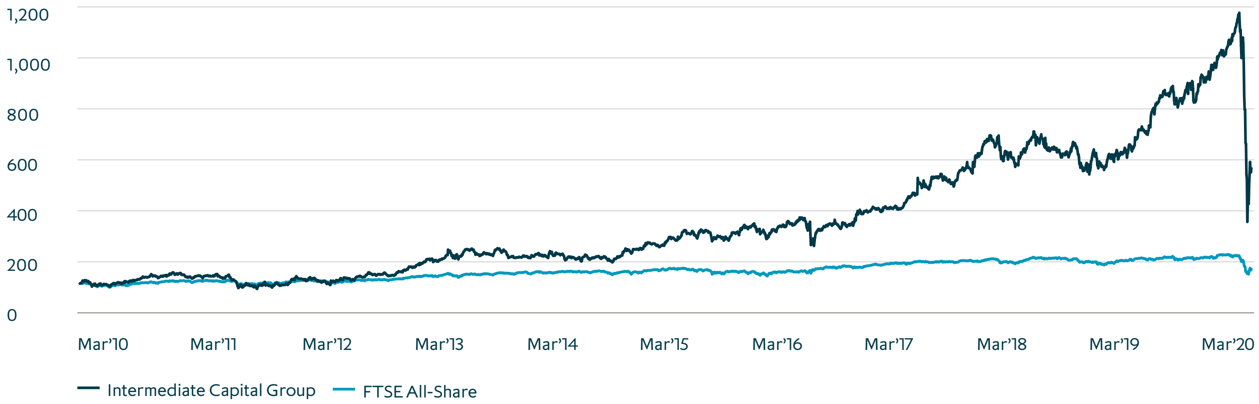
KPI	Link to strategic objectives	CEO weighting	CFOO weighting	Target	Under-performing	Target	Out-performing	Narrative
Quantitative KPIs								
Fundraising – long-term	1	10.0%	5.0%	**€8.0bn p.a.**			€9.3bn	The outperformance target was exceeded, reflecting excellent three-year rolling fundraising outcomes, including two successive record years with >€10bn p.a. raised.
Fundraising – current year	1	10.0%	2.5%	**€6.4bn**			€10.2bn	The outperformance target was exceeded significantly, reaching an all-time record level of fundraising. Despite market slowdowns owing to Covid-19, almost €3bn was raised in the final quarter of the financial year, giving solid momentum into the year ended 31 March 2021.
FMC operating margin	1	7.5%	10.0%	**51.0%**			53.6%	The outperformance target was exceeded, owing to disciplined cost management and strong fee flows.
Weighted average fee rate	1	10.0%	10.0%	**0.86%**		0.86%		The target was achieved in full, reflecting another successful year with fee rates maintained at a high level. Five strategies were raised with fees on committed capital, of which three were new launches and two had final closes.
Deployment of direct investment funds	2	7.5%	2.5%	**€5.6bn**			€5.9bn	Deployment overall was ahead of the €5.6bn current-year target. It slowed during the year, reflecting a desire for more conservative deployment in light of market conditions. A greater focus was placed on senior secured strategies as the Group deliberately adopted a more restrictive stance on private equity risk.
% realisations exceeding performance hurdle	3	10.0%	2.5%	**90%**			92.0%	The outcome was above target and in line with last year, despite more challenging market conditions. The Group anchored performance and protected downside on a number of key funds ahead of the crisis.
Return on equity	N/A	7.5%	15.0%	**16.5%**	7.9%			ROE was lower than target as Covid-19 related market conditions in the final quarter of the year lowered valuations of unrealised assets and resulted in unrealised losses in the IC, despite profits in the FMC remaining strong and up 27% year-on-year.
Long-term gearing	N/A	7.5%	12.5%	**0.8-1.2x**			0.8x net	This is largely driven by the issue of our €500m Eurobond and a £250m draw-down from our bank facilities at year-end to bolster liquidity in light of Covid-19. This outcome strengthens our position, coming into the crisis with low leverage, and demonstrating prudent and forward-looking management.
Qualitative KPIs								
Risk management and regulatory compliance	N/A	10.0%	15.0%	**N/A**				Robust control and regulatory framework in place and functioning effectively. Significant progress made in strengthening the leadership of key functions and continuously enhancing risk culture
Strategic development	N/A	10.0%	12.5%	**N/A**				Three investment strategies launched with fees on committed capital and high long-term potential. High profile team hires completed for the anticipated launch of the US mid-market and global secondaries investment strategies. Continued the development of an outstanding global team, through internal talent development and external recruitment, strengthening the overall leadership bench. Enhanced senior management by diversifying the Executive Director team through another appointment, further underlining the strategic importance of people management.
Culture and diversity	N/A	10.0%	12.5%	**N/A**				Very strong survey results for employee engagement, reflecting a highly inclusive culture. A number of outstanding diversity hires made both in investment and non-investment teams. Enhanced engagement between employees, management and the board ensure diverse input into corporate decision-making.

Annual report on remuneration continued

Performance graph of Total Shareholder Return (ten years)

The graph below shows a comparison between the Company's total shareholder return performance and the total shareholder return for the FTSE All Share index. The graph compares the value at 31 March 2010 of £100 invested in Intermediate Capital Group plc with the FTSE All Share Index over the subsequent ten years. This index has been chosen to give a comparison with the average returns that shareholders could have received by investing in a range of other companies.

The TSR for the Company during this period has been 427%, compared to 54% for the Index.



Total remuneration of the Chief Executive Officer

The table below details the total remuneration of the CEO for the past ten years. The amounts are presented on the basis of the Single Total Figure of Remuneration Table (see page 84) and include some deferred compensation awarded in previous years but reported in the year received.

£000	Financial year	Total remuneration	Percentage of maximum opportunity of short-term incentives awarded	Percentage of maximum opportunity of long-term incentives awarded
Benoît Durteste	2020	5,886	84%	N/A
	2019	9,526	87%	N/A
	2018[1]	3,412	77%	N/A
Christophe Evain	2018[1]	183	0%	N/A
	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%

1 The amounts above have been pro-rated to reflect the transition of the CEO role from Christophe Evain to Benoît Durteste on 25 July 2017.

A comparison of the change of pay of the CEO to that of all employees of the Group is shown on page 88.

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. Although there has been a significant increase in headcount over the year, the increase in employee costs is not proportionate as there has been a reduced cost of legacy awards compared to the previous year.

	Year ended 31 March 2019	Year ended 31 March 2020	Percentage change
Ordinary dividend (£m)	128.4	144.4	12.4%
Permanent headcount	336	408	21.4%
Employee costs (£m)	**166.0**	**168.5**	**1.5%**

Directors' interests in shares (audited)

The Directors and their connected persons held the following interests in shares of the Company:

		As at 31 March 2020			
Directors	Shares held outright as at 31 March 2019	**Shares held outright as at 31 March 2020**	**Unvested ICG PLC Equity Award interests**	**Unvested SAYE options**	**Shareholding requirement met?**
Benoît Durteste	529,265	**907,007**	**1,510,774**	**1,468**	**Yes**
Vijay Bharadia	N/A	**12,813**	**43,003**	**1,468**	**N/A**
Lord Davies of Abersoch	N/A	**14,582**	**N/A**	**N/A**	**N/A**
Virginia Holmes	10,000	**10,000**	**N/A**	**N/A**	**N/A**
Rusty Nelligan	130,042	**141,000**	**N/A**	**N/A**	**N/A**
Kathryn Purves	10,737	**10,737**	**N/A**	**N/A**	**N/A**
Amy Schioldager	10,000	**10,000**	**N/A**	**N/A**	**N/A**
Andrew Sykes	10,000	**15,000**	**N/A**	**N/A**	**N/A**
Stephen Welton	40,000	**55,000**	**N/A**	**N/A**	**N/A**

Under the current policy, the Executive Directors are each required to hold shares amounting to 200% of their annual salary at the share price prevailing on 31 March 2020 with a build-up period for new Executive Directors. Vijay Bharadia is still within this build-up period. There are no set shareholding requirements for NEDs, although all are encouraged to purchase a holding to align themselves with shareholders. Under the proposed Director's Remuneration Policy the CEO will be required to hold 300% of his annual salary and other Executive Directors will be required to hold 200%.

As at 29 May 2020, there were no changes in the Directors' share interests from the figures set out in the tables above.

Total pension entitlements (audited)

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

Executive Directors' co-investment in third-party funds

Fund investors expect the CEO/CIO to co-invest in funds to demonstrate his alignment, and as such he has made significant personal commitments from his own resources to the majority of the Group's closed end strategies. At times, other Executive Directors may also make co-investments from their own resources to demonstrate alignment.

The CEO/CIO's co-investments from his personal resources range from £112.5k to £2.9m across 15 funds.

Annual report on remuneration continued

Carried interest on third-party funds

Certain professionals (including the Executive Directors) are expected to invest in carried interest arrangements under which a portion of the carried interest (usually between 50% and 80%) in respect of certain managed funds is available for allocation to investment professionals. Those investment professionals who participate in such arrangements pay full market value for the interests at the time of acquisition. Carried interest on third-party funds is an investment required by third-party fund clients to drive alignment and is not remuneration for services provided to the Group.

The current standard framework with third-party fund investors, which reflects industry standards in the UK and globally, meant that Executive Director carried interest commitments in the year ended 31 March 2020 have ranged from between 10% and 15% per relevant fund.

Further details of the funds managed by the Group (including an indication of those funds which have carried interest arrangements required by fund investors) can be found on page 180.

Scheme interests awarded during the financial year (audited)

The following table provides the details of scheme interests awarded to the Executive Directors during the year ended 31 March 2020:

Director	Award	Award date	Face value at grant (£000)	Number of shares awarded
Benoît Durteste	ICG PLC Equity Awards	22 May 2019	4,320.0	360,601
	SAYE Options	23 December 2019	22.5	1,468
Vijay Bharadia	ICG PLC Equity Awards	1 August 2019	941.5	66,629
	SAYE Options	23 December 2019	22.5	1,468
Philip Keller	ICG PLC Equity Awards	22 May 2019	1,125.0	93,906

On 22 May 2019, ICG PLC Equity awards were granted to those Executive Directors who had served in the year ended 31 March 2019 in relation to their performance in that year. 90% of the variable pay awarded to Benoît Durteste and Philip Keller in respect of that year and based on performance in that year was granted in the form of ICG PLC Equity. Awards vest one third at the end of the third, fourth and fifth years following the year of grant. As awards are made on the basis of PICP generated and performance achieved, there are no further performance conditions. The share price on the date of award of ICG PLC Equity was £11.98. This was the middle market quotation for the five dealing days prior to 22 May 2019.

On 1 August 2019, ICG PLC Equity awards were granted to Vijay Bharadia to replace and materially replicate awards he forfeited on leaving his previous employer. As the awards that were replaced did not have performance conditions, the replacement awards have service conditions only. The share price used to dictate the number of ICG PLC shares granted to replace the forfeited awards was £12.04 and this was the closing share price as at 20 May 2019 (i.e. the date that Vijay Bharadia joined the Group). However, the face value at award above has been calculated using the share price on the date of award (i.e. 1 August 2019), which was £14.13. This was the middle market quotation for the five dealing days prior to 1 August 2019.

On 23 December 2019, SAYE options were granted to Benoît Durteste and Vijay Bharadia under the Intermediate Capital Group PLC SAYE Plan 2014. The face value at award has been calculated using the share price on the date of invitation (29 November 2019) which was £15.32. This was the middle market quotation for the date of invitation and the five dealing days prior to 29 November 2019. The option price for the SAYE options is £12.26, which is a 20% discount to the share price on the date of invitation, in line with HMRC legislation.

CEO pay ratio

The table below compares the CEO's single total remuneration figure for 2020 to the remuneration of the Group's UK workforce as at 31 March 2020.

	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	58:1	37:1	18:1
2019	Option A	108:1	63:1	30:1

Our ratio is lower than many FTSE companies due to an inclusive remuneration approach.

Consistent with our calculation methodology in prior years, employee pay is calculated on the basis as of the CEO single figure, which is 'Option A' under the reporting requirements. There are three possible methodologies that companies can adopt (Options A, B or C) and we have chosen Option A as this is the most robust methodology. Option A requires the Group to calculate the pay and benefits of all its UK employees for the relevant financial year in order to identify the total remuneration at the 25th percentile, at the median and at the 75th percentile. Employee pay data is based on full-time equivalent pay for UK employees as at 31 March 2020, in line with the CEO single figure methodology. In calculating these ratios, we have annualised any part-time employees or new joiners to a full-time equivalent (where relevant).

Remuneration for quartile employees	Employee at 75th percentile	Median Employee	Employee at 25th percentile
Salary	£144,500	£93,000	£65,000
Total pay and benefits	£319,531	£158,094	£100,790

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	Taxable benefits	Short-term incentives
Chief Executive Officer	0.0%	5.6%	(3.4%)
All employees	4.7%	51.3%	(1.2%)

Excludes taxable expenses for both the CEO and all employees

The increase in salaries and the decrease in short-term incentives for all employees arises from demographic changes in the employee population with a larger cohort of more junior roles. This demographic change means that employees are more likely to receive more substantial salary increases or be promoted but also results in a corresponding reduction in the absolute value of short-term incentives, compared to a more senior population. The significant increase in taxable benefits for all employees is largely due to an improved medical insurance offering.

Gender pay

We are required by law to publish data on the following:

- Gender pay gap (mean and median)
- Gender bonus gap (mean and median)
- Proportion of men and women in each quartile of the Group's pay structure
- Proportion of men and women receiving bonuses

The gender pay gap is a UK comparison, across the pay of all men and all women regardless of their level or role. This is different from an equal pay gap, an individual measure comparing the pay of a man and a woman in the same or a similar role. We have equal pay for equal work regardless of gender.

Both the pay and bonus gaps have fallen during the financial year, with our pay gap now better than market averages for the sector. The decline in the mean pay gap is caused by a higher proportion of women moving into more senior roles.

	2018	2019	**2020**
Mean pay gap	33.6%	28.9%	**26.2%**
Mean bonus gap	67.7%	78.3%	**66.6%**

The Group is pleased with the progress that has been made and continues to be committed to addressing our gender pay gap with a number of initiatives which are now well established, to increase talent diversity and foster a culture of inclusivity through:

- Extending the reach of our search and selection activities
- Pressing for balanced candidate short lists for all roles; maximising diversity on our interview panels to moderate bias
- Supporting individuals in their career progression through mentoring and training; and holding managers accountable for the progression of their teams

Annual report on remuneration continued

Benchmarking

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

- Listed and unlisted alternative asset managers
- Listed financial service companies
- Investment banks
- Listed and unlisted asset managers
- Other organisations as appropriate for the individual role

The Group carries out an extensive annual exercise to benchmark proposed salaries and deferred awards for all employees globally.

Our Executive Directors are benchmarked against equivalent individuals at a range of relevant 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.

In recent years, we 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 UK-listed alternative asset manager which competes for talent against other alternative asset managers that are not listed at all nor listed in the UK, it is necessary to obtain a wide range of benchmark data.

Hence, while we do consider other UK-listed financial service companies in our benchmarking, they are not the only relevant comparator.

Fees paid to NEDs (audited)

In the financial year under review, NEDs' fees were as follows:

Non Executive Directors	Date appointed	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 ended 2020[5] £000**	Total for year ended 2019 £000
Lord Davies of Abersoch (Chairman)[2,3]	November 2019	5.0	91.7					**96.7**	
Kevin Parry (retiring Chairman)[1]	June 2009	6.4	183.3					**189.7**	241.3
Virginia Holmes	March 2017	76.5	20.5				12.3	**109.3**	109.3
Rusty Nelligan	September 2016	76.5	20.5				12.3	**109.3**	109.3
Kathryn Purves	October 2014	76.5	20.5		12.3			**109.3**	109.3
Amy Schioldager	January 2018	76.5	20.5[4]		12.3		12.3	**121.6**	101.0
Andrew Sykes	March 2018	76.5		15.5	12.3	12.3		**116.6**	111.7
Stephen Welton	September 2017	76.5				12.3		**88.8**	88.8

1 Kevin Parry stepped down as Chairman on 1 December 2019 and retired from the Board on 31 December 2019.
2 Lord Davies of Abersoch joined the Board on 7 November 2019 as a Non Executive Director and Chairman-Designate. He then succeeded Kevin Parry as Chairman on 1 December 2019 and also become Chair of the Company's Nominations and Governance Committee and a member of the Remuneration Committee from that date.
3 The Chairman does not receive a fee in respect of his membership of the Remuneration Committee.
4 This fee relates to Amy Schioldager's role as Board Director of Employee Engagement.
5 For the year ended 31 March 2020, £5.3k of taxable expenses were also paid to the NEDs.

NEDs 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 NEDs have a three-month notice period, are re-elected annually and were last re-elected in July 2019, excluding Lord Davies of Abersoch.

Payments made to past directors (audited)

The following payments (in excess of £500), in respect of DVB awards made while they were Executive Directors, were made to former directors in the financial year ended 31 March 2020:

Employee	£
Philip Keller	366,620
Christophe Evain	547,977

Statement of implementation of Remuneration Policy in following financial year

The NEDs' fees have been benchmarked against fees of NEDs in comparable companies of similar size and nature. The NEDs' fees have not been increased this year.

The salaries for the Executive Directors and fees for the NEDs for the coming year are set out below.

	Annual salaries and fees £000	
Role	Year ended 31 March 2021	Year ended 31 March 2020
CEO	394.0	394.0
CFOO	500.0	500.0
CPEAO	425.0	N/A
Chairman	275.0	275.0
Non Executive Director base fee (other than Chairman)	76.5	76.5
Senior Independent Director	15.5	15.5
Remuneration Committee Chair	20.5	20.5
Audit Committee Chair	20.5	20.5
Risk Committee Chair	20.5	20.5
Member of the Audit Committee, Risk Committee or Remuneration Committee	12.3	12.3
Board Director for Employee Engagement	20.5	20.5

Committee composition is set out on page 57 and in the relevant Committee reports on pages 62 to 101.

For the coming year, the AAP will be calculated as described in the Directors' Remuneration Policy. All incentives for qualifying services payable to Executive Directors and other employees of the Group will be funded out of the AAP. The Executive Directors' annual bonus and other incentives will be guided by their achieving specific objectives as set out on page 85 which will be updated for the year ended 31 March 2021.

Statement of voting at annual general meeting

At the last AGM, votes were cast as follows:

	Votes for	Votes against	Abstentions
Directors' Remuneration Report	95.90%	4.10%	6,686,580

At the 2017 AGM, votes were cast as follows:

	Votes for	Votes against	Abstentions
Remuneration Policy	84.97%	15.03%	493,438

Payments for loss of office (audited)

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

This Annual Report on Remuneration is approved by the Board and signed on its behalf by

VIRGINIA HOLMES
CHAIR OF THE REMUNERATION COMMITTEE

10 June 2020

Governance of remuneration

Areas of focus

Remuneration policy

- Development of the Group's remuneration policy
- Consideration of shareholder and representative shareholder bodies' feedback

Key performance indicators

- Setting KPIs for the Executive Directors
- Monitoring performance against those KPIs

Governance, stakeholders and shareholders

- Consideration of feedback from shareholders
- Adherence to regulatory requirements

Executive remuneration

- Determine Executive Directors' awards
- Review awards payable to all material risk takers

Oversight of awards

- Review of the calculation of PICP
- Review of market data on award levels

Committee governance

The Committee is authorised by the Board to determine and agree the remuneration of the Chairman of the Group, the Executive Directors and such other members of the executive management (including all material risk takers) as it is instructed by the Board to consider.

Roles and responsibilities

The Committee is responsible for:

- Recommending to the Board the Group Remuneration Policy and share incentive schemes to be recommended to shareholders ensuring compliance with applicable laws, regulations and the Group's risk appetite
- Recommending the remuneration terms for any person proposed to join the Board as the Chairman or as an Executive Director and, in consultation with the Chairman, determining the contractual terms of employment of the Executive Directors
- Monitoring the level and structure of remuneration for Executive Directors and certain senior employees taking account of all relevant factors and having regard to views of shareholders and other stakeholders
- Determining targets or key performance indicators (consistent with the Group's strategy, budget and individuals' personal objectives) for performance-related pay schemes applicable to Executive Directors and determining the outcomes under such schemes
- Determining the remuneration of the Chairman and, having taken advice from the Chairman, the Executive Directors
- For all share incentive plans, determining when awards will be made, the aggregate quantum of such awards, the individual awards to certain senior employees and having taken advice from the Chairman, the individual awards to Executive Directors
- Making proportionate adjustments to any employee's remuneration for events that have been detrimental to the Group
- Overseeing any payments made on the termination of employment of an Executive Director or certain senior employees
- Approving the aggregate variable pay pool and any Business Growth Pool

Composition

The Committee consists entirely of NEDs. During the year, the members of the Committee were Virginia Holmes (Chair of the Committee), Andrew Sykes and Stephen Welton with Lord Davies of Abersoch joining the Committee on 1 December 2019. Kevin Parry also served as a member from the start of the year until his retirement on 31 December 2019.

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

+ Biographical details can be found on pages 54 and 55

None of the Committee members have any personal financial interests (other than as shareholders in ICG) 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 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. The Committee consults the Executive Directors regarding its proposals and also has access to professional advice from outside the Group. The Head of Reward also attends meetings, and the Company Secretary attends 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 57

Terms of reference

The Committee's terms of reference are approved and reviewed by the Board on a regular basis, most recently in May 2020. The terms of reference are available on the Group's website **www.icgam.com**, or by contacting the Company Secretary.

Effectiveness

During the year the Committee members and attendees completed a detailed questionnaire and a series of interviews to evaluate the Committee's effectiveness; a Committee meeting was also observed by an external evaluator. The findings related to the Committee were discussed by the Committee and shared with the Board. Overall it was concluded that the Committee continues to operate effectively. It was recommended that, during the year, the Committee should consider how to most effectively work with its advisors. For more details of the report, please see page 61.

Advisers to the Committee

Aon advises the Committee and management on remuneration matters, and may also provide advice to the Committee on other issues on request. Legal advisers (including Allen & Overy and Slaughter & May) have been available to the Committee during the year to 31 March 2020, and PwC are available for advice on certain taxation and other matters. 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 its advisers.

The fees charged for advice to the Committee were £113,894 payable to Aon. Fees are charged on the basis of time spent. PwC also provides tax and due diligence services to the Group.

Directors' Remuneration Policy

This section describes the remuneration policy we propose to adopt from the date of the 2020 AGM, subject to shareholder approval at that meeting; it includes a note of the changes to the current policy that has been in operation since the AGM on 25 July 2017.

A copy of the previous Director's Remuneration Policy approved by shareholders at the 2017 AGM is available in the shareholder centre on the ICG website at **www.icgam.com**.

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

A central feature of the Group's Remuneration policy is the AAP, which is unchanged from the previous policy. All incentives awarded across the Group are governed by an overall limit that is 30% of Pre-Incentive Cash Profit (PICP) over a five-year period.

This percentage may be exceeded in any year but must not be exceeded on an average basis over five years. Managing the AAP by reference to a five-year rolling average ensures that variable awards to employees are made in a considered way with a long-term perspective rather than as a reaction to a single year's exceptional performance.

The AAP is funded by PICP, 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 holding period for investments is typically four to eight years and a significant portion of the Group's fund management fees arise from committed closed-end funds and are payable over the life of the fund which can be up to 12 years. This means that the AAP is long-term in nature as it includes realisations from a number of investment vintages. By generating the award pool in this way, we ensure that employees are only rewarded once returns have crystallised.

Allocation of the award pool

Each year 30% of PICP is added to the AAP. The Committee exercises discretion over the actual amount to be awarded in variable compensation each year, based on an assessment of market levels of pay, Group KPIs, and individual performance (subject to the overall cap on the AAP).

In a strong year that has generated high PICP, the Committee may choose not to distribute the full AAP but can instead retain some of it for potential use in future years. In years where PICP is low, the Committee may distribute some of the retained AAP from previous years, if appropriate. The Committee applies a prudent approach to setting the actual size of variable pay pool, within the overall limits described above.

The ongoing appropriateness of the 30% limit for the existing business is kept under review.

Awards to the Executive Directors are paid as a mix of cash and ICG PLC shares. A significant proportion of the variable pay is made in the form of deferred shares, with at least 70% of the total variable pay for each Executive Director awarded in the form of ICG PLC shares deferred over three, four and five years.

Cash Bonus Awards for the Executive Directors are subject to clawback which applies for two years post award. ICG PLC Equity Awards are subject to both malus and, for two years post vesting, clawback.

Business Growth Pool (BGP)

The BGP is capped at 3% of the five-year rolling average PICP and is designed to support the establishment of new investment strategies, commensurate with the overall business strategy. The BGP is used to fund the incentives of relevant teams involved in developing such new strategies, and is ring-fenced and limited in duration to the period when the new investment strategy is being developed. Any awards made from the BGP are overseen by the Committee, and Executive Directors do not participate in any such awards.

Awards falling within the AAP

All cash and share awards are distributed from the AAP. There are two different award types to be made over ICG shares: Deferred Share Awards (received by our wider employee base) and ICG PLC Equity Awards. Deferred Share Awards are not made to Executive Directors.

Certain performance fees (funded by third-party investors) and other fund performance incentives funded by ICG are also included in the overall limits set for the AAP.

Carried interest on third-party funds 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 Group are not remuneration and are outside the AAP.

