Annual Report & Accounts 2012

Intermediate Capital Group plc

About ICG

We structure and provide mezzanine finance, leveraged credit and minority equity, managing €11.4 billion of assets from third party investors and our balance sheet.

We are one of the largest independent mezzanine providers in the world with investment portfolios in Europe, Asia Pacific and the US. We also have one of the longest track records of any institutional investor in European senior loans and high yield bonds. Established in 1989, ICG is a FTSE 250 company (ticker: ICP).

Over two decades we have earned the trust of leading institutional investors, investment advisors and private equity sponsors. We enjoy close partnerships with the management teams of the companies we invest in. Our international network of nine offices is run by local investment professionals who are part of the local market.

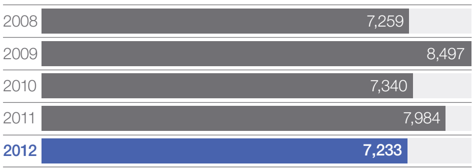
View this report online

A full version of our Annual Report and Accounts and information relating to ICG is available at:

www.icgplc.com

How we performed

Third party funds under management £m

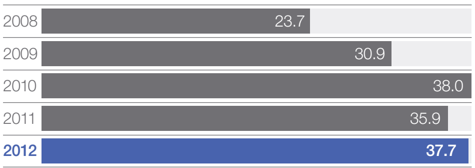


£7,233m

Balance sheet investments £m

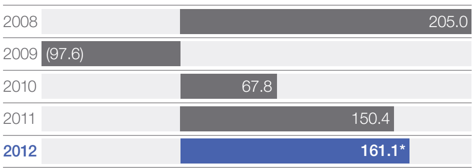
£2,274m

Fund Management Company profit before tax £m



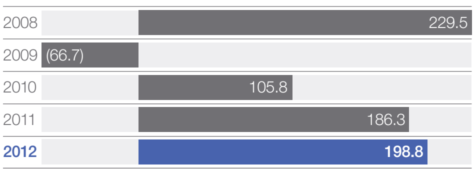
£37.7m

Investment Company profit/(loss) before tax £m



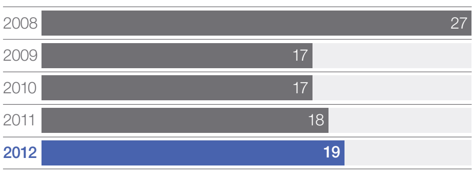
£161.1m*

Profit/(loss) before tax £m



£198.8m*

Dividend per share pence



19p

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

In this report

Our business

Our model

We deploy capital on behalf of more than 200 investors through mezzanine, credit and minority equity funds. We also invest our own capital alongside these third party funds.

The Fund Management Company ("FMC")

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

► Full details of our funds are available on pages 44–45

The Investment Company ("IC")

The IC is the investment unit of ICG plc and co-invests alongside our third party funds.

► Full details of the IC's portfolio are listed on pages 46–54

There are three fund management teams within the FMC:
mezzanine funds, credit funds and ICG Longbow funds

Our mezzanine and equity funds

ICG mezzanine and equity funds invest in mezzanine and minority equity assets of proven mid-market companies with leading market positions. The IC co-invests alongside the funds at predetermined ratios. We operate in Europe, the US and Asia.

Our credit funds

ICG credit funds deploy third party capital investing in senior loans and high yield bonds of proven European companies. The IC provides seed capital to launch and develop new funds.

Our ICG Longbow fund

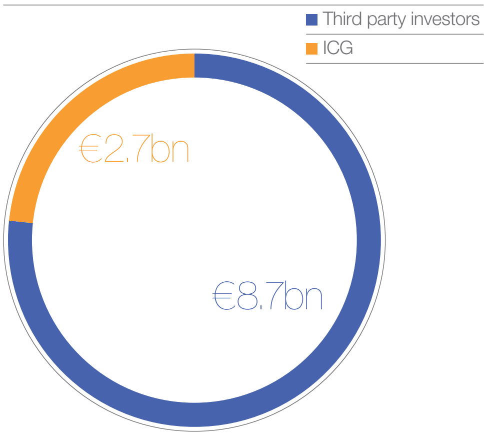
ICG Longbow deploy third party capital investing in real estate mezzanine and high yield senior debt. The IC provided seed capital to launch Longbow UK Real Estate Debt Investments II.

2012 Total assets under management.

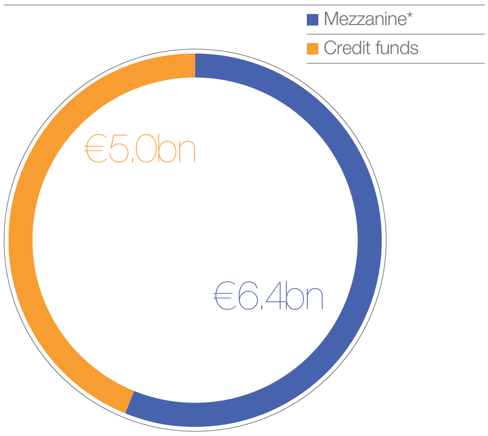
€11.4bn

Behind these funds is our long established and rigorous approach to originating investment opportunities; assessing and pricing risk appropriately across the capital structure of a company before we invest. Our competitive advantage is our local network of investment professionals with unparalleled access to their local market combined with the resources and knowledge of an established global asset manager.

Where we source capital



Where we invest capital



* Includes Longbow UK Real Estate Debt Investments II

Our strategy

1 Grow our Fund Management Company

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

Mezzanine and equity funds

In buyout mezzanine, we continue to build on our leadership position and strong track record in European and Asia Pacific mezzanine and continue to expand our presence in the US.

Credit funds

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

ICG Longbow

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

Expanding our asset classes

Over the past 23 years ICG has built a leading global mezzanine platform and a strong European leveraged loan and high yield bond business. This success was achieved by combining local, dedicated teams of investment specialists with a common investment discipline and operating platform. In 2010, we acquired a 51% stake in ICG Longbow Real Estate to gain a foothold in the real estate mezzanine market. We will continue to grow our product offering through measured expansion into adjacent asset classes where our core skills, global reach and infrastructure can create value for our institutional clients and shareholders.

2 Invest selectively

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

We recognise the importance of having local teams that speak the languages and understand the cultures of the markets in which they operate. These investment teams have established our reputation as a trusted and experienced investment partner with innovative structuring ability. Equally importantly, our investment teams have built long-standing relationships with local private equity sponsors, banks, advisors and management teams, providing deal flow and early access to investment opportunities.

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

3 Manage our portfolio to maximise value

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

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

Board representation assists in:

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

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

Our business:

Chairman's & Chief Executive's statement

1. Justin Dowley
Chairman

2. Christophe Evain
Chief Executive Officer

"We are pleased to announce another strong set of results."

Overview

After a strong start to 2011, the second half of the year was dominated by the European sovereign debt crisis and the resulting economic slowdown. Against this backdrop, we are pleased to report another strong set of results.

Strong results and refinanced balance sheet

In the 12 months to 31 March 2012, profit before tax increased to £199 million, excluding a one-off release of previously accrued costs of £45 million relating to the closure of legacy remuneration schemes and the impact of fair value on derivatives, compared to £190 million last year. On the same basis, profit before tax for our Investment Company was £161 million compared to £154 million last year. Profit before tax for our Fund Management Company was £38 million compared to £36 million in the prior year.

We have also made significant progress towards refreshing the funding of our balance sheet. In addition to the £227 million of debt facilities raised or extended during the year, we have recently agreed with our key banks, subject to documentation, the extension of £615 million of facilities maturing in May 2013 by a further three years. We will continue to seek to diversify our sources of debt funding. This and the surplus capital that we generate through portfolio realisations will enable us to reduce further our reliance on our largest lenders over this extended term.

Progress against our strategic objectives in a challenging environment

We have broadened our product range by launching new funds to capture the investment opportunities offered by the current market dislocation. In addition, we have strengthened our distribution capabilities.

The second half of 2011 was a particularly challenging time for raising capital for European investment products. This was especially the case with US and Asian investors who were concerned about the outlook for Europe and the currency risk they faced by investing in Euro denominated assets.

We have nonetheless made good progress towards raising our next European mezzanine fund, ICG Europe Fund V, and have reached a final close on Longbow UK Real Estate Debt Investments II. Third party mezzanine AUM were therefore up by 7%.

Third party AUM were down by 3% in the year to 31 March 2012 as the runoff of our old credit funds exceeded funds raised in the period.

The weaker economy in Europe has impacted some of our more cyclical assets. However, as the majority of these had already been impaired during the previous recession, impairments for the year, at £71 million, are broadly in line with last year.

The performance of our broader investment portfolio has shown resilience and we have continued to generate strong exits, with £74 million of realised capital gains during the year. In addition, £44 million of unrealised gains from the fair value of our equity investments were recognised in the Income Statement.

We made one new investment in Europe and one in the US in the first half of the year. In the second half, given the low level of buyout activity, there were only limited opportunities for new investments. The Asia Pacific market was more active throughout the year and we completed four transactions.

As a result, we arranged £406 million on behalf of our mezzanine funds, Investment Company and third parties during the year. The IC accounted for £122 million. Since year end, we have seen a material increase in our pipeline across all geographies. We have completed two transactions and are at an advanced stage in a number of new investments.

Outlook

Longer term trends are favourable to specialist lenders

The volatility experienced in the last five years, the low level of yield currently available from the traditional fixed income asset class, and the regulatory changes imposed on institutional investors are resulting in an increased appetite for alternative credit strategies.

The imbalance between demand and supply of credit will continue to provide opportunities to generate superior returns, underpinned by solid cash yield, across our asset classes. We believe that experienced institutional lenders, such as ourselves, will play a leading role in reshaping the specialist debt market in the coming years, with promising opportunities in both senior and mezzanine debt.

Since we announced our ambition to grow our fund management franchise in March 2010, we have been working on laying the foundations for the expansion of our funds under management. We have made good progress and we are now well positioned to deliver AUM growth.

In the last 12 months, we have further expanded our distribution capability and have recently announced that we have recruited a highly experienced individual to lead this team.

We have also enhanced our range of products in order to enable institutional investors to capture attractive opportunities across the debt spectrum.

Our acquisition of a 51% stake in ICG Longbow is delivering ahead of our expectations.

"Our portfolio has shown resilience in uncertain economic times and our investment pace has picked up in recent months. We have recently acquired our third portfolio of discounted senior loans from a European bank and we have made our second sponsorless investment in Australia. In addition, we are at advanced stages in a number of new transactions. The economic outlook remains uncertain and we will continue to be extremely vigilant when making investment decisions."

Our business:
Chairman's & Chief Executive's statement

Positive momentum into the current year

Since year end we have seen positive signs in terms of fundraising. We are making good progress towards our €2 billion target for ICG Europe Fund V and have won a number of credit mandates.

Since year end, we have acquired our third portfolio of discounted senior loans from a European bank and invested in our second sponsorless transaction in Australia. In addition, we are currently in exclusivity in two transactions and at advanced stages in a number of other new investments.

The economic outlook remains uncertain and we will continue to be extremely vigilant when making investment decisions.

Dividend

In view of the increase in cash core income, up 6% to £113.5 million in the 12 months to 31 March 2012, and the solid momentum into the current year, the Board recommends a final dividend of 13 pence per share, making a total of 19 pence per year, up 6% compared to last year. The dividend will be paid on 13 July 2012 to shareholders on the register on 1 June 2012.

The Board has decided not to offer a scrip dividend alternative to the final dividend.

Employees and Board

On behalf of the Board we would like to thank our employees who have delivered another strong set of results in a volatile environment.

In particular, our thanks go to Tom Attwood, who retired at the end of March after 16 years at ICG. Throughout his career, Tom has made a tremendous contribution to the firm which, under his leadership, has become one of the leading credit funds managers in Europe.

We are delighted to announce that Benoît Durteste will become a managing director and join the Board as an Executive Director with immediate effect. Benoît joined ICG in 2002 as co-head of our French team and has since become the head of our European mezzanine team, which he will continue to lead.

We would also like to thank James Nelson and Jean-Daniel Camus who are not seeking re-election to the Board at the AGM on 10 July 2012 after 11 and five years respectively as non executive directors. We expect to announce the appointment of additional non executive directors over the next few months.

Justin Dowley
Chairman

Christophe Evain
Chief Executive Officer

"We are making good progress towards raising our next European mezzanine fund. Over the last two years we have built a solid platform which will enable us to grow our Fund Management Company. We now have a distribution team and a range of investment products to capture the opportunities resulting from the lack of liquidity in Europe. Given these strong results and our current momentum, the Board has decided to increase the dividend by 6% to 19 pence."

CPA GLOBAL

Successful exit from specialist outsourcer

ICG disposed of a significant minority stake in CPA Global in January 2012. The stake had been acquired two years previously alongside the management and founding shareholders. ICG invested in a combination of minority equity and mezzanine capital, enabling the founding shareholders to realise some cash from a partial disposal, generate an annual income stream via a cash-yielding instrument and participate in the future equity growth of the business.

CPA Global is a market leader in the fast growing market for outsourced legal services, assisting clients in managing their intellectual property portfolios, including patents and trademarks. The company employs 1,500 people and its clients are based in over 100 countries. Over the course of our investment, the business continued its strong performance, demonstrating resilience and strong growth despite a challenging economic environment.

The performance of the business led to inbound expressions of interest and a small process was commenced in late 2011, which concluded in a sale of the business to Cinven in January 2012.

Country: UK

Sector: Business services

Year: 2010

Status: Exited investment

www.cpaglobal.com

Our business:

Progress towards our strategic priorities

Priorities for FY12

Grow our Fund Management Company

1

Market drivers

The volatility experienced in the past five years, combined with the impact of new regulations such as Solvency II for insurance companies, have made yield based investments strategies more attractive to institutional investors. In the context of low yields on traditional fixed income products, there is a growing interest for alternative credit investments and we expect this trend to prevail in the medium term.

Although this medium term trend is favourable, periods of heightened uncertainty, such as the second half of 2011, can lead to a slowdown in new commitments to funds.

A long, solid track record and stable teams are key advantages in a challenging environment as investors seek reassurance on the long term sustainability of the platform.

In this environment, a distribution capability across geographies offers a clear advantage in accessing capital.

Priorities for FY12

Invest selectively

2

Market drivers

Banks continue to have limited capacity to finance the LBO market as they respond to capital constraints. In addition, structured vehicles are increasingly unable to deploy capital as they reach the end of their investment period.

As a result, pricing of buyout debt remains high and overall leverage levels limited, extending to only three turns of EBITDA in most transactions, leaving ample room for mezzanine capital.

The European sovereign debt crisis, however, caused a slowdown in investment opportunities in the second half of the year.

Priorities for FY12

Manage our portfolio to maximise value

3

Market drivers

The economic slowdown in Europe is providing a more challenging backdrop for cyclical assets.

Progress

We have continued to make progress in building the platform to grow AUM. We have further expanded our distribution capability and have recruited a highly experienced individual to lead this team. We also launched a number of new products.

We have made a strong start in raising our next European mezzanine fund, ICG Europe V with a strong first close in September and, although fundraising was slower in the second half of 2011 due to market conditions, momentum has returned in 2012. To date we have received commitments of €1.4 billion, including €500 million from the plc and are making good progress towards our €2 billion target. We also reached a final close on Longbow UK Real Estate Debt Investments II. Our mezzanine assets under management have grown 7% in the year to 31 March 2012.

We have also enhanced our range of credit products in order to enable institutional investors to capture attractive opportunities across the debt spectrum. However, fundraising was slow in the second half and CFM AUM decreased by 11% as a result of our older CLOs being in their run-off periods.

► For more information see page 14

Priorities for FY13

On the mezzanine side, our focus will be on reaching the final close of ICG Europe Fund V and preparing the launch of our successor funds in Asia Pacific mezzanine and UK commercial real estate.

In respect of credit funds, our objective is to make progress towards a first closing for our Senior Debt Partners Fund as well as building on the momentum of the recent months in marketing private mandates, which invest across our senior loans, high yield and structured credit capabilities.

The positive response to our credit fund offerings since year end is beginning to lead to new commitments to the funds, via several segregated mandate commitments from institutional investors.

We will also continue to review opportunities to seed new investment funds and build our US platform.

Progress

As a result of the slowdown in market activity in the second half of the year and our cautious stance in a deteriorating economic environment, we arranged £406 million on behalf of our mezzanine funds, our investment company and third parties during the year, the IC accounting for £122 million. This compares to close to £1 billion last year, of which £311 million was invested on behalf of the IC. The lower level of investment was due to the market slowdown in the second half.

We made one new investment in Europe and one in the US in the first half. The Asia Pacific market was more active throughout the year and we completed four transactions.

► For more information see page 16

Priorities for FY13

We will continue to focus on local transactions where our long term relationships with sponsors and management teams enable us to generate attractive proprietary deal flow.

Since year end we have seen a material pick up in new deals.

Progress

Our portfolio showed resilience in a difficult economic environment.

At year end, 65% of our portfolio companies were performing equally as well or better than the prior year compared to 69% in September.

We have, however, seen some softness in performance in the most recent months against an economic environment which remains challenging. This has been particularly the case for our weaker and most cyclical assets, the majority of which have been at least partially provided for. As a result, we expect at this stage that provisions in the current year will remain broadly in line with our historical average.

We have realised significant value from our portfolio, having exited eight portfolio companies and completed one partial exit, which generated £74 million of realised capital gains, £365 million in repayments of principal and the crystallisation of £113 million of accrued interest for our Investment Company.

► For more information see page 19

Priorities for FY13

We remain cautious and vigilant, given the macroeconomic environment, and managing our portfolio to maximise value remains a strategic priority.

We continue to target strategic exit opportunities for our existing portfolio.

Business review:

A strong financial performance

The economic uncertainty in the second half of the year has provided a challenging backdrop. Nonetheless we have delivered a strong financial performance and continued to make progress towards our strategic objectives: grow our Fund Management Company, invest selectively and manage our portfolio to maximise value.

Business review contents

Business review:

Our markets

Although each of our markets has been impacted differently by the European crisis, they all share the same underlying medium term trend of an increasing scarcity of debt capital. As such we believe that there are attractive opportunities to grow.

European Debt Markets

European buyout mid-market

The boom in European buyout activity at the end of 2010 and early 2011, came to a halt during the summer of 2011, as uncertainty surfaced around the prospect of sovereign defaults in the Eurozone. Economic uncertainty in Europe pervaded throughout the second half of 2011 resulting in a very low volume of European buyout transactions. As sentiment improved in early 2012, private equity firms, which continue to hold large amounts of equity capital available for deployment, have started to look again at transactions. However, these firms now have to operate in an environment characterised by a highly limited supply of debt where forming long term relationships with reliable financing partners is key to the investment process.

The low level of exits seen since the summer of 2011 has resulted in a reduction in repayments received by Collateralised Loan Obligation vehicles (“CLOs”), which in turn has reduced the amount the CLOs have available for reinvestment in the loan market. In addition, 2011 saw €7 billion of capacity disappear as a growing number of CLO vehicles reached the end of their investment periods. This will accelerate in 2012 and 2013 with an anticipated €26 billion of CLO capacity due to disappear as investment periods end.

European banks continue to have limited capacity to finance the buyout market as they respond to capital constraints.

The combination of these factors will create an increased demand for our products.

As a result of the scarcity of debt funding, pricing of buyout debt in Europe remains high and overall leverage levels limited, extending to only three turns of EBITDA in most transactions, leaving ample room for mezzanine capital. New senior debt facilities are being issued at more than 500 bps over base rate, compared to levels marginally above 200 bps pre-2007, and with higher levels of structuring fees. Pricing of mezzanine has enjoyed a similar upward shift. Debt investments therefore present historically high risk-adjusted returns.

We expect that these favourable terms for lenders will be sustained as the imbalance between supply and demand will increase further. In addition to new transactions, the amount of buyout debt falling due between 2013 and 2015 exceeds €55 billion. It is unlikely that current lenders will be in a position to extend a large proportion of this outstanding debt.

In addition, with the benefit of LTRO from the European Central Bank around the turn of the year European banks put on hold the disposal of their legacy portfolios. With the renewed volatility of recent weeks, banks are once again looking at ways to reduce their balance sheets. To date, it has been primarily UK banks who have sold portfolios of legacy LBO debt. This is likely to become more widespread amongst continental banks.

The factors provide opportunities to generate superior returns, underpinned by solid cash yield. This is increasingly attractive to institutional investors who are no longer able to achieve their required yield requirements by investing in traditional fixed income asset classes. We believe that the European lending market will experience structural changes and that specialist lenders with proven origination capabilities, acting on behalf of institutional investors, will materially grow their market shares of the European debt market.

Business review: Our markets continued

UK commercial real estate market

The UK commercial real estate market faces a similar scarcity of debt finance. Prior to the financial crisis commercial properties sourced debt finance primarily from the UK, Irish and German banks or investment banks via the issuance of Commercial Mortgage-Backed Securities ("CMBS"). Since the crisis there has been no significant new issuance of CMBS, existing issues are rapidly reaching maturity, and banks' appetite for new real estate loans is limited, with many of the traditional lenders withdrawing from the market.

As a result the number of active lenders in the UK real estate market has shrunk by more than half between 2010 and 2011 despite several insurance companies recently entering that market.

Refinancing needs are substantial across Europe and the UK has the single largest funding gap between the years 2012 and 2013.

The anticipated scarcity of debt capital is generating demand for senior and mezzanine debt and has resulted in a sustained increase in pricing. The lack of debt finance is particularly acute for regional and secondary properties which tend to attract less international capital than their prime London equivalents.

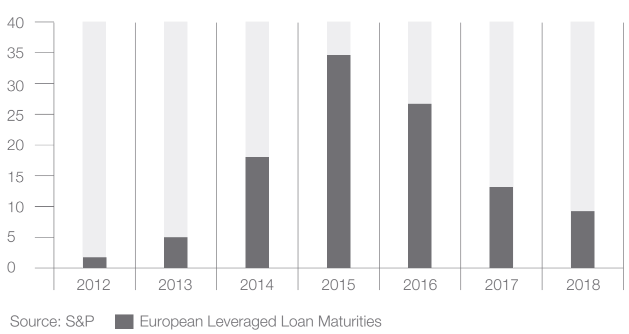
Asia Pacific Buyout Market

The superior growth enjoyed by the Asia Pacific region is attracting significant equity capital from both private equity sponsors and corporates. This has resulted in strong competition for assets, pushing valuations up. This is compounded by the fact that there are few primary buyout opportunities as the majority of local corporates and families have not shown an inclination to sell assets.

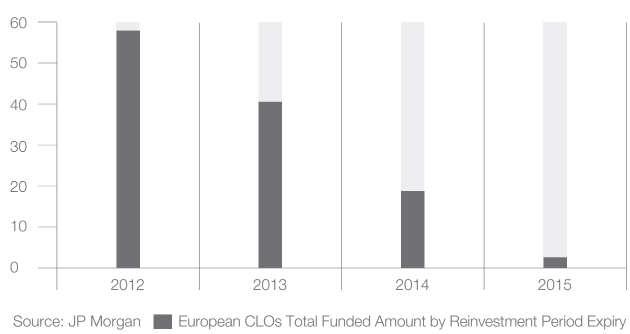
The supply of senior debt capital is less constrained than in Europe because local banks, which benefit from healthy balance sheets, continue to support local transactions. The overall supply of debt capital is, however, shrinking as European banks, which had established a meaningful presence in the Asia Pacific region, are retrenching to their domestic markets.

This creates opportunities for mezzanine investors, specifically in sponsorless mezzanine, as demand for growth capital is strong in the region.

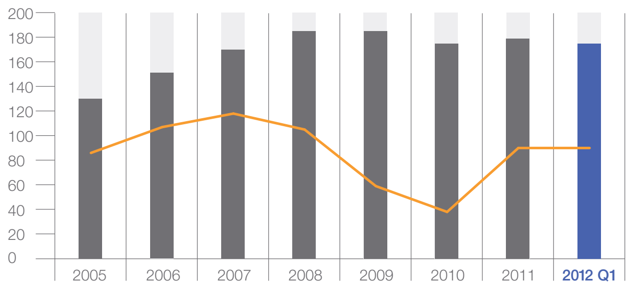
Leveraged Loan Maturities peak in 2015



CLO Investment Capacity in rapid decline

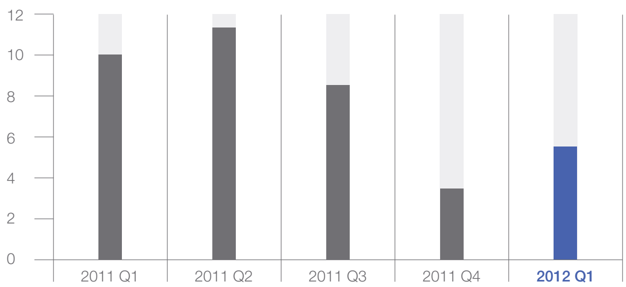


Demand for debt from European private equity firms remains €bn



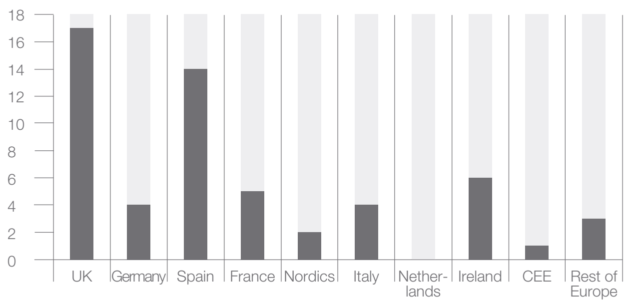
Source: Preqin   Dry powder   Number of funds raised

Slowdown in LBO activity due to sovereign debt crisis in H2 2011 €bn



Source: S&P, as at 31 March 2012   Recent Senior Loan LBO Volume

Significant European real estate debt funding gap 2012–13 €bn



Source: DTZ Research   Funding gap

US Buyout Market

Despite the relative strength of the US economy, the US buyout market also had a slow second half in 2011 due to the perceived risk of contagion from the Eurozone. There are continued positive signals from the US economy and abating concerns on the systemic risk posed by European sovereign debt. These factors, combined with private equity funds that have built up large amounts of deployable capital and a banking market that is on a much more stable footing than its European counterpart, have started a wave of activity in the US in early 2012, as US investors are keen to deploy capital quickly. Therefore competition is currently strong, leading to higher levels of leverage than in Europe and an easing in pricing levels.

In the medium term, however, we expect the US market to generate attractive opportunities both for mezzanine and senior debt. Although the US buyout debt market is deeper than the European market, the overall supply of debt is contracting. This is particularly true in our core mid-market, where large investors who hold the keys to substantial pools of capital, are not active.

Business review:
Year in review

We have continued to make progress towards our strategic objectives: grow our Fund Management Company ("FMC"), manage our portfolio to maximise value and invest selectively.

Grow the Fund Management Company

Our strategy for growing the FMC centres on taking advantage of the growing interest for alternative yield strategies by broadening our product offering through judicious expansion into new geographies and adjacent asset classes, supported by a strong internal distribution capability. Central to the strategy is maintaining our strong track record of outperformance.

In the last 12 months we have made significant investments in the platform that will support the growth of our Fund Management Company.

We have worked very closely with our institutional clients and their advisers to broaden our product offering to enable institutional investors to capture the attractive economics in our asset classes. In terms of pooled funds, we have launched a dedicated fund ("ICG Senior Debt Partners") to capitalise on the lack of senior debt in the European market and are pleased by the initial reception from institutional investors. This will be complementary to our existing loan fund, which invests in more liquid strategies. Given the significant demand for senior loans in the next five years and the limited number of fund managers with the skills and reach to address it, we believe there is a significant opportunity to grow our loan funds.

We have launched a combined loans, high yield and structured credit pooled fund that appeals to smaller institutions with limited internal resources dedicated to asset allocation between credit asset classes. We have also enhanced our ability to offer tailored investment strategies under private mandate agreements.

1

We have further expanded our marketing and distribution team with additional sales executives in Asia Pacific and Scandinavia, bringing our distribution team to 14. We have also hired a highly experienced Head of Distribution to further drive forward our brand, product launches and investor reach.

In terms of new funds raised in the year to 31 March 2012, we successfully launched our next European mezzanine fund, ICG Europe Fund V, which held a first close in September 2011 at €1.1 billion, including €500 million from our Investment Company. Since then we have received additional third party commitments of over €300 million despite the challenging environment.

We also successfully completed the final close of Longbow UK Real Estate Debt Investments II Fund in September, with £242 million of commitments received from a variety of institutional investors and ICG, which committed £50 million to the fund.

Third party mezzanine AUM stood at €3.7 billion at 31 March 2012, up 7% compared to 31 March 2011.

AUM in our CFM division, however, were down 11% at €5.0 billion, as our older CLOs have now reached the end of their investment periods and are consequently returning capital to investors. The fundraising environment was particularly challenging for European investment products in the second half of the year as the European economic situation was watched apprehensively by prospective investors.

We are, however, confident that we are building momentum in our pooled fund vehicles and segregated mandates and have seen some recent positive developments. The €100 million mandate from a European financial institution that we announced in January contributed €13 million of AUM at 31 March 2012. This has recently been expanded to a target size of €350 million. We will continue to seek to grow our segregated mandate offerings as we continue to see significant growth potential in private mandates.

Total AUM stood at €11.4 billion at 31 March 2012, down 3% compared to 31 March 2011. Although we are disappointed that AUM decreased over the period, the performance of our existing funds continues to underpin our long term growth plans.

Our mezzanine funds have performed strongly and have remained in line with top quartile performance private equity returns since 2000 in terms of net multiples generated. These funds have benefited from the resilience of our portfolio and the additional strong exits during the period, in particular CPA Global, which has materially boosted distributions to investors in the ICG Minority Partners Fund 2008 and ICG European Fund IV 2006. Longbow UK Real Estate Debt Investments II is now 62% invested having benefited from a very strong pipeline of transactions in 2012 and is performing well. Our most recent Asia Pacific fund is benefiting from a strong pipeline.

Our credit funds have also performed well. Our 12 month senior loan default rate for the year ended 31 March 2012 was 1.9%, compared to 5.3% for the market. As a result of the low default rate, we have earned junior fees on all the CLOs we manage. The ICG High Yield Bond Fund has outperformed the market by 1% since inception, and has generated an annualised return of 10.2%.

"All our funds continue to perform very strongly."

Business review:
Year in review continued

"In the 12 months to 31 March 2012 we have arranged £406 million of mezzanine investments, £122 million of which was on behalf of our Investment Company."

Invest selectively

2

Given the subdued market and the uncertain economic environment following the European debt crisis in the second half of the year, our pace of investment slowed. In the 12 months to 31 March 2012 we have arranged £406 million of mezzanine investments, £122 million of which was on behalf of our Investment Company.

In Europe the Investment Company reinvested £71 million, primarily in the new buyout of Bureau van Dijk. Since year end we have seen a material pick up in new deals. In April we acquired a £256 million portfolio of performing loans from a European bank on favourable terms. The transaction was financed with a vendor debt facility of £104 million and £152 million of equity provided by ICG Europe Fund V, ICG Recovery Fund and the Investment Company.

In the US, the Investment Company invested £21 million of mezzanine and equity in one transaction. The transaction involved the acquisition of Cogent Healthcare by Hospitalists Management Group (HMG). HMG and Cogent Healthcare have merged to form the largest private hospitalist (hospital based general practitioner) company in the United States, with nearly 1,000 affiliated hospitalists practising in more than 100 healthcare facilities nationwide.

In Asia Pacific, the Investment Company made £30 million of new investments in four transactions in the 12 months to 31 March 2012. In May 2011, we provided mezzanine and equity financing to support the secondary buyout of Tegel Foods by Affinity Equity Partners. ICG had supported the previous buyout of the company in 2006. In January 2012, we supported Ventura Motors in its acquisition of Grenda Transit Management. The combined entity accounts for over 60% of Melbourne's bus market. This transaction is the first sponsorless mezzanine deal for ICG Asia Pacific. We also completed two small investments in China as part of our co-investment agreement with CITIC Capital. Since year end, we have made a further sponsorless investment in Australia, supporting a management team in its buyout of a company, with over AUD$150 million of equity, mezzanine and senior debt. ICG's ability to underwrite the whole financial structure was a key factor in our ability to secure this highly attractive transaction. The final hold for the IC is expected to be AUD$13.5 million. Details of the transaction remain confidential at this stage.

Ventura Motors investment

In January 2012, ICG underwrote, led, managed and arranged AUD155 million of mezzanine and equity capital in support of the acquisition of Grenda Transit Management by Ventura Motors Pty Limited. ICG's capital enabled Ventura, an 80 year old Australian family business, to raise the necessary funding to purchase its largest and longest standing competitor, emerging as the winner of a competitive sale process over several large listed and international transport companies. Ventura is now well positioned to grow further as the bus industry continues to consolidate.

The combined Ventura/Grenda business is the largest bus operator in Victoria and accounts for over 60% of Melbourne's bus market, operating more than 1,250 buses and employing over 2,300 staff. It is supported by long term government-backed contracts in key franchise areas and enjoys exposure to high growth corridors around the city.

The Ventura transaction was the first sponsorless mezzanine deal for ICG Asia Pacific.

Country: Australia

Sector: Shipping and transport

Year: 2012

Status: Current investment

www.venturabus.com.au

Photo courtesy of Michael Coley

Bureau van Dijk

In 2011, ICG provided financing to Bureau van Dijk ("BvD"). This was the first investment by ICG Europe Fund V.

ICG has held an investment and a board representation in BvD since 2007. ICG then led a reshuffling of the financial structure with the introduction of mezzanine facilities and subsequently the purchase of the senior debt position of the arranging bank at a deep discount. As a result of this historic relationship, ICG has a detailed knowledge of the business and a close relationship with the senior management team.

BvD is a leading, global electronic publisher and aggregator of company financial information with a focus, unique in the industry, on private companies. Based in Belgium, BvD operates a global database of company information covering around 100 million companies. BvD has demonstrated exceptional performance historically with annual double-digit growth including through the 2008/09 downturn.

In 2011, ICG invested alongside Charterhouse, underwriting a senior mezzanine tranche of €140 million, of which €65 million was syndicated. A €50 million PIK tranche initially envisaged was eventually rolled into the equity/quasi equity in which ICG now holds €75 million, representing 15% of the equity tranche.

Country: Belgium

Sector: Printing and advertising

Year: 2007, 2008, 2011

Status: Current investment

www.bvdep.com

+

Business review: Year in review continued

Manage our portfolio to maximise value

3

Portfolio performance showed the resilience of our portfolio in a difficult economic environment.

At year end, 65% of our portfolio companies were performing equally as well or better than the prior year compared to 69% in September. Given the weaker economic environment in Europe, further realisations of high performing assets and strong prior year comparables, this shows the resilience of our portfolio companies.

Our 20 largest assets, which account for approximately half of our portfolio, continue to perform well with 85% performing at least as well as in the prior year.

The vast majority of our portfolio companies operate in the strongest European economies, the US, and Asia Pacific. We have very limited exposure to Spain and Italy (about 10% of our portfolio companies by value) and no investments in Greece, Ireland or Portugal.