The following charts show the key elements of our proposed Remuneration Policy to apply from 2020, subject to approval at our 2020 AGM. Full details of the proposed Remuneration Policy are provided in the next section.

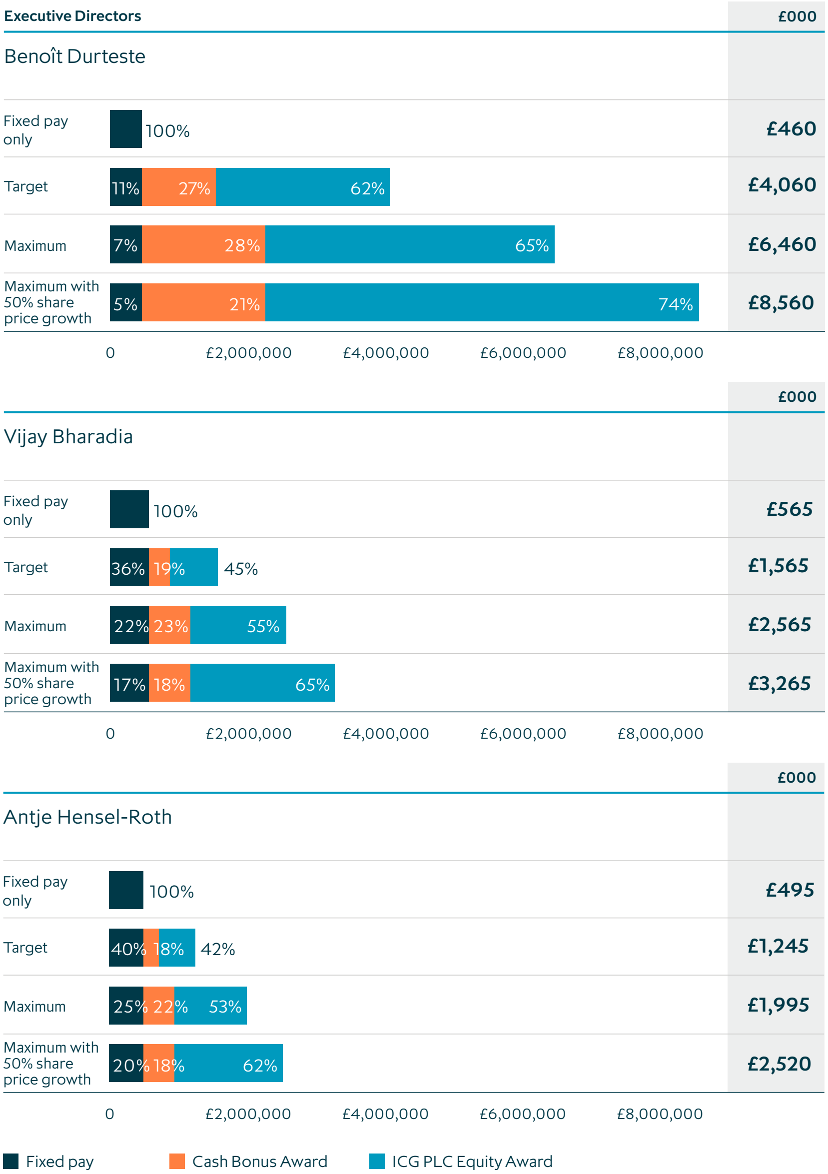


Illustration of application of Directors' Remuneration Policy

The total remuneration which could be awarded to each Executive Director under the proposed remuneration policy to apply from the year ended 31 March 2021 is shown in the charts under three different performance scenarios. The annual variable award is split between the following elements:

- Cash Bonus Award
- ICG PLC Equity Award

The value of on-target variable remuneration for each Executive Director is based on the level which the Committee has agreed should be receivable to the extent to which the Group achieves its targets.

Following Antje Hensel-Roth's appointment as an Executive Director on 16 April 2020, we have included the illustration of the application of the Directors' Remuneration Policy on her remuneration in the charts. Should any further Executive Directors be appointed during the period of the next policy, an illustrative chart will be published in the subsequent Annual Report.

It remains possible that remuneration earned over more than one financial year will be disclosed in future years' single figure table for the CEO, emanating from previous awards of Deal Vintage Bonus (DVB), (formerly known as Balance Sheet Carry (BSC)) or Shadow Carry. Since the adoption of the last Remuneration Policy in 2017, Executive Directors have not been eligible to participate in these plans.

The charts above incorporate the following assumptions:

Fixed pay – Includes base salary (for the financial year ended 31 March 2021, benefits and a pension allowance of 12.5% for Benoît Durteste and Antje Hensel-Roth and 10% for Vijay Bharadia. The benefits figure is based on the 2020 single figure total for Benoît Durteste (excluding any future grant of SAYE options) and assuming a similar level of coverage for all Executive Directors in future years.

Target – Fixed pay plus the value that would arise from the incentives for achieving on-target performance (with an assumed deferral of 70%). The Target level of total variable pay for Benoît Durteste is broadly unchanged from the current policy and practice, at £3.6m. The Target total variable pay for Vijay Bharadia is £1.0m and the Target total variable pay for Antje Hensel-Roth is £750k.

Maximum – Fixed pay plus the value that would arise from the incentives for achieving maximum performance (with an assumed deferral of 70%). The previous policy had no prescribed maximum variable pay for the CEO/CIO. In the proposed new policy, we have introduced a cap of £6m for the maximum variable pay, being 1.67x of the existing on-target level of total variable pay. The maximum total variable pay levels for Vijay Bharadia and Antje Hensel-Roth are £2m and £1.5m, respectively.

Maximum with 50% share price growth – Maximum remuneration increased for the assumption that the share components of the package (ICG PLC Equity Award) increase in value by 50% from the share price at grant.

Directors' Remuneration Policy continued

Future policy table

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

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions	Changes from previous Policy
1. Base salary ▶ Adequate to recruit and retain Executive Directors to deliver the strategic objectives of the Group ▶ Designed to be sufficient to ensure that Executive Directors do not become dependent on their variable remuneration ▶ Reflects local competitive market levels	▶ Paid monthly ▶ Normally reviewed annually with any changes generally applying from the start of the financial year	▶ In considering increases, the Committee considers the range of salary increases applying across the Group, and local market levels ▶ Any increase in salary for an Executive Director will not normally exceed the average salary increase across the Group unless there are exceptional reasons such as, but not limited to, a change in the role or responsibilities of the Executive Director	▶ None	▶ None
2. Benefits ▶ Adequate to recruit and retain Executive Directors to deliver the strategic objectives of the Group ▶ Reflects local competitive market levels	▶ Benefits currently receivable by Executive Directors include life assurance, private medical insurance and income protection ▶ Additional benefits (such as relocation assistance) may be offered in line with market practice if considered appropriate by the Committee	▶ Provision and level of benefits are competitive and appropriate in the context of the local market ▶ The maximum opportunity will depend on the type of benefit and cost of its provision, which will vary according to the market and individual circumstances	▶ None	▶ None
3. Pension ▶ Adequate to recruit and retain Executive Directors to deliver the strategic objectives of the Group	▶ All Executive Directors are entitled to a pension allowance payable each month at the same time as their salary	▶ A pension allowance of no more than the level available to the majority of the Group's workforce in the relevant location is provided. The current level for the UK workforce is up to 12.5% of base salary	▶ None	▶ Pension allowances for new Executive Directors will be no higher than the majority workforce level in the relevant country ▶ The CEO's pension allowance will be aligned with the majority workforce level of 12.5% effective from 1 August 2020, following approval of the proposed new Policy

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions	Changes from previous Policy
4. Total variable pay award ▶ The Total Variable Pay Award is split between Cash Bonus Award and ICG PLC Equity Award (see below)	▶ The total variable pay award consists of the Cash Bonus Award and ICG PLC Equity Award	▶ An Executive Director's annual variable award is drawn from the AAP which is determined as described on page 82 ▶ Total variable pay awards to Executive Directors are subject to a cap, payable for outstanding performance only. This is £6m for the CEO/CIO, £2m for the CFOO and £1.5m for the CPEAO[1] ▶ Target variable awards to Executive Directors are £3.6m for the CEO/CIO, £1m for the CFOO and £750k for the CPEAO ▶ Awards are made based on performance as described on page 84	▶ An Executive Director's annual variable award is drawn from the AAP, and so is directly determined by reference to the Group's cash profit for the relevant financial year ▶ Executive Director's annual variable award entitlement is also determined by reference to performance against personal and corporate performance objectives, which are derived from the Group's key performance indicators	▶ We have moved to a clearer approach with a clear cap on variable pay and on-target variable award amounts introduced for all Executive Directors ▶ Malus and clawback triggers have been updated to comply with best practice and regulatory requirements
4a. Cash Bonus Award ▶ Rewards achievement of business KPIs, cash profits and employing sound risk and business management	▶ Awards are made after the end of the financial year ▶ Annual bonus awards made are subject to clawback which applies for three years post award. Forfeiture of compensation may be triggered by, amongst other things, a misstatement of the accounts, fraud, regulatory breaches and serious breaches of contract	▶ See details above in relation to the overall annual variable award	▶ See details above in relation to the overall annual variable award	▶ See details above in relation to the overall annual variable award

1 £6m maximum for the CEO is consistent with the figure referred to in the Committee Chair's statement when the current policy was approved in 2017, and £2m for the CFOO is less than the £3m figure referred to in that 2017 statement when the current policy was approved.

Directors' Remuneration Policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions	Changes from previous Policy
4b. ICG PLC Equity Award ▶ Rewards achievement of business KPIs, cash profits and employing sound risk and business management ▶ Aligns the interests of Executive Directors with those of shareholders	▶ Awards are made over shares in the Company after the end of the financial year ▶ At least 70% of an Executive Director's Total Variable Pay Award shall be delivered in ICG PLC Equity ▶ Shares normally vest by one third in each of the third, fourth and fifth years following the year of grant unless the Executive leaves for cause or to join a competitor, in which case the awards lapse. The Committee has discretion to vary the date of vesting if necessary or desirable for regulatory or legislative reasons ▶ In the event of a change in control (other than an internal reorganisation) shares vest in full ▶ Dividend equivalents accrue to participants during the vesting period and are paid at the vesting date ▶ PLC Equity Awards made are subject to both malus, until vesting, and clawback which will apply for up to seven years post grant. Forfeiture of compensation may be triggered by, amongst other things, a misstatement of the accounts, fraud, regulatory breaches and serious breaches of contract	▶ See details above in relation to the overall annual variable award	▶ See details above in relation to the overall annual variable award	▶ At least 70% of the annual variable award will be paid in the form of ICG PLC Equity Award. Our current practice has been to defer in a range between 70% and 90% of total variable pay ▶ See details above in relation to the overall total variable pay award
5. Shareholding requirement ▶ To align the interests of the Group's Executive Directors with those of shareholders. ▶ To further enhance long-term alignment with shareholders, a post-cessation shareholding requirement has been introduced	▶ Executive Directors are required to build ownership of a number of ordinary shares in the Group, normally over five years from appointment, with a market value equal to a multiple of the Director's annual base salary. This multiple is three times for the CEO and two times for any other Executive Director ▶ Executive Directors are normally required to maintain this level (or the level so far accrued at cessation, if lower) of holding for two years after they cease to be employed	▶ N/A	▶ N/A	▶ CEO's minimum shareholding requirement has been increased to 300% of base salary under the proposed new policy. All Executive Directors must continue to meet the requirement (or retain all shares if actual holding is lower) for two years post-cessation of employment

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions	Changes from previous Policy
6. The Intermediate Capital Group PLC SAYE Plan 2014 ▶ Provides an opportunity for all employees to participate in the success of the Group	▶ All UK employees are offered the opportunity to save a regular amount each month over 36 months and may receive an uplift at the end of the saving contract (subject to HMRC legislation) ▶ At maturity, employees can exercise their option to acquire and purchase shares in ICG PLC at the discounted price set at the award date or receive the accumulated cash	▶ Employees may save the maximum permitted by legislation each month	▶ The Plan is not subject to any performance conditions, as this is not permitted by the relevant legislation	▶ None
7. Fees paid to Non Executive Directors ▶ To facilitate the recruitment of Non Executive Directors who will oversee the development of strategy and monitor the Executive Directors' stewardship of the business	▶ Fees are payable to Non Executive Directors for their services in positions upon the Board and various Committees ▶ Fees for the Board Chairman are determined and reviewed annually by the Committee and fees for Non Executive Directors are determined by the Board Chairman and the Executive Directors ▶ The Committee refers to objective research on up to date, relevant benchmark information for similar companies ▶ Non Executive Directors are reimbursed for expenses, such as travel and subsistence costs, incurred in connection with their duties. Any tax costs associated with these benefits are paid by the Group	▶ Non Executive Directors cannot participate in any of the Group's variable pay plans or share schemes and are not eligible to join the designated Group pension plan ▶ Fees are set and reviewed in line with market rates. Aggregate annual fees do not exceed the limit set out in the Articles of Association ▶ Any benefits receivable by Non Executive Directors will be in line with market practice	▶ None of the Non Executive Directors' remuneration is subject to performance conditions	▶ None

Directors' Remuneration Policy continued

Performance measures and targets

The AAP is determined based on the Group's financial performance. The Group's PICP provides a link between income generation for shareholders and employee compensation.

+ See page 82

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

Executive Directors have performance objectives set and KPIs are set by the Committee. Details of these KPIs are set out on page 85. Further management information is provided to the Committee on performance to ensure that financial results are put into the context of wider performance factors, compliance and risk appetite.

Committee discretion

The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation of the Policy. These include, but are not limited to, the following:

- the timing of awards or payments
- the size of awards (within the limits set out in the Policy table)
- the choice of weighting and assessment of performance metrics
- in exceptional circumstances, determining that a share-based awards shall be settled (in full or in part) in cash
- the treatment of awards in the event of a change of control or restructuring
- determination of good leaver status, and treatment of awards for such leavers
- whether, and to what extent, malus and/or clawback should apply
- adjustments required in exceptional circumstances such as rights issues, corporate restructuring, or special dividends
- adjustments to performance criteria where there are exceptional events

Service contracts and policy on payments for loss of office

Executive Directors

The Group's policy is for Executive Directors to have ongoing contracts which are deemed appropriate for the nature of the Group's business. Service contracts are held, and are available for inspection, at the Group's registered office. The details of the service contracts for Executive Directors serving during the year and the treatment of deferred share 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 2019	Annual	12 months	Restraint period of 12 months	The salary for any unexpired period of notice plus the cost to the Group (excluding National Insurance contributions) of providing insurance benefits for the same period. The Group may also make payments, where necessary, to mitigate any potential claims, and to compensate for legal fees or outplacement costs incurred
Vijay Bharadia	1 January 2019	July 2019	Annual	12 months	Restraint period of 9 months	
Antje Hensel-Roth	16 April 2020	Proposed July 2020	Annual	12 months	Restraint period of 9 months	

Deferred share award	Status	Death, disability, long term ill health	Redundancy	Cause or competing	Any other reason
PLC Equity Award	Unvested	Retain with early vesting	Retain	Forfeit, subject to discretion	Retain, subject to discretion
Deferred Share Award	Unvested	Retain with early vesting	Retain, subject to discretion	Forfeit, subject to discretion	Retain, subject to discretion

Exercise of discretion

The discretion available to the Committee under the variable pay plans is intended to provide the Committee with flexibility to deal fairly with every eventuality. In exercising its discretion, the Committee will take into account the circumstances in which the individual has left the Group, their performance and the impact that this has had on the Group's overall performance. The Committee reserves discretion to make a variable pay award to an Executive Director in respect of the final year of service, taking into account the circumstances of the individual's termination of office, the portion of the year served, and performance for the financial year concerned.

Approach to recruitment remuneration

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

New Executive Directors are offered a remuneration package similar to that of existing employees in the same role. All Executive Directors are offered an appropriate annual salary, benefits and pension allowance and all participate in the Annual Award Pool and are subject to an overall cap on variable reward. However, it may be necessary to offer a new Executive Director a remuneration package that differs from that currently provided to the Executive Directors in order to attract the best recruit. This could include a higher base salary and relocation and/or housing benefits and higher total variable pay, but not more than the CEO/CIO level set out in the policy table, unless there are exceptional circumstances.

Replacement of forfeited compensation such as deferred bonuses and long-term incentives is permitted. This is subject to, as far as possible, the timing, delivery mechanism (i.e. shares or cash) and amounts paid out being set to reflect any former arrangement.

As far as possible, the value of any replacement awards will reflect the expected value of the forfeited awards.

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

Statement of consideration of shareholder views

The Committee is responsible for the overall remuneration policy for all the Group's employees and ensures that the remuneration arrangements should take into account the long-term interests of shareholders, clients and other stakeholders.

The Group recognises the importance of communication with its shareholders, particularly through interim and annual reports and the AGM. During the year, the Committee Chair and Company Secretary contacted the Group's major shareholders to offer a meeting or call to discuss the proposed changes to Directors' Remuneration Policy. Where shareholders accepted the offer, after discussions they were supportive of the proposals. The Committee Chair, the Senior Independent Director and the Company Secretary also met with a number of shareholder advisory groups, including the Investment Association, Institutional Shareholder Services and Glass Lewis, to seek their input on the changes. The CEO, CFOO and the Chairmen of the Board and each of its Committees will be available to answer shareholders' questions at the AGM. The CEO and the CFOO meet institutional shareholders on a regular basis, and the Chairman periodically contacts the Group's major shareholders and offers to meet with them. The Board is kept fully informed of the views and concerns of the major shareholders and relevant NEDs attend meetings with major shareholders and shareholder advisory groups when requested to do so.

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

The Committee considers the employment conditions and the remuneration structures in place for all employees of the Group when setting the Directors' Remuneration Policy. The Committee also reviews the remuneration arrangements of senior investment and marketing staff 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 Committee each year. The Board has established a process which will be used to seek the opinions of employees when setting the Directors' Remuneration Policy by seeking feedback through a designated NED (see page 78 for further details). In addition employees' views are represented at Committee meetings through the Chief People and External Affairs Officer, who is also an Executive Director, and the Head of Reward.

As a result of these considerations, during the year the Committee reviewed the pension provision for UK employees and took a decision to raise pension contribution levels to 12.5% for all employees in the Group's Corporate Business Services teams (being the majority of the UK workforce).

Directors' report

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the financial year ended 31 March 2020. The risks to which the Group is subject, and the policies in respect of such risks, are set out on pages 28 to 35 and are incorporated into this report by reference. The Corporate Governance section set out on pages 50 to 101 is incorporated into this report by reference. The Strategic Report section set out on pages 2 to 49 is also incorporated by reference.

Throughout the financial year ended 31 March 2020 the Group was in compliance with the provisions of the 2018 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. The Governance section of this report (pages 50 to 101) sets out how we have applied the Code's principles and provisions throughout the year.

Significant shareholdings

As at 1 June 2020 the Company had been notified or otherwise become aware of the following interests pursuant to the Disclosure Rules and the Transparency Rules representing 3% or more of the issued share capital of the Company.

Institution	Number of shares	Percentage of voting rights
Aviva Investors	25,107,878	8.64
BlackRock Inc	15,011,954	5.17
Standard Life Aberdeen	11,674,156	4.02
The Vanguard Group Inc	10,733,507	3.69
Schroders Plc	10,266,417	3.53
J.P. Morgan Asset Management	9,492,672	3.27
Employee Share Scheme Trustees	8,756,824	3.01

The Company is a public company limited by shares.

Directors

The profiles of the Directors currently serving are shown on pages 54 and 55; those details are incorporated into this report by reference. In addition, Kevin Parry OBE served as Chairman during the year, stepping down on 31 December 2019.

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 62 to 101.

Directors' interests

The interests of Directors who held office at 31 March 2020 and their connected persons, as defined by the Companies Act 2006, are disclosed in the report of the Remuneration Committee on page 87.

Details of Directors' share options are provided in the report of the Remuneration Committee on page 88. During the financial year ended 31 March 2020, the Directors had no options over or other interests in the shares of any subsidiary company.

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, Lord Davies of Abersoch, was considered independent at the date of his appointment as Chairman.

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 NEDs 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 three Executive Directors, each of whom has a specific area of responsibility.

Benoît Durteste is CEO and in addition to his strategic and operational remit, oversees the Group's Investment Committees in his role as the Chief Investment Officer.

Vijay Bharadia is Chief Finance and Operating Officer and is currently responsible for compliance, finance, tax, investor relations, legal, operations and IT, and risk. Vijay Bharadia replaced Philip Keller as Chief Finance and Operating Officer on 20 May 2019.

Antje Hensel-Roth was appointed on 16 April 2020 as Chief People and External Affairs Officer and is currently responsible for human resources and communications.

A Management Committee is in place to support, assist and challenge the Executive Directors in the exercise of their authority. This Committee is made up of other individuals from the senior management team of the Group and respectively focuses 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 NEDs, 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 Group'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 NEDs 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

Andrew Sykes currently holds the position of SID of the Group. In accordance with the Code, any shareholder concerns not resolved through the usual mechanisms for investor communication can be conveyed to the SID. The SID acts as a sounding board for the Chairman and also leads the annual appraisal of the Chairman.

Directors' indemnity

The Group has entered into standard contractual indemnities with each of the Directors. The Group also provides Directors' and Officers' insurance for the Directors.

Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Group. 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 Group's internal control system and monitoring of risk management, the effectiveness of which is reviewed 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.

Directors' report continued

The Board also receives regular reports from Executive Directors and other members of senior management on the Group's operational and financial performance, measured against the annual budget as well as regulatory and compliance matters.

The Group 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 28 to 35 and the report of the Risk Committee on page 72.

Going concern statement

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 49. The financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in Financial review on pages 21 to 27. In addition, the Directors have taken account of the Group's risk management process described on pages 28 to 35. The Directors have made an assessment of going concern, taking into account both the Group's current performance and the Group's outlook, which considered the impact of the Covid-19 pandemic, using the information available up to the date of issue of these financial statements.

The Group has good visibility on future management fees due to the long-term nature of our funds, underpinned by a strong and well capitalised balance sheet. At 31 March 2020, liquidity which consists of unencumbered cash and undrawn debt facilities was £1.2bn (31 March 2019: £0.6bn). This financial position and liquidity profile provide confidence that the Group has sufficient financial resources for the foreseeable future. As a consequence, the Directors believe that the Company and the Group are well positioned to manage its and their businesses and liabilities as they fall due.

The Directors have acknowledged their responsibilities in relation to the financial statements for the year to 31 March 2020. After making the assessment on going concern, the Directors considered it appropriate to prepare the financial statements of the Company and the Group on a going concern basis, having considered the impact of Covid-19 on their operations and portfolio. The Group has sufficient financial resources and liquidity and is well positioned to manage business risks in the current economic environment and can continue operations for a period of at least 12 months from the date of this report. The Directors have also considered key dependencies set out within the Risk Management section including investment and operational requirements.

Forward-looking statements

This Annual Report includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking expressions, including the terms 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative or other variations or similar expressions, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include, but are not limited to, the following: statements regarding the intentions, beliefs or current expectations of the Directors, the Company and the Group concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates.

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

Change of control agreements

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

1. The Private Placement arrangements of $64m dated 8 May 2013, $279m, £13m and €79m dated 11 May 2015, $292m and €74m dated 29 September 2016, and $350m and €44m dated 26 March and 24 April 2019, 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 and £50m bilateral loan facility entered into on 6 November 2018 each contain 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 £80m retail bond issue which took place in September 2012, the £160m bond issue which took place in March 2015 and the €500m institutional bond issue which took place in February 2020, 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 79 to 101, 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 the Group's 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.

Information included in the Strategic report

In accordance with section 414 C (11) of the Companies Act 2006, the following information otherwise required to be set out in the Directors' report has been included in the Strategic report: risk management objectives and policies (pages 28 to 35); engagement with employees (pages 44 and 45) and engagement with suppliers and other stakeholders (pages 46 to 49).

Dividend

The Directors recommend a final net ordinary dividend payment in respect of the ordinary shares of the Company at a rate of 35.8p per share (2019: 35.0p), which when added to the interim net dividend of 15.0p per share (2019: 10.0p), gives a total net dividend for the year of 50.8p per share (2019: 45.0p). The recommendation is subject to the approval of shareholders at the Company's AGM on 25 July 2020.

The amount of ordinary dividend paid in the year was £142.8m (2019: £88.3m).

Distributable reserves

The distributable reserves of the Parent Company at 31 March 2020 were £716.9m (£870.2m at 31 March 2019).

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 Employee Benefit Trust (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

Deloitte were the auditor for the financial year ended 31 March 2020. A resolution for the appointment of EY as the auditor will be proposed at the forthcoming AGM. Details of auditor's remuneration for audit and non-audit work are disclosed in note 12 to the accounts.

+ Further details are set out in the Audit Committee report on pages 62 to 71

Complex supplier arrangements

The Group does not use supplier financing arrangements.

Research and development activities

Details of the research and development activities undertaken are set out in note 17.

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

Directors' report continued

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 33 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 GHG emissions are detailed on page 41 which forms part of the Directors' report disclosures.

Approach to discrimination and consideration of disabled employees

The Group committed to creating an environment where all its employees are treated with dignity and respect at work and which is free from discrimination, victimisation, harassment and bullying. Such conduct is harmful to our employees and its business and we seek to address any form of discrimination, victimisation, harassment or bullying where it occurs in the workplace. All our employees and other third parties working for or with us, without exception, have a duty to comply with our policies to ensure that their colleagues are treated with dignity and respect and wherever possible to prevent discrimination, victimisation, harassment or bullying.

We aim to:

- ensure that all job applicants are treated fairly and judged on criteria relevant to a vacant position
- ensure that all employees are treated in a fair and equitable manner which allows each individual to reach their full potential
- ensure that decisions on recruitment, selection, training, promotion, career management, transfer, terms and conditions of employment and every other aspect of employment are based solely on objective and job related criteria
- provide the Group with a workforce of the highest ability which reflects the population as a whole
- avoid any type of unlawful discrimination
- ensure all managers actively promote equal opportunities within the Group

We strongly disapprove of and will not tolerate unlawful discrimination, victimisation, harassment, bullying or any other inappropriate behaviour towards our employees by managers, other employees or any third party such as clients, suppliers, visitors, consultants or contractors. All our employees and third parties working for or with the Group are required to make sure they treat everyone fairly and without bias.

The Group treats applicants and employees with disabilities fairly and provides facilities, equipment and training to assist disabled employees to do their jobs. Arrangements are made as necessary to ensure support to job applicants who happen to be disabled and who respond to requests to inform the Group of any requirements. Should an employee become disabled during their employment, efforts would be made to retain them in their current employment or to explore the opportunities for their retraining or redeployment within the Group. Financial support is also provided by the Group to support disabled employees who are unable to work, as appropriate to local market conditions.

Acquisition of shares by EBT

Acquisitions of shares by the Intermediate Capital Group EBT 2015 purchased during the year are as described in note 24 to the financial statements.

Share capital and rights attaching to the Company's shares

As at 31 March 2020 the issued share capital of the Company was 294,179,174 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 the 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 (section 793 notice) (which confers upon public companies the power to require information with respect to interests in their voting shares)
  - They or any interested person has failed to supply the Company with the information requested within 14 days where the shares subject to the notice (the 'default shares') represent at least 0.25% of their class or in any other case 28 days after delivery of the notice. Where the default shares represent 0.25% of their class, unless the Board decides otherwise, no dividend is payable in respect of those default shares and no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier
- The Directors may refuse to register any transfer of any share which is not a fully paid share, although such discretion may not be exercised in a way which the Financial Conduct Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly
- The Company is not aware of any other restrictions on the transfer of ordinary shares in the Company other than:
  - Certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws or the UK Takeover Code)
  - Pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require approval of the Company to deal in the Company's shares

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

At the 2019 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 £25,403,183.31 and, in the case of a fully pre-emptive rights issue only, up to a total amount of £50,806,366.62.

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 9 June 2020 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 9 June 2020. 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 2019 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 2019. 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 NEDs are satisfied that he continues to be effective and demonstrates commitment to his role.

Directors' report continued

Results of resolutions proposed at 2019 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 2019	1	227,383,037	0	712,471
To approve the Directors' Remuneration Report for the financial year ended 31 March 2019	2	212,338,186	9,070,740	6,686,580
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 2019	3	221,752,406	6,341,306	1,795
To authorise the directors to set the remuneration of the auditors	4	227,253,060	842,108	340
To declare a final dividend of 35.0 pence per ordinary share for the financial year ended 31 March 2019	5	228,095,506	2	0
To reappoint Kevin Parry as a director	6	219,872,736	3,471,598	4,751,173
To reappoint Benoît Durteste as a director	7	228,091,280	1,836	2,392
To reappoint Virginia Holmes as a director	8	221,358,519	6,729,264	7,725
To reappoint Michael Nelligan as a director	9	228,062,965	30,150	2,392
To reappoint Kathryn Purves as a director	10	228,092,781	335	2,392
To reappoint Amy Schioldager as a director	11	228,085,767	2,016	7,725
To reappoint Andrew Sykes as a director	12	228,092,848	268	2,392
To reappoint Stephen Welton as a director	13	228,015,447	72,336	7,725
To appoint Vijay Bharadia as a director	14	226,783,163	1,307,787	4,558
To grant the directors authority to allot shares pursuant to section 551 of the Companies Act 2006	15	221,577,312	6,512,410	5,786
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	228,056,335	32,228	6,945
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	219,496,146	8,592,597	6,764
To authorise the Company to make market purchases of its ordinary shares	18	225,272,468	2,304,994	518,045
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	222,709,774	5,384,155	1,579

The issued share capital of the Company at the date of the Annual General Meeting was 290,351,018 ordinary shares of 26¼p each (excluding 3,733,333 treasury shares).

2020 Annual General Meeting

The AGM of the Company will take place at the Head Office of the Company on 21 July 2020 at 9:00am. Due to government restrictions relating to public health, the meeting will be closed to shareholders and the quorum will be filled by directors who are shareholders. Any shareholder who wishes to vote by proxy or raise a question to be answered in writing should refer to the Notice of Meeting for instructions on how to do so. 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 2020 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.

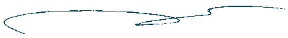
This Directors' Report is approved by the Board and signed on its behalf by

ANDREW LEWIS
COMPANY SECRETARY

10 June 2020

Directors' responsibilities

From top:



BENOÎT DURTESTE
CHIEF EXECUTIVE OFFICER

VIJAY BHARADIA
CHIEF FINANCE AND
OPERATING OFFICER

10 June 2020

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

Section 3

Financial Statements

IN THIS SECTION

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Intermediate Capital Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 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.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated and parent company statements of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of cash flow;
- the consolidated and parent company statements of changes in equity; and
- the related notes 1 to 33.

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.

2. 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 Financial Reporting Council's (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. The non-audit services provided to the group and parent company for the year are disclosed in note 12 to the financial statements. 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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ▶ Valuation of investments into private companies ▶ Valuation of Collateralised Loan Obligation ('CLO') investments ▶ Valuation of direct Real Estate investments Within this report, key audit matters are identified as follows: (+) Newly identified (↑) Increased level of risk (↔) Similar level of risk (↓) Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £7.1m which was determined on the basis of 5% profit before tax.
Scoping	We performed a full scope audit on components representing 92% (2019: 96%) of the Group's profit before tax and 96% (2019: 94%) of the Group's net assets.
Significant changes in our approach	The following key audit matters from the prior period have been modified to better reflect the approach in the current year: ▶ Valuation and accounting of Collateralised Loan Obligation ('CLO') investments ▶ Valuation and accounting of Real Estate Strategy investments The basis for determining materiality for the group financial statements has been changed in the current year to profit before tax reflecting the increased stakeholder focus on the Fund Management Company. There is no longer a separate materiality applied for the fund management revenue stream. Further, controls were relied upon for valuation of certain illiquid portfolio companies in the prior year, but they are not being relied upon in the current year. There have been no other significant changes in our audit approach in the current year.

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

4. Conclusions relating to going concern, principal risks and viability statement

4.1. 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 considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. 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 28 to 35 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 30 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 36 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.

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. 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.

5.1. Valuation of investments into private companies (Group and parent company)

Key audit matter description	The Group makes investments in private companies (also referred to as portfolio companies) that are not quoted in an active market either directly or indirectly through their 'Mezzanine' funds. These investments are valued at £1,233.4 million (2019: £1,237.2 million) and £229.4 million (2019: £208 million) for the Group and parent company respectively. This equates to 94.1% (2019: 88.7%) and 22.6% (2019: 17.7%) of Group and parent company net assets at 31 March 2020. The investments in private companies are accounted for at Fair Value Through Profit and Loss ('FVTPL') in accordance with IFRS 9. The Group's accounting policy for private company investments are disclosed in note 5. Producing a private company valuation requires management to make a number of judgements. These can include the valuation methodology and the inputs used (such as maintainable EBITDA, multiples, cash flows and discount rates). The Group predominantly have applied an earnings based valuation technique or discounted cash flow model ('DCF') to value these investments. There is the risk that inaccurate judgments are made in the assessment of fair value. Valuations can be sensitive to the valuation methodology and inputs, so small changes in key assumptions can have a significant impact on carrying value on the Statement of Financial Position and the reported results in the Statement of Comprehensive Income. The actual exit value will be determined by the market at the time of realisation and therefore despite the valuation policy adopted and judgments made by management, the final sales value may differ materially from the valuation at the year end. With the impact of Covid-19, further judgment is needed to be applied in respect of the valuation methodology used and certain key inputs including the anticipated rate at which the private companies will recover as disclosed in note 5. The Audit Committee Report identifies the valuation of portfolio companies as an area of focus on page 66. 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 5 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 in accordance with IFRS 13. We evaluated the design and implementation of key controls. Our audit procedures were tailored according to the valuation technique used. For portfolio companies valued using an earnings multiple approach we tested the appropriateness of the underlying data and assumptions including the trading multiples of comparable companies and any adjustments made to these and the portfolio company's maintainable EBITDA. For portfolio companies valued using a Discounted Cash Flow (DCF) technique, we tested the appropriateness of the underlying data and assumptions including discount rate, periodic cash flows and terminal value with reference to the relevant industry and market valuation considerations. We verified the relevant inputs to the valuations, such as EBITDA and net debt, to the portfolio company's management accounts, budgets and/or forecasts. To further assess the reasonableness of management estimates we reviewed independent information to identify any impact on derived valuations and performed a retrospective review to benchmark latest valuations to portfolio sales during the year. For private companies held indirectly through a fund, where the fund had a 31 March year end, we additionally recalculated the fair value of ICG's investment in the fund based on the net asset values per the audited financial statements and ICG's holdings. We have considered the impact of Covid-19 throughout the procedures performed on the valuation of unquoted investments, by challenging whether the valuation methodologies and assumptions used were appropriate and considering the liquidity risk in the underlying private companies. This included using fair value specialists to assist in testing a sample of private company investments to challenge the appropriateness of methodology and key judgements.
Key observations	As disclosed in note 5, the valuation techniques used to value the private companies are subjective and include assumptions that are not supportable by observable data. We consider that alternative judgements could be used that could change the valuations by more than materiality and draw attention to the sensitivity analysis in note 5 showing the impact of a 10% increase and decrease in earnings multiples, one of the key unobservable inputs. However, we consider the judgements and assumptions utilised in determining the fair value of the Group's investments to be reasonable and in line with IFRS.

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

5.2. Valuation of investments in Collateralised Loan Obligations ('CLOs') (Group and parent company)

Key audit matter description	The Group holds loan notes and equity in CLO's ('CLO Investments') which are accounted for at Fair Value Through Profit and Loss ('FVTPL') in accordance with IFRS 9, except where the Group is deemed to control the CLO under the requirements of IFRS 10 Consolidated Financial Statements ('IFRS 10'). The Group has valued its non-consolidated investments in loan notes issued by CLOs ('CLO Investments') at £130 million (2019: £168 million) and at £1.3 million (2019: £2 million) for the Group and the parent company respectively. This equates to 9.9% (2019: 12.1%) and 0.13% (2019: 0.17%) of Group and parent company net assets at 31 March 2020. The Group's Statement of Comprehensive Income is exposed to gains or losses from the valuation of the pre-consolidated value of the Group's investments into CLOs which is £283.7 million (2019: £342.7 million). Any changes in the valuation of the £283.7million directly affects the Group's profit before tax. The Group's accounting policy for the valuation of CLO investments are disclosed in note 5. There a risk that the CLO investments are valued incorrectly due to inappropriate key judgements being made including the valuation technique and assumptions used to estimate the fair value of the CLO investments. In the current environment, significant judgment is required given there is limited or no market liquidity in non-investment grade CLO tranches. In particular, we observed that there had been no market activity for CLO equity tranches from early March to date. Therefore, there is significant uncertainty related to the exit values that the Group could obtain in an orderly market and the judgments and assumptions used in management's discounted cash flow model to estimate this. The Audit Committee Report identifies the valuation of CLO investments as an area of focus on page 66. 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 5 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 in accordance with IFRS 13. We evaluated the design and implementation of key controls. We used fair value specialists to test a sample of CLO investments. We obtained observable market prices where available and compared to management's values. Where market prices were not available for the CLO equity in the current environment, we tested management's discounted cash flows model with particular focus on the default rate, the recovery rate and the discount rate. We looked to challenge management's inputs by agreeing to independent sources where possible. Further, our internal valuation specialists independently created our own model which involved using various sources to triangulate implied yields and expected defaults to value the CLO equity. We reconciled differences between our valuation and management's and considered if these differences were reasonable in the current market. We challenged whether management's model was properly reflecting the risk premium that a market participant may expect in this environment. Lastly, we considered market activity post year end which suggested price increases in debt tranches, but still has no liquidity in equity tranches.
Key observations	In respect of the CLO tranches with no market activity, the effect of the judgements on valuations is highly subjective and we consider that reasonable alternative judgements could change the valuations by more than materiality as disclosed in note 5. For the CLO equity tranches, we noted that our independent valuation was lower than management's; however, we considered the judgements and assumptions used in management's model to be reasonable. We believe these differences reflect the broad range of possible outcomes. Overall, we consider that the valuation methodology and assumptions to estimate the fair value of the CLO investments are reasonable and in line with IFRS, but at the optimistic end of an acceptable range. We draw attention to the sensitivities around the CLO investment valuations disclosed in note 5.

5.3. Valuation of direct Real Estate investments (Group and parent company)

Key audit matter description	The Group holds three direct investments (2019: five) related to Real Estate investments. These represent £72.7 million (2019: £106.8 million) and £64.3 million (2019: £66.7 million) for the Group and parent company respectively. This equates to 5.6% (2019: 7.6%) and 6.3% (2019: 5.7%) of Group and parent company net assets at 31 March 2020. Of the three investments, one is controlled by the Group and two are joint ventures. The joint venture and investment are accounted for at FVTPL. There is a risk that real estate investments are valued incorrectly due to inappropriate key judgements being made including the valuation methodology and inputs used to estimate the fair value. The impact of Covid-19 on investment valuations brings elevated risk in the valuations of these investments, particularly with the current uncertainty in the sector. A material consideration in ICG's valuations is independent third party valuations. These valuations contain a 'material uncertainty' clause over the valuations given the current environment which increases the level of judgement required to be made by management. The Audit Committee Report identifies the valuation of Real Estate investments as an area of focus on page 66. The key sources of estimation uncertainty in relation to Real Estate valuations are disclosed in note 5 to the financial statements.
How the scope of our audit responded to the key audit matter	We assessed the design and implementation of key controls. Real estate specialists were used to challenge the valuation methodology and key assumptions used in the valuation of the underlying Real Estate properties. This included a review of the valuation reports prepared by management's independent valuation expert, where we assessed compliance with the RICS valuation – Global Standards -2017 (the 'Red Book') and sourced independent data to support key assumptions, such as sales values and development costs. We have considered the impact of Covid-19 throughout the procedures performed on the valuation of real estate, by challenging whether the valuation methodologies and assumptions used were appropriate in the current market.
Key observations	There is increased uncertainly regarding Real Estate valuations given Covid-19 and the current environment. External valuations contain a 'material uncertainty' clause over the valuations given the current environment which increases the level of judgement required to be made by management. We note these valuations are highly subjective and we consider that reasonable alternative judgements could change the valuations by more than materiality as disclosed in note 5. However we consider that the valuation methodology for the underlying Real Estate investments is appropriate and we are satisfied that the assumptions used by management are within a reasonable range.

6. Our application of materiality

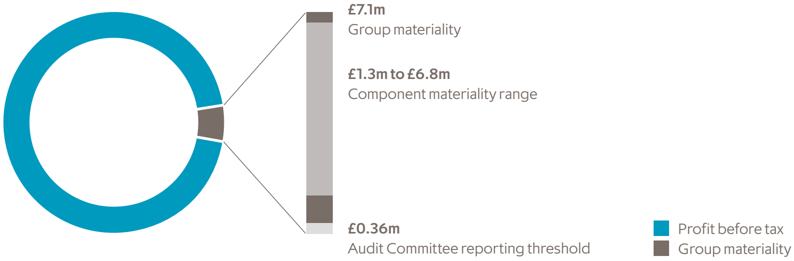
6.1. Materiality

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	£7.1million (2019: £13.9million)	£5.7million (2019: £12.4million)
Basis for determining materiality	5% of pre-tax profit In 2019 1% of net assets was used	1% of net assets Parent company materiality equates to 1% of net assets, which is capped at 80% of group materiality.
Rationale for the benchmark applied	We have moved from a net asset benchmark to pre-tax profit as a result of the change in focus in the market from ICG being considered an investment company to now where it is considered a fund manager. As such, profit is now a more appropriate benchmark as this becomes more of a focus of stakeholders who look to the fund management segment to drive further growth in the business and as this now contributes the majority of business performance.	As an investment company, net assets is a key benchmark used to assess the performance of the company.

Profit before tax
£142.8m



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

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 50% of group materiality for the 2020 audit (2019: 50%). In determining performance materiality, we considered our risk assessments, together with our assessment of the Group's overall control environment. In arriving at 50%, we considered the judgmental nature of the valuations in the Consolidated Statement of Financial Position and the relative value of transactions recorded in the other primary statements. In the current year, we also considered the impact of Covid-19 on our performance materiality and concluded that the performance materiality we have set is still appropriate in the current environment as the change in economic performance is already reflected in the lowering of materiality and consequently performance materiality.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £357,000 (2019: £279,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group operates across Europe, Asia and America. 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 £1.3 million – £6.8 million. (2019: £2.8 million – £12.4 million).

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 eight significant components (2019: eight) which were subject to full scope audits for the year ended 31 March 2020.

We also performed full scope audits on an additional 9 non-significant components (2019: 10) as we perform our statutory audit work on these entities at the same time as the Group audit.

Specified audit procedures were performed on another 25 (2019: 25) 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 96% (2019: 94%) of the group's net assets and 92% (2019: 96%) of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

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

The audit work on components was carried out by the Group engagement team.

8. 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.

9. 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.

10. 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we performed the following:

- enquiring of management, internal audit and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this, we discussed fraud risk factors and considered the level of segregation of duties in the Group. We considered the low volume, high value nature of the business and the risk to financial reporting. We assessed whether there is an incentive or opportunity for management to manipulate highly judgemental areas in the financial statements, such as investment valuation. To understand how staff are incentivised, we considered the remuneration schemes in place for the Group.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in valuation of illiquid investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, Listing Rules, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating license and regulatory solvency requirements issued by local regulators that were fundamental to the Group's ability to continue as a going concern.

11.2. Audit response to risks identified

As a result of performing the above, we identified key audit matters regarding the accounting estimates made by management in the valuation of private company investments, CLO investments and real estate. Judgements and decisions made by management regarding the accounting estimates have the potential for bias which represents a risk of material misstatement due to fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. 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.

13.2. 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.

14. Other matters

14.1. 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 33 years, covering the years ending 31 March 1988 to 31 March 2020. The Group has appointed EY as successor auditors for the year ending 31 March 2021 and the details of this are further set out in the Audit Committee Report.

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).

15. 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.

Allee Bonnard

Allee Bonnard (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London

10 June 2020

Consolidated income statement
for the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Fee and other operating income	3	**266.1**	212.6
Finance income	9	**30.1**	25.6
Net gains on investments	10	**117.4**	225.9
Total revenue		**413.6**	464.1
Finance costs	11	**(58.3)**	(53.9)
Administrative expenses	12	**(241.4)**	(227.9)
Share of results of joint ventures accounted for using equity method	30	**0.6**	0.6
Profit before tax		**114.5**	182.9
Tax (charge)/credit	14	**(3.9)**	1.6
Profit after tax		**110.6**	184.5
Attributable to:			
Equity holders of the parent		**108.9**	180.1
Non controlling interests		**1.7**	4.4
		110.6	184.5
Earnings per share	16	**38.2p**	63.4p
Diluted earnings per share	16	**38.2p**	63.4p

The Group has adopted IFRS 16 ‘Leases’ from 1 April 2019. As permitted under the transition rules the prior period comparatives have not been restated. Further information can be found in note 2.

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 2020

Group	Notes	2020 £m	2019 £m
Profit after tax		**110.6**	184.5
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**2.7**	8.8
Tax on items taken directly to or transferred from equity		**(0.7)**	(1.5)
		2.0	7.3
Total comprehensive income for the year		**112.6**	191.8
Attributable to:			
Equity holders of the Parent		**110.9**	187.4
Non controlling interests		**1.7**	4.4
		112.6	191.8

Company	Notes	2020 £m	Restated (note 8) 2019 £m
(Loss)/profit after tax	8	**(9.5)**	195.2
Items that will not be reclassified subsequently to profit or loss			
Tax on items taken directly to or transferred from equity		**(0.7)**	0.2
Total comprehensive (expense)/income for the year		**(10.2)**	195.4

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

Consolidated and Parent Company statements of financial position

as at 31 March 2020

					Restated (note 8)	
	Notes	**2020 Group £m**	2019 Group £m	**2020 Company £m**	2019 Company £m	2018 Company £m
Non current assets						
Intangible assets	17	**26.7**	15.4	**22.4**	11.1	13.6
Property, plant and equipment	18	**13.4**	12.6	**7.5**	11.8	9.8
Investment property	19	**8.1**	–	**–**	–	–
Investment in subsidiaries	28	**–**	–	**1,492.0**	1,396.6	1,145.7
Investment in joint venture accounted for under the equity method	30	**2.5**	1.8	**–**	–	–
Financial assets at fair value	5	**5,492.6**	5,647.1	**598.7**	607.4	537.6
Derivative financial assets	5	**12.8**	3.1	**12.8**	1.5	0.2
Deferred tax asset	14	**11.1**	12.8	**8.1**	11.7	5.6
		5,567.2	5,692.8	**2,141.5**	2,040.1	1,712.5
Current assets						
Trade and other receivables	20	**201.8**	227.1	**1,125.6**	1,023.6	764.1
Financial assets at fair value	5	**12.8**	77.3	**–**	60.0	100.1
Derivative financial assets	5	**126.5**	51.6	**71.7**	51.6	80.0
Current tax debtor		**22.8**	8.4	**19.0**	11.2	9.0
Cash and cash equivalents	6	**1,086.9**	354.0	**894.0**	96.8	214.8
		1,450.8	718.4	**2,110.3**	1,243.2	1,168.0
Disposal groups held for sale	29	**–**	107.1	**–**	–	–
Total assets		**7,018.0**	6,518.3	**4,251.8**	3,283.3	2,880.5
Equity and reserves						
Called up share capital	23	**77.2**	77.2	**77.2**	77.2	77.2
Share premium account	23	**179.9**	179.5	**179.9**	179.5	179.4
Other reserves		**(28.3)**	(3.5)	**42.1**	48.0	48.9
Retained earnings including Company loss of £9.5m (2019: restated profit of £195.2m)		**1,080.4**	1,130.2	**716.9**	870.2	755.5
Equity attributable to owners of the Company		**1,309.2**	1,383.4	**1,016.1**	1,174.9	1,061.0
Non controlling interest		**1.5**	10.9	**–**	–	–
Total equity		**1,310.7**	1,394.3	**1,016.1**	1,174.9	1,061.0
Non current liabilities						
Provisions		**0.1**	0.9	**0.1**	0.9	1.2
Financial liabilities at fair value	7	**3,329.3**	3,449.0	**–**	–	–
Financial liabilities at amortised cost	7	**1,664.1**	1,183.5	**1,664.1**	1,183.5	840.5
Other financial liabilities	7	**5.5**	–	**2.1**	–	–
Derivative financial liabilities	5	**41.4**	45.8	**41.3**	45.8	76.8
Deferred tax liabilities	14	**1.9**	0.2	**–**	–	–
		5,042.3	4,679.4	**1,707.6**	1,230.2	918.5
Current liabilities						
Provisions		**0.7**	0.4	**0.7**	0.4	0.5
Trade and other payables	21	**336.0**	350.5	**1,261.5**	862.1	715.3
Financial liabilities at amortised cost	7	**252.8**	–	**252.8**	–	183.7
Other financial liabilities	7	**3.2**	–	**1.1**	–	–
Current tax creditor		**6.6**	2.7	**–**	1.6	–
Derivative financial liabilities	5	**65.7**	14.1	**12.0**	14.1	1.5
		665.0	367.7	**1,528.1**	878.2	901.0
Liabilities directly associated with disposal groups held for sale	29	**–**	76.9	**–**	–	–
Total liabilities		**5,707.3**	5,124.0	**3,235.7**	2,108.4	1,819.5
Total equity and liabilities		**7,018.0**	6,518.3	**4,251.8**	3,283.3	2,880.5

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 4 June 2020 and were signed on its behalf by:

LORD DAVIES OF ABERSOCH
DIRECTOR

VIJAY BHARADIA
DIRECTOR

Consolidated and Parent Company statements of cash flow
for the year ended 31 March 2020

	Notes	2020 Group £m	2019 Group £m	2020 Company £m	2019 Company £m
Operating activities					
Interest received		**277.2**	220.8	**14.6**	12.1
Fees received		**198.1**	184.7	**9.6**	16.8
Dividends received		**2.9**	3.3	**2.6**	4.8
Payments to suppliers and employees		**(151.0)**	(174.6)	**(80.9)**	(128.1)
Proceeds from sale of current financial assets and disposal groups		**183.4**	200.1	**121.2**	171.7
Purchase of current financial assets and disposal groups		**(101.7)**	(306.9)	**(66.2)**	(252.5)
Proceeds from sale of non current financial assets		**2,204.1**	2,475.3	**100.4**	165.8
Purchase of non current financial assets		**(2,386.2)**	(2,666.0)	**(113.5)**	(92.3)
Net cash (outflow)/inflow from derivative contracts		**(16.1)**	55.4	**(19.6)**	48.0
Cash generated from/(used in) operating activities before taxes paid		**210.7**	(7.9)	**(31.8)**	(53.7)
Taxes paid		**(12.6)**	(20.2)	**(8.2)**	(14.1)
Net cash generated from/(used in) operating activities after taxes paid		**198.1**	(28.1)	**(40.0)**	(67.8)
Investing activities					
Cash flow on behalf of subsidiary undertakings		**–**	–	**395.6**	(12.0)
Purchase of intangible assets	17	**(6.1)**	–	**(6.1)**	–
Purchase of property, plant and equipment	18	**–**	(5.2)	**–**	(4.9)
Cash flow as a result of change in control of subsidiary		**(37.0)**	12.9	**–**	–
Net cash (used in)/generated from investing activities		**(43.1)**	7.7	**389.5**	(16.9)
Financing activities					
Dividends paid	15	**(142.8)**	(88.3)	**(142.8)**	(88.3)
Interest paid	11	**(188.0)**	(181.4)	**(53.7)**	(52.9)
Interest paid on lease liabilities		**(0.5)**	–	**(0.2)**	–
Principal paid on lease liabilities		**(4.7)**	–	**(2.7)**	–
Increase in long-term borrowings		**1,154.6**	2,338.2	**798.1**	308.3
Repayment of long-term borrowings		**(226.8)**	(2,152.3)	**(140.0)**	(181.8)
Purchase of own shares		**(40.3)**	(49.3)	**–**	–
Net cash generated from/(used in) financing activities		**551.5**	(133.1)	**458.7**	(14.7)
Net increase/(decrease) in cash		**706.5**	(153.5)	**808.2**	(99.4)
Cash and cash equivalents at beginning of year		**354.0**	520.7	**96.8**	214.8
Effect of foreign exchange rate changes		**26.4**	(13.2)	**(11.0)**	(18.6)
Cash and cash equivalents	6	**1,086.9**	354.0	**894.0**	96.8

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

The Group's cash and cash equivalents includes £170.4m (2019: £191.3m) of restricted cash held principally by structured entities controlled by the Group see note 6.