We have, however, seen some softness in performance in the most recent months against an economic environment which remains challenging. We therefore remain extremely vigilant. This has been particularly the case for our weaker and most cyclical assets, the majority of which have been at least partially provided for in prior periods. At this stage, we expect provisions in the current year to remain broadly in line with our historical average.

The gross impairment charge for the year to 31 March 2012 was £84 million, compared to £90 million last year. In the period, we have written back £13 million of provisions against previously impaired assets (which now show significantly improved operating performance and financial outlooks) compared to £19 million last year. Net impairments were flat at £71 million.

We have realised significant value from our portfolio having exited eight portfolio companies in full and completed one partial exit, which generated £74 million of realised capital gains, £365 million in repayments of principal and £113 million crystallisation of accrued rolled up interest for our Investment Company. Key exits in the period included Bureau van Dijk, CPA Global, Eismann, Raet and Tegel. We also partially exited our investment in Au Bon Pain after the company refinanced its existing debt and repaid our mezzanine investment.

The valuation of our equity portfolio has resulted in an uplift in reserves of £101 million as at 30 September 2011 and a further £6 million at 31 March 2012. In addition, this also generated unrealised capital gains recognised in the Income Statement of £27 million as at 30 September 2011 and a further £17 million at 31 March 2012.

"Portfolio performance showed the resilience of our portfolio in a difficult economic environment."

Business review: Year in review continued

Key priorities for the current year

We have taken a series of initiatives to grow AUM across asset classes for our Fund Management Company.

In terms of mezzanine funds, we are making good progress towards our final target for ICG Europe Fund V. We will also be launching the successor funds to Longbow UK Real Estate Debt Investments II and our Asia Pacific Fund 2008.

For our credit funds our objective is to make significant progress towards the first closing for our Senior Debt Partners fund as well as building on the momentum of the recent months in marketing private mandates and pooled funds which invest across our senior loans, high yield and structured credit capabilities.

We will also continue to review opportunities to seed new investment funds and build our US platform.

For the Investment Company, we are seeing an increased pipeline of investment opportunities and expect to maintain the solid momentum seen over the last two months and further capitalise on the imbalance between demand and supply of debt capital.

Since year end we have created good momentum towards delivering on these priorities. However, the market volatility of recent weeks is currently providing a more challenging backdrop which reduces our short term visibility. Prolonged market volatility might impact our ability to obtain investment mandates from the US and Asia. It would, however, provide increased opportunities to invest on exceptionally attractive terms.

ICG ■ LONGBOW

Hammersmith Grove

In November 2009 ICG Longbow structured and, through a managed account, provided a £15 million mezzanine loan secured on a 200,000 sq ft near prime office in Hammersmith, West London in an off-market recapitalisation of the property.

The borrower, a joint venture between an international REIT and a London based property fund (each of whom were well known to ICG Longbow), had recently completed a comprehensive refurbishment of the rear wing of the building and, at the time of financing, approximately 25% of the office space was vacant. The investment was underwritten based on leasing up 50% of the vacant space over a three year period, resulting in a 12.5% vacancy level in the building – over double the prevailing vacancy rate in what, even in 2009, was a supply constrained sub-market.

With ICG Longbow's financing, the borrower was able to execute its business plan, ultimately leasing up all of the vacant floor space within a year.

The loan was structured to provide ICG Longbow's investors with an attractive running coupon and participation in any uplift in value of the property resulting from the leasing of the vacant floorspace, whilst providing strong capital and income protection through the combination of resilient cash flow, attractive underlying property market dynamics and a highly experienced borrower.

Country: UK

Sector: Commercial property

Year: 2009

Status: Current investment

+

Business review:

Key performance indicators

Group

Review of performance

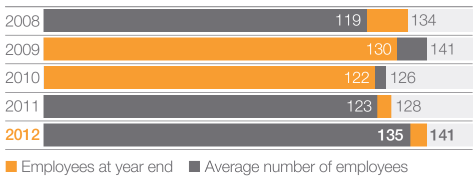
Performance table

Staff retention and training

ICG recognises that the continuous development and retention of exceptional people is key to ICG reaching our full potential.

- Headcount at 31 March 2012 was 141, up from 128 a year ago. As intended, we have added resource to our Investor Management Group in order to drive the growth in assets under management. We also strengthened the US team as we increased our presence in that market.
- We continue to emphasise the importance of continuing professional development, having provided 65 different development opportunities to our employees and having tripled the average training days delivered per employee to 3.6 days. We expect each employee to receive full and frank development feedback twice a year, and tailor all development to the specific requirements of our individual employees.
- Employees continue to be appropriately rewarded through compensation schemes which directly align their interests with those of our shareholders and investors.
- Over the same period 12 month period, we have seen staff turnover reduce by 25%, which we believe is a reflection of our employees feeling appropriately challenged, motivated, developed and remunerated. ICG total staff turnover was 12%: 4.5% employer initiated, 7.5% employee initiated. By comparison, the latest available data (IRS survey (2010)) states that average turnover across industries was 15.9% but for financial services it was 19%.

Staff retention



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

Group

Review of performance

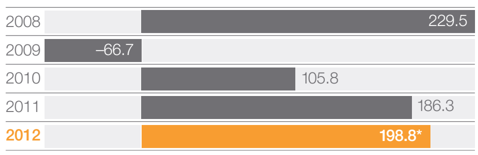
Performance table

Profit before tax

Growth in profit before tax driven by higher fee income and continued strong performance.

- Profit before tax for the FMC was £37.7 million up 5% as fee income grew by 8%.
- Profit before tax for the IC, adjusted for the £45 million release of previously accrued costs and the impact of fair value movement of derivatives, was £161 million, up 4%.
- As a result, adjusted Group profit was £198.8 million, up 5% on last year.

Profit before tax £m



£198.8m*

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

Return on equity

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

- The Group generated a ROE of 11.5% in the 12 months to 31 March 2012 (excluding the one off release of £45.0 million) compared to 10.8% in the 12 months to 31 March 2011.
- Shareholders' funds at 31 March 2012 stood at £1,450.7 million, up £200.3 million compared to 31 March 2011, due to retained profit in the year and the fair valuing of our equity portfolio.

Return on equity %

11.5%*

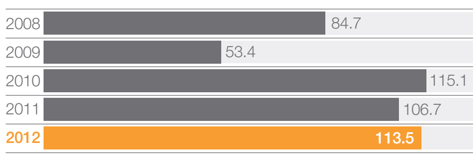
*Adjusted for £45 million one-off release of previously accrued costs in relation to the termination of legacy remuneration schemes

Cash core income

The trend in cash core income drives our dividend policy.

- The definition of cash core income is available on page 27.
- Cash core income increased by 6% to £113.5 million (FY11 £106.7 million). The 11% growth in fee income, as well as a sustained level of accrued interest (PIK) realisations, has benefited cash core income.

Cash core income £m



£113.5m

Business review: Key performance indicators continued

Fund Management Company KPIs

Performance table

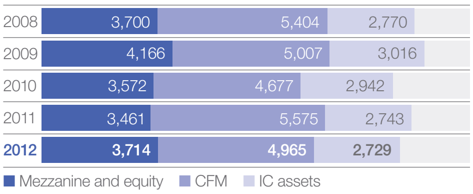
Assets under management

It is our ambition to grow AUM to €24 billion by 2015.

- Total AUM at 31 March 2012 were €11,408 million, a decrease of 3% in euro terms compared to €11,779 million at 31 March 2011.
- Mezzanine funds under management have increased by 7% from €3,461 million to €3,714 million due to our new European mezzanine fund, ICG Europe Fund V, and Longbow UK Real Estate Debt Investments II. We raised €668 million of new third party commitments for these two funds. At the same time, we realised €416 million in our older funds, leading to a net inflow of €252 million.
- Credit funds under management have decreased by 11% from €5,575 million to €4,965 million as the older funds entered their realisation phase. New funds raised for the period totalled €100 million, although only €13 million was invested (and therefore included in the AUM total) at 31 March 2012. Net outflow from our older CLOs amounted to €623 million.
- The IC investment portfolio stood at €2,729 million, a decrease of 1% as realisations exceeded new investments for the year.

Total AUM

€m



€11.4bn

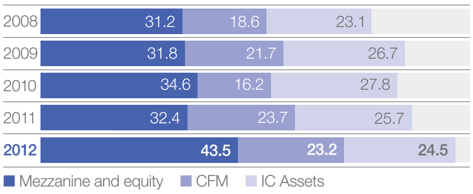
Fee income

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

- Fee income, including the IC management fee recharge, increased by 11% to £91.2 million.
- Mezzanine and equity funds: fee income increased by 34% to £43.5 million primarily driven by our 2008 Recovery Fund and our new fund, ICG Europe Fund V. Fee income also benefited from a higher level of carried interest paid during the year, at £7.0 million (2011: £1.3 million).
- Credit funds: fee income of £23.2 million was 2% lower compared to £23.7 million in the prior year. 2011 fee income included £3.8 million from the recovery of junior fees relating to prior periods.
- The average carrying value of the IC's portfolio was down 5% at £2,445.5 million, generating a fee from the IC to the FMC of £24.5 million versus £25.7 million last year.

Fee income

£m



£91.2m

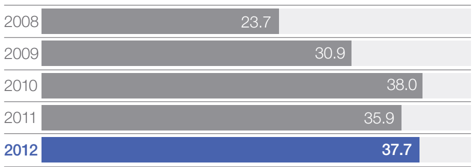
Profit before tax

Profit before tax up 5% due to fee income derived from our latest funds.

- The profit before tax for the FMC is £37.7 million and has grown by 5% compared to £35.9 million last year.
- This is primarily due to an increase in fee income only partially offset by an increase in our cost base resulting from further building our distribution capability.
- We will introduce operating margin as a KPI for the FMC once our new remuneration schemes have been materially vested.

Profit before tax

£m



£37.7m

Investment Company KPIs

Performance table

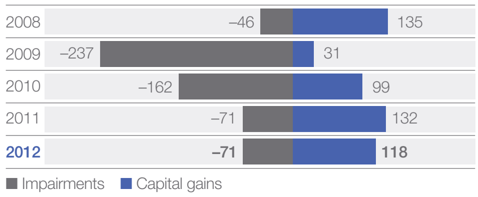
Capital gains and provisions

Our portfolio of investments is showing resilience in a more challenging economic environment in Europe. Managing our investments to maximise value remains a key priority.

- Capital gains were £118.0 million (2011: £132.3 million), including £73.8 million of realised gains (2011: £129.2 million). Key exits for the period were CPA, Eismann, Raet and Souriau. We have also booked £44.2 million of unrealised gains on our investment portfolio as we fair valued our equity investments for the first time.
- Net impairments for the 12 months to 31 March 2012 were flat at £70.6 million (2011: £70.9 million). Gross impairments for portfolio companies were £83.5 million (2011: £89.8 million). Gross impairments included £32.5 million relating to impairments of shareholder loans. Recoveries of past impairments were £12.9 million (2011: £18.9 million).

Capital gains and impairments

£m



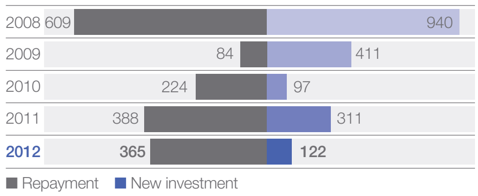
New investments and repayments

The second half of the year saw a slowdown in deal activity due to economic uncertainty.

- We have realised significant value from our portfolio having exited eight portfolio companies and made one partial exit, which generated £73.8 million of realised capital gains, £364.7 million in repayments of principal and the crystallisation of £113.3 million of accrued interest for our Investment Company.
- We have invested £122 million on behalf our Investment Company in six investments across Europe, the US and Asia. The second half saw a low level of activity in Europe and the US due to the uncertainty caused by the sovereign debt crisis. We have, however, seen an increase in activity in 2012 and have a strong pipeline of deals. Pricing of new transactions remains attractive due to an increasingly acute shortage of debt supply in Europe as banks shrink their lending activities and CLOs reach the end of their investment periods.

New investments and repayment

£m



Investment track record

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

- Since the inception of ICG we have invested in 335 transactions on behalf of the ICG balance sheet (now referred to as the Investment Company). We have realised 254 of these investments with an average internal rate of return (IRR) of 18% and average money multiple of 1.6 times.
- Exits during the year to 31 March 2012 have contributed positively to our realised track record.
- The Investment Company has suffered no defaults during the year.

Realised assets

254

Money multiple

1.6x

IRR

18%

Business review:

Financial review

Philip Keller
Chief Financial Officer

"This has been a good year for ICG. We have delivered another strong set of results and made considerable progress towards refreshing our balance sheet funding."

ICG's business activities, together with the factors likely to affect its future development, performance and financial position are set out in this statement.

As highlighted in this statement, ICG has had another successful year and the portfolio, as a whole, is demonstrating resilience in uncertain economic times.

ICG's principal risks and uncertainties and how they are mitigated are documented in this statement.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in this financial review.

Going concern statement

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Definitions

ICG reports the profit of the Fund Management Company ("FMC") separately from the profits generated by the Investment Company ("IC") in its segmental reporting note.

The FMC is an operating vehicle of ICG plc. It sources and manages investments on behalf of the IC and third party funds. It bears the bulk 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, operations, human resources and marketing.

The IC is an investment unit of ICG plc. It co-invests alongside third party funds, primarily in mezzanine and equity assets. It is charged a management fee of 1% of the carrying value of the investment portfolio by the FMC. The costs of finance, treasury, and portfolio administration teams as well as the other costs related to being a listed entity are allocated to the IC. The cost of the Medium Term Incentive Scheme ("MTIS") has been charged to the IC while this scheme remained operational.

Longbow Real Estate Capital LLP ("ICG Longbow"), a UK real estate debt specialist providing mezzanine finance to the UK commercial property market, in which ICG owns a majority 51% stake, is fully consolidated into the results for the FMC for the year with the minority stake deducted.

The Group defines its assets under management ("AUM") as the total cost of assets owned, managed and advised by the Company plus commitments to its managed and advised funds, in addition to debt facilities for the funds.

Return on equity ("ROE") is defined as profit after tax divided by average shareholder funds for the year.

Cash core income is defined as profit before tax excluding fair value movement on derivatives less net capital gains, impairments and unrealised rolled up interest.

Pre incentive cash profit is defined as profit before tax excluding performance related bonuses and fair value movement on derivatives, less unrealised accrued rolled up interest, less unrealised gains.

Termination of the Medium Term Incentive Scheme

The transition to new remuneration schemes completed during FY12, with the final payments under the MTIS arrangements due to be made in June 2012. The closure of the MTIS scheme has resulted in £45 million of accruals in prior years being released to the Income Statement in FY12. Under the MTIS, compensation payable was based on a percentage of the rolled up interest earned over the life of an asset plus a percentage of any capital gain. Therefore for each asset which falls under the scheme, an accrual for a future liability has been recognised based on a percentage of PIK interest income recognised in the Income Statement since drawdown. Hence at the point of closure of the scheme ICG has accrued for a percentage of rolled up interest earned to date on the remaining assets which are in the scheme, but will no longer be making a payment in respect of these assets as the scheme is terminating. Therefore an accrual of £45 million is being released to the Income Statement in the year.

Valuation of equity

ICG holds a number of equity investments that present the Group with the opportunity to enhance returns. Equity investments comprise unlisted shares, warrants and shareholder loans.

In preparation for the application of IFRS 9 in 2015 and in line with the industry, the Group has applied fair value principles when valuing its unquoted equity investment portfolio from 30 September 2011.

Unlisted shares and warrants

Investments in unquoted equities have generally been classified as an Available for Sale (AFS) asset. IAS 39 allowed unquoted equity assets without an observable market price, and whose fair value could not be reliably measured, to be held at cost. Any observable valuation resulted in an uplift in the value of the asset to reserves, with gains or losses realised on sale recycled to the Income Statement.

As these instruments are all held in private companies with no ready market, the events to crystallise such a valuation include the sale of shares to a third party by a substantial shareholder or the approach of an exit to the transaction, either by way of a float or a sale. Therefore, the fair valuing of such unquoted shares has historically been restricted to those instruments whose value may be reliably measured, for example by one of the above events. In the absence of such an event, ICG's policy has been to hold its unquoted equity assets at cost as it was considered that there were a significant range of possible fair value estimates for these assets, and the probabilities of the various estimates could not be reasonably assessed.

The International Accounting Standard Board has issued the new financial instrument standard, IFRS 9, with a proposed effective date of 1 January 2015. IFRS 9, when it is adopted, requires unquoted equity assets to be classified as Fair Value through the profit or loss as the AFS classification and the cost option in IAS 39 will no longer be available. As a consequence of this, and the narrowing range of estimates for these assets disclosed in the financial statements last year, ICG has reviewed and enhanced its valuation methodology and processes. Valuations are performed quarterly and are being used to value ICG's unquoted equity under IAS 39 at fair value. As this represents a change in the valuation technique applied, the entire uplift was accounted for in the first half of financial year 2012 and any subsequent changes to fair value recognised in the second half of the year.

The total carrying amount of the unquoted equities and warrants (which are classified as fair value through profit or loss) was £274.4 million at 31 March 2011. As at that date, it was estimated that the range of estimates within which the aggregate fair value was likely to lie was £145.0 million to £165.0 million higher than the carrying value. At 31 March 2012, £151.1 million of unrealised gains have been recognised, comprising £44.2 million in the Income Statement and £106.9 million of uplift recognised in the AFS reserve.

Business review: Financial review continued

Overview

Group profit before tax was £198.8 million excluding the one off release of £45 million of previously accrued costs in relation to the termination of MTIS, compared to £190.1 million last year, excluding the impact of fair value movement of derivatives.

The profit before tax for the FMC was £37.7 million and has grown by 5% compared to £35.9 million last year. This is due to an increase in fee income from the Mezzanine Fund business, primarily the 2008 Recovery Fund and ICG's new fund, ICG Europe Fund V, only partially offset by an increase in the cost base resulting from the strengthening of ICG's distribution team.