Cash flow as a result of change in control is in relation to the deconsolidation of ICG Global Loan fund during the year, in which £37.0m was deconsolidated with the structured entity.

Consolidated and Parent Company statements of changes in equity

for the year ended 31 March 2020

Group	Share capital (note 23) £m	Share premium (note 23) £m	Capital redemption reserve[1] £m	Share based payments reserve (note 25) £m	Own shares (note 24) £m	Foreign currency translation reserve[2] £m	Retained earnings £m	**Total £m**	Non controlling interest £m	**Total equity £m**
Balance at 1 April 2019	77.2	179.5	5.0	64.3	(92.8)	20.0	1,130.2	**1,383.4**	10.9	**1,394.3**
Adjustment on initial application of IFRS 16[3]	–	–	–	–	–	–	(1.8)	**(1.8)**	–	**(1.8)**
Profit after tax	–	–	–	–	–	–	108.9	**108.9**	1.7	**110.6**
Exchange differences on translation of foreign operations	–	–	–	–	–	2.7	–	**2.7**	–	**2.7**
Tax on items taken directly to or transferred from equity	–	–	–	(0.7)	–	–	–	**(0.7)**	–	**(0.7)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(0.7)**	**–**	**2.7**	**108.9**	**110.9**	**1.7**	**112.6**
Movement in control of subsidiary	–	–	–	–	–	–	4.2	**4.2**	(11.1)	**(6.9)**
Own shares acquired in the year	–	–	–	–	(70.3)	–	–	**(70.3)**	–	**(70.3)**
Options/awards exercised	–	0.4	–	(30.4)	48.7	–	(18.3)	**0.4**	–	**0.4**
Credit for equity settled share schemes	–	–	–	25.2	–	–	–	**25.2**	–	**25.2**
Dividends paid	–	–	–	–	–	–	(142.8)	**(142.8)**	–	**(142.8)**
Balance at 31 March 2020	**77.2**	**179.9**	**5.0**	**58.4**	**(114.4)**	**22.7**	**1,080.4**	**1,309.2**	**1.5**	**1,310.7**

Company	Share capital (note 23) £m	Share premium (note 23) £m	Capital redemption reserve[1] £m	Share based payments reserve (note 25) £m	Own shares (note 24) £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2019 (restated)[4]	77.2	179.5	5.0	64.3	(21.3)	870.2	**1,174.9**
Adjustment on initial application of IFRS 16[3]	–	–	–	–	–	(1.0)	**(1.0)**
Loss after tax	–	–	–	–	–	(9.5)	**(9.5)**
Tax on items taken directly to or transferred from equity	–	–	–	(0.7)	–	–	**(0.7)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(0.7)**	**–**	**(9.5)**	**(10.2)**
Options/awards exercised	–	0.4	–	(30.4)	–	–	**(30.0)**
Credit for equity settled share schemes	–	–	–	25.2	–	–	**25.2**
Dividends paid	–	–	–	–	–	(142.8)	**(142.8)**
Balance at 31 March 2020	**77.2**	**179.9**	**5.0**	**58.4**	**(21.3)**	**716.9**	**1,016.1**

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.

3 The Group adopted IFRS 16 with effect from 1 April 2019. As permitted under the transition rules the prior period comparatives were not restated, this resulted in the accumulated difference on adoption being adjusted through the opening reserves of the year ended 31 March 2020, see note 2.

4 Adjustment relates to prior year restatement of the Parent company balance sheet and income statement see note 8.

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

Group	Share capital (note 23) £m	Share premium (note 23) £m	Capital redemption reserve[1] £m	Share based payments reserve (note 25) £m	Available for sale reserve £m	Own shares (note 24) £m	Foreign currency translation reserve[2] £m	Retained earnings £m	**Total £m**	Non controlling interest £m	**Total equity £m**
Balance at 1 April 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**
Adjustment on initial application of IFRS 9[3]	–	–	–	–	(5.5)	–	–	5.5	**–**	–	**–**
Adjustment on initial application of IFRS 15[3]	–	–	–	–	–	–	–	(5.1)	**(5.1)**	–	**(5.1)**
Profit after tax	–	–	–	–	–	–	–	180.1	**180.1**	4.4	**184.5**
Exchange differences on translation of foreign operations	–	–	–	–	–	–	8.8	–	**8.8**	–	**8.8**
Tax on items taken directly to or transferred from equity	–	–	–	(1.3)	(0.2)	–	–	–	**(1.5)**	–	**(1.5)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(1.3)**	**(0.2)**	**–**	**8.8**	**180.1**	**187.4**	**4.4**	**191.8**
Movement in control of subsidiary	–	–	–	–	–	–	–	(6.0)	**(6.0)**	6.0	**–**
Own shares acquired in the year	–	–	–	–	–	(49.3)	–	–	**(49.3)**	–	**(49.3)**
Options/awards exercised	–	0.1	–	(23.3)	–	34.1	–	(10.8)	**0.1**	–	**0.1**
Credit for equity settled share schemes	–	–	–	27.0	–	–	–	–	**27.0**	–	**27.0**
Dividends paid	–	–	–	–	–	–	–	(88.3)	**(88.3)**	–	**(88.3)**
Balance at 31 March 2019	**77.2**	**179.5**	**5.0**	**64.3**	**–**	**(92.8)**	**20.0**	**1,130.2**	**1,383.4**	**10.9**	**1,394.3**

Company	Share capital (note 23) £m	Share premium (note 23) £m	Capital redemption reserve[1] £m	Share based payments reserve (note 24) £m	Available for sale reserve £m	Own shares (note 24) £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2018	77.2	179.4	5.0	58.9	6.3	(21.3)	785.2	**1,090.7**
Adjustment to previously reported retained earnings[4]	–	–	–	–	–	–	(29.7)	**(29.7)**
Balance at 1 April 2018 (restated)	77.2	179.4	5.0	58.9	6.3	(21.3)	755.5	**1,061.0**
Adjustment on initial application of IFRS 9[3]	–	–	–	–	(7.8)	–	7.8	**–**
Profit after tax (restated)[4]	–	–	–	–	–	–	195.2	**195.2**
Tax on items taken directly to or transferred from equity	–	–	–	(1.3)	1.5	–	–	**0.2**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(1.3)**	**1.5**	**–**	**195.2**	**195.4**
Options/awards exercised	–	0.1	–	(23.3)	–	–	–	**(23.2)**
Credit for equity settled share schemes	–	–	–	30.0	–	–	–	**30.0**
Dividends paid	–	–	–	–	–	–	(88.3)	**(88.3)**
Balance at 31 March 2019 (restated)	**77.2**	**179.5**	**5.0**	**64.3**	**–**	**(21.3)**	**870.2**	**1,174.9**

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.

3 The Group adopted IFRS 15 and IFRS 9 with effect from 1 April 2018. As permitted under the transition rules the prior period comparatives were not restated, this resulted in the accumulated differences on adoption being adjusted through the opening reserves of the year ended 31 March 2019.

4 Adjustment relates to prior year restatement of the Parent company balance sheet and income statement see note 8.

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

Notes to the accounts
for the year ended 31 March 2020

1. General information and basis of preparation

General information
Intermediate Capital Group plc is a public company limited by shares, incorporated in England and Wales under the Companies Act, with the 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 United Kingdom and 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 5.

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.

Apart from the implementation of IFRS 16 'Leases' detailed below, 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 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. See note 28 which lists the Group's subsidiaries and structured entities. Structured entities are funds that are controlled and therefore consolidated by the Group.

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.

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 and viability statement on pages 104 and 36.

In assessing the Group's ability to continue in its capacity as a going concern, the Group performed additional assessments to determine the viability of the business through the unprecedented impact of the Covid-19 pandemic.

As part of this assessment the Board and the Executive Directors of the Group considered:

- The immediate risks posed by the pandemic to the health and wellbeing of employees and to business continuity;
- The impact on the Group's fee income. Specifically performance related revenue, as part of this assessment the Group performed additional sensitivity analysis around performance fees and the impact this would have on overall fee income. This is discussed in note 3;
- The adequacy of the Group's capital and liquidity throughout the pandemic and potential shortfalls in access to capital. The revised macro-economic scenarios were significantly less severe than those used in the ICAAP reverse stress test and are discussed in the viability statement on page 36;
- The operational resilience of the Group's critical functions to maintain risk management and compliance. Including IT, Finance, Treasury and Operations;
- The regulatory and legal environment and any potential conduct risks which could arise;
- Fair value of investments that are not quoted in an active market are determined by the Group's valuation techniques described in note 5. Due to the increased volatility resulting from Covid-19, management have made significant enhancements to its fair value assessments, including reviewing the appropriateness of valuation techniques applied to its financial assets, and applying additional sensitivities into its analysis to understand potential impacts to the Groups overall balance sheet for the next 12 months. This is discussed further in note 5; and
- Those entities which are not controlled by the Group but where the Group has a joint venture relationship or has significant influence over an associate and whether they have the ability to continue as a going concern, these risks have been captured in the Group's overall fair value assessments of the underlying assets described in note 5.

The Directors have concluded based on the above assessment that the preparation of the financial statements on a going concern basis continues to be appropriate.

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

The key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, results from the Group's assessment of fair value of its financial assets and liabilities. As a result of the onset of the Covid-19 pandemic, the Group placed enhanced focus on the valuation of its financial assets and liabilities and the potential impact of the pandemic, these are discussed in note 5.

Critical judgements, apart from those involving estimations, that the Directors have made in the application of the accounting policies, primarily comes from the Group's assessment as to whether it controls certain investees and is required to consolidate the investee, as detailed above. The Group's assessment of this critical judgement is discussed further in note 28.

Critical judgement is also required by the Directors in applying the Group's revenue recognition policy. Judgement is primarily applied in considering the timings of when expected performance conditions will be met. The Group's assessment is discussed further in note 3.

The Group have considered the potential impact of Brexit in preparation of the financial statements and in its assessment of areas of critical judgement and estimation uncertainty, based on the current available information, the Group expect a minimal impact.

Critical judgements and key sources of estimation uncertainty are reviewed by the Audit Committee during the year and its involvement in the process is included in its report on page 62.

Notes to the accounts continued
for the year ended 31 March 2020

2. Adoption of new and revised standards

At the date of signing 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.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

International Financial Reporting Standards (IAS/IFRS)

		Accounting periods commencing on or after
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	1 January 2020

Changes in significant accounting policies

The Group has adopted IFRS 16 'Leases' with effect from 1 April 2019. As permitted under the transition rules, comparative figures for the year ended 31 March 2019 have not been restated. The impact of adopting this new accounting standard on the Group's significant accounting policies is outlined below.

IFRS 16 introduces changes to lease accounting by removing the distinction between operating and finance leases. This requires the Group to recognise a 'right-of-use' (ROU) asset and a lease liability at the commencement of all leases, except for short-term leases, being those leases that are contractually 12 months or less, and leases of low value.

Under the new standard, the present value of total rentals payable over the life of the lease is recognised as a liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease; if this rate cannot be readily determined, the Group uses its incremental borrowing rate. At the transition date to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.5%. The lease liability is offset by an asset comprising the initial measurement of the corresponding lease liability, and any other initial direct costs, lease incentives and any costs to dismantle or return the asset to its original form. The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses.

The standard therefore increases debt liabilities on the balance sheet and the income statement expense is represented as depreciation and finance cost, rather than rent.

On transition, for those leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value, as described below, the Group has elected not to recognise a right-of-use asset or lease liability. The Group has accounted for the lease expense on a straight line basis over the remaining lease term.

The Group has assessed low value assets to be those with a value of less than £10,000 (or local currency equivalent). As a result, the Group's material leases impacted by the adoption of this accounting standard are its rented office spaces.

The Group has elected not to include initial directly related costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16. The Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. There were no critical judgements or estimates applied in adopting the standard.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. The impact on the consolidated statement of financial position is as follows:

	31 March 2020 £m	1 April 2019 £m
Non current assets		
Property, plant and equipment	**12.5**	8.5
Non current liabilities		
Other financial liabilities	**5.5**	7.9
Current liabilities		
Other financial liabilities	**3.2**	4.3
Equity and reserves		
Retained earnings	**–**	1.8

The following is a reconciliation of total operating lease commitments as disclosed in the financial statement for the year ended 31 March 2019, to the lease liabilities recognised at 1 April 2019:

	Group £m	Company £m
Operating lease commitments as of 31 March 2019	**13.8**	4.7
Recognition exemption for leases with contractual terms less than 12 months as of 1 April 2019	**(0.3)**	–
Rent payments for joint venture accounted for by equity method	**(0.5)**	–
Effect of discounting at the incremental borrowing rate	**(0.8)**	(0.9)
Lease liabilities as of 1 April 2019	**12.2**	3.8

3. Revenue

Revenue and its related cashflows, within the scope of IFRS 15 'Revenue from Contracts with Customers', are all derived from the Group's fund management company activities and are presented net of any consideration payable to a customer in the form of rebates. The significant components of the Group's fund management revenues are as follows:

Type of contract/service	**Year ended 31 March 2020 £m**	Year ended 31 March 2019 £m
Management fees[1]	**256.2**	199.1
Other income	**9.9**	13.5
Fee and other operating income	**266.1**	212.6

1 Included within management fees is £23.5m (2019: £21.9m) of performance related fees.

Management fees

The Group earns management fees from its performance of investment management services. Management fees are charged on third-party money managed by ICG and are based on an agreed percentage of either committed money, invested money or net asset value (NAV), dependent on the fund. Management fees are variable fee revenue streams which relate to one performance obligation and contain a non performance and performance related fee element. Non performance related management fees for the year of £232.7m (2019: £177.2m) are charged in arrears and are recognised in the year services are performed.

Performance related fees are recognised only where it is highly probable that the revenue will not be reversed in the future. This is generally near the end of the performance period or upon early liquidation of a fund. Performance related fees will only be crystallised when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance. Performance fees are recognised as the services are performed, with time elapsed being the measure of progress. Performance fees of £23.5m (2019: £21.9m) have been recognised for services performed during the year.

Depending on the strategy of a fund, the Group have contracted fees based on committed and invested funds. The quantum of the committed fees cannot be reliably forecast, without making significant assumptions around the investment rate, realisation pace and the amount and weighted average fee rate of new funds raised. Assuming no new funds are raised, using current weighted average fee rates throughout and standard investment and realisation profiles, the Group has estimated committed fees would be in the region of £1.8bn.

There are no other individually significant components of revenue from contracts with customers.

Critical judgement

A significant judgement for the Group is whether performance related fees will meet their expected performance conditions and within the expected timeframes. The Group base their assessment on the best available information pertaining to the funds and the activity of the underlying assets within that fund. The valuation of the underlying assets within a fund will be subject to fluctuations in the future, including macroeconomic factors outside the Group's control. The best available information to apply this judgement, is in using the liquidation net asset values of the relevant funds, which are subject to audit annually. The Directors base their projected views on a 24 month look forward basis, the 'forecast period', from the year end. The Directors have a reasonable view on expected exits and value within a two year horizon, but they do not beyond that.

Within this forecast period, the Directors will consider funds that have either reached their hurdle rate or are expected to reach the requisite hurdle rate in the forecast period. In determining whether a fund is expected to reach the hurdle rate, the key inputs are the latest expected repayment dates of the underlying assets and expected money multiples, as approved by an Investment Committee and Executive Directors respectively.

Where the hurdle date is expected to be reached within 24 months of the year end but is not yet paying, a constraint will be applied, on a sliding scale , this is assessed by the Directors on a case by case basis. The weighted average constraint at reporting date is 10.1%. If the average constraint were to increase by 10% this would result in £2.5m of additional revenue, conversely a 10% decrease would result in a decrease of £2.0m being recognised in the income statement.

Notes to the accounts continued
for the year ended 31 March 2020

4. 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 2020			Year ended 31 March 2019		
	FMC £m	**IC £m**	**Operating segments Total £m**	FMC £m	IC £m	Operating segments Total £m
External fee income	277.8	–	277.8	219.8	–	219.8
Inter-segmental fee	22.4	(22.4)	–	20.5	(20.5)	–
Fund management fee income	**300.2**	**(22.4)**	**277.8**	**240.3**	**(20.5)**	**219.8**
Net investment returns	–	49.4	49.4	–	275.1	275.1
Dividend income	41.2	–	41.2	34.4	–	34.4
Total revenue	**341.4**	**27.0**	**368.4**	**274.7**	**254.6**	**529.3**
Interest expense	–	(57.8)	(57.8)	–	(53.9)	(53.9)
Net fair value gain on derivatives	–	26.6	26.6	–	17.2	17.2
Staff costs	(55.7)	(8.9)	(64.6)	(47.3)	(7.8)	(55.1)
Incentive scheme costs	(56.8)	(47.5)	(104.3)	(44.5)	(66.4)	(110.9)
Other administrative expenses	(45.8)	(11.7)	(57.5)	(39.1)	(9.2)	(48.3)
Profit before tax	**183.1**	**(72.3)**	**110.8**	**143.8**	**134.5**	**278.3**

Reconciliation of financial statements reported to the Executive Directors to the position reported under IFRS

Included in the table opposite are statutory adjustments made to the Investment Company for the following:

- All income generated from Investment Company investments is presented as net investment returns for total operating segments purposes, whereas under IFRS it is presented within gains on investments and other operating income. Operating segments are equivalent to alternative performance purposes 'APM'
- The structured entities controlled by the Group are presented as fair value investments for operating segments, whereas the statutory financial statements present these entities on a fully consolidated basis

Consolidated income statement

Year ended 31 March 2020	Operating segments £m	Consolidated structured entities £m	Financial statements £m
– Fund management fee income	277.8	(21.6)	256.2
– Other operating income	–	9.9	9.9
Fee and other operating income	**277.8**	**(11.7)**	**266.1**
– Interest income	–	0.5	0.5
– Dividend income	41.2	(41.2)	–
– Net fair value gain on derivatives	–	29.6	29.6
Finance income	**41.2**	**(11.1)**	**30.1**
Net investment returns/Gains on investments	**49.4**	**68.0**	**117.4**
Total revenue	**368.4**	**45.2**	**413.6**
– Interest expense	(57.8)	(0.5)	(58.3)
– Net fair value gain/(loss) on derivatives	26.6	(26.6)	–
Finance costs	**(31.2)**	**(27.1)**	**(58.3)**
– Staff costs	(64.6)	0.4	(64.2)
– Incentive scheme costs	(104.3)	–	(104.3)
– Other administrative expenses	(57.5)	(15.4)	(72.9)
Administrative expenses	**(226.4)**	**(15.0)**	**(241.4)**
Share of results of joint venture accounted for using equity method	**–**	**0.6**	**0.6**
Profit before tax	**110.8**	**3.7**	**114.5**
Tax (charge)/credit	(1.6)	(2.3)	(3.9)
Profit after tax	**109.2**	**1.4**	**110.6**

Year ended 31 March 2019	Operating segments £m	Consolidated structured entities £m	Financial statements £m
– Fund management fee income	219.8	(20.7)	199.1
– Other operating income	–	13.5	13.5
Fee and other operating income	**219.8**	**(7.2)**	**212.6**
– Interest income	–	0.1	0.1
– Dividend income	34.4	(34.4)	–
– Net fair value gain on derivatives	–	25.5	25.5
Finance income	**34.4**	**(8.8)**	**25.6**
Net investment returns/Gains on investments	**275.1**	**(49.2)**	**225.9**
Total revenue	**529.3**	**(65.2)**	**464.1**
– Interest expense	(53.9)	–	(53.9)
– Net fair value gain/(loss) on derivatives	17.2	(17.2)	–
Finance costs	**(36.7)**	**(17.2)**	**(53.9)**
– Staff costs	(55.1)	0.6	(54.5)
– Incentive scheme costs	(110.9)	–	(110.9)
– Other administrative expenses	(48.3)	(14.2)	(62.5)
Administrative expenses	**(214.3)**	**(13.6)**	**(227.9)**
Share of results of joint venture accounted for using equity method	**–**	**0.6**	**0.6**
Profit before tax	**278.3**	**(95.4)**	**182.9**
Tax (charge)/credit	(9.0)	10.6	1.6
Profit after tax	**269.3**	**(84.8)**	**184.5**

Notes to the accounts continued
for the year ended 31 March 2020

4. Business and geographical segments continued

Consolidated statement of financial position

	2020		
	Operating segments £m	**Consolidated structured entities £m**	**Financial statements £m**
Non current financial assets	2,196.8	3,298.3	5,495.1
Other non current assets	60.0	12.1	72.1
Cash	947.9	139.0	1,086.9
Current financial assets	12.8	–	12.8
Other current assets	240.0	111.1	351.1
Total assets	**3,457.5**	**3,560.5**	**7,018.0**
Non current financial liabilities	1,669.6	3,329.3	4,998.9
Other non current liabilities	43.0	0.4	43.4
Current financial liabilities	256.0	–	256.0
Other current liabilities	182.4	226.6	409.0
Total liabilities	**2,151.0**	**3,556.3**	**5,707.3**
Equity	1,306.5	4.2	1,310.7
Total equity and liabilities	**3,457.5**	**3,560.5**	**7,018.0**

	2019		
	Operating segments £m	Consolidated structured entities £m	Financial statements £m
Non current financial assets	2,255.7	3,393.2	5,648.9
Other non current assets	36.1	7.8	43.9
Cash	163.2	190.8	354.0
Current financial assets	110.7	(33.4)	77.3
Other current assets	215.7	71.4	287.1
Disposal groups held for sale	–	107.1	107.1
Total assets	**2,781.4**	**3,736.9**	**6,518.3**
Non current financial liabilities	1,183.5	3,449.0	4,632.5
Other non current liabilities	46.7	0.2	46.9
Other current liabilities	161.5	206.2	367.7
Liabilities directly associated with disposal groups held for sale	–	76.9	76.9
Total liabilities	**1,391.7**	**3,732.3**	**5,124.0**
Equity	1,389.7	4.6	1,394.3
Total equity and liabilities	**2,781.4**	**3,736.9**	**6,518.3**

Consolidated statement of cash flows

	2020		
	Operating segments £m	Consolidated structured entities £m	Financial statements £m
Interest received	25.8	251.4	277.2
Fees received	209.2	(11.1)	198.1
Dividends received	41.1	(38.2)	2.9
Payments to suppliers and employees	(137.0)	(14.0)	(151.0)
Proceeds from sale of current financial assets and disposal groups	183.4	–	183.4
Purchase of current financial assets and disposal groups	(101.7)	–	(101.7)
Proceeds from sale of non current financial assets	487.0	1,717.1	2,204.1
Purchase of non current financial assets	(329.4)	(2,056.8)	(2,386.2)
Net cash inflow from derivative contracts	(19.6)	3.5	(16.1)
Cash generated from/(used in) operating activities	**358.8**	**(148.1)**	**210.7**
Taxes paid	(12.6)	–	(12.6)
Net cash generated from/(used in) operating activities	**346.2**	**(148.1)**	**198.1**
Net cash used in investing activities	**(6.1)**	**(37.0)**	**(43.1)**
Dividends paid	(142.8)	–	(142.8)
Interest paid	(50.4)	(137.6)	(188.0)
Interest paid on lease liabilities	(0.5)	–	(0.5)
Principal paid on lease liabilities	(4.7)	–	(4.7)
Increase in long-term borrowings	798.2	356.4	1,154.6
Repayment of long-term borrowings	(140.0)	(86.8)	(226.8)
Purchase of own shares	(40.3)	–	(40.3)
Net cash used in financing activities	**419.5**	**132.0**	**551.5**
Net increase/(decrease) in cash	**759.6**	**(53.1)**	**706.5**
Cash and cash equivalents at beginning of year	163.2	190.8	354.0
Effect of foreign exchange rate changes	25.1	1.3	26.4
Cash and cash equivalents at end of year	**947.9**	**139.0**	**1,086.9**

Notes to the accounts continued
for the year ended 31 March 2020

4. Business and geographical segments continued

	2019		
	Operating segments £m	Consolidated structured entities £m	Financial statements £m
Interest received	21.5	199.3	220.8
Fees received	185.0	(0.3)	184.7
Dividends received	35.6	(32.3)	3.3
Payments to suppliers and employees	(167.8)	(6.8)	(174.6)
Proceeds from sale of current financial assets and disposal groups	201.8	(1.7)	200.1
Purchase of current financial assets and disposal groups	(345.4)	38.5	(306.9)
Proceeds from sale of non current financial assets	643.9	1,831.4	2,475.3
Purchase of non current financial assets	(603.1)	(2,062.9)	(2,666.0)
Net cash inflow from derivative contracts	48.0	7.4	55.4
Cash generated from/(used in) operating activities	**19.5**	**(27.4)**	**(7.9)**
Taxes paid	(16.3)	(3.9)	(20.2)
Net cash generated from/(used in) operating activities	**3.2**	**(31.3)**	**(28.1)**
Net cash (used in)/generated from investing activities	**(5.3)**	**13.0**	**7.7**
Dividends paid	(88.3)	–	(88.3)
Interest paid	(51.3)	(130.1)	(181.4)
Increase in long-term borrowings	308.3	2,029.9	2,338.2
Repayment of long-term borrowings	(181.8)	(1,970.5)	(2,152.3)
Purchase of own shares	(49.3)	–	(49.3)
Net cash used in financing activities	**(62.4)**	**(70.7)**	**(133.1)**
Net decrease in cash	**(64.5)**	**(89.0)**	**(153.5)**
Cash and cash equivalents at beginning of year	247.9	272.8	520.7
Effect of foreign exchange rate changes	(20.2)	7.0	(13.2)
Cash and cash equivalents at end of year	**163.2**	**190.8**	**354.0**

Analysis of non current financial assets by geographical segment

	2020 £m	2019 £m
Europe	**2,759.9**	2,678.2
Asia Pacific	**218.3**	205.9
North America	**2,516.9**	2,764.8
	5,495.1	5,648.9

Group revenue by geographical segment

	2020 £m	2019 £m
Europe	**286.0**	382.2
Asia Pacific	**31.7**	16.3
North America	**95.9**	65.6
	413.6	464.1

5. Financial assets

Accounting policy

Financial assets

Financial assets are classified into the following categories: amortised cost, Fair Value Through Profit and Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI). The Group has elected to irrevocably designate all invested financial assets at FVTPL.