The profit before tax for the IC rose from £154.2 million to £161.1 million, excluding the one off release of £45 million and the fair value impact of derivatives. As a result of fair valuing the portfolio of unlisted shares and warrants, unrealised gains of £44.2 million have been recognised in the Income Statement.

Total AUM at 31 March 2012 were €11,408 million (£9,507 million), a decrease of 3% compared to €11,779 million (£10,408 million) at 31 March 2011, primarily due to the realisation of ICG's older CLOs.

Shareholders' funds at 31 March 2012 stood at £1,450.7 million, up £200.3 million compared to 31 March 2011, primarily due to retained profit in the year and the fair valuing of the equity portfolio. The balance sheet has continued to strengthen with a gearing ratio of 66%, compared to 100% at the end of last year.

The balance sheet had undrawn debt facilities of £827 million at the year end. During April 2012, the revolving credit facility matured. Had this taken place on 31 March 2012, the balance sheet would have had £505 million of undrawn debt facilities at the year end.

We have recently agreed with three main relationship banks to extend the maturities of the facilities due to be repaid in June 2013 by three years to 2016. This agreement remains subject to legal documentation for two of these lenders. Our two largest lending banks, who account for £525 million of these facilities will extend £515 million of this amount. These facilities will reduce over the extended term to a combined £300 million as we raise additional debt or generate excess cash through portfolio realisations. This reduction will be achieved through a partial cash sweep mechanism. Our third largest lender has agreed, subject to documentation, to increase the debt facility made available to us from £67 million to £100 million for the full extended term. Pricing of these facilities will remain broadly unchanged. We are also in discussions with the other lender, which accounts for £45 million of these facilities with a June 2013 maturity. We will continue to seek to diversify our sources of debt funding.

Fund Management Company
Assets under management

Total AUM at 31 March 2012 were €11,408 million (£9,507 million) a decrease of 3% in euros compared to €11,779 million (£10,408 million) at 31 March 2011. Mezzanine funds under management have increased by 7% from €3,461 million (£3,058 million) to €3,714 million (£3,095 million), due to the new European mezzanine fund, ICG Europe Fund V and the funds raised by ICG Longbow. Credit funds under management have decreased by 11% from €5,575 million to €4,965 million as the older funds enter the realisation phase. The balance sheet investment portfolio of €2,729 million (£2,274 million) (2011:€2,743 million, £2,424 million) has decreased by 1%.

Credit funds AUM include £61.1 million of seed equity provided by ICG Group compared to £70.8 million at 31 March 2011.

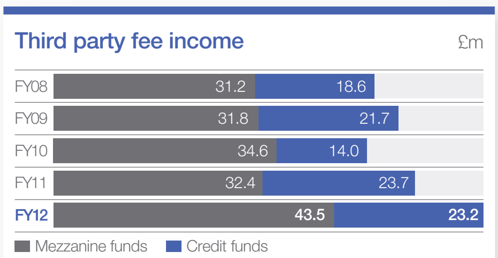
Fee income

Fee income, including the IC management fee increased by 11% to £91.2 million.

Credit funds fee income of £23.2 million was 2% lower compared to £23.7 million in the prior year. 2011 fee income included £3.8 million from the recovery of junior fees on certain funds which were switched off during the year to March 2010 due to the level of downgrades experienced in that year, in common with the market generally.

Mezzanine and equity funds fee income increased by 34% to £43.5 million as ICG Europe Fund V started to generate fees. This included £7.0 million of carried interest (2011: £1.3 million).

The average carrying value of the IC's portfolio was down 5% at £2,445.5 million, generating a fee from the IC to the FMC of £24.5 million versus £25.7 million last year.



Other income

Dividends received on the equity stakes ICG owns in its credit funds was £3.3 million, compared with £3.9 million in the prior year.

Operating expenses

Operating expenses for the FMC were £56.4 million compared to £50.0 million last year. Other administrative costs are £23.8 million compared to £19.2 million reflecting the recruitment costs of strengthening ICG's distribution capabilities and set up costs of new funds.

The operating margin was 41.3% compared to 43.9% in the previous 12 months.

Profit before tax

Profit before tax was up 5% to £37.7 million compared to £35.9 million last year.

Investment Company

Balance sheet investments

The balance sheet investment portfolio of £2,274 million has decreased 6% compared to 31 March 2011. This excludes £61.1 million of seed equity and £16.7 million of debt held in ICG's credit funds.

In the year the balance sheet invested £121.9 million, of which £43.5 million were follow-on investments. There were repayments of £364.7 million of principal and £113.3 million of realised accrued interest. As a result, net repayments were £356.1 million.

In addition, the sterling value of the portfolio decreased by £95.8 million due to the appreciation of the currency as 64% of the portfolio is euro denominated and 12% is US dollar denominated. sterling denominated assets only account for 15% of the portfolio.

The investment portfolio comprises £1,228 million of senior mezzanine and senior debt (54%), £393 million of junior mezzanine investments (17%) and £653 million of equity investments (29%) (excluding amounts invested in credit funds).

Net interest income

Net interest income was 2% higher at £183.5 million compared to £179.8 million last year (excluding dividend income and the impact of the fair value adjustment of financial instruments held for hedging purposes).

Interest income increased 3% to £242.3 million from £235.2 million in the prior year despite a lower average portfolio over the year (£2.4 billion compared with £2.6 billion in the previous year). Interest income is accrued using a discounted cash flow model in accordance with IFRS and early repayments can generate an uplift in interest income as a result of the shorter discount period used for the computation of the rolled up interest. Interest income is higher due to an additional £11.0 million of interest generated on realisations that occurred at an earlier date than expected. Interest income comprises £84.8 million of cash interest income and £157.5 million of rolled up interest.

Interest expense increased 6% to £58.8 million (excluding the impact of the fair value adjustment of financial instruments held for hedging purposes) despite lower average net debt levels, due to higher interest margins payable on ICG's debt and higher commitment fees payable on the Group's undrawn bank debt.

Dividend income from portfolio companies was £5.7 million in the last 12 months compared to £2.9 million in the previous 12 months.

There was no adjustment this year in respect of fair value movements of financial instruments held for hedging purposes compared to a £3.8 million negative adjustment last year.

Other income

Other income, principally waiver and early repayment fees, was £1.5 million compared to £7.2 million in the previous 12 months. 2011 included several one off transaction fees and an early repayment penalty.

Operating expenses

Operating expenses of £17.7 million include a one off credit to the Income Statement of £45 million, relating to the closure of the MTIS. Operating expenses of £67.0 million in the prior year included a £5.7 million one off cost relating to an onerous lease provision following the move of ICG's head office to new premises. Excluding these one off items, operating expenses are £62.7 million, an increase of 2% from £61.3 million last year.

Operating expenses comprises salaries and benefits, cost of remuneration schemes, administrative costs and the management fee on balance sheet investments. Salaries and benefits (including remunerations schemes) of £35.8 million, excluding the £45.0 million credit, have increased by 12% compared to £31.9 million in the prior year. This includes the costs associated with the recruitment of senior hires. Administrative expenses of £2.4 million for the year have decreased by 35% compared to prior year (2011: £3.7 million excluding the £5.7 million onerous lease provision). Administrative costs in the prior year included costs relating to the acquisition of ICG Longbow.

The management fee on balance sheet investments (£24.5 million compared to £25.7 million) has reduced due to the lower average value of the portfolio.

Business review: Financial review continued

Capital gains

Following the change in ICG's valuation technique capital gains were £118.0 million (2011: £132.3 million), including £44.2 million of unrealised gains on the investment portfolio, compared to £3.1 million in respect of impending exits in 2011.

The largest contributors to realised capital gains of £73.8 million (2011:£129.2 million) comprise CPA, Eismann, Raet and Souriau.

Impairments

Gross provisions for portfolio companies were 7% lower at £83.5 million compared to £89.8 million last year. Recoveries of past provisions were £12.9 million compared to £18.9 million in the prior year. The Group wrote back provisions of £8.1 million on an investment which saw a recovery during the year and recovered funds of £4.8 million on previously impaired assets. Gross provisions of £39.6 million in the first half included £28.2 million relating to impairments of shareholder loans. Gross provisions in the second half of £43.9 million includes £4.3 million of impairments on shareholder loans. Impairments of shareholder loans are driven by the Investment Committee's assessment of the recoverability of the carrying value, based on the valuation of the equity of the company and its operating performance.

Net impairments for the 12 months to 31 March 2012 were therefore £70.6 million compared to £70.9 million in the prior year.

Profit before tax

Adjusted for the one off release of £45.0 million and the impact of fair value movements on derivatives, profit before tax for the IC was £161.1 million, compared to £154.2 million in the 12 months to 31 March 2011.

Group

Profit before tax

Group profit before tax was £243.8 million compared to £186.3 million last year. Adjusted for the one off release of £45.0 million and the impact of fair value movements on derivatives, group profit before tax increased to £198.8 million compared to £190.1 million last year.

Profit after tax, ROE, earnings per share

Group profit after tax is £187.6 million compared with £128.1 million in the prior year.

The Group generated a ROE of 11.5%, adjusting for the one off release of £45.0 million (14% unadjusted ROE), compared to 11.2 % in the 12 months to 31 March 2011, excluding the impact of the fair value movement on derivatives (10.8% unadjusted ROE).

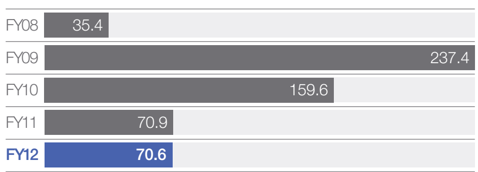
Earnings per share for the 12 months to 31 March 2012 were 39.2 pence, adjusting for the one off release of £45 million (47.7 pence unadjusted) compared to 33.2 pence excluding the impact of the fair value movement on derivatives (32.6 pence unadjusted) last year. The weighted average number of shares for the year was 395,135,061.

Dividend per share and cash profit measures

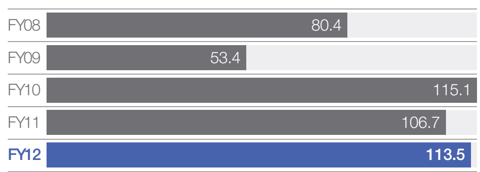
Cash core income increased by 6% from £106.7 million to £113.5 million. The Board has recommended a final dividend of 13 pence per share. This would result in a full year dividend of 19 pence per share, compared to 18 pence per share in the prior year.

Pre-incentive cash profit was £165.0 million compared to £191.2 million in the prior year.

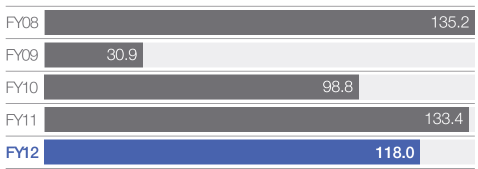
Net impairments of the portfolio companies £m



Cash core income £m



Capital gains £m



Group cash flow

Operating cash flow

Interest income received during the year increased 14% to £198.1 million due to the realisation of £113.3 million of rolled up interest (2011: £82.2 million). Interest expense paid was £50.4 million compared to £43.9 million due to the effect of higher interest rates paid which has offset the benefit of lower levels of average net debt. Dividend income was higher at £9.0 million compared to £5.7 million in the previous year. Third party fee income received amounted to £70.9 million compared to £77.9 million due to timing of receipts and recovery of junior fees on the CFM funds in the prior year. Operating expenses were £89.4 million compared to £56.2 million as the level of staff bonuses paid in respect of the prior year increased, and fund set up costs were incurred.

Operating cash flow for the 12 months to 31 March 2012 decreased by 12% to £138.2 million compared to £157.5 million in the prior year.

Cash flow relating to capital gains

Net cash flow from capital gains of £41.7 million decreased compared to £121.9 million in the previous year due to the lower level of realised gains.

Free cash flow

Tax paid increased to £66.6 million compared to £5.1 million in the prior year. The low level of tax paid in 2011 is due to the impact of the loss realised in the year to 31 March 2009 which was carried forward. Following repayments, syndication proceeds and recoveries of £368.6 million, free cash flow prior to investments and dividends was £481.9 million.

Movement in net debt and cash balances

Free cash inflow of £481.9 million, share issue proceeds of £1.3 million and contributions from minority interests of £0.2 million financed investments of £121.9 million, fixed asset expenditure of £1.4 million, a reduction in net debt of £274.4 million and purchase of own shares of £16.8 million. Dividend payments amounted to £68.9 million.

Group balance sheet

Capital position

Shareholders' funds at 31 March 2012 stood at £1,450.7 million, up 16% compared to 31 March 2011, primarily due to the increase in retained earnings during the year and the impact of equity valuations on reserves.

Net debt was £957 million at 31 March 2012 down 23% from last year.

Net debt to shareholder funds at year end was 66%, down from 100% at the end of last year as a result of the capital gains and realisations.

Investment capacity

Total debt facilities stood at £1,806 million at 31 March 2012, including undrawn debt facilities of £827 million.

During the year we extended or raised £227 million of new debt lines. £322 million of existing debt facilities matured in April 2012 and were repaid at that date. Since year end we have extended other debt lines for £615 million. The details of these further extensions are available in the overview above.

Financial outlook

For the FMC, fee income is expected to increase due to a higher contribution from ICG Europe Fund V and the launch of ICG's new products and funds. ICG's distribution team, which has already undergone significant expansion, will experience some further growth. This will allow ICG to decrease its use of external placement agents from FY14, and therefore decrease the level of placement fees paid. The remainder of the cost base is expected to remain stable.

The IC will be negatively affected by a lower level of net interest income as a result of the higher costs of debt and of the realisations achieved, which we expect to continue in the current environment. This, however, should result in further realised capital gains. We expect the level of new investments to be higher than in FY12. We expect impairments for the current year to remain broadly in line with our historical average.

Business review:

Principal risks and uncertainties

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

Executive committees and Management Boards

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

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

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

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

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

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

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

Non-executive committees

The Audit and Risk Committee comprises four independent non executive directors. The Chairman of the Board as well as the members of the Executive Committee are invited to attend, but are not members of the Committee. The Company's auditors are also invited to attend and have direct access to Committee members. The Committee is responsible for the selection, appointment, and review of the external auditors to the Board; reviewing accounts; the oversight of the investment portfolio; and monitoring the effectiveness of the internal control environment and the risk management systems of the Group.

The Remuneration Committee comprises four independent non executive directors and the Chairman of the Board. The managing directors are not members of the Remuneration Committee but are normally invited to attend except when the Committee is discussing their remuneration.

The Committee is responsible for the overall remuneration policy for all ICG staff and ensures that the remuneration arrangements promote sound and effective risk management and are in line with the long term interests of the Company. The Committee determines the level of remuneration of the executive directors and reviews the remuneration of senior management.

The Nominations Committee comprises four independent non executive directors and the Chairman of the Board. The managing directors are not members of the Nominations Committee but are normally invited to attend. The Nominations Committee is responsible for considering the composition of the Board and appointments to the Board.

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

Business risks

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

Credit risk

The performance of the Group's funds and investment portfolio is affected by a number of factors. The Group may experience poor investment performance (both in absolute terms and relative to the performance of portfolios managed by competitors and relative to other asset classes) due to the failure of strategies implemented in managing the portfolio assets.

The amount of assets under management and the performance of the investment portfolio may also be affected by matters beyond the Group's control, including conditions in the domestic and global financial markets and the wider economy, such as the level and volatility of bond prices, interest rates, exchange rates, liquidity in markets, credit spreads, margin requirements, the availability and cost of credit and the responses of governments and regulators to these economic and market conditions. Adverse movements in any of the global conditions described above could result in losses on investments from the Group's own balance sheet in the investment portfolio and reduced performance fees received on third party funds, all of which, individually or taken together, could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group.

Mitigation: ICG has a disciplined investment policy and all investments are selected and regularly monitored by the Group's Investment Committees. ICG limits the extent of credit risk by diversifying its portfolio assets by sector, size and geography.

The majority of third party funds currently managed by the Group are not marked to market and, therefore, market valuations have limited immediate impact on the amount of assets under management.

Fundraising risk

The Group may be unable to raise future investment funds from third parties.

This could limit the Group's capacity to grow AUM and could decrease the Group's income from management, advisory and performance fees and carried interest. The Group's ability to raise investment funds from third parties depends on a number of factors, including the appetite of investors, the general availability of funds in the market and competitor fundraising activity. Certain factors, such as the performance of financial markets or the asset allocation rules or regulations to which such third parties are subject, could inhibit or restrict the ability of certain third parties to provide the Group with investment funds to manage or invest in the asset classes in which the Group invests. In addition, if the Group is unable to increase its assets under management, the level of the Group's return from management, advisory and performance fees and carried interest may be reduced. Furthermore, loss of investor confidence in the Group or in the alternative investment sector generally, whether because of changes in investor risk appetite, investor liquidity requirements, regulatory and fiscal changes, poor relative or absolute performance of the Group's investment or alternative investment funds generally, or for any other reason, could lead to an adverse impact on the Group's performance or financial position.

Mitigation: ICG has a long track record in developing credit related investment products for institutional investors. The Group has built a dedicated fundraising team to grow and diversify its institutional client base by geography and type.

Liquidity and funding risk

Liquidity and funding risk is the risk that ICG will be unable to meet its financial obligations as they fall due because assets held cannot be realised.

The level of repayments on the Group's loan portfolio and consequently on the realisation of rolled up interest as well as delays in realising minority interests could have a negative impact on the Group's investment capacity. In addition, there can be no assurance that the Group will be able to secure borrowings or other forms of liquidity in the longer term on commercially acceptable terms or at all. Failure to secure borrowings or other forms of liquidity on commercially acceptable terms may adversely affect the Group's business and returns.