Financial assets at FVTPL are initially recognised and subsequently measured at fair value. A valuation assessment is performed on a recurring basis with gains or losses arising from changes in fair value recognised through net gains on investments in the income statement. Dividends, premiums, discounts or interest earned on the financial assets, are included in the net gains on investments.

Where the Group holds investments in a number of financial instruments such as debt and equity through a portfolio company, the Group views their entire investment as a unit of account for valuation purposes. IFRS 13 'Fair Value Measurements' allows for a level of aggregation where there are a number of financial instruments held within a portfolio company. Loans and receivables within portfolio companies are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. When the Group invests in the capital structure of a portfolio company the Group initially recognises these assets at cost including direct and incremental transaction costs and subsequently at fair value. Any accrued interest, premium or discount on disposal of a loan or receivable to a third party are recognised through net gains on investments in the income statement.

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, 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.

Impact of Covid-19

The preparation and determination of these fair value assessments has been done so against a backdrop of unprecedented economic disruption caused by Covid-19. As a result, the Group have placed enhanced focus on its valuation assessment and the suitableness of methodologies applied, and these have been detailed by instrument below. The Group have also included additional sensitivities to its Level 3 valuations, given elevated uncertainty inherent in them due to Covid-19. These sensitivities are disclosed further in this note.

Key sources of estimation uncertainty on financial assets

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 the measurement date. The fair value of investments is based on quoted prices, where available. Where quoted prices are not available, the fair value is estimated in line with IFRS and industry standard valuation guidelines such as the International Private Equity and Venture Capital valuation guidelines (December 2018) for direct investments in portfolio companies, and the Royal Institute of Chartered Surveyors (RICs) valuation – Global Standards 2017 for investment property. These valuation techniques can be subjective and include assumptions which are not supportable by observable data. Details of the valuation techniques and the associated sensitivities are further disclosed in this note on page 144.

Given the subjectivity of investments in private companies, senior and subordinated notes of CLO vehicles and investments in investment property, these are key sources of estimation uncertainty, and as such the valuations are approved by the Group Valuations Committee, Investment Committee and Executive Directors respectively. The unobservable inputs relative to these investments are further detailed below.

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5. Financial assets continued

Investment in managed funds
When fair values of publicly traded closed-ended funds and open-ended funds are based on quoted market prices in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Group values these investments at bid price for long positions and ask price for short positions.

The Group also invests in funds, including credit and private equity secondary funds, which are not quoted in an active market. The Group considers the valuation techniques and inputs used by these funds to ensure they are reasonable and appropriate. Therefore, the NAV of these funds is generally used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the funds. In measuring fair value, consideration is also paid to any transactions in the interests of the funds. Depending on the nature and level of adjustments needed to the NAV, the Group classifies these funds as either Level 2 or Level 3.

Investment in loans held in consolidated credit funds
In the absence of quoted prices in an active market, the loan asset portfolios of the consolidated credit funds and consolidated CLO vehicles are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and from independent loan pricing sources. To the extent that the significant inputs are observable, the Group categorises these investments as Level 2. The fair value of borrowings in the consolidated credit funds and consolidated CLO vehicles is determined with reference to the fair value of the underlying loan asset portfolios.

Derivative assets and liabilities
The Group uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Level 2. Key sources of estimation uncertainty are not applicable In arriving at the valuation of derivative assets and liabilities.

Investment in private companies
The Group takes debt and equity stakes in private companies that are not quoted in an active market and uses a market-based valuation technique for these positions. The Group determines comparable private and public companies, peer to peer, based on industry, size, location, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then calibrated for considerations such as size and diversity of the business, quality of earnings, margin and growth rate between the comparable companies and supplemented by additional data points such as discounted cash flow 'DCF' analysis. The calibrated multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3. Given the market volatility created by Covid-19 in market prices and peer comparables, we have enhanced the scrutiny we apply to them, and in cases where we have felt the trading comparable at the reporting date are not reflective of our investment, we have instead employed DCF analysis to value the investment. Where we have adopted this approach, we have generally assumed an initial period of negative impact to the operations and earnings of the investee company, followed by a period of normalisation of its operations and earnings to pre Covid-19 levels, followed by a further period of continued normalisation and eventual exit. Should lockdowns continue for periods longer than assumed or if the recover takes a different shape to that anticipated, this would likely impact the valuations further. In all cases, the investments will have an implied multiple that drives their valuation, and it is this sensitivity for which we have provided quantitative disclosure further on in this note.

Where the underlying assets in the private companies are infrastructure in nature and the physicality of the asset would mean it is a long life asset, the transaction price is typically deemed to be an indicator of the fair value of the asset in the following 6 to 9 months after the acquisition date, this is assessed on a case by case basis.

Senior and subordinated notes of CLO vehicles

The Group holds investments in the senior and subordinated notes of the CLOs it manages, predominately driven by EU risk retention risk requirements. The Group employs DCF analysis to value these investments, where assumptions are made regarding the collateral residing within these CLO vehicles, such as default rates, prepayments rates, recovery rates and reinvestment prices. Given the market volatility and higher uncertainty created by Covid-19, the Group has reviewed these assumptions for its fair value assessments at the reporting date. It has been assessed that the default assumption that these investments are particularly sensitive to, has been significantly increased in the near term to take account of the elevated economic uncertainty created by Covid-19. Within this assessment the Group has considered the actual level of defaults that the Group believes will crystallise over the near term. The DCF analysis at the reporting date shows that the senior notes are expected to recover all contractual cashflows (including under stressed scenarios), over the life of the CLOs, and also leads to a fair value reduction on the subordinated notes. Notwithstanding the DCF result on the senior notes, the Group have incorporated external market data points on senior CLO notes into our fair value determination, and as a result taken a fair value reduction on the senior notes. We have classified these senior notes as a Level 2 instrument. For the subordinated notes, that we classify as a Level 3 instrument, we have provided enhanced information on the model assumptions and the quantitative sensitivities of the assumptions, further in this note. Significant judgement has been applied regarding the potential exit values of the subordinated notes at the year end due to the low to no volume of market activity since the onset of Covid-19 in early March.

Real Estate

To the extent that the Group invests in real estate assets, whether through an investment in a managed fund or an investment in a private company, the underlying assets maybe a debt instrument or property classified as investment property under IAS 40 'Investment Property'. The fair value of the investment properties have been recorded based on independent valuations prepared by third party real estate valuation specialists in line with the Royal Institution of Chartered Surveyors Valuation – Global Standards 2017. At the end of each reporting period, the Group reviews its assessment of the fair value of each property, taking into account the most recent independent valuations. The Directors determine a property value within a range of reasonable fair value estimates. In order to determine the fair value of the assets, an industry standard Gross Development Value 'GDV' is performed using inputs from a variety of sources including: current prices in an active market, or recent prices of similar properties in less active markets adjusted to reflect those differences, discounted cash flow projections based on reliable estimates of future cash flows, capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence. All resulting fair value estimates for properties are included in Level 3.

Due to the onset of Covid-19 valuation specialists have incorporated a statement of 'material valuation uncertainty' into their reports, this is to draw attention to the higher degree of caution necessary in this uncertain time than would ordinarily be applied. The Directors have added a heightened level of review on the reliance of the reports and have additionally assessed the stage to completion of the projects together with expected additional costs to completion due to Covid-19 these have been incorporated into the fair value assessment at reporting date.

Where the Group invests into funds that hold real estate debt investments, a Loan to Value 'LTV' based impairment model is used to determine any provision for impairment on the underlying loans. Where the LTV of a performing debt investment is in excess of 95%, the Group impairs the investment to restore the adjusted LTV to 95% or such other level as is considered prudent. Where the LTV of a non-performing debt investment is in excess of 90%, the Group will obtain an updated valuation by an independent valuer and impair the debt investment to restore the adjusted LTV to 90% or such other level as is considered prudent. The Group believes that this approach to value the underlying investments is consistent with how a market participant would determine the fair value of investments into these funds.

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for the year ended 31 March 2020

5. Financial assets 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:

2020						
Group	Designated at FVTPL £m	Trade and other receivables/ liabilities at amortised cost £m	Accounted for under the equity method £m	Total financial assets/ liabilities £m	Non financial instruments and other £m	Total assets/ liabilities £m
Non current assets						
Intangible assets	–	–	–	–	26.7	26.7
Property, plant and equipment	–	–	–	–	13.4	13.4
Investment property	–	–	–	–	8.1	8.1
Investments in private companies	434.0	–	–	434.0	–	434.0
Investments in managed funds	1,341.4	–	–	1,341.4	–	1,341.4
Senior and subordinated notes of CLO vehicles	117.4	–	–	117.4	–	117.4
Investments in loans held in consolidated credit funds[1]	3,599.8	–	–	3,599.8	–	3,599.8
Investment in joint venture	–	–	2.5	2.5	–	2.5
Derivative financial assets	12.8	–	–	12.8	–	12.8
Deferred tax asset	–	–	–	–	11.1	11.1
Total non current assets	5,505.4	–	2.5	5,507.9	59.3	5,567.2
Current assets						
Trade and other receivables	–	197.0	–	197.0	4.8	201.8
Current financial assets	12.8	–	–	12.8	–	12.8
Derivative financial assets	126.5	–	–	126.5	–	126.5
Current tax debtor	–	–	–	–	22.8	22.8
Cash and cash equivalents	–	1,086.9	–	1,086.9	–	1,086.9
Total current assets	139.3	1,283.9	–	1,423.2	27.6	1,450.8
Non current liabilities						
Provisions	–	0.1	–	0.1	–	0.1
Financial liabilities[1]	3,329.3	1,664.1	–	4,993.4	–	4,993.4
Other financial liabilities	–	5.5	–	5.5	–	5.5
Derivative financial liabilities	41.4	–	–	41.4	–	41.4
Deferred tax liabilities	–	–	–	–	1.9	1.9
Total non current liabilities	3,370.7	1,669.7	–	5,040.4	1.9	5,042.3
Current liabilities						
Provisions	–	0.7	–	0.7	–	0.7
Trade and other payables	–	336.0	–	336.0	–	336.0
Financial liabilities at amortised cost	–	252.8	–	252.8	–	252.8
Other financial liabilities	–	3.2	–	3.2	–	3.2
Current tax creditor	–	–	–	–	6.6	6.6
Derivative financial liabilities	65.7	–	–	65.7	–	65.7
Total current liabilities	65.7	592.7	–	658.4	6.6	665.0

1 The designated at FVTPL balance relates to structured entities controlled by the Group, consolidated in accordance with IFRS 10.

Included within investments in funds designated at FVTPL is £657.5m (31 March 2019: £772.7m) relating to the Group's 20% investment in ICG Europe Fund V Limited, ICG North America Private Debt Fund, ICG Asia Pacific Fund III, and 16.67% investment in ICG Europe Fund VI Limited, which are accounted for as associates designated at FVTPL.

Included within direct investments in portfolio companies is £39.8m (31 March 2019: £34.7m) relating to the Group's investment in Océinde Communications which is accounted for as an associate designated at FVTPL and £159.0m (31 March 2019: £66.7m) relating to the Group's joint venture investments in Brighton Marina Group Limited, Avanton Richmond Developments Limited and Luxembourg Investment Company 296 S.a.r.l.

2019

Group	Designated at FVTPL £m	Trade and other receivables/ liabilities at amortised cost £m	Accounted for under the equity method £m	Total financial assets/ liabilities £m	Non financial instruments and other £m	Total assets/ liabilities £m
Non current assets						
Intangible assets	–	–	–	–	15.4	15.4
Property, plant and equipment	–	–	–	–	12.6	12.6
Investments in private companies	370.3	–	–	370.3	–	370.3
Investments in managed funds	1,345.3	–	–	1,345.3	–	1,345.3
Senior and subordinated notes of CLO vehicles	128.0	–	–	128.0	–	128.0
Investments in loans held in consolidated credit funds[1]	3,803.5	–	–	3,803.5	–	3,803.5
Investment in joint venture	–	–	1.8	1.8	–	1.8
Derivative financial assets	3.1	–	–	3.1	–	3.1
Deferred tax asset	–	–	–	–	12.8	12.8
Total non current assets	5,650.2	–	1.8	5,652.0	40.8	5,692.8
Current assets						
Trade and other receivables	–	222.2	–	222.2	4.9	227.1
Current financial assets	77.3	–	–	77.3	–	77.3
Derivative financial assets	51.6	–	–	51.6	–	51.6
Current tax debtor	–	–	–	–	8.4	8.4
Cash and cash equivalents	–	354.0	–	354.0	–	354.0
Total current assets	128.9	576.2	–	705.1	13.3	718.4
Disposal groups held for sale	107.1	–	–	107.1	–	107.1
Non current liabilities						
Provisions	–	0.9	–	0.9	–	0.9
Financial liabilities[1]	3,449.0	1,183.5	–	4,632.5	–	4,632.5
Derivative financial liabilities	45.8	–	–	45.8	–	45.8
Deferred tax liabilities	–	–	–	–	0.2	0.2
Total non current liabilities	3,494.8	1,184.4	–	4,679.2	0.2	4,679.4
Current liabilities						
Provisions	–	0.4	–	0.4	–	0.4
Trade and other payables	–	350.5	–	350.5	–	350.5
Current tax creditor	–	–	–	–	2.7	2.7
Derivative financial liabilities	14.1	–	–	14.1	–	14.1
Total current liabilities	14.1	350.9	–	365.0	2.7	367.7
Liabilities directly associated with disposal groups held for sale	76.9	–	–	76.9	–	76.9

1 The designated at FVTPL balance relates to structured entities controlled by the Group, consolidated in accordance with IFRS 10.

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5. Financial assets continued

Company	Designated at FVTPL £m	Trade and other receivables/ liabilities at amortised cost £m	Held at cost £m	Total financial assets/ liabilities £m	Non financial instruments and other £m	Total assets/ liabilities £m
						2020
Non current assets						
Intangible assets	–	–	–	–	22.4	22.4
Property, plant and equipment	–	–	–	–	7.5	7.5
Investments in subsidiaries	–	–	1,492.0	1,492.0	–	1,492.0
Investments in private companies	211.2	–	–	211.2	–	211.2
Investments in managed funds	375.4	–	–	375.4	–	375.4
Senior and subordinated notes of CLO vehicles	12.1	–	–	12.1	–	12.1
Derivative financial assets	12.8	–	–	12.8	–	12.8
Deferred tax asset	–	–	–	–	8.1	8.1
Total non current assets	**611.5**	**–**	**1,492.0**	**2,103.5**	**38.0**	**2,141.5**
Current assets						
Trade and other receivables	–	1,121.7	–	1,121.7	3.9	1,125.6
Derivative financial assets	71.7	–	–	71.7	–	71.7
Current tax debtor	–	–	–	–	19.0	19.0
Cash and cash equivalents	–	894.0	–	894.0	–	894.0
Total current assets	**71.7**	**2,015.7**	**–**	**2,087.4**	**22.9**	**2,110.3**
Non current liabilities						
Provisions	–	0.1	–	0.1	–	0.1
Financial liabilities[1]	–	1,664.1	–	1,664.1	–	1,664.1
Other financial liabilities	–	2.1	–	2.1	–	2.1
Derivative financial liabilities	41.3	–	–	41.3	–	41.3
Total non current liabilities	**41.3**	**1,666.3**	**–**	**1,707.6**	**–**	**1,707.6**
Current liabilities						
Provisions	–	0.7	–	0.7	–	0.7
Trade and other payables	–	1,261.5	–	1,261.5	–	1,261.5
Financial liabilities at amortised cost	–	252.8	–	252.8	–	252.8
Other financial liabilities	–	1.1	–	1.1	–	1.1
Derivative financial liabilities	12.0	–	–	12.0	–	12.0
Total current liabilities	**12.0**	**1,516.1**	**–**	**1,528.1**	**–**	**1,528.1**

1 The designated at FVTPL balance relates to structured entities controlled by the Group, consolidated in accordance with IFRS 10.

Company	Designated at FVTPL £m	Trade and other receivables/ liabilities at amortised cost £m	Held at cost £m	Total financial assets/ liabilities £m	Non financial instruments and other £m	Total assets/ liabilities £m
						2019
Non current assets						
Intangible assets	–	–	–	–	11.1	11.1
Property, plant and equipment	–	–	–	–	11.8	11.8
Investments in subsidiaries	–	–	1,462.2	1,462.2	–	1,462.2
Investments in private companies	205.1	–	–	205.1	–	205.1
Investments in managed funds	387.0	–	–	387.0	–	387.0
Senior and subordinated notes of CLO vehicles	15.3	–	–	15.3	–	15.3
Derivative financial assets	1.5	–	–	1.5	–	1.5
Deferred tax asset	–	–	–	–	11.7	11.7
Total non current assets	608.9	–	1,462.2	2,071.1	34.6	2,105.7
Current assets						
Trade and other receivables	–	1,021.0	–	1,021.0	2.6	1,023.6
Current financial assets	60.0	–	–	60.0	–	60.0
Derivative financial assets	51.6	–	–	51.6	–	51.6
Current tax debtor	–	–	–	–	11.2	11.2
Cash and cash equivalents	–	96.8	–	96.8	–	96.8
Total current assets	111.6	1,117.8	–	1,229.4	13.8	1,243.2
Non current liabilities						
Provisions	–	0.9	–	0.9	–	0.9
Financial liabilities	–	1,183.5	–	1,183.5	–	1,183.5
Derivative financial liabilities	45.8	–	–	45.8	–	45.8
Total non current liabilities	45.8	1,184.4	–	1,230.2	–	1,230.2
Current liabilities						
Provisions	–	0.4	–	0.4	–	0.4
Trade and other payables	–	862.1	–	862.1	–	862.1
Current tax creditor	–	–	–	–	1.6	1.6
Derivative financial liabilities	14.1	–	–	14.1	–	14.1
Total current liabilities	14.1	862.5	–	876.6	1.6	878.2

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5. Financial assets 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).

Fair value hierarchy

The following table summarises the valuation of the Group's financial assets and liabilities by fair value hierarchy.

				2020				2019
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets								
Investments in managed funds	18.0	–	1,323.4	1,341.4	10.6	–	1,334.7	1,345.3
Investments in loans held in consolidated credit funds	–	3,599.8	–	3,599.8	–	3,803.5	–	3,803.5
Derivative assets	–	139.3	–	139.3	–	54.7	–	54.7
Investments in private companies	–	–	434.0	434.0	–	27.8	379.8	407.6
Senior and subordinated notes of CLO vehicles	–	97.8	32.4	130.2	–	–	168.0	168.0
Disposal groups held for sale	–	–	–	–	–	–	107.1	107.1
Total assets	18.0	3,836.9	1,789.8	5,644.7	10.6	3,886.0	1,989.6	5,886.2
Financial liabilities								
Borrowings and loans held in consolidated credit funds	–	(3,329.3)	–	(3,329.3)	–	(3,449.0)	–	(3,449.0)
Derivative liabilities	–	(107.1)	–	(107.1)	–	(59.9)	–	(59.9)
Disposal groups held for sale	–	–	–	–	–	–	(76.9)	(76.9)
Total liabilities	–	(3,436.4)	–	(3,436.4)	–	(3,508.9)	(76.9)	(3,585.8)

				2020				2019
Company	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets								
Investments in managed funds	123.7	–	251.7	375.4	209.7	–	177.3	387.0
Derivative assets	–	84.5	–	84.5	–	53.1	–	53.1
Investment in private companies	–		211.2	211.2	–	–	265.1	265.1
Senior and subordinated notes of CLO vehicles	–	–	12.1	12.1	–	–	15.3	15.3
Total assets	123.7	84.5	475.0	638.2	209.7	53.1	457.7	720.5
Financial liabilities								
Derivative liabilities	–	(53.3)	–	(53.3)	–	(59.9)	–	(59.9)
Total liabilities	–	(53.3)	–	(53.3)	–	(59.9)	–	(59.9)

Reconciliation of Level 3 fair value measurements of financial assets

The following tables detail the movements in reoccurring non current 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	2020 Financial assets designated as FVTPL £m	2019 Financial assets designated as FVTPL £m
At 1 April	**1,805.2**	1,581.8
Total gains or losses in the income statement		
– Realised gains	**(215.7)**	(245.2)
– Fair value gains	**124.8**	202.7
– Foreign exchange	**32.6**	13.6
Purchases	**289.6**	553.0
Realisations	**(172.4)**	(332.2)
Transfer between assets	**11.6**	31.5
Transfer between levels	**(98.7)**	–
At 31 March	**1,777.0**	**1,805.2**

Company	2020 Financial assets designated as FVTPL £m	2019 Financial assets designated as FVTPL £m
At 1 April	**397.7**	474.0
Total gains or losses in the income statement		
– Realised gains	**(11.3)**	(6.7)
– Fair value gains	**25.2**	25.5
– Foreign exchange	**9.5**	3.3
Purchases	**71.2**	98.8
Realisations	**(17.2)**	(124.6)
Transfer between assets	**0.8**	33.3
Transfer between levels	**(0.9)**	(105.9)
At 31 March	**475.0**	**397.7**

Transfer between assets relate principally to movements between current and non current financial assets. Transfers in and out of Level 3 financial assets were due to changes to the observability of inputs used in the valuation of these assets.

Fair value

The following table shows the sensitivity to significant changes in unobservable inputs within the Level 3 hierarchy.

	2020			2019		
	Fair value £m	Upside £m	Downside £m	Fair value £m	Upside £m	Downside £m
Group						
Level 3 Financial assets	**1,789.8**	**150.7**	**(160.0)**	**1,989.6**	**208.8**	**(208.8)**
Company[1]						
Level 3 Financial assets	**475.0**	**47.5**	**(47.5)**	**457.7**	**45.8**	**(45.8)**

1 The 2019 sensitivities and the 2020 Company sensitivities are based on 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. For the 2020 Group balances, an enhanced analysis was performed. Details of this are on page 144.

Notes to the accounts continued
for the year ended 31 March 2020

5. Financial assets continued

Valuation inputs and sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

The following table summarises the inputs and assumptions used for items categorised in Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis.

Group	Fair value £m	Valuation technique[1]	Key unobservable inputs	Range fair value inputs	Weighted average/ fair value inputs	Sensitivity/ scenarios	2020 Effect on fair value[6] £m
Assets							
Corporate – Senior debt	36.8	ECL Scenario Analysis	Probability of Default	16.1%	16.1%	Upside Case (scenario)[3]	0.2
			Loss Given Default	18.7%	18.7%	Downside Case (scenario)[3]	(0.4)
			Maturity of Loan	3 years	3 years		
			Effective Interest Rate	8.0% – 9.0%	9.0%		
Corporate – Subordinated debt and equity	1,299.5	Market Comparable Companies	Earnings Multiple	3.5x – 22.4x	12.0x	Upside Case (+10% Earnings Multiple)	83.9
		Discounted Cash Flow[2]				Downside Case (-10% Earnings Multiple)	(91.5)
Subordinated notes of CLO vehicles	32.4	Scenario Analysis	Discount rate	11.0%	11.0%		
		Discounted Cash Flow	Next 12 months Annual Default Rate	8.0%	8.0%	Upside Case (scenario)[4]	24.5
			Subsequent 12 months Default Rate	4.0%	4.0%	Downside Case (scenario)[4]	(26.0)
			Prepayment rate	20.0%	20.0%		
			Recovery rate	75.0%	75.0%		
Real Assets[7]	281.0	Third Party Valuation	N/A	N/A	N/A	Upside Case (+10% Valuation)	28.1
		LTV based impairment model				Downside Case (-10% Valuation)	(28.1)
Private equity secondaries	140.1	Third Party Valuation	N/A	N/A	N/A	Upside Case (+10% MOIC)[5]	14.0
	–					Downside (-10% MOIC)[4]	(14.0)
Total assets	**1,789.8**						

1 Where the Group has invested into its managed funds, it is the type of the underlying investment, and the valuation techniques used for these underlying investments, that we have captured here. Where the Group has invested directly into private companies, we have also captured here the type of the investment and the valuation technique used.

2 Investments which are valued using the DCF approach, the implied earnings multiple of these investments is used for this sensitivity analysis.

3 For the sensitivity analysis, the upside case is based on a probability of default of 6.8% and a loss given default of 18.7%, keeping all other parameters constant. The downside case is based on a probability of default of 20.8% and a loss given default of 31.8%, keeping all other parameters constant.

4 The sensitivity analysis is performed on the entire portfolio of subordinated notes of CLO vehicles that the Group has originated and invested in (£171.0m fair value), which itself is a combination of holdings in CLOs that are not consolidated (£32.4m fair value), and holdings in those CLOs which are consolidated (£138.6m fair value). For the sensitivity analysis, the upside case is based on a default rate of 3.0% in the next 12 months and a default rate of 3.0% in the subsequent 12 months, keeping all other parameters constant. The downside case is based on a default rate of 11.0% in the next 12 months and a default rate of 6.5% in the subsequent 12 months, keeping all other parameters constant.

5 The implied multiple of invested capital (MOIC), that currently range from 0.8x to 3.9x (weighted average: 1.5x) have been used for this sensitivity analysis.

6 The effect of fair value across the entire investment portfolio ranges from -£160.0m (downside case) to +£150.7m (upside case).

7 Real assets refers to those investments in infrastructure and real estate assets as described above on pages 136 and 137.

5. Financial assets continued

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 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 while 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.

	2020			2019		
	Contract or underlying principal amount	Fair values		Contract or underlying principal amount	Fair values	
Group	**£m**	**Asset £m**	**Liability £m**	£m	Asset £m	Liability £m
Foreign exchange derivatives						
Forward foreign exchange contracts	**906.2**	**68.3**	**(68.0)**	1,157.0	12.4	(4.0)
Cross currency swaps	**441.0**	**71.0**	**(39.1)**	412.3	42.3	(55.9)
Total	**1,347.2**	**139.3**	**(107.1)**	**1,569.3**	**54.7**	**(59.9)**

	2020			2019		
	Contract or underlying principal amount	Fair values		Contract or underlying principal amount	Fair values	
Company	**£m**	**Asset £m**	**Liability £m**	£m	Asset £m	Liability £m
Foreign exchange derivatives						
Forward foreign exchange contracts	**848.0**	**13.5**	**(14.2)**	1,040.9	10.8	(4.1)
Cross currency swaps	**441.0**	**71.0**	**(39.1)**	412.3	42.3	(55.8)
Total	**1,289.0**	**84.5**	**(53.3)**	**1,453.2**	**53.1**	**(59.9)**

The fair value of assets pledged as collateral at 31 March 2020 was £58.1m (31 March 2019: £30.6m), the names of the counterparties are: Citigroup Global Markets Limited, Citibank NA, HSBC Bank London, Commonwealth Bank of Australia, Lloyds Bank Corporate Markets Plc, Royal Bank of Scotland Plc, Credit Agricole, NatWest Markets Plc, Société Générale Paris, ANZ and Deutsche Bank. All of the Credit Support Annex that have been agreed with our counterparties are fully European Market Infrastructure Regulation (EMIR) compliant.

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

There was no change in fair value related to credit risk as at 31 March 2020 (31 March 2019: £0.1m).

Under the relevant International Swaps and Derivatives Association (ISDA) Master Agreements in place with our counterparties, 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.

Notes to the accounts continued
for the year ended 31 March 2020

6. Cash and cash equivalents

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Cash and cash equivalents				
Cash at bank and in hand	**1,086.9**	354.0	**894.0**	96.8

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cashflows can be reconciled to the related items in the consolidated reporting position as shown above.

The Group's cash and cash equivalents includes £170.4m (2019: £191.3m) of restricted cash, held principally by structured entities controlled by the Group. These balances are managed by third-party administrators and are not part of the Group's pooling agreement and neither does the Group have immediate access.

In the current year no cash and cash equivalents were included in disposal groups held for sale (2019: £7.6m)(note 29).

7. 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.

On 7 February 2020, the Group issued a €500m seven-year bond, with a fixed coupon of 1.625%. The associated transactions costs of the issuance was €2.7m. The bond is redeemable on the 17 February 2027 at its principal amount. The bond was initially recorded at fair value less transaction costs and subsequently at amortised cost, applying the effective interest rate method.

Included within financial liabilities is the Group's present value of its future lease payments. Lease liabilities are initially measured at the present value of all the future lease payments. The present value is determined by discounting all future lease payments, by the Group's centrally determined cost of debt.

Financial liabilities at FVTPL within structured entities controlled by the Group are initially recognised and subsequently measured at fair value on a recurring basis with gains or losses arising from changes in fair value and interest paid on the financial instruments recognised through gains on investments in the income statement.

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 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 net gains in investments in the consolidated income statement. Interest paid on the financial instruments is included within net gains on investments.

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

Group	2020 Current £m	2020 Non current £m	2019 Current £m	2019 Non current £m
Liabilities held at amortised cost:				
– Private placements	**172.9**	**814.1**	–	808.3
– Listed notes and bonds	**79.9**	**600.8**	–	236.9
– Unsecured bank debt	**–**	**249.2**	–	138.3
– Lease liabilities	**3.2**	**5.5**	–	–
Total liabilities held at amortised cost:	**256.0**	**1,669.6**	–	1,183.5
Liabilities held at FVTPL:				
– Structured entities controlled by the Group	**–**	**3,329.3**	–	3,449.0
	256.0	**4,998.9**	**–**	**4,632.5**

Company	2020 Current £m	2020 Non current £m	2019 Current £m	2019 Non current £m
Liabilities held at amortised cost:				
– Private placements	**172.9**	**814.1**	–	808.3
– Listed notes and bonds	**79.9**	**600.8**	–	236.9
– Unsecured bank debt	**–**	**249.2**	–	138.3
– Lease liabilities	**1.1**	**2.1**	–	–
	253.9	**1,666.2**	**–**	**1,183.5**

Notes to the accounts continued
for the year ended 31 March 2020

8. 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 loss for the year amounted to £9.5m (2019 restated: profit of £195.2m).

An impairment review was carried out on the Company investment in subsidiaries balance as at 31 March 2020, and an impairment loss of £62.2m was identified relating to four subsidiaries. On assessing the cause of the impairment, management identified that it related to dividends paid in prior years resulting in £35.9m of impairment occurring during the year to 31 March 2019 and £29.7m to earlier years; £3.4m of the prior year's impairment was subsequently reversed during the year to 31 March 2020. As a result of the aforementioned, the investment in subsidiaries and retained earnings balances within the Company Statement of Financial Position and Company Statement of Changes in Equity as at 31 March 2018 and 31 March 2019 and the Company profit for the year ending 31 March 2019 have been restated as set out in the table below.

	For the year ended 31 March 2019	
Company statement of comprehensive income	As previously reported £m	Restated £m
Profit	231.1	195.2

	Year ended 31 March 2019	
Company statement of financial position	As previously reported £m	Restated £m
Investment in subsidiaries	1,462.2	1,396.6
Retained earnings	935.8	870.2

	Year ended 31 March 2018	
Company statement of financial position	As previously reported £m	Restated £m
Investment in subsidiaries	1,175.4	1,145.7
Retained earnings	785.2	755.5

9. Finance income

Accounting policy

The Group earns interest on its bank deposits, which are held solely for the purpose of its principal and are not expected to be traded. Changes in the fair value of derivatives are recognised in the income statement as incurred.

	2020 £m	2019 £m
Interest income on bank deposits	**0.5**	0.1
Fair value movements on derivatives	**29.6**	25.5
	30.1	**25.6**

10. Net gains on investments

Accounting policy
Net gains on investments comprise realised gains and losses on disposal of financial assets and financial liabilities measured at fair value, unrealised gains and losses on the revaluation of investments, dividend income from investments and interest income and expenses from structured entities.

	2020 £m	2019 £m
Financial assets		
Change in fair value of financial instruments designated at FVTPL	**(137.5)**	342.4
Financial liabilities		
Change in fair value of financial instruments designated at FVTPL	**254.9**	(116.5)
Net gains and losses arising on investments	**117.4**	**225.9**

11. Finance costs

Accounting policy
Interest expense on the Group's debt, excluding financial liabilities within structured entities controlled by the Group, 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.

Interest expense associated with lease obligations, represents the unwinding of the lease liability discount accounted for under IFRS 16 (see note 18).

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

	2020 £m	2019 £m
Interest expense recognised on financial liabilities held at amortised cost	**53.1**	49.8
Arrangement and commitment fees	**4.7**	4.1
Interest expense associated with lease obligations	**0.5**	–
	58.3	**53.9**

Notes to the accounts continued
for the year ended 31 March 2020

12. Profit for the year

Profit for the year has been arrived at after charging:

	2020 £m	2019 £m
Staff costs	**168.5**	165.4
Amortisation and depreciation	**10.3**	5.9
Operating lease expenses	**2.1**	4.3
Auditor's remuneration	**1.8**	1.3

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

	2020 £m	2019 £m
ICG Group		
Audit fees		
Group audit of the annual accounts	**0.9**	0.7
The audit of subsidiaries' annual accounts	**0.5**	0.5
Total audit fees	**1.4**	**1.2**
Non audit fees		
Non audit fees in capacity as auditor	**0.1**	0.1
Other non audit fees	**0.3**	–
Total non audit fees	**0.4**	**0.1**
Total auditor's remuneration incurred by the Group	**1.8**	**1.3**
Affiliates of the ICG Group[1]		
Audit fees		
Audit of affiliate entities	**–**	0.1
Total audit fees	**–**	**0.1**
Non audit fees		
Corporate finance services	**0.1**	0.2
Tax advisory services	**–**	0.2
Total non audit fees	**0.1**	**0.4**
Total auditor's remuneration incurred by affiliates of the ICG Group	**0.1**	**0.5**
Total audit fees and audit related assurance fees	**1.9**	**1.8**

1 These services were provided to ICG managed funds that are affiliates of the Group for independence purposes, as defined by the Financial Reporting Council's (FRC) Revised Ethical Standard as effective 15 March 2020. These affiliates of ICG are funds and the services include tax and corporate finance services. No services were provided pursuant to contingent fee arrangements.

The £0.3m of other non audit fees during the year relate to £0.2m for a ISAE 3402 controls report and £0.1m of assurance work related to a bond issuance.

13. Employees and Directors

Accounting policy

The Deal Vintage Bonus (DVB) scheme, (formerly Balance Sheet Carry (BSC) scheme) forms part of the Group's Remuneration Policy for investment executives. DVB takes the form of an 'in house' carry arrangement (i.e. on the returns from investments made by the Group on its balance sheet).

Management estimates when each vintage will meet its hurdle rate and begin to pay out to participants of the scheme. The Group accrues 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 accrued in line with the DVB cost taken through the P&L, the amount accrued to be paid in future periods amounts to £7.0m at 31 March 2020 (31 March 2019: £6.4m).

	2020 £m	2019 £m
Directors' emoluments	**3.4**	**2.5**
Employee costs during the year including Directors:		
Wages and salaries	**146.3**	139.0
Social security costs	**17.9**	22.7
Pension costs	**4.3**	3.7
	168.5	**165.4**

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

	2020	2019
Investment Executives	**181**	166
Infrastructure	**201**	155
Directors	**2**	2
	384	**323**

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 £104.3m (2019: £110.9m) which is derived as a result of the annual bonus scheme, Omnibus Scheme and the Deal Vintage Bonus Scheme. Please refer to the report of the Remuneration Committee on page 79.

In addition, during the year, third-party funds have paid £42.8m (2019: £1.6m) to former employees and £64.5m (2019: £10.7m) to current employees, including Executive Directors, relating to distributions from carried interest investments made by 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 and paid by the carried interest partnerships (CIPs) of the funds (see note 28). As the funds and the CIPs are not consolidated, these amounts are not included in the Group's income statement.

Notes to the accounts continued
for the year ended 31 March 2020

14. Tax expense

Accounting policy

The tax expense comprises current and deferred tax.

Current tax assets and liabilities comprise those obligations to, or claims from, tax 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 tax 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	2020 £m	2019 £m
Current tax		
Corporate tax	4.1	16.0
Prior year adjustment	(2.9)	5.4
	1.2	21.4
Deferred taxation		
Current year	(0.2)	(19.1)
Prior year adjustment	2.9	(3.9)
	2.7	(23.0)
Tax charge/(credit) on profit on ordinary activities	3.9	(1.6)

The Group is an international business and operates across many different tax jurisdictions. Income and expenses are allocated to these jurisdictions based on transfer pricing methodologies set out both (i) in the laws of the jurisdictions in which the Group operates, and (ii) under guidelines set out by the Organisation for Economic Co-operation and Development (OECD). The effective tax rate results from the consolidation of taxes paid or credited on earnings attributable to the tax jurisdictions in which they arise. The vast majority of the Group's operating profits in the period arose in the UK.

The current effective tax rate reported by the Group of 3.4% (FY19: (0.9%) credit) is lower than the statutory UK corporation tax rate of 19%. The FMC activities are subject to tax at the relevant statutory rates ruling in the jurisdictions in which the income is earned. The lower effective tax rate compared to the statutory UK rate is largely driven by the IC activities. The IC benefits from statutory UK tax exemptions on certain forms of income arising from both foreign dividend receipts and gains from assets qualifying for the substantial shareholdings exemption. The effect of these exemptions means that the effective tax rate of the Group is highly sensitive to the relative mix of IC income, and composition of such income, in any one period.

Accounting for tax involves a level of estimation uncertainty given that the application of tax law requires a degree of judgment, which tax authorities may ultimately dispute. Tax liabilities are recognised based on the best estimates of probable outcomes, with regard to external advice where appropriate. The principal factors which may influence the Group's future tax rate are changes in tax legislation in the territories in which the Group operates, the relative mix of FMC and IC income, the mix of income and expenses earned and incurred by jurisdiction, and the timing of recognition of available deferred tax assets. A reconciliation between the theoretical statutory tax rate applicable to the Group and the reported effective tax rate is provided below.

	2020 £m	2019 £m
Profit on ordinary activities before tax	**114.5**	182.9
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2019: 19%)	**21.8**	34.8
Effects of:		
Prior year adjustment to current tax	**(2.9)**	5.4
Prior year adjustment to deferred tax	**2.9**	(3.9)
	–	1.5
Non taxable and non deductible items	**(2.0)**	(0.1)
Current year risk provision charge/(credit)	**–**	1.6
Impairment of tax debtor balance	**–**	3.3
Different tax rates of overseas subsidiaries	**(9.5)**	(32.5)
Changes in statutory tax rates	**–**	2.0
Other temporary differences	**(6.4)**	(12.2)
Current tax charge/(credit) for the year	**3.9**	**(1.6)**

Deferred tax

Group	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2018	4.4	5.5	(18.2)	17.2	8.9
Prior year adjustment	(0.9)	(3.7)	1.7	(1.0)	(3.9)
(Credit)/charge to equity	–	0.2	1.3	–	1.5
(Credit)/charge to income	1.8	(0.3)	(5.0)	(15.6)	(19.1)
At 31 March 2019	**5.3**	**1.7**	**(20.2)**	**0.6**	**(12.6)**
Prior year adjustment	0.6	5.3	(2.3)	(0.7)	2.9
(Credit)/charge to equity	–	–	0.7	–	0.7
(Credit)/charge to income	3.5	(8.3)	0.5	4.1	(0.2)
At 31 March 2020	**9.4**	**(1.3)**	**(21.3)**	**4.0**	**(9.2)**

Notes to the accounts continued
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14. Tax expense continued

Company	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2018	3.9	(2.2)	(11.1)	3.8	(5.6)
Prior year adjustment	(0.4)	(0.2)	(1.4)	(1.0)	(3.0)
(Credit)/charge to equity	–	(1.5)	1.3	–	(0.2)
(Credit)/charge to income	1.8	2.8	(6.1)	(1.4)	(2.9)
At 31 March 2019	**5.3**	**(1.1)**	**(17.3)**	**1.4**	**(11.7)**
Prior year adjustment	0.6	0.1	(1.9)	–	(1.2)
(Credit)/charge to equity	–	–	0.7	–	0.7
(Credit)/charge to income	3.5	1.6	(1.2)	0.2	4.1
At 31 March 2020	**9.4**	**0.6**	**(19.7)**	**1.6**	**(8.1)**

Deferred tax has been accounted for at the applicable tax rates enacted or substantively enacted, in each case in the relevant jurisdiction of the tax arising, as at the end of the reporting period.

15. Dividends

Accounting policy
Dividends paid to the Company's shareholders are recognised in the period in which the dividends are declared. Dividends become final once approved by the Company's shareholders at the AGM and may be subject to change. Dividends paid are recognised as a deduction from equity.

	2020		2019	
	Per share pence	**£m**	Per share pence	£m
Ordinary dividends paid				
Final	**35.0**	**100.0**	21.0	59.9
Interim	**15.0**	**42.8**	10.0	28.4
	50.0	**142.8**	31.0	88.3
Proposed final dividend	**35.8**	**101.6**	35.0	99.0

Of the £142.8m (2019: £88.3m) of ordinary dividends paid during the year, £0.7m were reinvested under the dividend reinvestment plan that was offered to shareholders (2019: £1.3m).

16. Earnings per share

Earnings	**2020 £m**	2019 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	**108.9**	180.1

Number of shares	**2020**	2019
Weighted average number of ordinary shares for the purposes of basic earnings per share	**284,813,542**	283,915,372
Effect of dilutive potential ordinary shares share options	**51,255**	25,528
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**284,864,797**	283,940,900
Earnings per share	**38.2p**	63.4p
Diluted earnings per share	**38.2p**	63.4p

17. Intangible assets

Accounting policy

Business combinations

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

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.

Investment management contracts

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.

Acquired intangible assets

Intangible assets that are acquired by the Group are typically computer software related and are stated at historical cost less accumulated amortisation and any impairment losses. Amortisation is on a straight line basis over the estimated useful lives. The Group's intangible assets are computer software, for which the estimated lives are three years.

Internally generated intangible assets – research and development expenditure

Research costs are expensed as incurred.

Development expenditure incurred on individual projects related to computer software are capitalised only if all of the following criteria are demonstrated:

- An asset is created that can be seperately identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Following the initial recognition of development expenditure, the cost is amortised over the estimated useful life of the asset created. Amortisation commences on the date that the asset is brought into use. Work-in-progress assets are not amortised until they are brought into use and transferred to the appropriate category of intangible assets. Amortisation of intangible assets is included in administrative expenses in the income statement and detailed in note 12.

Notes to the accounts continued
for the year ended 31 March 2020

17. Intangible assets continued

Group	Computer software 2020 £m	Computer software 2019 £m	Goodwill[1] 2020 £m	Goodwill[1] 2019 £m	Investment management contract 2020 £m	Investment management contract 2019 £m	Total 2020 £m	Total 2019 £m
Cost								
At 1 April	–	–	4.3	4.3	25.5	25.5	29.8	29.8
Reclassified[2]	31.0	–	–	–	–	–	31.0	–
Additions	6.1	–	–	–	–	–	6.1	–
At 31 March	**37.1**	**–**	**4.3**	**4.3**	**25.5**	**25.5**	**66.9**	**29.8**
Amortisation								
At 1 April	–	–	–	–	14.4	11.8	14.4	11.8
Reclassified[2]	19.7	–	–	–	–	–	19.7	–
Charge for the year	3.8	–	–	–	2.3	2.6	6.1	2.6
At 31 March	**23.5**	**–**	**–**	**–**	**16.7**	**14.4**	**40.2**	**14.4**
Net book value at 31 March	**13.6**	**–**	**4.3**	**4.3**	**8.8**	**11.1**	**26.7**	**15.4**

1 Goodwill was acquired in the ICG-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.

2 During the year the Group carried out an assessment of its assets categorised as furniture and equipment and determined that those assets relating to computer software are appropriately classified as intangible assets.

Company	Computer software 2020 £m	Computer software 2019 £m	Investment management contract 2020 £m	Investment management contract 2019 £m	Total 2020 £m	Total 2019 £m
Cost						
At 1 April	–	–	19.9	19.9	19.9	19.9
Reclassified[1]	31.0	–	–	–	31.0	–
Additions	6.1	–	–	–	6.1	–
At 31 March	**37.1**	**–**	**19.9**	**19.9**	**57.0**	**19.9**
Amortisation						
At 1 April	–	–	8.8	6.3	8.8	6.3
Reclassified[1]	19.7	–	–	–	19.7	–
Charge for the year	3.8	–	2.3	2.5	6.1	2.5
At 31 March	**23.5**	**–**	**11.1**	**8.8**	**34.6**	**8.8**
Net book value at 31 March	**13.6**	**–**	**8.8**	**11.1**	**22.4**	**11.1**

1 During the year the Group carried out an assessment of its assets categorised as furniture and equipment and determined that those assets relating to computer software are appropriately classified as intangible assets.

18. 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.

On 1 April 2019, the Group adopted IFRS 16 'Leases', see note 2. Included within the Group's property, plant and equipment, are its right of use (ROU) assets. ROU assets are the present value of the Group's global leases and comprises all future lease payments, and all expenditure associated with acquiring the lease. The Group's leases are primarily made up of its global offices. The Group has elected to capitalise initial costs associated with acquiring a lease before commencement as a ROU asset. The cost of the ROU assets are recognised in the income statement as a depreciation charge on a straight line basis over the life of the lease term.

	Furniture and equipment[2]		ROU asset		Short lease premises[1]		Total	
Group	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Cost								
At 1 April	**36.4**	31.2	**30.6**	–	**5.8**	5.6	**72.8**	36.8
Reclassified[2]	**(31.0)**	–	**5.8**	–	**(5.8)**	–	**(31.0)**	–
Additions	**–**	5.0	**5.9**	–	**–**	0.2	**5.9**	5.2
Exchange differences	**0.1**	0.2	**–**	–	**–**	–	**0.1**	0.2
At 31 March	**5.5**	**36.4**	**42.3**	**–**	**–**	**5.8**	**47.8**	**42.2**
Depreciation								
At 1 April	**24.0**	20.9	**20.2**	–	**5.6**	5.4	**49.8**	26.3
Reclassified[2]	**(19.7)**	–	**5.6**	–	**(5.6)**	–	**(19.7)**	–
Charge for the year	**0.2**	3.0	**4.0**	–	**–**	0.3	**4.2**	3.3
Exchange differences	**0.1**	0.1	**–**	–	**–**	(0.1)	**0.1**	–
At 31 March	**4.6**	**24.0**	**29.8**	**–**	**–**	**5.6**	**34.4**	**29.6**
Net book value	**0.9**	**12.4**	**12.5**	**–**	**–**	**0.2**	**13.4**	**12.6**

Subsequent to reporting the Group entered into a long term lease for its London office, the Group will recognise a £58.0m ROU asset and a corresponding lease liability, refer to note 33. £4.7m of initial related expenses have been capitalised into ROU assets at 31 March 2020.

	Furniture and equipment[2]		ROU asset		Short lease premises[1]		Total	
Company	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Cost								
At 1 April	**32.8**	27.9	**18.3**	–	**4.2**	4.2	**55.3**	32.1
Reclassified[1,2]	**(31.0)**	–	**4.2**	–	**(4.2)**	–	**(31.0)**	–
Additions	**–**	4.9	**4.4**	–	**–**	–	**4.4**	4.9
At 31 March	**1.8**	**32.8**	**26.9**	**–**	**–**	**4.2**	**28.7**	**37.0**
Depreciation								
At 1 April	**21.0**	18.1	**13.5**	–	**4.2**	4.2	**38.7**	22.3
Reclassified[1]	**(19.7)**	–	**4.2**	–	**(4.2)**	–	**(19.7)**	–
Charge for the year	**0.2**	2.9	**2.0**	–	**–**	–	**2.2**	2.9
At 31 March	**1.5**	**21.0**	**19.7**	**–**	**–**	**4.2**	**21.2**	**25.2**
Net book value	**0.3**	**11.8**	**7.2**	**–**	**–**	**–**	**7.5**	**11.8**

1 With the implementation of IFRS 16, shorthold leases have been reassessed and those greater than 12 months remaining on the lease have been reclassified to ROU assets, £30.6m (Company: £18.3m) has been reclassified on 1 April 2019.