Business review: Principal risks and uncertainties continued

The Group's ability to borrow funds or access debt capital markets in the longer term is dependent on a number of factors including credit market conditions. Adverse credit market conditions may make it difficult for the Group to refinance existing credit facilities as and when they mature or to obtain debt financing for new investments. In addition, the cost and terms of any new or replacement facilities may be less favourable and may include more onerous financial covenants. Failure to secure borrowings on commercially acceptable terms or a default by the Group under its debt agreements may have a material adverse effect upon the Group's financial condition and results.

Mitigation: The Group maintains a diversified portfolio of investments in order to minimise the risk that a significant proportion of its assets would face concurrent adverse conditions for repayments and realisations. In addition the Group maintains a prudent funding strategy. It is our policy to maintain diverse sources of medium term finance and to ensure that we always have sufficient committed but unutilised debt facilities.

Market risks

Risks relating to the Group and its business

General market conditions

The Group's strategy and business model are based on an analysis of and assumptions regarding its operating environment. This includes market evaluations and the identification and assessment of external and internal risk factors. Significant unexpected changes or outcomes, beyond those factored into the Group's strategy and business model may occur which could have an adverse impact on the Group's performance or financial position.

Mitigation: The Executive Committee regularly reviews the likely impact of potential changes in the operating environment, seeking when appropriate advice from external experts.

Interest rate risk

The Group and some of the Group's portfolio companies are exposed to fluctuations in interest rates which could adversely affect the Group's returns.

The Group has a mixture of fixed and floating rate assets, which are funded with a mixture of equity and borrowings. A failure to match borrowings by type or maturity or the failure or inappropriate use of derivative financial instruments for the purpose of hedging could have an adverse impact on the Group's returns and financial condition. In addition, many of the Group's portfolio companies rely on leverage to finance their business operations and increase the rate of return on their equity. Investments in highly leveraged entities are inherently more sensitive to interest rate movements. Therefore, a significant increase in interest rates could adversely affect the returns and financial condition of the Group's portfolio companies and may even lead to some of the Group's portfolio companies breaching financial or operating covenants in their credit agreements or default on their debt.

Mitigation: The Group seeks to minimise interest rate exposure by matching the type, maturity and currency of its borrowings to those of a group of assets with a similar anticipated holding period. The Group's Investment Committees take into account the ability of each portfolio company to successfully operate under a different interest rate environment both before validating the investment and during the life of the investment.

Foreign exchange risk

The Group is exposed to fluctuations in exchange rates which could adversely affect the Group's returns and financial condition.

The Group reports in sterling and pays dividends from sterling profits. The underlying assets in the Group's portfolio are principally denominated in euros, and to a lesser degree in US dollars and other currencies. Therefore, changes in the rates of exchange of these currencies may have an adverse effect on the value of the Group's investments and any undrawn amount of the Group's debt facilities. Although the Group has in place measures to mitigate the foreign exchange risk on its assets and liabilities, to the extent that any structural currency exposures are unhedged or unmatched, such exposure could adversely affect the Group's returns and financial condition. Failure by a counterparty to make payments due under derivative financial investments may reduce the Group's returns.

Mitigation: The Group seeks to reduce structural currency exposures by matching loans and investment assets denominated in foreign currency with borrowings or synthetic borrowings in the same currency. In addition, the Group has used and continues to use derivative financial instruments and other instruments on a limited basis, as part of its foreign exchange risk management, to hedge a proportion of unrealised income recognised on a fair value basis. The Group spreads its derivative contracts across a number of counterparties and regularly evaluates the counterparty risk. The Group seeks to transact only with sound financial institutions.

Concentration risk

Risk as a result of undue geographical, industry, or sector concentration with regard investments made or from reliance on a small number of banks to provide balance sheet funding

The Group invests only in certain geographies, industries, and sectors. If investment in any one geography, industry or sector becomes unduly concentrated the Group could suffer increased impairment to its investment performance or increased financial loss as a consequence of adverse market, economic, or environmental conditions impacting a particular geography, industry, or sector. In addition, the Group sources a significant proportion of its balance sheet funding from a small number of banks. The Group could suffer impairment to its ability to make investments or financial loss in the event of failure of one or more of the relationship banks.

Mitigation: The Group has in place an Investment Policy and robust investment process designed to maintain appropriate diversification of the investments made.

In addition, the Group increasing seeks to increase the proportion of its balance sheet funding from non bank sources such as private placements and the issuance of bonds. Further, the Group's Treasury Policy and procedures are designed to diversify bank-sourced balance sheet funding in terms of quantum and maturity.

Operational risk

Loss of staff

If the Group cannot retain and motivate its senior investment professionals and other key employees, the Group's business could be adversely affected.

The Group's continued success is highly dependent upon the efforts of the Group's investment professionals and other key employees. The Group's future success and growth depends to a substantial degree on the Group's ability to retain and motivate key employees, the market for whom is very competitive. The Group may be unable to retain such key employees or to continue to motivate them.

The Group's investment professionals possess substantial experience and expertise in investing and are responsible for locating, executing and monitoring the Group's investments. The loss of even a small number of the Group's investment professionals could jeopardise the Group's ability to source, execute and manage investments as well as affect recoveries on troubled assets, which could have a material adverse effect on the Group's business.

Mitigation: The Group attempts to reward its investment professionals and other key employees in line with market practice. In 2009 the Group's Remuneration Committee commissioned PricewaterhouseCoopers to review the compensation structure of ICG and to advise upon appropriate benchmarking against which remuneration could be set. Following this review, new remunerations schemes were approved by shareholders at the 2010 AGM. These schemes are aligned with the Group's strategy and in line with the appropriate benchmark and comply with the UK Financial Services Authority ("FSA") remuneration code.

Regulatory risk

Changes to the regulatory frameworks under which the Group operates or a breach of applicable regulations could damage the Group's reputation and affect the Group's compliance costs, returns and financial condition

The Group operates in numerous jurisdictions and its business, particularly the fund management part of the business, is subject to numerous regulatory regimes, including the United Kingdom, the United States, Hong Kong, Ireland and Luxembourg. The FSA is the Group's primary regulator. The FSA and other such regulatory authorities have broad regulatory powers dealing with all aspects of financial services, including the authority to grant, and in specific circumstances to vary or cancel, permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources.

If the Group were to breach any such laws or regulations it would be exposed to the risk of investigations, fines, temporary or permanent prohibition from engaging in certain activities, suspensions of personnel or revocation of their licences and suspension or termination of the regulatory permissions to operate.

Mitigation: The Group has a governance structure in place supported by a risk framework that allows for the identification, control, and mitigation of material risks faced by the Group. The adequacy of controls in place is periodically assessed. This includes a tailored risk-based monitoring programme designed to specifically address regulatory and reputational exposure.

Business review:

Our people

We take great pride in our ability to continue to attract, develop and retain exceptional staff, and believe it is essential to our ability to reach our full potential as an organisation. All 141 employees are of the highest calibre in their chosen field and have been attracted by the sense of cultural belonging and purpose at work which ICG offers. We are a thriving multi-cultural organisation with our employees coming from 21 nationalities, who speak 26 different languages and have made investments in over 20 countries.

We regularly review our long term compensation and benefits schemes to ensure they are market competitive and that they align the interests of our employees with our business strategy and the interests of our shareholders. To this end, the remuneration schemes approved by shareholders in 2010 continue to provide appropriate alignment and sufficient incentive to reward and motivate our people.

We are committed to encouraging the continuous development of our employees. This year 506 training days were completed and a total of 65 training and development initiatives were provided to further enhance the skills and capabilities of our people.

Initiatives have addressed a wide range of topics including commercial, technical, risk management, compliance, professional, managerial and personal skills.

It is a legal and regulatory requirement that all executives involved in making or managing investment transactions receive regular compliance training, addressing topics such as anti-money laundering, throughout the course of the year.

All of our employees operate in an office environment and the directors are committed to maintaining and developing a culture that ensures the health, safety and welfare of employees while on company premises. During the year there were no reportable accidents or incidents which occurred either under UK Health and Safety regulations or similar regulations in our offices outside the UK.

Our credit fund managers

John Barker

Investment experience:
32 years

Funds managed:

- Eurocredit CDO III
- Eurocredit CDO V
- Eurocredit CDO VI

Jeff Boswell

Investment experience:
15 years

Funds managed:

- Eos Loan Fund I
- European Investment Fund I
- European Investment Fund II
- ICG European Loan Fund I

Garland Hansmann

Investment experience:
17 years

Funds managed:

- ICG European High Yield Bond Fund I
- Eurocredit CDO I, II
- Eurocredit Opportunities I, Parallel Fund I

Simon Peatfield

Investment experience:
13 years

Funds managed:

- St Paul's CLO I B.V.
- Eurocredit CDO IV
- Eurocredit CDO VII
- Eurocredit CDO VIII

Our mezzanine and equity managers

Benoît Durteste

Investment experience:
18 years

Funds managed:

ICG Recovery Fund 2008

ICG Europe Fund V

Chris Heine

Investment experience:
24 years

Funds managed:

Intermediate Capital Asia Pacific Mezzanine Fund 2005

Intermediate Capital Asia Pacific Fund 2008

Piers Millar

Investment experience:
20 years

Funds managed:

ICG Minority Partners Fund 2008

ICG Europe Fund V

Rolf Nuijens

Investment experience:
18 years

Funds managed:

ICG Mezzanine Fund III 2003

ICG European Fund IV 2006

ICG Europe Fund V

ICG Longbow fund managers

Kevin Cooper

Investment experience:
23 years

Funds managed:

Longbow UK Real Estate Debt Investments II

Martin Wheeler

Investment experience:
21 years

Funds managed:

Longbow UK Real Estate Debt Investments II

Business review:

Corporate social responsibility

1. CEO Christophe Evain and colleague with the ThinkForward Ambassadors.

2. Team ICG at the Private Equity Foundation football tournament.

Our investors and financial partners

We are committed to ensuring we are as transparent as possible with all our investors. This includes financial transparency, by improving continually the amount and timeliness of financial disclosure; and governance transparency, enabling our investors to understand, assess and hold accountable our directors. In this way we believe we are able to cultivate mutual understanding and appreciation which in turn reinforces our positive reputation and brand sustainability. To support this we have continued to strengthen our Investor Management Group, who have further enhanced the level of service that we provide to our fund investors, and the quality and depth of information they receive around their investments.

Our commitment to our investors extends to our actions as an investor ourselves. As such, we seek to invest in companies who act responsibly, and who comply with environmental, regulatory and social legislation. As minority partners in virtually all of our investments, we do not have direct operational control over the companies in which we invest, but nevertheless we seek to influence their behaviour and to ensure that their ethos, corporate structures and policies are sustainable and in line with good corporate governance practice.

ICG works closely with a number of financial partners, including private equity firms, commercial banks and other financial institutions. We seek partners who operate based on an ethical, responsible approach to their business activities and who are themselves following sustainable business practices.

ICG seeks to be the partner of choice in all our business activities. We recognise that we must offer a collaborative, solutions-based approach which allows us to better serve our partners' specific needs. ICG actively promotes high ethical standards in all our business relationships and undertakes to be open, honest and consistent in every transaction. We aim to be best in class when it comes to delivering the financing know-how and service necessary for our financial partners to be successful.

Community

ICG operates a corporate Give As You Earn scheme and encourages employees to give their time to charities. To support this, each employee globally has two paid days a year for direct charity involvement. We also match any monies raised by staff charitable fundraising activities.

The Private Equity Foundation

The Private Equity Foundation ("PEF") is a foundation backed by private equity firms and their advisers. ICG has been supporting PEF since its inception in 2006.

PEF's mission is to empower young people by investing both money and expertise from the private equity community to help excellent charities achieve a significant change in their impact. Our employees support PEF throughout the course of the year, fundraising with sporting events such as triathlons and playing in the PEF football tournament.

Last year, we embarked on a four year partnership with ThinkForward, a PEF initiative. ThinkForward tackles the issue of youth unemployment by working with young people (aged 14–19) who have been identified as being most at risk of becoming NEET (not in education, employment or training).

Over the past year we have been speaking to the coaches and young people involved in the programme and looking at hands-on ways to support the project alongside our financial contributions. To this end, we recently ran our first ThinkForward workshop with a group of seven young people from the programme. The workshop was designed to give the students an insight into office life and included presentations on CV writing and interview skills. The pilot proved a great success with staff and students and we will be rolling out more over the coming year.
www.privateequityfoundation.org

Environment

As a company we are environmentally conscious. We have a no desk bin policy and instead provide small paper recycling bins for each member of staff. Larger recycling bins are available around the office and all confidential waste, once shredded, is recycled. We also recycle printer cartridges and small electrical items.

We use motion sensor lights in the open plan offices and those that are not motion sensor use low energy lighting. We dispose of all office furniture and computer equipment by donating it directly to charity or auctioning it off and donating the proceeds.

For the last couple of years, rather than sending Christmas cards by post, our offices have sent out electronic ones. This year the money saved went to ThinkForward.

3. **Students from the ThinkForward** programme receive coaching at ICG's first workshop.

Funds and portfolio:

Strong track record

Our funds have continued to perform strongly in the period despite the economic slowdown.

Funds and portfolio contents

Funds and portfolio:

Our investment culture

Our investment culture

ICG is one of the leading independent mezzanine providers in the world with 23 years of mezzanine investing experience. In addition, we are one of the largest managers of European senior loans and high yield bonds, having started investing in 1999.

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

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

ICG's network of 62 investment executives based in nine countries provides us with a powerful advantage based on local insights, knowledge and relationships. Our local network enables us to:

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

Mezzanine investment philosophy

We invest alongside financial sponsors and management teams with a focus on mid-market companies in Europe, Asia Pacific and the US.

We seek a prudent balance of risk and return for our investors and this balance determines which part of the capital structure we invest in. Returns are generated through debt coupon – cash, payment in kind, pay-if-you-can or pay-if-you-want – and through equity, either through equity warrants associated with mezzanine or standalone equity.

A key strength is our ability to adapt our financing approach to each investment opportunity. ICG has led the market through a very reactive and flexible approach, structuring ad hoc solutions and products and introducing features such as pay-if-you-can, reverse toggles and unirates.

By controlling each instrument in which we invest, we provide certainty and stability in a capital structure. If syndication is required this is typically to one of our limited partners or financing partners but ICG is always the primary contact point for management and shareholders. We are "take and hold" investors with the intention to hold our investments to maturity, investing in the business and its management team for the medium to long term. By investing for longer periods and by having board representation, either as an observer or director, a deeper mutual understanding is generated between ICG, management and shareholders. We are often a repeat investor in a business as businesses are sold in secondary transactions. We represent continuity and stability to those management teams and businesses.

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

Funds and portfolio: Our investment culture continued

Mezzanine investment strategy

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

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

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

When reviewing investments we utilise not only the market intelligence and company-specific information provided by our large network of investment executives and the current investment portfolio, but also our 23 years' accumulated direct investment experience.

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

ICG Longbow real estate philosophy

ICG Longbow's investment philosophy centres on four principles. Firstly, we seek to preserve capital investments by achieving diversity in our portfolio at the loans level, avoiding specific risk assets and targeting assets where value creation at the property level will de-risk the loan over time.

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

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

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

ICG Longbow real estate strategy

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

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

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

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

Credit Fund Management (CFM) investment philosophy

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

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

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

Market cyclicality offers opportunities for longer term investors with the experience and conviction to invest when prices are overcompensating for risk. We believe return normalisation takes time so a medium to long investment horizon is essential to generating alpha.

CFM investment approach

We believe in fundamental analysis and in depth information. This is the key to unlocking the inefficiencies caused by lack of transparency and persistent mispricings. We have the largest team of dedicated leveraged finance professionals in Europe providing fundamental analysis; six local European offices accessing local intelligence; and 23 years of relationships with financial partners providing extensive access to management teams and company information.

Funds and portfolio:

Funds overview

Mezzanine and equity funds

ICG Europe Fund V

ICG's new European mezzanine fund

- The fund achieved a first closing in September 2011 and has received close to €900 million of commitments from institutional investors to date. ICG Europe Fund V is targeting €1.5 billion of third party commitments overall. In addition ICG's Investment Company has committed €500 million to co-invest alongside the fund.
- The fund has made two investments to date.

ICG Minority Partners Fund 2008

- The fund raised €132 million of third party capital and is fully invested. The fund has realised three of its four assets as at 31 March 2012.

ICG Recovery Fund 2008

- The fund raised €643 million of third party capital. The fund seeks to exploit market dislocation in European buyout debt by investing in secondary credit opportunities at discounted prices and support the restructuring of private equity backed companies that may benefit from a change in their capital structure. It is almost fully invested.

Intermediate Capital Asia Pacific Fund II 2008

- The fund is the largest dedicated Asia Pacific mezzanine fund.
- The fund raised US$600 million of third party capital to invest in mezzanine and minority equity in the Asia Pacific Region.
- The fund is 45% invested in seven portfolio companies as of 31 March 2012.

ICG European Fund IV 2006

- The fund raised €1,246 million of third party capital.
- The fund is fully invested and has fully realised eight of its investments, out of a total of 47 investments, representing 23% of the portfolio.

Intermediate Capital Asia Pacific Mezzanine Fund 2005

- The fund raised US$300 million of third party capital to invest in mezzanine and minority equity.
- The fund invested in eight portfolio companies and has fully realised four of its eight investments, representing 47% of the portfolio.

ICG Mezzanine Fund III 2003

- The fund raised €668 million of third party capital and invested in 80 portfolio companies.
- The fund has fully realised 60 of its 80 investments as of 31 March 2012, representing 83% of the portfolio.

ICG Mezzanine Fund II 2000

- The fund raised €307 million of third party capital and invested in 50 portfolio companies. The fund is fully realised.

ICG Mezzanine Fund 1998

- ICG's first mezzanine fund.
- The fund raised €85 million of third party capital and invested in 25 portfolio companies. The fund is fully realised.

ICG Longbow

Longbow Real Estate Capital

- ICG Longbow provides its investors with access to real estate debt investment funds.
- ICG Longbow's funds under management now exceed €300 million and are invested in the full range of credit opportunities secured on UK Commercial properties.

Longbow UK Real Estate Debt Investments II

- Longbow has £242 million under management investing in credit opportunities secured on UK commercial properties. The fund is almost fully invested.

Credit funds

Private mandates

- ICG manages a number of private client mandates on behalf of investors. These private mandates totalled €237 million at 31 March 2012.

Senior loan funds

ICG European Loan Fund

- A listed unit trust product which provides institutional investors with access to the European loan markets. The fund holds a diverse portfolio of predominantly senior secured loans. The fund offers investors regular liquidity and a choice of different currency share classes.

St Paul's CLO I B.V. 2010

- This €300 million fund (previously named Resource Europe CLO) was acquired from Resource Europe in 2010. The original transaction was closed in 2007, with a 2014 reinvestment period. It is scheduled to fully mature in 2023.

Eos Loan Fund I

- ICG Eos Loan Fund I is a €1.4 billion portfolio of senior secured loans of European companies, selected and purchased from the Royal Bank of Scotland Group's loan portfolio in August 2010.

Eurocredit CDO VIII PLC 2007

- The reinvestment period for this €636 million fund expired in January 2011. It is scheduled to fully mature in 2020.

Eurocredit CDO VII 2007

- The reinvestment period for this €585 million fund expires in 2013. It is scheduled to fully mature in 2023.

Eurocredit CDO VI PLC 2006

- The reinvestment period for this €500 million fund expires in 2013. It is scheduled to fully mature in 2022.

Eurocredit CDO V PLC 2006

- The reinvestment period for this €600 million fund expires in 2012. It is scheduled to fully mature in 2022.

Eurocredit CDO IV 2004

- The reinvestment period for this €355 million fund expired in 2010. It is scheduled to fully mature in 2020.

Eurocredit CDO III 2003

- The reinvestment period for this €250 million fund expired in February 2010. It is scheduled to fully mature in 2016.

Eurocredit CDO II B.V. 2000

- The reinvestment period for this €370 million fund expired in October 2005. It is scheduled to fully mature in 2012.

Eurocredit CDO I B.V. 1999

- This €417 million fund was the first cash flow CDO to be based on European loan, bond and mezzanine collateral. The reinvestment period for this fund expired in September 2004 and the fund is scheduled to be fully realised in 2012.

Eurocredit Opportunities Fund I PLC 2005

- Originally a market value fund, Eurocredit Opportunities converted to a cash flow based fund holding a combination of senior loans, mezzanine investments and high yield bonds.

Eurocredit Opportunities Parallel Funding I

- This €450 million fund invested in leveraged loans. The reinvestment period for this fund expired in February 2010. It is scheduled to fully mature in 2019.

High yield funds

ICG European High Yield Bond Fund I

- The fund's investment objective is to provide a return which exceeds the performance of the European high yield securities market by holding a diversified portfolio of primarily sub-investment grade bonds.

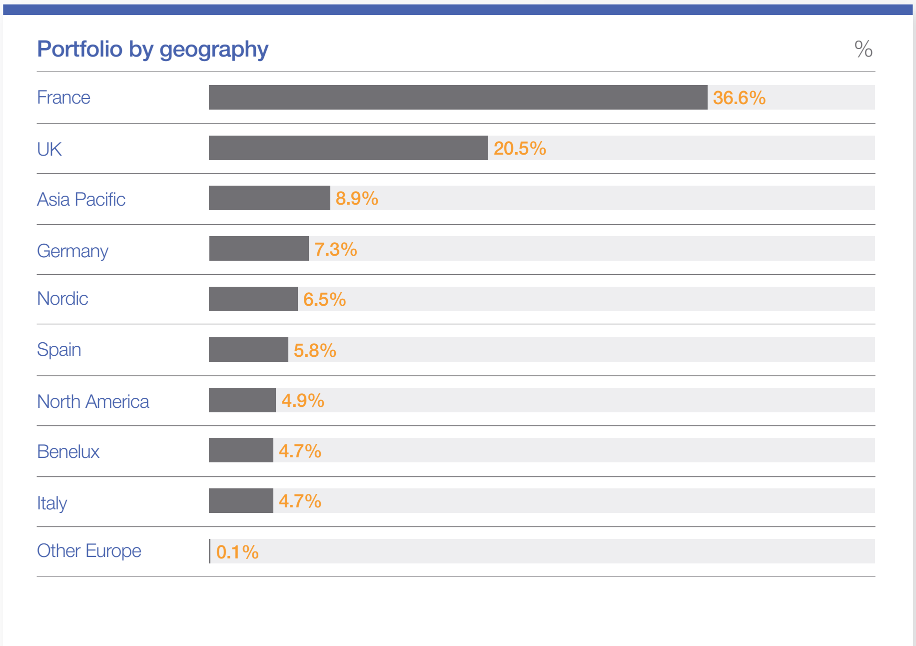
Funds and portfolio:

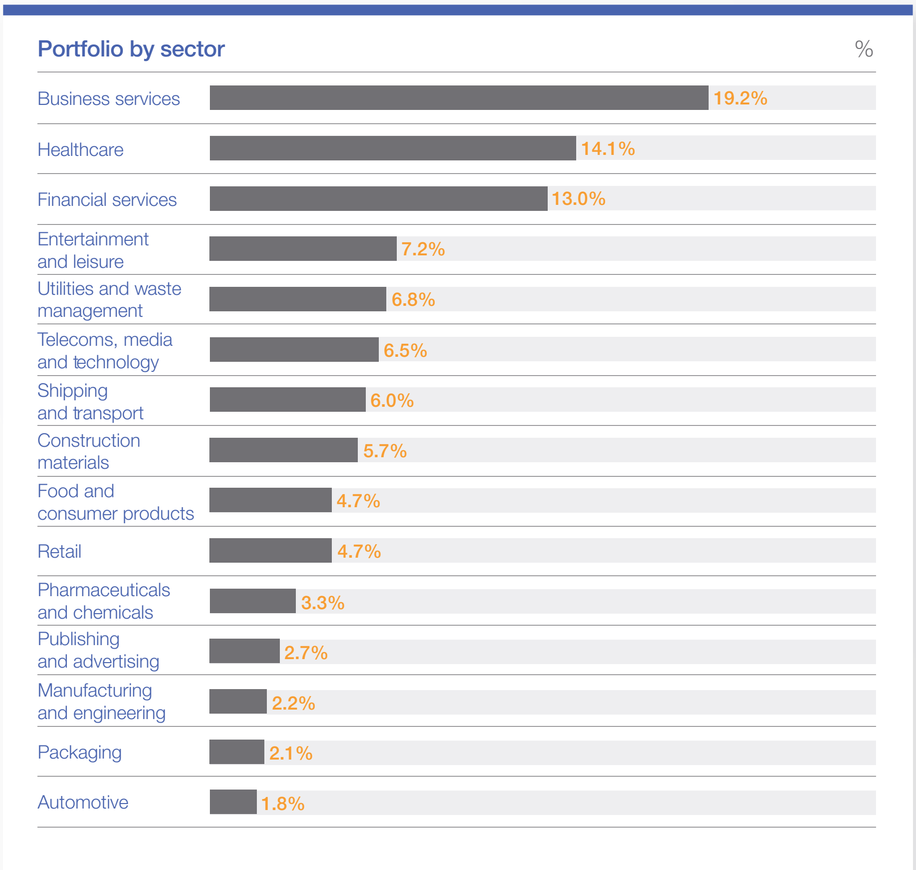
Investment portfolio

During the year, ICG made six new investments globally, and completed eight full exits and one partial exit. A full list of the Investment Company's investments is available on pages 48–54. At 31 March 2012, the IC's portfolio amounted to £2,274 million and included 77 assets.

The portfolio is invested across a diversified range of industries, with a wide geographic spread.

The top 20 assets account for approximately half of the IC investment portfolio and are listed overleaf, with the largest asset accounting for less than 5%. The IC portfolio included £653 million of equity investments at 31 March 2012. The top 10 equity positions are also listed overleaf and account for 13% of the overall IC portfolio and 44% of the IC equity portfolio.





Top 20 assets

	Company	Sector	Year	Country	£m*
1	Médi-Partenaires	Healthcare	2007	France	109.7
2	Elis	Business services	2007	France	92.6
3	Applus+	Business services	2007	Spain	79.8
4	Attendo	Healthcare	2007	Sweden	77.5
5	Link Market Services	Financial services	2007	Australia	71.7
6	Materis	Construction materials	2006	France	69.2
7	Allflex	Business services	1998	UK	65.4
8	Biffa	Utilities and waste management	2008	UK	59.8
9	BAA	Shipping and transport	2006	UK	56.9
10	Gerflor	Construction materials	2011	France	52.1
11	Minimax	Telecoms, media and technology	2006	Germany	51.2
12	Ethypharm	Pharmaceuticals and chemicals	2007	France	50.0
13	SAG	Utilities and waste management	2008	Germany	45.9
14	Intelsat	Telecoms, media and technology	2008	US	45.6
15	Eos Loan Fund I	n/a	2010	n/a	44.3
16	Feu Vert	Automotive	2007	France	41.7
17	Loewenplay	Entertainment and leisure	2008	Germany	38.9
18	TeamSystem	Business services	2010	Italy	38.5
19	Hoyts	Entertainment and leisure	2007	Australia	38.4
20	Sicurglobal	Business services	2008	Italy	38.1

* Carrying value on ICG balance sheet at 31 March 2012. Includes equity stake listed below where relevant.

Top 10 equity assets

	Company	Sector	£m*
1	Allflex	Business services	65.4
2	Intelsat	Telecoms, media and technology	45.6
3	Gerflor	Construction materials	34.5
4	Link Market Services	Financial services	32.7
5	TeamSystem	Business services	22.7
6	Van Gansewinkel	Utilities and waste management	21.9
7	Bureau Van Dijk	Publishing and advertising	18.8
8	Applus+	Business services	18.0
9	Menissez	Food and consumer products	15.3
10	Westbury Street Holdings	Food and consumer products	14.9

* Carrying value on ICG balance sheet at 31 March 2012.

Top 10 PIK (payment-in-kind) assets

	Company	Sector
1	Medi-Partenaires	Healthcare
2	BAA	Shipping and transport
3	Link Market Services	Financial services
4	Veda Advantage	Financial services
5	Hoyts	Entertainment and leisure
6	Sicurglobal	Business services
7	Westbury Street Holdings	Food and consumer products
8	Ethypharm	Pharmaceuticals and chemicals
9	Attendo	Healthcare
10	Gaucho	Entertainment and leisure

Funds and portfolio:
Investment portfolio continued

Company	Description	Sector	Year	Country	ICG fund
1st Credit www.1stcreditltd.com	1st Credit provides outsourcing services to financial institutions. The company purchases third party debtor books and collects third party debts on a commission basis. Bridgepoint Capital acquired the business in a secondary buyout from Gresham.	Financial services	2004	UK	ICG Mezzanine Fund 2003
AA/Saga www.theaa.com; www.saga.co.uk	AA is the leading provider of roadside investment assistance and personal insurance in the UK. Saga provides insurance and travel services exclusively for the over 50s. ICG provided mezzanine finance to the buyouts of both the AA and Saga in 2004. It also provided equity to the buyout of the AA. When the companies merged in 2007, the mezzanine loans were repaid and ICG retained an equity position in the combined entity.	Financial services	2004, 2007	UK	ICG Mezzanine Fund 2003
Acteon www.acteongroup.com	Acteon is a world leader in small equipment and consumables for dentists. Acteon is positioned in a growing market with an increased demand for cosmetic dental care and oral hygiene. ICG provided mezzanine finance and equity to support the secondary leveraged buyout led by Edmond de Rothschild Capital.	Healthcare	2005	France	ICG Mezzanine Fund 2003
Albingia www.albingia.fr	Albingia is a leading niche insurance company. The company provides specialised insurance products to SMEs in France. ICG provided mezzanine finance and equity to support the leveraged buyout led by Chevrillon & Associés and Groupe IDI.	Financial services	2005	France	ICG Mezzanine Fund 2003
Allflex www.allflex.co.uk	Allflex is the world's leading designer, producer and distributor of animal identification tags. The company enjoys a leading position in each of its markets. ICG provided a mezzanine loan and equity to support the management buyout led by Electra Fleming.	Business services	1998	UK	–
Alma www.almacg.com	Alma is a French consulting company specialising in cost reduction consultancy. The company is a leader in a fast growing market. ICG provided mezzanine finance and equity in support of Candover's buyout.	Business services	1998, 2007	France	ICG European Fund 2006
American Stock Transfer & Trust Company www.amstock.com	American Stock Transfer & Trust Company (AST) is the largest independent share registry and corporate administration service provider in the United States by issuer number. ICG provided mezzanine finance and equity to support the buyout by Pacific Equity Partners.	Financial services	2008	US	Intermediate Capital Asia Pacific Mezzanine Fund 2005 and 2008
Apem www.apem.fr	Apem is one of the world's largest manufacturers of professional switches and keyboards. The company designs, develops, manufactures and sells professional interface components dedicated to niche markets such as transportation, defence, security, interactive terminals and healthcare appliances. ICG provided a warranted mezzanine finance and also invested in equity to support Barclays Private Equity.	Telecoms, media and technology	2007	France	–
Applus+ www.applus.com	Applus+ is a leading inspection, certification and technological services company in both the automotive and non-destructive testing and inspection markets. ICG provided mezzanine finance and equity to support the Carlyle Group in the leveraged buyout.	Business services	2007	Spain	ICG European Fund 2006
Attendo www.attendo.se	Attendo is a leading Nordic care and healthcare provider. Attendo Care provides elderly, disabled and specialist care in the Scandinavian market. Attendo MedOne operates outsourced primary, specialist and dental healthcare units, healthcare staffing services and elderly care units in Finland. ICG provided mezzanine finance and equity to support IK Investment Partners.	Healthcare	2007	Sweden	ICG European Fund 2006
Au Bon Pain www.aubonpain.com	Au Bon Pain is a fast casual restaurant chain founded in 1978. The company is based on a marketplace concept and targets high-traffic locations such as urban locations, hospitals, universities, high-end shopping malls and transportation centres. ICG provided mezzanine finance and equity to support LNK Partners and management in their buyout of the business.	Entertainment and leisure	2008	US	–
Aviapartner www.aviapartner.aero	Aviapartner is a leading European ground handling business for cargo and passenger aircraft. The company serves airlines in over 30 European airports. ICG provided mezzanine finance to support the leveraged buyout by 3i.	Shipping and transport	2005	Belgium	ICG Mezzanine Fund 2003

Company	Description	Sector	Year	Country	ICG fund
BAA www.baa.com	BAA operates and owns six airports in the UK, including London Heathrow, and has interests in a number of other airports overseas. ICG participated in the subordinated debt arranged when BAA was acquired by Ferrovial.	Shipping and transport	2006	UK	–
Biffa www.biffa.co.uk	Biffa is a leading UK waste management business with a principal focus on waste collection, recycling, treatment and disposal. ICG provided mezzanine finance and equity to support the leveraged buyout of Biffa led by Montagu and Global Infrastructure Partners.	Utilities and waste management	2008	UK	ICG European Fund 2006
Bureau van Dijk www.bvdep.com	Bureau van Dijk is a leading provider of customised business information. The company provides detailed company executive and industry intelligence on over 50 million companies worldwide. In the most recent transaction, ICG provided senior mezzanine and equity financing.	Publishing and advertising	2007, 2008, 2011	Belgium	ICG Europe Fund V
Casa Reha www.casa-reha.de	Casa Reha is the leading provider of elderly and inpatient care in Germany. ICG provided mezzanine finance and equity to support the secondary buyout led by Hg Capital.	Healthcare	2008	Germany	ICG European Fund 2006
CEPL	Compagnie Européenne de Prestations Logistiques (CEPL) is a contract logistics company. The company specialises in the high growth, detailed picking segment of the warehouse logistics industry with a focus on high-end consumer product segments. ICG provided mezzanine finance to support the secondary buyout led by Arcapita.	Business services	2008	France	ICG European Fund 2006
CNIG www.guaranty.com.cn/en/index.asp	China National Investment & Guaranty Company Limited (CNIG) is the first nationwide guarantee institution providing customised guarantee products including direct financing guaranty, indirect financing guaranty and surety. ICG co-invested in minority equity and there are a number of other reputable overseas and local institutional investors in the company, under the CITIC Capital Co-investment Programme.	Financial services	2011	China	Intermediate Capital Asia Pacific Mezzanine Fund 2008
CoActive www.coactive-tech.com	CoActive is a leading global manufacturer of industrial switches. These are typically used in the automotive, medical and mobilecom markets. ICG provided a second lien facility and equity to support the buyout led by Littlejohn & Company.	Telecoms, media and technology	2007	US	ICG European Fund 2006
Cogent HMG www.hmgdoc.com	Cogent-HMG (Hospitalist Management Group) manages critical care medicine programmes in the US, including recruitment, training and management of hospitalists (physicians focusing solely on delivering general medical care to hospitalised patients). ICG provided mezzanine and equity to support HMG's acquisition of Cogent Healthcare to create the largest private hospitalist company in the US.	Healthcare	2011	US	–
Courtepaille www.courtepaille.com	Courtepaille is a chain of grill restaurants across France that follow a uniform concept. ICG provided mezzanine finance to support the secondary LBO led by ING Parcom in 2005. In 2011 ICG financed the €160 million debt for the acquisition of Courtepaille by private equity group Fondations Capital.	Entertainment and leisure	2005, 2011	France	ICG European Fund 2006 and ICG Recovery Fund 2008
Dako www.dako.com	Dako is a global leader in tissue based cancer diagnostics. Dako provides reagents, instruments and software for high-quality cancer diagnosis and efficient laboratory processes. ICG provided mezzanine finance and equity to support EQT in the buyout.	Healthcare	2007	Denmark	ICG European Fund 2006
Elior www.elior.com	Elior is a leading European contract and concession catering and facilities management group. In 2006 ICG provided mezzanine and equity to support the acquisition of the group by its management alongside Charterhouse.	Entertainment and leisure	1997, 1999, 2006	France	ICG European Fund 2003
Elis www.elis.com	Elis is the European leader in the rental services and cleaning of textiles hygiene services. The company serves a wide range of customers, including corporates, hotels, restaurants and healthcare facilities. Following a tertiary buyout in 2007, ICG supported Eurazeo in a restructuring by taking a majority stake in the resulting senior mezzanine tranche.	Business services	1997, 2007	France	ICG European Fund 2006