2 During the year the Group carried out an assessment of its assets categorised as furniture and equipment and determined that those assets relating to computer software are appropriately classified as intangible assets per note 17.

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19. Investment property

Accounting policy
The Group holds investment property for the development of the Group's long-term real assets strategy. As the properties are being held with a purpose to earn rental income and/or for capital appreciation and are not occupied by the Group, IAS 40 Investment Property requires that the property be measured initially at cost, including transaction costs and subsequently measured at fair value. The fair value of the investment properties have been recorded based on independent valuations prepared by third-party real estate valuation specialists in line with the Royal Institution of Chartered Surveyors Valuation – Global Standards 2017. A market and income approach was performed to estimate the fair value of the Group's investments. These valuation techniques can be subjective and include assumptions which are not supportable by observable data. Details of the valuation techniques and the associated sensitivities are further disclosed in note 5 on page 144.

Group	2020 £m	2019 £m
Investment property at fair value		
At 1 April	**97.1**	–
Disposals	**(89.0)**	
Classified as held for sale or disposals	**–**	97.1
At 31 March	**8.1**	97.1

During the year, the Group disposed of investment property previously held in a disposal group held for sale. This related to the assets being transferred into a fund for a long term investment strategy. As the whole Group was disposed of no gain or loss was recorded directly relating to the investment property alone, rather the whole Group, see note 29.

20. Trade and other receivables

Accounting policy
Trade and other receivables represent amounts the Group is due to receive in the normal course of business and are held at amortised cost. 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 as these are short term and do not contain any significant financing components.

Performance fees receivable relates to fees which are considered contract assets under IFRS 15, and will only be received after realisation of the underlying assets, see note 3.

The Group has adopted the simplified approach to measuring the loss allowance at lifetime Expected Credit Loss (ECL), as permitted under IFRS 9. Trade and other receivables are received from Group entities or its affiliates and are paid shortly following notification to the Group, which causes the receivable to initially be recorded, the ECL of these receivables are expected to be nil or close to nil. Lastly, the assets do not contain any significant financing components, therefore the simplified approach is deemed most appropriate.

Trade and other receivables from Group entites are considered related party transactions as stated in note 27.

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Other receivables within structured entities controlled by the Group	**55.5**	74.0	**–**	–
Other receivables excluding structured entities controlled by the Group	**117.0**	108.3	**11.8**	44.7
Performance fees receivable	**24.5**	39.9	**9.4**	6.9
Amount owed by Group companies	**–**	–	**1,100.5**	969.4
Prepayments	**4.8**	4.9	**3.9**	2.6
	201.8	**227.1**	**1,125.6**	**1,023.6**

21. 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 as these are short term and do not contain any significant financing components.

Trade and other payables from Group entites are considered related party transactions as stated in note 27.

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Trade payables	**4.5**	2.3	**4.3**	2.2
Other payables	**160.7**	201.2	**–**	–
Accruals	**169.6**	145.6	**132.3**	132.2
Amounts owed to Group companies	**–**	–	**1,123.5**	726.6
Social security tax	**1.2**	1.4	**1.4**	1.1
	336.0	**350.5**	**1,261.5**	**862.1**

22. 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), price risk, 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.

Exposure to interest rate risk

	2020			2019		
Group	**Floating £m**	**Fixed £m**	**Total £m**	Floating £m	Fixed £m	Total £m
Financial assets	**4,697.2**	**2,094.6**	**6,791.8**	3,999.3	2,410.2	6,409.5
Financial liabilities	**(3,553.0)**	**(2,038.7)**	**(5,591.7)**	(3,575.2)	(1,486.0)	(5,061.2)
	1,144.2	**55.9**	**1,200.1**	**424.1**	**924.2**	**1,348.3**

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22. Financial risk management continued

Sensitivity to interest rate risk
The sensitivity of floating rate financial assets to the 100 basis points interest rate increase is £47.0m (2019: £40.0m) and the sensitivity of financial liabilities to the same interest rate increase is £35.5m (2019: £35.8m). 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:

					2020
Group	**Net statement of financial position exposure £m**	**Forward exchange contracts £m**	**Net exposure £m**	**Sensitivity to strengthening %**	**Increase in net assets £m**
Sterling	**506.0**	**795.8**	**1,301.8**	**–**	**–**
Euro	**626.2**	**(640.6)**	**(14.4)**	**15%**	**(2.2)**
US dollar	**(196.2)**	**98.3**	**(97.9)**	**20%**	**(19.6)**
Other currencies	**264.1**	**(221.3)**	**42.8**	**10-25%**	**–**
	1,200.1	**32.2**	**1,232.3**		**(21.8)**

					2019
Group	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Increase in net assets £m
Sterling	(12.1)	1,013.5	1,001.4	–	–
Euro	879.7	(716.3)	163.4	15%	24.5
US dollar	163.0	(116.8)	46.2	20%	9.2
Other currencies	317.7	(185.6)	132.1	10–25%	–
	1,348.3	**(5.2)**	**1,343.1**	**–**	**33.7**

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 2020. It is assumed that Group borrowings under its senior debt facilities remain at the same level as at 31 March 2020 until contractual maturity. Included in financial liabilities are contractual interest payments. All financial liabilities excluding structured entities controlled by the Group are held by the Company.

Liquidity profile

	Contractual maturity analysis				
As at 31 March 2020	**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	**209.3**	**156.6**	**421.7**	**387.8**	**1,175.4**
Listed notes and bonds	**97.7**	**15.2**	**189.7**	**458.9**	**761.5**
Unsecured bank debt	**5.4**	**5.4**	**252.6**	**–**	**263.4**
Structured entities controlled by the Group	**96.8**	**96.8**	**290.5**	**4,013.8**	**4,497.9**
Derivative financial instruments	**(6.0)**	**(4.0)**	**26.1**	**(5.2)**	**10.9**
	403.2	**270.0**	**1,180.6**	**4,855.3**	**6,709.1**

As at 31 March 2020 the Group has unutilised debt facilities of £1,216.5m (2019: £572.7m) which consists of undrawn debt of £300m (2019: £410.0m) and £916.5m (2019: £162.7m) of unencumbered cash. Unencumbered cash excludes £170.4m (2019: £191.3m) of restricted cash held principally by structured entities controlled by the Group. During the year, the Group issued a €500m seven-year bond, with a fixed coupon of 1.625%. The bond is redeemable on the 17 February 2027 at its principal amount see note 7.

	Contractual maturity analysis				
As at 31 March 2019	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	37.2	197.4	271.9	495.0	1,001.5
Listed notes and bonds	13.0	90.5	176.0	–	279.5
Unsecured bank debt	2.8	2.8	140.0	–	145.6
Structured entities controlled by the Group	103.9	103.9	311.7	3,209.2	3,728.7
Derivative financial instruments	(11.5)	(1.6)	21.7	(2.8)	5.8
	145.4	**393.0**	**921.3**	**3,701.4**	**5,161.1**

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.

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22. Financial risk management continued

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 investments.

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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Direct investment in portfolio companies held at fair value	**432.6**	370.3	**211.2**	227.3
Investments in funds	**1,342.8**	1,345.3	**375.4**	364.8
Investments in CLO loan notes	**117.4**	128.0	**12.1**	15.3
Investments in loans held within structured entities controlled by the Group	**3,599.8**	3,803.5	**–**	–
Investment in joint venture	**2.5**	1.8	**–**	–
	5,495.1	5,648.9	**598.7**	607.4

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 within structured entities controlled by the Group 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. The Group'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 2020 was £421.5m (2019: £556.2m).

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. Decreases in fair value 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 are 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 (the FCA) and ensure that the Group maximises the return to shareholders through the optimisation of the debt and equity balance. The Group's strategy has remained unchanged from the year ended 31 March 2019.

The capital structure comprises debt, which include the borrowings disclosed in note 7, cash and cash equivalents, and capital and reserves of the 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 company's capital resources.

- Pillar 1 calculates a company's minimum capital resource requirement mechanically by reference to the company type and based on prescribed factors
- Pillar 2 requires a subjective assessment of the company'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 FCA
- Pillar 3 requires public disclosure of information regarding the risk management, capital resources and capital requirements of a company 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 £441.7m (2019: £403.7m). The Group's total capital requirement is £492.5m (2019: £451.4m). The Group's regulatory surplus capital, comprising the Group's total equity (less regulatory deductions) and the regulatory capital requirement, was £698.7m (2019: £688.3m). The Group has complied with the imposed minimum capital throughout the year. The full Pillar 3 disclosures are available on the Group's website: **www.icgam.com**.

23. 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. The Company has 294,179,174 authorised share capital (2019: 294,084,351).

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 2019	294,084,351	77.2	179.5
Shares issued	94,823	–	0.4
31 March 2020	**294,179,174**	**77.2**	**179.9**

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24. 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 is 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 25, 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:

	2020 £m	2019 £m	**2020 Number**	2019 Number
At 1 April	**92.8**	77.6	**11,218,285**	11,355,766
Purchased (ordinary shares of 26¼p)	**70.3**	49.3	**4,778,936**	4,481,953
Options/awards exercised	**(48.7)**	(34.1)	**(5,097,737)**	(4,619,434)
As at 31 March	**114.4**	**92.8**	**10,899,484**	**11,218,285**

The Company held 3,733,333 shares in the Own Share Reserve at 31 March 2019 and 31 March 2020 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 3.7% (2019: 3.8%) of the Parent Company's allotted, called up and fully paid share capital.

25. Share based payments

Accounting policy
The Group issues compensation to its employees under equity settled share based payment plans.

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

The total charge to the income statement for the year was £25.2m (2019: £27.0m) and this was credited to the share based payments reserve in equity. Details of the different types of awards are as follows:

Intermediate Capital Group plc Omnibus Plan
The Omnibus Plan provides for two different award types to be made over ICG shares: Deferred Share Awards and PLC Equity Awards.

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 the 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 the individual's objectives. There are no further performance conditions.

Share awards outstanding under the Omnibus Plan were as follows:

Deferred Share Awards	Number 2020	Number 2019	Weighted average fair value (£) 2020	Weighted average fair value (£) 2019
Outstanding at 1 April	**2,780,324**	1,839,908	**10.18**	7.35
Granted	**1,292,442**	1,766,868	**11.98**	11.64
Vested	**(1,236,430)**	(826,452)	**9.42**	6.99
Forfeited	**(7,322)**	–	**11.98**	–
Outstanding at 31 March	**2,829,014**	2,780,324	**11.33**	10.18

PLC Equity Awards	Number 2020	Number 2019	Weighted average fair value (£) 2020	Weighted average fair value (£) 2019
Outstanding at 1 April	**3,906,404**	4,343,212	**7.25**	6.18
Granted	**579,715**	521,906	**11.98**	11.64
Vested	**(1,153,000)**	(958,714)	**5.33**	4.79
Outstanding at 31 March	**3,333,119**	3,906,404	**8.74**	7.25

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.

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 the individual's objectives. There are no further performance conditions.

FMC Equity Awards	Number 2020	Number 2019	Weighted average fair value (£) 2020	Weighted average fair value (£) 2019
Outstanding at 1 April	**30,473**	54,048	**582.0**	514.0
Vested	**(19,369)**	(23,575)		425.0
Forfeited	**–**	–	**515.0**	–
Outstanding at 31 March	**11,104**	30,473	**700.0**	582.0

The fair values of awards granted under the FMC Equity Awards are determined by an independent third-party valuation.

Intermediate Capital Group plc Buy Out Awards

Buy Out Awards are shares awarded to new employees in lieu of awards forfeited from their previous employment. 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.

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for the year ended 31 March 2020

25. Share based payments continued

Buy Out Awards outstanding were as follows:

Buy Out Awards	Number 2020	Number 2019	Weighted average fair value (£) 2020	Weighted average fair value (£) 2019
Outstanding at 1 April	**265,844**	424,197	**6.54**	6.51
Granted	**66,629**	–	**12.04**	–
Vesting	**(156,961)**	(158,353)	**7.38**	6.48
Outstanding at 31 March	**175,512**	265,844	**7.87**	6.54

The fair values of the Buy Out Awards granted are determined by the average share price for the five business days prior to grant.

Save As You Earn

The Group offers a Sharesave Scheme (SAYE) to its employees and are granted by invitation at a 20% discount to the prevailing market price at the date of issue. Options to this equity-settled scheme are exercisable at the end of a three year savings contract. Participants are not entitled to dividends prior to the exercise of the options. The maximum amount that can be saved by a participant in this way is £6,000 in any tax year.

Fair value is measured using the Black–Scholes valuation model, which takes into account the current share price of the Group, the risk-free interest rate, the expected volatility of the share price over the life of the award, no other vesting condition is included. The expected volatility was calculated by analysing three years of historic share price data of the Group.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards and options at grant date, which is remeasured at each reporting date. The total amount to be expensed during the year is £241,700 (2019:Nil).

Save As You Earn Scheme (SAYE)	Number 2020	Number 2019	Weighted average fair value (£) 2020	Weighted average fair value (£) 2019
Outstanding at 1 April	**127,147**	127,147	**2.15**	2.15
Granted	**147,063**	–	**3.26**	–
Vested	**(618)**	–	**2.15**	–
Forfeited	**(29,146)**	–	**2.35**	–
Outstanding at 31 March	**244,446**	127,147	**2.79**	2.15

In 2016, the Group offered a share saver scheme granting 91,398 shares. To date a total of 70,833 shares have vested and 15,447 lapsed. As at the reporting date 5,118 shares are still open and exercisable from the 2016 scheme.

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 2020	Number 2019	Exercise price (£) 2020	Exercise price (£) 2019
Outstanding at 1 April	**25,601**	25,601	**2.95**	2.95
Exercised	**(25,601)**	–	**2.95**	–
Outstanding at 31 March	**–**	25,601	**–**	2.95
Of which are currently exercisable	**–**	25,601	**–**	2.95

The weighted average remaining contractual life in 2019 was 0.5 years.

Exercise price	2020 Number	2019 Number
£2.947	**–**	25,601
	–	25,601

26. 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 fund's 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 Group had undrawn commitments, which can be called on over the commitment period, as follows:

	2020 £m	2019 £m
ICG Senior Debt Partners	10.0	9.7
ICG Senior Debt Partners II	–	4.4
ICG Senior Debt Partners III	3.1	14.7
ICG Europe Fund V	36.8	35.7
ICG Europe Fund VI	73.6	71.5
ICG Europe Fund VII	215.0	262.4
ICG Mid-Market Fund	83.0	–
ICG North American Private Debt Fund	33.5	35.3
ICG North American Private Debt Fund II	89.8	90.2
Intermediate Capital Asia Pacific Fund III	41.2	33.1
ICG Asia Pacific Fund IV	69.9	–
Nomura ICG Investment Business Limited Partnership A	22.8	30.4
ICG Strategic Secondaries Fund II	46.2	49.2
ICG Strategic Equity Fund III	124.4	152.8
ICG-Longbow UK Real Estate Debt Investments V	16.3	18.8
ICG-Longbow Development Fund	6.1	9.1
ICG Centre Street Partnership	2.6	4.2
ICG Infrastructure Equity Fund I	112.5	–
ICG Private Markets Pooling – Sale and Leaseback	79.5	–
	1,066.3	821.5

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 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 for the Parent Company accounts. All significant company balances with subsidiary, joint venture partners and associate undertakings are disclosed in notes 5, 20 and 21. Significant transactions with subsidiary undertakings relate to dividends received, the aggregate amount received during the year is £103.8m (2019: £285.7m).

The related parties additionally include, joint ventures and associates (as detailed in note 30), unconsolidated structured entities (as detailed in note 31), 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.

Trade and other receivables and trade and other payables include unsettled payment and receipts of dividend income and management fees from Group companies.

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for the year ended 31 March 2020

27. Related party transactions continued

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:

	2020 £m	2019 £m
Short-term employee benefits	**2.3**	1.4
Post employment benefits	**0.1**	0.1
Other long-term benefits	**1.9**	5.4
Share based payment benefits	**4.6**	5.5
	8.9	**12.4**

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 Committee Report on page 79.

28. Subsidiaries

Accounting policy
Investment in subsidiaries
The Group consists of the Parent Company, ICG plc, and its subsidiaries, described collectively herein as 'ICG' or 'the Group'. 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.

Critical judgement
A significant judgement for the Group is whether the Group controls an investee or fund and is required to consolidate the investee or fund into the results of the Group. Control is determined by the Directors' assessment of decision making authority, rights held by other parties, remuneration and exposure to returns.

When assessing whether ICG controls any fund 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.

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 we have reviewed these kick-out rights. Where the investors have substantive rights to remove ICG as the investment manager it has been concluded that ICG is an agent to the fund and thus the fund does not require consolidation into the Group. We consider if ICG has significant influence over these funds and where we conclude it does we recognised them as associates. Where the conclusion is that ICG acts in the capacity of principal the fund has been consolidated into the Group's results.

Where ICG has Trust vehicles in investment deals or fund structures, a key judgement is whether the Trust is acting on behalf of ICG or another third party. Where the Trust is considered to act as an agent of ICG, the Trust and its related subsidiaries have been consolidated into the Group.

As a fund manager ICG participates in carried interest partnerships (CIPs), the participants of which are ICG, ICG employees and others connected to the related fund. These vehicles have two purposes: 1) to facilitate payments of carry from the fund to carry holders, and 2) to facilitate co-investment into the funds. The Directors have assessed the payments and the returns the participants receive from their co-investments 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 ICG, 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 ICG.

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 Group's holding is in the ordinary share class, except where stated. The registered office of all related undertakings at 31 March 2020 was 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[1]		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%
Intermediate Capital Limited		United Kingdom	General partner – Dormant	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 – Dissolved	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 – Dormant	Ordinary shares	100%
ICG Japan (Funding 3) Limited		United Kingdom	Special purpose vehicle – Dormant	Ordinary shares	100%
ICG Re Holding (Germany) GmbH	4	Germany	Special purpose vehicle	Ordinary shares	100%
ICG Nominees 2015 Limited		United Kingdom	Nominee company – Dormant	Ordinary shares	100%
ICG Financing (Luxembourg) S.a.r.l	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 – Dormant	Ordinary shares	100%
Intermediate Capital Hong Kong Limited	7	Hong Kong	Advisory company/provider of mezzanine capital – Dissolved	Ordinary shares	100%
ICG Vanilla Investment S.a.r.l.	5	Luxembourg	Special purpose vehicle	N/A	100%
ICG Global Investment UK Limited		United Kingdom	Holding company	Ordinary shares	100%
ICG Debt Advisors (Cayman) Limited	27	Cayman Islands	Advisory company	Ordinary shares	100%
ICG-Longbow Richmond Limited	15	United Kingdom	Holding company	Ordinary shares	100%

1 JOG Partners Limited is a member of Intermediate Investments LLP.

Notes to the accounts continued
for the year ended 31 March 2020

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%
ICG Global Investment Jersey Limited	2	Jersey	Investment company	Ordinary shares	100%
ICG-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 – Dissolved	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 – Dissolved	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	2	Jersey	General partner	Ordinary shares	100%
ICG Alternative Credit (Luxembourg) GP S.a.r.l	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 S.a.r.l	24	Luxembourg	General partner	Ordinary shares	100%
ICG-Longbow Investment 3 LLP	15	United Kingdom	Limited liability partnership – Dormant	Holding in partnership investment	100%
ICG Strategic Equity Advisors LLC	25	United States of America	Advisory company	Ordinary shares	100%

Name	Ref	Country of incorporation	Principal activity	Share class	% Voting rights held
ICG Strategic Secondaries Carbon Associates LLC	25	United States of America	General partner	Ordinary shares	100%
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 – Dormant	100%
ICG-Longbow IV GP S.a.r.l	28	Luxembourg	General partner	Ordinary shares	100%
ICG Europe Fund VI GP Limited	2	Jersey	General partner	Ordinary shares	100%
ICG Europe Fund VI GP LP	2	Jersey	Limited partner	N/A	–
ICG Strategic Equity Associates LLC	25	United States of America	General partner	Ordinary shares	100%
ICG Strategic Secondaries (Offshore) GP LP	2	Jersey	Limited partner	N/A	–
ICG Strategic Secondaries Carbon (Offshore) GP LP	2	Jersey	Limited partner	N/A	–
ICG Strategic Secondaries GP LP	2	Jersey	Limited partner	N/A	–
ICG Velocity GP LP	2	Jersey	Limited partner	N/A	–
ICG Total Credit (Global) GP S.a.r.l	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 Enterprise Carry GP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG Alternative Investment (Netherlands) B.V.	11	Netherlands	Advisory company	Ordinary shares	100%
ICG Europe Fund VI Lux GP S.a.r.l	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	1	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	1	Jersey	General partner – Dissolved	Ordinary shares	100%
ICG EF 2006 EGP 2 Limited	1	Jersey	General partner – Dissolved	Ordinary shares	100%
ICG RF 2008 EGP Limited	1	Jersey	General partner	Ordinary shares	100%
ICG MF 2003 No. 1 EGP 1 Limited	1	Jersey	General partner	Ordinary shares	100%
ICG MF 2003 No. 1 EGP 2 Limited	1	Jersey	General partner	Ordinary shares	100%
ICG MF 2003 No. 3 EGP 1 Limited	1	Jersey	General partner	Ordinary shares	100%
ICG MF 2003 No. 3 EGP 2 Limited	1	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 – Dissolved	Ordinary shares	100%
ICG Mezzanine 2003 No 3 Nominee Limited		United Kingdom	Dormant company – Dissolved	Ordinary shares	100%
ICG Minority Partners Limited		United Kingdom	Special purpose vehicle -Dormant	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%

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28. Subsidiaries continued

Name	Ref	Country of incorporation	Principal activity	Share class	% Voting rights held
Intermediate Capital Group Polska SZOO	3	Poland	Service company	Ordinary shares	100%
ICG Luxembourg Sarl	29	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.	26	Luxembourg	General partner	Ordinary shares	100%
ICG Europe Fund VII GP LP SCSp	26	Luxembourg	Limited partner	N/A	–
ICG-Longbow Fund V GP S.à r.l.	26	Luxembourg	General partner	Ordinary shares	100%
ICG-Longbow Senior Debt IV S.à r.l.	5	Luxembourg	General partner	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 – Dormant	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%
ICG North America Associates II LLC	16	United States of America	General partner	Ordinary shares	100%
ICG North American Private Debt GP LP	2	Jersey	Limited partner	N/A	–
ICG North American Private Debt II GP LP	2	Jersey	Limited partner	N/A	–
ICG Seed Asset Investment Trust (Jersey)	2	Jersey	Seed Asset Trust	N/A	–
ICG Strategic Equity Associates III LLC	25	United States of America	General partner	Ordinary shares	100%
ICG Strategic Equity III GP LP	2	Jersey	Limited partner	N/A	–
ICG Augusta Associates LLC	25	United States of America	General partner	Ordinary shares	100%
ICG Augusta GP LP	2	Jersey	Limited partner	N/A	–
ICG Private Markets GP S.à r.l.	30	Luxembourg	General partner	Ordinary shares	100%
ICG Europe Mid-Market Fund GP S.à r.l.	26	Luxembourg	General partner	Ordinary shares	100%
ICG Europe Mid-Market Fund GP LP SCSp	26	Luxembourg	Limited partner	N/A	–
ICG Watch GP Limited		United Kingdom	General partner	Ordinary shares	100%
ICG Global Nominee Jersey Limited (formerly ICG Fund VII Jersey Co)	1	Jersey	Special purpose vehicle	Ordinary shares	100%
ICG Private Credit GP S.à r.l.	26	Luxembourg	General partner	Ordinary shares	100%
ICG Infrastructure Equity Fund I GP S.a.r.l	31	Luxembourg	General partner	Ordinary shares	100%
ICG Infrastructure Equity Fund I GP LP SCSp	31	Luxembourg	Limited partner	N/A	–
Luxembourg Investment Company 304 S.à r.l.	5	Luxembourg	Special purpose vehicle	N/A	–
Intermediate Capital Group (Italy) S.r.l.	28	Italy	Service company	Ordinary shares	100%
ICG Asia Pacific Fund IV GP S.a.r.l	30	Luxembourg	General partner	Ordinary shares	100%
European Credit 2019 S.a.r.l	26	Luxembourg	Special purpose vehicle	Ordinary shares	100%
ICG European Credit Mandate GP S.à r.l.	26	Luxembourg	General partner	Ordinary shares	100%
ICG-Longbow Senior GP LLP		United Kingdom	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.

	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
28	2, Boulevard de la Foire, L – 1528 Luxembourg, Grand Duchy of Luxembourg
29	32-36, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg
30	6 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg
31	6H Route De Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg

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28. Subsidiaries continued

The table below shows details of structured entities that the Group is deemed to control:

Name of subsidiary	Country of incorporation	% of ownership interests and voting rights 2020
US CLO 2014-1	Cayman Islands	100.0%
US CLO 2014-2	Cayman Islands	72.0%
US CLO 2014-3	Cayman Islands	51.3%
US CLO 2015-1	Cayman Islands	50.3%
US CLO 2015-2R	Cayman Islands	82.5%
US CLO 2016-1	Cayman Islands	55.6%
US CLO 2017-1	Cayman Islands	59.9%
St. Paul's CLO II Designated Activity Company	Ireland	34.5%
St. Paul's CLO III-R Designated Activity Company	Ireland	62.4%
St. Paul's CLO VI Designated Activity Company	Ireland	53.2%
St. Paul's CLO VIII	Ireland	52.7%
St. Paul's CLO XI	Ireland	57.5%
ICG High Yield Bond Fund	Ireland	100.0%
ICG Global Total Credit Fund	Ireland	86.2%
ICG Total Credit (Global) S.C.A	Luxembourg	100.0%
ICG US Senior Loan Fund	Cayman Islands	100.0%
ICG Infrastructure Equity Fund I Master	Luxembourg	48.6%

The structured entities controlled by the Group include £3,796.3m (2019: £4,073.1m) of assets and £3,778.9m (2019: £4,025.8m) of liabilities within 17 credit funds listed above. 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.