Funds and portfolio: Investment portfolio continued

Company	Description	Sector	Year	Country	ICG fund
Ethypharm www.ethypharm.com	Ethypharm is a leading Drug Delivery System (DDS) company. The company develops and manufactures medicinal products specialising in controlled release products. ICG provided mezzanine finance and equity in support of Astorg's acquisition of Ethypharm.	Pharmaceuticals and chemicals	2007	France	ICG European Fund 2006
Feu Vert www.feuvert.fr	Feu Vert is the largest auto centre operator in France and in Spain. The company is also a European leader in the design and distribution of car and cycling products to mass and specialised retailers. ICG provided mezzanine finance and equity to support CDC Capital Investment.	Automotive	2007	France	ICG European Fund 2006
Firth Rixson www.firthrixson.com	Firth Rixson is a leading manufacturer of complex metal components. The company serves the aerospace, power generation and commercial automotive markets. ICG provided mezzanine finance and equity in the secondary buyout led by Oak Hill Capital Partners.	Manufacturer and engineering	2007	UK	ICG European Fund 2006
Fitness First www.fitnessfirst.com	Fitness First is the leading global health and fitness group. It operates in four regions: UK, Europe, Australia and Asia. ICG provided a mezzanine loan and equity for a secondary buyout to support BC Partners.	Entertainment and leisure	2005	UK	ICG Mezzanine Fund 2003
FlaktWoods www.flaktwoods.com	FlaktWoods is a global company providing energy-efficient indoor air solutions. ICG provided mezzanine finance and equity to support the acquisition led by Sagard and Barclays Private Equity in 2007.	Telecoms, media and technology	2007	France	ICG European Fund 2006
Fort Dearborn Company www.fortdearborn.com	Fort Dearborn Company is a leading supplier of decorative product labels for the North American prime label market. The company supplies a blue chip list of consumer packaged goods companies, as well as regionally branded and private label companies, operating in food, beverage, household products, personal care products, pharmaceutical and paint industries. The company provides a "one-stop shop" product offering that consists of cut & stack, shrink sleeve, pressure sensitive and roll-fed labels.	Business services	2010	US	–
Fraikin www.fraikin.co.uk	Fraikin is one of the largest commercial vehicle fleet service providers in Europe. ICG provided mezzanine finance and equity to support the secondary management buyout led by CVC Capital Partners.	Shipping and transport	2007	France	ICG European Fund 2006
Franklin Offshore www.franklin.com.sg	Franklin is the leading provider of rigging, lifting and mooring services to the offshore and marine industries in South East Asia. The company is increasingly involved in high value deepwater drilling and mooring operations and has developed a strong, blue chip customer base. ICG provided mezzanine and equity finance to support 3i.	Manufacturing and engineering	2007	Singapore	Intermediate Capital Asia Pacific Mezzanine Fund 2005
Gaucho www.gauchorestaurants.co.uk	Gaucho is the leading UK based operator of Argentine restaurants. ICG provided minority equity to support the management led buyout from Phoenix Equity Partners in 2007.	Entertainment and leisure	2007	UK	ICG European Fund 2006 and ICG Minority Partners Fund 2008
Gerflor www.gerflor.com	Gerflor is the third largest manufacturer of PVC flooring in the world and the second largest manufacturer in Europe with around 15% of the market share. Their positioning is in the "mid to high-end PVC flooring market". In 2011 ICG agreed to acquire Gerflor from AXA Private Equity, with the support of Gerflor's existing management team, headed by its CEO Bertrand Chammas.	Construction materials	1992, 1998, 2006, 2011	France	European Fund 2006 and ICG Recovery Fund 2008
HMY www.hmy.fr	HMY is the leading French and Spanish manufacturer of retail shelving and checkouts. In 2005 ICG provided mezzanine finance to support the quaternary buyout led by Sagard.	Retail	2000, 2005	France	ICG Mezzanine Fund 2003

Company	Description	Sector	Year	Country	ICG fund
Hoyts www.hoyts.com.au	Hoyts is one of the world's leading entertainment corporations. The company owns and operates 45 cinemas with over 400 screens and approximately 75,000 seats in Australia and New Zealand. In both of these countries it is the largest independent film distributor and provider of cinema advertising. ICG provided mezzanine and equity to support the leveraged buyout led by Pacific Equity Partners.	Entertainment and leisure	2007	Australia	Intermediate Capital Asia Pacific Mezzanine Fund 2005
Icopal www.icopal.com	Icopal is an international manufacturer of flat roofing materials, with leading market positions in almost all of its countries. In 2010 ICG invested in the senior debt of the company.	Construction materials	2010	Denmark	ICG European Fund 2006 and ICG Recovery Fund 2008
Indas www.indas.es	Indas manufactures adult incontinence products with a smaller focus on producing other hygiene products and dressings. ICG provided mezzanine finance and equity for the primary buyout by Vista Capital and Ibersuizas.	Healthcare	2007	Spain	ICG European Fund 2006
Inspecta www.inspecta.com	Inspecta is a leading provider of inspection, testing and certification services in the Nordic region. The company offers a wide range of business and health and safety services to a diversified client base across the construction, energy, infrastructure and manufacturing sectors. ICG provided mezzanine finance and equity to support the secondary buyout by 3i.	Business services	2007	Finland	ICG European Fund 2006
Intelsat www.intelsat.com	Intelsat is the leading provider of fixed satellite services worldwide. The company has one of the largest, most flexible and most reliable satellite fleets in the world covering over 99% of the world's population. ICG invested in equity alongside BC Partners.	Telecoms, media and technology	2008	US	ICG European Fund 2006
Interbest www.interbest.nl	Interbest is the leading provider of roadside advertising masts in the Netherlands. ICG provided mezzanine finance and equity to support Waterland and AlpInvest in the acquisition of the company.	Publishing and advertising	2007	The Netherlands	ICG European Fund 2006
Ista www.ista.de	Ista is a global services provider for consumption based billing in the sub metering and metering industry. The company operates in more than 20 countries, serving more than 300,000 customers with medium and long term contracts. In 2008 ICG invested in the debt of the company.	Utilities and waste management	2008	Germany	–
Le Moniteur www.lemoniteur.fr	Le Moniteur is a leading magazine group, which publishes two flagship titles: Le Moniteur des Travaux Publics and La Gazette. Funds advised by ICG provided a mezzanine bond and equity for leveraged buyout to support Sagard Private Equity Partners. In 2006 ICG provided mezzanine finance and equity to support the leveraged buyout led by Bridgepoint Capital and the management team.	Publishing and advertising	2004, 2006	France	ICG Mezzanine Fund 2006
Link Market Services www.linkmarketservices.com.au	Link Market Services (Link) is the second largest provider of shareholder registry services in Australia, New Zealand, India and South Africa. In 2006 Link combined with Australian Administration Services, one of the largest providers of superannuation funds administration in Australia. ICG provided mezzanine finance and equity to support the leveraged recapitalisation and acquisition finance in a transaction led by Pacific Equity Partners.	Financial services	2007	Australia	Intermediate Capital Asia Pacific Mezzanine Fund 2005
Loewenplay www.loewenplay.de	Loewenplay is the second largest gaming arcade operator in Germany. The company operates around 240 amusement arcades that provide gaming, sports and amusement machines. The company was acquired by funds advised by AXA Private Equity with ICG providing the mezzanine facility.	Entertainment and leisure	2008	Germany	ICG European Fund 2006
MACH www.mach.com	MACH is the world market leader in clearing mobile telephony roaming billing records. The company has a significant proportion of the largest GSM operators as customers. In 2005 MACH acquired End2End, one of Europe's leading service providers for mobile data services. ICG provided mezzanine finance and equity in a leveraged buyout to support Warburg Pincus.	Telecoms, media and technology	2005	Luxembourg	ICG Mezzanine Fund 2003

Funds and portfolio: Investment portfolio continued

Company	Description	Sector	Year	Country	ICG fund
Materis www.materis.com	Materis is the speciality building materials business formerly owned by Lafarge. ICG provided mezzanine finance to support the acquisition by Wendel Investissement in 2006.	Construction materials	2003, 2006	France	ICG Mezzanine Fund 2003
Mayborn www.mayborngroup.com	Mayborn has a range of international brands in the baby feeding and hygiene markets, including Tommee Tippee and Sangenic. ICG provided mezzanine finance to support the public to private buyout of Mayborn by 3i in 2006.	Food and consumer products	2006	UK	–
Médi-Partenaires www.medi-partenaires.com	Médi-Partenaires is a leading company in the French acute care private hospital sector. The group currently manages hospitals across France, focusing on short-stay acute care. ICG provided mezzanine finance to support the secondary buyout by management and LBO France in 2007.	Healthcare	2005, 2007	France	ICG European Fund 2006
Menissez www.menissez.fr	Menissez is a leading manufacturer of specialist part-baked breads, which is one of the fastest-growing product categories in this market. It operates in an industry with high barriers to entry. In 2006 ICG provided mezzanine finance and equity investment to support management's acquisition of the company.	Food and consumer products	2006	France	ICG Mezzanine Fund 2003
Meyn www.meyn.com	Meyn is the second largest manufacturer of poultry processing equipment in the world. The company was sold to Altor in 2005 and ICG provided a mezzanine loan for this leveraged buyout. In 2005 Meyn acquired Systemate and ICG provided equity to support this acquisition.	Manufacturing and engineering	1999, 2005	The Netherlands	–
Minimax www.minimax.de	Minimax is the third largest global supplier of fire protection systems and services, focused on solutions for industrial and special hazards. The business serves the international fire protection market, and also supplies portable fire extinguishers and services to the German market. ICG provided mezzanine finance and equity for the leveraged buyout to support IK Capital Partners.	Telecoms, media and technology	2006	Germany	ICG Mezzanine Fund 2003
Motip Dupli www.motipdupli.de	Motip Dupli is a leading European manufacturer of paints and putty. In 2006 the company was acquired by management and ICG. In 2008 ICG supported management in a refinancing of the company.	Pharmaceuticals and chemicals	2003, 2006	The Netherlands	ICG Mezzanine Fund 2003
N&W Global Vending www.nwglobalvending.com	N&W Global Vending is a vending machine manufacturer, which operates in more than 80 countries worldwide through a network of selected dealers. ICG provided mezzanine finance to support the tertiary buyout led by InvestCorp and Barclays Private Equity in 2008.	Retail	2005, 2008	Italy	ICG European Fund 2006
Nocibé www.nocibe.fr	Nocibé is a leading distributor of prestige cosmetic and perfume brands in France. In 2006 ICG invested in mezzanine finance and equity to support the leveraged buyout by Charterhouse.	Retail	2006	France	ICG Mezzanine Fund 2003
Orizonia www.orizonia.com	Orizonia is the leading tour operator in Spain benefiting from preferential contracts with key suppliers in the airline and travel industry. ICG invested across the capital structure to support Carlyle and Vista Capital in the acquisition of Orizonia from the Fluxa family, its founder. ICG also has a minority equity stake in the company.	Entertainment and leisure	2006	Spain	ICG Mezzanine Fund 2003
Parkeon www.parkeon.com	Parkeon provides parking and transport management solutions. Parkeon is located in 40 countries and its innovative systems and products ease congested streets and facilitate mobility in more than 3,000 cities. ICG provided mezzanine finance and equity in support of Barclays Private Equity.	Business services	2007	France	ICG European Fund 2006
Press Ganey www.pressganey.com	Press Ganey is the largest US provider of healthcare quality measurement and improvement solutions. In March 2008 ICG provided mezzanine debt and equity to support Vestar Capital Partners and management in a buyout of Press Ganey. Today Press Ganey is the industry leader, partnering with nearly 10,000 healthcare organisations globally, including 50% of all US hospitals, to measure and enhance the quality of patient care and overall performance.	Healthcare	2008	US	–

Company	Description	Sector	Year	Country	ICG fund
Q-Matic www.q-matic.com	Q-Matic is the global market leader in queue management systems. The company manufactures a wide range of hardware and software products related to management of queues. ICG provided mezzanine finance and equity to support the management buyout led by Altor.	Business services	2007	Sweden	ICG European Fund 2006
Quorn www.quorn.com	Marlow Foods, a former division of Premier Foods, is the UK market leader in the meat alternative segment selling chilled and frozen food products under the Quorn and Cauldron brands. The Quorn product is unique globally with significant barriers to entry. Both brands are targeted at vegetarians and weight/health managing consumers. The business also operates in a number of international markets where it commands similar market leading positions. ICG financed the acquisition of Marlow Foods providing junior debt and equity of £80 million from its balance sheet and third party funds.	Food and consumer products	2011	UK	ICG European Fund 2006
SAG www.sag.de	SAG is a leading technical solutions provider for utilities in Europe. In 2008 ICG provided mezzanine finance and equity to support the secondary buyout.	Utilities and waste management	2008	Germany	ICG European Fund 2006
Sicurglobal www.sicurglobal.it	Sicurglobal is the leading Italian provider of integrated security services, including guarding, patrolling and alarm monitoring, cash handling, and satellite control. Following the acquisition of Mega Italia in 2009 the group also designs and installs highly technological and customised security systems for its clients. ICG provided mezzanine finance and equity to support the secondary buyout led by Stirling Square Capital.	Business services	2008	Italy	ICG European Fund 2006
Sogetrel www.sogetrel.com	Sogetrel specialises in communication networks for cable, mobile, fixed and proprietary operators throughout France. Sogetrel has a well-diversified portfolio of activities and holds a strong competitive position. ICG provided mezzanine finance and equity to support the acquisition by Barclays Private Equity.	Telecoms, media and technology	2006	France	–
Swets www.swets.com	Swets is a leading global subscription services company. The company acts as an intermediary between publishers and institutional subscribers, by providing products and services to simplify the management of print and electronic subscriptions. In October 2007 ICG supported Gilde in the acquisition of the company with mezzanine finance and equity.	Publishing and advertising	2007	The Netherlands	ICG European Fund 2006
TDF www.tdf.fr	TDF operates radio utilities relay networks and shared infrastructures. The company provides services across the entire value chain of audiovisual and telecommunications networks. ICG provided equity for the management buyout to support TPG and Axa Private Equity. ICG also invested in the senior debt.	Telecoms, media and technology	2002, 2007	France	–
TeamSystem www.teamsystem.com	TeamSystem provides software solutions for payroll, tax, accounting, customer and human resources management. ICG invested in a mezzanine loan and equity to support the secondary buyout led by Bain Capital. In 2006 ICG supported Bain Capital in the add on acquisition of Lince, a leading business information company. In August 2010 ICG reinvested in TeamSystem to support Hg Capital with Mezzanine, PIK and equity.	Business services	2004, 2006, 2010	Italy	ICG European Fund 2006
Tegel Foods Ltd www.tegel.co.nz	Tegel is the leading poultry producer in New Zealand. The company offers a broad range of poultry products from fresh and frozen whole birds and portions to value added main meal items. In 2011, ICG provided mezzanine and equity financing to support the secondary buyout of Tegel by Affinity Equity Partners.	Food and consumer products	2006, 2011	New Zealand	Intermediate Capital Asia Pacific Mezzanine Fund 2008
Tractel www.tractel.com	Tractel is the world leader in lifting and access-related products. This includes lifting, material handling, measurement of tension and loads, suspended working platforms, building maintenance installations and fall arrest safety equipment. ICG provided mezzanine and equity to support the management buyout led by LBO France.	Manufacturing and engineering	2007	France	ICG European Fund 2006

Funds and portfolio: Investment portfolio continued

Company	Description	Sector	Year	Country	ICG fund
Van Gansewinkel (formerly AVR) www.vangansewinkel.com	Van Gansewinkel is the leading waste management and lands environmental company in the Netherlands. ICG provided a senior shareholder loan and equity for the leveraged buyout to support CVC and KKR. As a result of the financing of the add-on acquisition of Van Gansewinkel in 2007, ICG invested in additional equity while the senior shareholder loan was repaid.	Utilities and waste management	2006, 2007	The Netherlands	ICG Mezzanine Fund 2003
Veda Advantage www.vedaadvantage.com	Veda Advantage is Australia and New Zealand's leading credit bureau and provides credit checks and references on individuals and corporations. In September 2008 ICG facilitated the restructuring of Veda's balance sheet by providing mezzanine finance to refinance senior debt and to provide additional working capital. ICG also acquired Veda's subordinated debt in the secondary market.	Financial services	2008	Australia	Intermediate Capital Asia Pacific Mezzanine Fund 2008
Veinsur www.veinsurtrucks.com	Veinsur is the largest Spanish truck distributor that also provides maintenance, repair and after-sales services. ICG provided mezzanine finance in the buyout supporting Ibersuizas and the founding family that remained as the management of the business.	Shipping and transport	2008	Spain	ICG European Fund 2006
Ventura Motors www.venturabus.com.au	Ventura Motors is the largest bus operator in Victoria, with over 1,250 buses and 2,300 staff. ICG provided mezzanine and equity capital in support of the acquisition of Grenda Transit Management, a long-standing competitor.	Shipping and transport	2012	Australia	Intermediate Capital Asia Pacific Mezzanine Fund 2008
Via Location www.vialocation.fr	Via Location is France's second largest independent truck rental company. In 2007 ICG provided mezzanine bonds and equity to support the management buyout led by Weinberg Capital Partners.	Shipping and transport	2004, 2007	France	ICG European Fund 2006
Viadom www.viadom-services.com	Viadom is the leading French provider of household, gardening, beauty and wellbeing services in the home environment. ICG provided mezzanine and equity finance to support the management buyout led by Edmond de Rothschild Capital Partners.	Food and consumer products	2006	France	ICG Mezzanine Fund 2003
Vivarte www.vivarte.fr	Vivarte is a leading French apparel and footwear retail specialist. The company has a well-established and diversified portfolio of stores and brands in Europe. ICG provided equity to support the management buyout led by Charterhouse. ICG also invested in the senior debt.	Retail	2007	France	ICG European Fund 2006
Westbury Street Holdings www.baxterstorey.com	Westbury Street Holdings is a contract catering business predominantly based in the UK. Its largest UK brand is Baxter Storey, a leading food service provider covering business and industry. ICG invested in Westbury as a minority partner backing the incumbent management team with a mix of junior debt and equity financing.	Food and consumer products	2011	UK	ICG European Fund 2006

In addition we hold an interest in the following funds: Anacap, Astorg, Cobalt and Electra.