The Group 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. Disposal groups held for sale

Non current and current financial assets held for sale and disposal groups

Accounting policy

Non current and current financial assets held for sale and disposal groups

The Group may make an investment and hold the asset on its balance sheet prior to it being transferred into a fund, or sold to third-party investors. The assets are expected to be held for a period up to a year, during which the asset will be classified as held for sale. Where the investment is held through a controlled investee the entity is classified as a disposal group held for sale.

The conditions for disposal groups held for sale, are 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 the date of classification.

Disposal groups held for sale are recognised at the lower of fair value less cost to sell and its carrying amount as required by IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', except where the asset is a financial instrument or investment property. The measurement of these assets are superseded by IFRS 9 'Financial Instruments' and IAS 40 investment property respectively. The Group's measurement of these assets are detailed in note 5. During the year, one disposal group held for sale was sold by the Group into a fund. During the year to 31 March 2019 the Group recognised £3.0m of fair value losses relating to these assets and their associated liabilities, these amounts have not been separately presented as they are not material to the Group. One entity held for sale during the year to 31 March 2019 is now fully consolidated into the results of the Group as it was held for a period greater than 12 months. At year end the Group has no disposal groups held for sale.

The non current assets and liabilities of the disposal groups held for sale are as follows:

	2020 £m	2019 £m
Non current assets		
Investment property	–	97.1
Cash	–	7.6
Other debtors	–	2.4
	–	107.1
Non current liabilities		
Liabilities associated with assets held for sale	–	76.9

Notes to the accounts continued
for the year ended 31 March 2020

30. 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 the Group associates and joint ventures are investment related which are seen as complementing the Group's operations and contributing to achieving the Group's overall strategy. The remaining associates and joint ventures are portfolio companies not involved in investment activities.

Details of associates and joint ventures
Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Country of incorporation	Proportion of ownership interest/ voting rights held by the Group 2020	Income distributions received from associate 2020	Income distributions received from associate 2019
ICG Europe Fund V Jersey Limited[1]	Investment company	Jersey	20.0%	64.6	86.3
ICG Europe Fund VI Jersey Limited[2]	Investment company	Jersey	16.7%	29.9	64.9
ICG North American Private Debt Fund[3]	Investment company	United States of America	20.0%	6.0	5.9
ICG Asia Pacific Fund III Singapore Pte. Limited[4]	Investment company	Singapore	20.0%	1.0	0.9
Océinde Communications[5]	Telecom	France	19.3%	–	–

All associates are accounted for at fair value.

1 The registered address for this entity is IFC 1 – The Esplanade, St Helier, Jersey JE1 4BP.
2 The registered address for this entity is IFC 1 – The Esplanade, St Helier, Jersey JE1 4BP.
3 The registered address for this entity is 600, Lexington Avenue, 24th Floor, New York, NY 10022, United States of America.
4 The registered address for this entity is 1 Raffles Place, #13-01 One Raffles Place, Singapore, 048616.
1-4 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 GP without cause by Special Investor Consent (1, 2, 4)/Combined Limited Partner Consent (3). The Funds also each have an Advisory Council, nominated by the investors, whose function is to ensure that the GP 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.
5 The registered address for this entity is Rue Frédérick Jackson –ZI no1 – BP 37 – 97821 Le Port Cedex – La Réunion 808 972 012 R.C.S. Saint-Denis de la Réunion.

The following changes are of note to the Group's associates 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 held by the Group 2020	Proportion of voting rights held by the Group 2020
Nomura ICG KK	Advisory company	Japan	50%	50%
Brighton Marina Group Limited	Investment Company	United Kingdom	70%	50%
Avanton Richmond Developments Limited	Investment Company	United Kingdom	70%	50%
Luxembourg Investment Company 296 S.a.r.l	Investment Company	Luxembourg	50%	50%

Nomura ICG KK is equity accounted as a joint venture in accordance with IFRS 11. Brighton Marina Group Limited and Avanton Richmond Developments Limited are accounted for at fair value in accordance with the Group's accounting policy in note 5 to the financial statements. The Group'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 considers it more appropriate to equity account for this entity in the financial statements.

The Group holds 70% of the ordinary shares in both Avanton Richmond Developments Limited (Avanton Richmond) and Brighton Marina Group Limited (Brighton Marina) and 50% of Luxembourg Investment Company 296 S.a.r.l (Luxco 296). The management of these entities is jointly controlled with a third party who the Group does not control and therefore the Group is unable to execute decisions without the consent of the third party. The Group and the third party hold all voting rights 50:50.

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 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 as a percentage of total Group assets.

The principal place of business for both these entities is Jersey. The entities allow the Group to co-invest into Fund V and Fund VI through a parallel structure, aligning interests with other investors. The Group 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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Current assets	**5.0**	11.3	**2.9**	3.5
Non current assets	**1,947.3**	1,977.4	**575.5**	1,025.1
Current liabilities	**(15.1)**	(8.6)	**(0.1)**	(3.7)
	1,937.2	1,980.1	**578.3**	1,024.9
Revenue	**166.4**	514.2	**471.1**	318.6
Profit from continuing operations	**166.1**	510.8	**470.9**	318.5
Total comprehensive income	**166.1**	510.8	**470.9**	318.5

Summarised financial information for equity accounted joint ventures

Nomura ICG KK made a profit from continuing operations and total comprehensive income of £1.2m for the year ended 31 March 2020 (2019: £1.2m), of which, the Group's share of results accounted for using the equity method is £0.6m for the year ended 31 March 2020 (2019: £0.6m).

Notes to the accounts continued
for the year ended 31 March 2020

31. Unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group has determined that where the Group holds an investment, loan, fee receivable, guarantee or commitment with an investment fund, carried interest partnership, CLO or CDO, that this represents an interest in a structured entity. The Group does not have any exposure to loans, guarantees or commitments. Where the Group does not hold an investment in the structured entity, management has determined that the characteristics of control are not met.

The Group 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, the Group is acting as agent on behalf of these investors and therefore these entities are not consolidated into the Group's results. Consolidated structured entities are detailed in note 28.

At 31 March 2020, the Group'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 at FVTPL and trade and other receivables in the statement of financial position:

						2020
Funds	**Investment in Fund £m**	**Management fees receivable £m**	**Management fees %**	**Performance fees receivable £m**	**Performance fees %**	**Maximum exposure to loss £m**
CLOs	117.4	3.4	0.35% to 0.60%	–	0.05% to 0.20%	120.8
Credit Funds	19.5	7.2	0.50% to 0.75%	–	20% of returns in excess of 0% for alternative credit fund	26.7
Corporate Investment Funds	1,092.7	39.7	0.50% to 2.0%	23.4	20%–25% of total performance fee of 20% of profit over the threshold	1,155.8
Real Asset Funds	89.1	13.2	0.40% to 1.33%	–	20% of returns in excess of 9% IRR	102.3
Secondaries Funds	140.1	7.7	1.15% to 1.50%	1.1	10%–20% of total performance fee of 8%–20% of profit over the threshold	148.9
Total	**1,458.8**	**71.2**		**24.5**		**1,554.5**

						2019
Funds	Investment in Fund £m	Management fees receivable £m	Management fees %	Performance fees receivable £m	Performance fees %	Maximum exposure to loss £m
CLOs	129.6	2.4	0.35% to 0.60%	–	0.05% to 0.20%	132.0
Credit Funds	14.4	5.2	0.50% to 0.75%	–	20% of returns in excess of 0% for alternative credit fund	19.6
Corporate Investment Funds	1,027.2	26.6	0.50% to 2.0%	37.1	20%–25% of total performance fee of 20% of profit over the threshold	1,090.9
Real Asset Funds	80.7	8.7	0.40% to 1.33%	–	20% of returns in excess of 9% IRR	89.4
Secondaries Funds	173.5	6.0	1.15% to 1.50%	2.8	10%–20% of total performance fee of 8%–20% of profit over the threshold	182.3
Total	**1,425.4**	**48.9**		**39.9**		**1,514.2**

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.

32. Contingent liabilities

The Parent 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 Parent Company and its subsidiaries may be able to recover any monies paid out in settlement of claims from third parties.

33. Post balance sheet events

Since the year end, the outbreak of Covid-19 has continued to cause major global uncertainty and continues to impact global financial markets. The Group has implemented its business continuity plan, and its critical teams and functions continue to work remotely to support the business.

The overall financial impact of Covid-19 is uncertain; however, the Group determined that its key sensitivity was in relation to fair value assessment of its financial assets. The principal source of uncertainty concerns estimates applied in determining such assessments. The Group has an established policy and robust process where valuations are challenged by the Group Valuation Committee both qualitatively and quantitively. All investments are subject to review at a minimum quarterly, and those which have been identified to have a significant reduction in fair value are subject to enhanced monitoring and review.

As a result of Covid-19, the Group placed enhanced focus on its valuation assessment and the effectiveness of methodologies applied. The Group has included additional sensitivities to its valuations and stress-testing for the potential impact of Covid-19-related market dislocation, these are disclosed in note 5. Since 31 March 2020, the Group continued to monitor estimates and valuations that may have had a significant risk of causing a material adjustment to fair value assessments as of the balance sheet date. The Group has not identified any material changes requiring adjustment subsequent to year end.

As part of the Board's assessment of the going concern basis and viability of the Group, detailed on pages 104 and 36, a range of stressed scenarios and sensitivity analyses were examined to identify conditions that might result in the Group's covenants being breached. This included the consideration of possible remedial action that the Group could undertake to avoid such breaches. The nature of the diversification and defensive characteristics of the Group's closed-end funds were also considered.

The results from the scenario analysis is that the Group is sensitive to the reduction in the fair value of its investments which are dependent on external factors; however, due to the long-term nature of the Group's funds, a reduction to the fair value of an investment does not result in an outflow of cash. Therefore, this does not impact the liquidity of the Group.

The Group has sufficient liquidity following the issuance of a €500m bond and private placement debt during the current financial year. The Group is not in breach of any of its facility covenants and has sufficient headroom.

Based on the Board's review and drawing on its skills and experience it expects that, even in the identified extreme scenario, the Group would have the capacity to continue as a viable entity.

As of 15 May 2020, the Group has taken occupation of Procession House, 55 Ludgate Hill, New Bridge Street, London EC4M 7JW. This site is currently in the process of being fitted out and will be the new London Headquarters where the Group's London staff will be based later on in the year.

Our funds (unaudited)

Carried interest earning funds

Fund	Third-party capital	Target money multiple	% Carried interest[1]
Intermediate Capital Asia Pacific 2005	$300m	N/A	25% of 20 over 8
Intermediate Capital Asia Pacific 2008	$600m	1.35x	20% of 20 over 8
Intermediate Capital Asia Pacific Fund III	$491m	1.8x	20% of 20 over 7
Nomura ICG Fund A	¥26,501m	1.3x	10% of 20 over 4
ICG Mezzanine Fund 2003	€668m	1.8x	25% of 20 over 8
ICG Europe Fund IV 2006B	€974m	1.8x	20% of 5 over 8
ICG Europe Fund V	€2,000m	1.6x	20% of 20 over 8
ICG Europe Fund VI	€2,500m	1.6x	20% of 20 over 8
ICG Europe Fund VII	€4,000m	1.8x	20% of 20 over 8
ICG Recovery Fund 2008B	€638m	2.0x	20% of 12.5 over 8 up to 20% of 15 over 20
ICG Europe Mid-Market Fund	€893m	1.8x	20% of 20 over 8
ICG Europe co-investment funds	€218m	1.8x	20% of 10 over 8
ICG-Longbow Fund III	£605m	N/A	22.5% of 20 over 9
ICG-Longbow Fund IV	£945m	N/A	10% of 20 over 8
ICG-Longbow Fund V	£901m	N/A	20% of 20 over 6
ICG-Longbow Development funds	£300m	N/A	20% of 20 over 9
North American Private Debt Fund	$590	N/A	20% of 20 over 8
North American Private Debt Fund II	$1,200m	N/A	20% of 20 over 8
ICG Private Markets Pooling – Sale & Leaseback	€392m	N/A	20% of 20 over 8
ICG Senior Debt Partners Fund I	€700m	1.2x	20% of 14 over 6
ICG Senior Debt Partners Fund II	€1,492m	1.2x	20% of 15 over 4 up to 20% of 20 over 7
Senior Debt Partners co-investment fund	€286m	1.2x	20% of 15 over 6
Senior Debt Partners co-investment fund	€600m	1.2x	20% of 13 over 7
Senior Debt Partners co-investment funds	€3,679m	1.2x	20% of 15 over 4 up to 20% of 20 over 7
Senior Debt Partners co-investment fund	€54m	1.2x	20% of 20 over 4
Senior Debt Partners co-investment funds	€290m	1.2x	20% of 20 over 7
Senior Debt Partners co-investment fund	€350m	1.2x	20% of 5.0625% over 7 rising to 20% of 13.5 over 7
Senior Debt Partners III	€2,480m	1.2x	20% of 15 over 4 up to 20% of 20 over 7
ICG Senior Debt Partners IV	€3,130m	1.2x	20% of 15 over 4 up to 20% of 20 over 7
ICG Strategic Secondaries Fund II	$866m	1.75x	20% of 12.5 over 8
ICG Strategic Equity Fund III	$1,650m	N/A	20% of 15 over 8 up to 20% of 20 over 20 and 1.5x money multiple
ICG Strategic Equity co-investment fund	$85m	N/A	20% of 15 over 10 up to 20% of 20 over 20 and 1.5x money multiple
ICG Strategic Equity co-investment fund	$46m	N/A	20% of 12.5 over 8
ICG Strategic Equity co-investment fund	$260m	N/A	20% of 15 over 8 up to 20% of 20 over 20 and 1.5x money multiple
ICG Strategic Equity co-investment fund	$300m	N/A	20% of 20 over 8

1 Total carried interest is a fixed percentage of the fund gains. For example in Intermediate Capital Asia Pacific 2005 the carry is 20% of gains and the Group is entitled to 25% of this. Carried interest is triggered when fund returns exceed a hurdle, for Intermediate Capital Asia Pacific 2005 this is 8%.

Third-party AUM by fund	Status	FY20 AUM (€m)	FY19 AUM (€m)
Corporate investments funds			
Mezzanine Fund 2003	Fully invested	**11.1**	11.1
ICG Europe Fund V	Fully invested	**483.9**	662.3
ICG Recovery Fund 2008B	Fully invested	**357.6**	454.1
ICG EF 2006B	Fully invested	**116.7**	235.9
ICG Europe Fund VI	Fully invested	**1,667.9**	1,874.4
ICG Europe Fund VII	Investing	**4,000.0**	4,000.0
ICG Europe Mid-Market	Investing	**891.7**	–
Europe Co-investment	Fully invested	**192.1**	186.9
Intermediate Capital Asia Pacific Mezzanine Fund I 2005	Fully invested	**7.2**	7.1
Intermediate Capital Asia Pacific Fund 2008	Fully invested	**87.0**	89.2
Intermediate Capital Asia Pacific Fund III	Fully invested	**296.9**	437.8
Intermediate Capital Asia Pacific Fund IV	Investing	**131.4**	–
Nomura ICG Fund	Investing	**99.2**	138.0
North American Private Debt Fund	Fully invested	**282.7**	310.7
North American Private Debt Fund II	Investing	**1,087.8**	1,069.8
North American Private Debt co-invest	Investing	**68.0**	–
ICG Senior Debt Partners I	Fully invested	**53.9**	94.5
ICG Senior Debt Partners II	Fully invested	**822.4**	969.9
ICG Senior Debt Partners III	Fully invested	**2,523.4**	2,540.1
ICG Senior Debt Partners IV	Investing	**1,863.3**	–
Senior Debt Partners Co-investment	Investing	**4,946.6**	3,731.3
ICG Australia Senior Loan Fund	Open ended	**697.5**	330.6
Corporate investment funds total		**20,688.3**	**17,143.7**
Capital market investments funds			
Alternative Credit strategies	Fundraising	**1,146.6**	962.7
European credit strategies	Open ended	**3,964.4**	3,070.6
Global credit strategies	Open ended	**454.8**	85.0
Eurocredit CLOs	Fully invested	**138.8**	23.9
St Paul's CLOs	Investing	**3,956.9**	3,581.7
US CLOs	Investing	**4,169.5**	3,781.4
Capital market investments funds total		**13,831.0**	**11,505.3**
Real asset investments funds			
ICG-Longbow UK Real Estate Debt Investments III	Fully invested	**279.9**	320.9
ICG-Longbow UK Real Estate Debt Investments IV	Fully invested	**616.6**	664.3
ICG-Longbow UK Real Estate Debt Investments V	Fundraising	**1,015.5**	623.2
ICG-Longbow Senior Debt – listed fund	Investing	**124.7**	128.8
ICG-Longbow Senior Debt programme	Investing	**1,519.8**	1,127.8
ICG-Longbow Development Fund	Investing	**693.0**	715.8
ICG Private Markets Pooling – Sale & Leaseback	Fundraising	**482.4**	–
Infrastructure Equity	Fundraising	**211.5**	–
Real assets funds total		**4,943.4**	**3,580.8**
Secondary investments funds			
ICG Strategic Secondaries Carbon Fund	Fully invested	**–**	86.0
ICG Strategic Secondaries Fund II	Fully invested	**474.8**	469.0
ICG Strategic Equity Fund III	Investing	**1,495.4**	681.5
Strategic Equity Co-investment	Fully invested	**562.0**	222.9
ICG Enterprise Trust – listed fund	Investing	**833.2**	771.8
Secondary investments funds total		**3,365.4**	**2,231.2**
Total third-party assets under management		**42,828.1**	**34,461.0**

Section 4

Other Information

IN THIS SECTION

Glossary

Items denoted with a [1] throughout this Annual Report have been identified as non IFRS 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 16.
Adjusted Group profit before tax		Group profit before tax adjusted for the impact of the consolidated structured entities. As at 31 March, this is calculated as follows:

	2020	2019
Profit before tax	£114.5m	£182.9m
Less consolidated structured entities	(£3.7m)	£95.4m
Adjusted Group profit before tax	**£110.8m**	**£278.3m**

Term	Short Form	Definition
Adjusted Investment Company profit before tax		Investment Company profit adjusted for the impact of the consolidated structured entities. As at 31 March, this is calculated as follows:

	2020	2019
Investment Company profit before tax	(£68.6m)	£39.1m
Less consolidated structured entities	(£3.7m)	£95.4m
Adjusted Investment Company profit before tax	**(£72.3m)**	**£134.5m**

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:

	2020	2019
Adjusted profit after tax	£109.2m	£269.3m
Average shareholders' funds	£1,387.7m	£1,343.8m
Adjusted return on equity	**7.9%**	**20.0%**

Term	Short Form	Definition
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. See note 4 for a full reconciliation.
Cash profit	PICP	Cash profit is defined as internally reported profit before tax and incentive schemes, adjusted for non-cash items.

	2020	2019
Adjusted profit before tax	£110.8m	£278.3m
Add back incentive schemes	£104.3m	£110.9m
Other adjustments	£150.5m	(£52.6m)
Cash profit	**£365.6m**	**£336.6m**

Term	Short Form	Definition
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. See note 4 for a full reconciliation.
Earnings per share	EPS	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 16.
EBITDA		Earnings before interest, tax, depreciation and amortisation.

Glossary continued

Term	Short Form	Definition
Gross gearing		Gross 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:

	2020	2019
Gross borrowings	**£5,244m**	£4,633m
Less consolidated structured entities	**(£3,329m)**	(£3,449m)
Adjusted gross borrowings	**£1,915m**	£1,184m
Shareholders' funds	**£1,298m**	£1,383m
Gearing	**1.48x**	**0.86x**

Term	Short Form	Definition
Interest expense		Interest expense excludes the cost of financing associated with the consolidated structured entities. See note 11 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:

	2020	2019
Total equity	**£1,311m**	£1,394m
Closing number of ordinary shares	**283,279,690**	282,866,066
Net asset value per share	**463p**	**493p**

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. As at 31 March, this is calculated as follows:

	2020	2019
Cash	**£947.9m**	£163.2m
Current financial assets	**£12.8m**	£110.7m
Other current assets	**£240.0m**	£215.7m
Current financial liabilities	**(£256.0m)**	–
Other current liabilities	**(£182.4m)**	(£161.5m)
Net current assets	**£752.3m**	**£328.1m**

On an IFRS basis net current assets are as follows:

	2020	2019
Cash	**£1,086.9m**	£354.0m
Current financial assets	**£12.8m**	£77.3m
Other current assets	**£351.1m**	£287.1m
Disposal groups held for sale	**–**	£107.1m
Current financial liabilities	**(£256.0m)**	–
Other current liabilities	**(£409.0m)**	(£367.7m)
Liabilities directly associated with disposal groups held for sale	**–**	(£76.9m)
Net current assets	**£785.8m**	**£380.9m**

<table>
<tr><th>Term</th><th>Short Form</th><th>Definition</th></tr>
<tr><td>Net debt</td><td></td><td>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. As at 31 March, this is calculated as follows:
<table>
<tr><th></th><th>2020</th><th>2019</th></tr>
<tr><td>Adjusted gross borrowings</td><td>1.915.1m</td><td>£1,184.3m</td></tr>
<tr><td>Less unencumbered cash</td><td>(£916.5m)</td><td>(£162.7m)</td></tr>
<tr><td>Net debt</td><td>£988.6m</td><td>£1,021.6m</td></tr>
</table></td></tr>
<tr><td>Net gearing</td><td></td><td>Net gearing is used by management as a measure of balance sheet efficiency. Net debt, 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:
<table>
<tr><th></th><th>2020</th><th>2019</th></tr>
<tr><td>Net debt</td><td>£988.6m</td><td>£1,021.6m</td></tr>
<tr><td>Shareholders' funds</td><td>£1,297.5m</td><td>£1,383m</td></tr>
<tr><td>Net gearing</td><td>0.77x</td><td>0.86x</td></tr>
</table></td></tr>
<tr><td>Net investment returns</td><td></td><td>Net investment returns is the total of interest income, capital gains, dividend and other income less asset impairments.</td></tr>
<tr><td>Operating cashflow</td><td></td><td>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. See note 4 for a full reconciliation.</td></tr>
<tr><td>Operating expenses of the Investment Company</td><td></td><td>Investment Company operating expenses are adjusted for the impact of the consolidated structured entities. See note 4 for a full reconciliation.</td></tr>
<tr><td>Operating profit margin</td><td></td><td>Fund Management Company profit divided by Fund Management Company total revenue. As at 31 March this is calculated as follows:
<table>
<tr><th></th><th>2020</th><th>2019</th></tr>
<tr><td>Fund Management Company profit</td><td>£183.1m</td><td>£143.8m</td></tr>
<tr><td>Fund Management Company total revenue</td><td>£341.4m</td><td>£274.7m</td></tr>
<tr><td>Operating profit margin</td><td>53.6%</td><td>52.3%</td></tr>
</table></td></tr>
<tr><td>Return on equity</td><td>ROE</td><td>Profit after tax (annualised when reporting a six month period's results) divided by average shareholders' funds for the period.</td></tr>
<tr><td>Third-party fee income</td><td></td><td>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 4 for a full reconciliation.</td></tr>
<tr><td>Weighted average fee rate</td><td></td><td>An average fee rate across all strategies based on fee earning AUM in which the fees earned are weighted based on the relative AUM.</td></tr>
</table>

Glossary continued

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.
Alternative performance measure	APM	These are non-GAAP financial measures.
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.
Core Plus	Core+	Assets which have infrastructure characteristics (physical assets, protected and predictable cash flows) with a slightly higher risk/return profile than Core assets.
Direct investment funds		Funds which invest in self-originated transactions for which there is a low volume, inactive secondary market.
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.
Environmental, Social, Governance criteria	ESG	Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments.
Financial Conduct Authority	FCA	Regulates conduct by both retail and wholesale financial service companies in provision of services to consumers.
Financial Reporting Council	FRC	The 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 Man		Certain funds have a designated Key Man. The departure of a Key Person without adequate replacement triggers a contractual right for investors to cancel their commitments.
Key performance indicator	KPI	A business metric used to evaluate factors that are crucial to the success of an organisation.
Key risk indicator	KRI	A measure used to indicate how risky an activity is. It is an indicator of the possibility of future adverse impact.
Liquid assets		Asset classes with an active, established market in which assets may be readily bought and sold.

Term	Short Form	Definition
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.
Structured entities		Entities which are classified as investment funds, CLO's or CDO's and are deemed to be controlled by the Group, through its interests in either an investment, loan, fee receivable, guarantee or commitment. These entities can also be interchangeably referred to as credit funds.
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	18 June 2020
Record date	19 June 2020
Last date for dividend reinvestment election	15 July 2020
Last date and time for submitting Forms of Proxy	9:00am, 17 July 2020
AGM and Trading statement	21 July 2020
Payment of ordinary dividend	5 August 2020
Half year results announcement	17 November 2020

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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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