We also hold a residual interest in the following companies: A-Katsasus, Asco, Care Management Group, DSV Miljo, Dynea, Eurodatacar, Geoxia, Hudson Products Corporation, Ideal Stelrad, IPT Group, Labco, Lecta, Petroplus, Retif, Sia, SSP and Terreal.

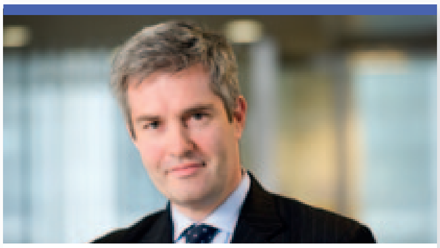
Governance: Our directors and corporate governance

The directors present their annual report and the audited financial statements for the 12 months to 31 March 2012.

Governance contents

Governance:

Board of directors and company secretary



Christophe Evain

Managing Director and CEO

Opened ICG offices in Paris, Hong Kong and New York. Before ICG, Christophe held a number of roles in leading financial institutions including Banque de Gestion Privée, National Westminster Bank and Crédit Lyonnais specialising in leverage and structured finance. Graduate of Dauphine University, Paris.

Chairman of Investment Committee

Joined: 1994

Tom Attwood*

Managing Director

Before joining ICG as a Managing Director in 1996, Tom served as a Non Executive Director on ICG's Board from June 1993 and worked with ICG's founders in raising the initial equity for ICG prior to its incorporation in 1989. Before ICG he was a director at James Capel & Co, now HSBC Investment Bank, responsible for the growth of their IPO business. Graduate of Manchester University.

Chairman of Executive Committee and member of Investment Committees. Responsible for marketing and fundraising.

Joined: 1996 * Retired 31 March 2012

François de Mitry*

Managing Director

Previously worked at HSBC and Société Générale in the Corporate Finance and Leverage Finance divisions. He is a graduate of Institut d'Etudes Politiques and has a MBA from Paris Dauphine University.

Member of Investment and Executive Committees. Responsible for mezzanine and minority equity business.

Joined: 1997 * Retired 31 July 2011

Philip Keller

Managing Director and CFO

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

Member of Investment and Executive Committees. Responsible for finance, human resources and operations.

Joined: 2006

Benoît Durteste*

Managing Director

Benoît Durteste is Head of European Mezzanine. Prior to ICG, Benoît worked in the leveraged and structured finance divisions of Swiss Re and BNP Paribas. Benoît also worked for GE Capital where he was CFO of a portfolio company. Benoît is a graduate of the Ecole Supérieure de Commerce de Paris.

Member of Investment and Executive Committees. Responsible for European mezzanine.

Joined: 2002 * Joined the Board 21 May 2012

Aneta Polk

Company Secretary and General Counsel

Responsible for legal and compliance. Twelve years with Citigroup in a number of senior executive legal positions within wealth management, corporate and investment banking.

Joined: 2009

Justin Dowley

Chairman

A Non Executive Director of Melrose plc and Ascot Authority (Holdings) Ltd. Previously a founder partner of Tricorn Partners LLP, head of Investment Banking at Merrill Lynch Europe and a Director of Morgan Grenfell. A Chartered Accountant.

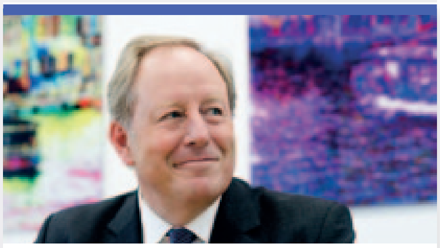
Joined: 2006

Jean-Daniel Camus

Non Executive Director

Founding Partner of Orium, a proprietary investment firm. Previously worked for LBO France. Jean-Daniel started his career in the French civil service and served as special adviser to the Department of the General Secretary to the French President.

Joined: 2007 Will retire on 10 July 2012



Peter Gibbs

Non Executive Director

Previously Chief Investment Officer of Merrill Lynch's Investment Management activities outside the US and prior to this Co-Head of Equity Investments worldwide. Currently serves as a Non Executive Director of Friends Life Group plc, Impax Asset Management Group plc, Director of Merrill Lynch (UK) Pension Plan Trustees Ltd and as a Director of UKFI.

Chairman of ICG's Remuneration Committee

Joined: 2010

James Nelson

Non Executive Director

Non Executive Director of Henderson Smaller Companies Investment Trust plc and Aurora Investment Trust plc. Founding partner of Graphite Capital Management LLP and formerly Chairman of the BVCA.

Joined: 2001 Will retire on 10 July 2012

Kevin Parry

Non Executive Director

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

Chairs ICG's Audit and Risk Committee and is the Senior Independent Director.

Joined: 2009

Directors' report

The directors present their annual report and the audited financial statements for the 12 months ended 31 March 2012.

Principal activities and business review

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

The Group's profit before taxation was £243.8 million (2011: £186.3 million). The directors consider the state of the Company's affairs to be satisfactory.

The review of the Group's business (as required by section 417 of the Companies Act 2006) including its likely future development is contained in "Our business", the "Business review" and on pages 41 to 54, which are incorporated into this report by reference, together with this report itself. The Corporate Governance Statement, set out on pages 63 to 67, forms part of this report. The Pillar 3 disclosure is available on the shareholders section of the Company's website www.icgplc.com.

Investment process

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

A similar process is followed for all credit fund investments, with a two-step Investment Committee process approving trading limits for all new investments. The process works on a shorter time frame with the team usually benefiting from pre-agreed documentation and a prepared due diligence set of information.

In order to effectively manage potential conflicts of interests between both ICG's businesses, namely mezzanine investment and credit fund management, two separate and independent Investment Committees have been set up: the consideration of new mezzanine loans or equity investments for approval and monitoring of performance of existing mezzanine loans and equity investments has been delegated to the Mezzanine and Minority Equity Investment Committee. The Committee is chaired by Christophe Evain, CEO and CIO. The consideration of new senior debt, second lien debt and high yield investments has been delegated to the Credit Funds Investment Committee. This Committee is chaired by Christophe Evain, CEO and CIO. All investments are reviewed by the corresponding Investment Committee. The approving Committees, comprise up to seven additional members for mezzanine investment and five additional members for credit fund management. The CIO selects the members among two predefined lists of people including managing directors and senior investment executives. One of these members will be nominated as Sponsor member, depending on the specificities of the investment (geography, size, nature of the transaction). By chairing both Investment Committees, the CIO ensures consistency in the Global Investment Strategy of the firm.

Key performance indicators ("KPIs")

Details of the KPIs are shown in the Business review on pages 22 to 25.

Directors

The directors, who served throughout the year except as noted, were as follows:

- Justin Dowley (Non Executive Chairman)
- Christophe Evain (Chief Executive Officer)
- Tom Attwood (Managing Director)
- Philip Keller (Managing Director)
- François de Mitry (Managing Director)
- Jean-Daniel Camus (Non Executive Director)
- Peter Gibbs (Non Executive Director)
- James Nelson (Non Executive Director)
- Kevin Parry (Senior Independent Non Executive Director)

The composition of each of the Committees of the Board and the Chairperson of each Committee are detailed on pages 65 and 66. Mr de Mitry retired on 31 July 2011 and Mr Attwood retired on 31 March 2012.

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

Accordingly Mr. Dowley, Mr. Evain, Mr. Keller, Mr. Gibbs, and Mr. Parry retire by rotation at the next annual general meeting and, being eligible, offer themselves for re election.

Mr. Camus and Mr. Nelson will not stand for re election.

Benoît Durteste was appointed to the Board as a managing director on 21 May 2012. Mr. Durteste retires at the next annual general meeting and, being eligible, offers himself for re election.

Directors' interests

The directors who held office at 31 March 2012 and their connected persons, as defined by the Companies Act, had the following interests in the ordinary shares of the Company:

	31 March 2012 Number of 20p ordinary shares	31 March 2011 Number of 20p ordinary shares
Tom Attwood	1,298,633	1,178,649
Jean-Daniel Camus	–	–
Justin Dowley (Chairman)	119,639	112,092
Christophe Evain (Chief Executive Officer)	781,627	775,650
Peter Gibbs	–	–
Philip Keller	152,158	69,500
James Nelson	40,180	40,180
Kevin Parry	–	–

There have been no changes to the directors' interests in shares at 31 March 2012 as set out above as at 21 May 2012.

Directors' share options

Details of directors' share options are provided in the Report of the Remuneration Committee on pages 75 and 76. During the financial year ending 31 March 2012, the directors had no interests in the shares of any subsidiary company. No Company shares were issued under the Executive Share Option Schemes during the year.

Significant shareholdings

As at 21 May 2012 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	32,729,648	8.18
Newton Investment Management Ltd	28,972,137	7.24
F & C Asset Management Plc	28,032,394	7.00
Baillie Gifford & Co Ltd	23,322,777	5.83
Legal & General Investment Mgmt Ltd	14,084,419	3.52
TD Direct Investing	12,974,684	3.24
LSV Asset Management	12,637,817	3.16
J O Hambro Capital Management	12,051,399	3.01

Dividend

The directors recommend a final net dividend payment in respect of the ordinary shares of the Company at a rate of 13 pence per share (2011: 12 pence), which when added to the interim net dividend of 6 pence per share (2011: 6 pence), gives a total net dividend for the year of 19 pence per share (2011: 18 pence). The amount of dividend paid in the year was £70.1 million (2011: £65.6 million).

Trade creditors

It is Group policy to agree and clearly communicate terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms, based upon the timely receipt of an accurate invoice. The Group does not follow any code regarding terms of payment. During the financial year our trade creditor days, based upon the ratio of amounts that were owed to trade creditors at the year end to the aggregate amounts invoiced by trade creditors during the year, were 21 days (2011: 27 days).

Auditor

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

Disclosure of information to auditor

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

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

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

Charitable and political contributions

During the year the Group made charitable donations of £38,000 (2011: £97,000) principally to local charities serving the communities in which the Group operates. £19,000 of donations (2011: £59,000) have been made to the Private Equity Foundation this year, a foundation backed by private equity firms and their advisers. Their mission is to empower young people, by investing both money and expertise from the private equity community, to help charities achieve a significant change in their impact. The Group also allows employees to take two days paid leave a year to devote to charitable causes supported by the Group under its Corporate Social Responsibility programme, further details of which are given on pages 38 and 39. No contributions were made during the current and prior year for political purposes.

Directors' report continued

Directors' indemnity

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

Acquisition of shares by Employee Benefit Trust

During the year the Intermediate Capital Group Employee Benefit Trust 2002, funded in full by the Company, purchased 4,813,531 (2011: 7,452,221) ordinary shares in the Company (having an aggregate nominal value of £962,706.20 (2011: £1,490,440.20)) for a consideration of £12.9 million (2011: £21.0 million). The shares were purchased in order to hedge the Company's future liabilities in relation to the vesting of awards under the Company's long term incentive plans.

This represented 1.20% (1.87%) of the Group's share capital at 31 March 2012.

Share capital and rights attaching to the Company's shares

As at 31 March 2012 the issued share capital of the Company was 400,190,206 ordinary shares of 20 pence each. Certain key matters regarding the Company' 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 20 pence each carrying equal rights.
- At a general meeting of the Company every member present in person or by a duly appointed proxy has one vote on a show of hands and on a poll one vote for each share held.
- The Intermediate Capital Group Employee Benefit Trust 2002 holds shares which may be used to satisfy options and awards granted under the Company's employee share schemes including its long term incentive plans. The voting rights of these shares are exercisable by the Trustees in accordance with their fiduciary duties.
- The notice of any general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.
- No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if:

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

  (B) he or any interested person has failed to supply the Company with the information requested within 14 days where the shares subject to the notice (the "default shares") represent at least 0.25% of their class or in any other case 28 days after delivery of the notice.
- Where the default shares represent 0.25% of their class, unless the Board decides otherwise, no dividend is payable in respect of those default shares and no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.
- The directors may refuse to register any transfer of any share which is not a fully paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.

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

- certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws or the UK Takeover Code); and
- pursuant to the Listing Rules of the Financial Services 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 2011 Annual General Meeting the directors were given the power to allot shares and grant rights to subscribe for, or convert any security into, shares: up to an aggregate nominal amount of £26,621,764 plus, in the case of a fully pre-emptive rights issue only, a further amount of up to £53,243,529. A resolution will be proposed to renew the Company's authority to allot further new shares at the forthcoming AGM. In accordance with the institutional guidelines issued by the Association of British Insurers (ABI), the proposed new authority will allow the directors to allot ordinary shares equal to an amount of up to one third of the Company's issued ordinary share capital as at 21 May 2012 plus, in the case of a fully pre-emptive rights issue only, a further amount of up to an additional one-third of the Company's issued share capital as at 21 May 2012. Further details of the resolutions proposed at the forthcoming AGM are set out on pages 61 and 62.
- The director's authority to effect purchases of the Company's shares on the Company's behalf is conferred by resolution of shareholders. At the 2011 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 03 June 2011. The authority to effect purchases of the Company's shares is renewed annually and approval will be sought at the forthcoming AGM for its renewal.

Powers of directors

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

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

Change of control agreements

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

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

1) The multi currency revolving loan facility agreement of £1,067 million dated 5 April 2005 as amended and restated on 8 December 2006 where a change of control is an event of default and gives lenders the right, but not the obligation, to cancel their commitments to the facility and declare the loans repayable on demand.

2) The multi currency forward start revolving loan facility agreement of £250 million dated 1 July 2009 where a change of control is an event of default and gives lenders the right, but not the obligation, to cancel their commitments to the facility and declare the loans repayable on demand.

3) The three Private Placement arrangements totalling £316 million dated between 28 June 2001 and 28 February 2007 where a change of control gives rise to a downgrade in the credit rating and the loans are thereafter repayable on demand.

4) The Private Placement arrangement totalling £34 million dated 26 June 2008 where a change of control in the Company gives rise to an event of default under the agreements. The loans are thereafter repayable on demand.

5) The forward start loan facility agreement of £250 million dated 1 June 2009 and amended and restated 1 July 2009 where a change of control gives lenders the right, but not the obligation, to cancel their commitments to the facility and declare the loans repayable on demand.

6) The employee share schemes, details of which can be found in the Report of the Remuneration Committee on pages 69 to 81, Awards and options under the 2001 Approved and Unapproved Executive Share Option Schemes and SAYE Plan 2004 become exercisable for a limited period following a change of control whereas awards under the KERSP will only become exercisable if the Remuneration Committee so decides. Awards and options under the Omnibus Plan and the BSC Plan vest immediately on a change of control.

7) £75m private placement arrangements signed on 9 November 2011 under which a change of control triggers an immediate prepayment obligation of all outstanding principal, accrued interest and all other amounts due under the agreement.

8) The terms and conditions of the £35m retail bond issue sets out that following a change of control event, investors have the right but not the obligation to sell their notes to ICG if the change of control results in either a credit ratings downgrade from investment grade to non-investment grade, or a downgrade of one or more notches if already non-investment grade, no credit ratings being in existence.

Annual General Meeting

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

Resolutions 13, 14 and 15 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions. To pass special resolutions 75% or more of the votes cast must be in favour. Voting on all resolutions will be by way of poll.

Resolutions

Financial Statements and Reports – Resolution 1

The directors are required to present to shareholders at the AGM the financial statements and reports for the year ended 31 March 2012.

Directors' Remuneration Report– Resolution 2

The directors are required to seek approval of the shareholders for the Directors' Remuneration Report for the year ended 31 March 2012. The resolution is an advisory vote, as permitted by law, and no entitlement to remuneration is made conditional on the resolution being passed. The Report of the Remuneration Committee is on pages 69 to 81.

Dividend – Resolution 3

The directors recommend a dividend of 13 pence per share. The final dividend cannot exceed the amount recommended by the directors. If approved by shareholders, the final dividend will be paid on 13 July 2012 to those shareholders on the register as at 1 June 2012.

The Auditor – Resolutions 4 and 5

The shareholders are asked every year to approve the re appointment of the auditor, Deloitte LLP, as auditor of the Company and agree that the directors may approve their remuneration.

Directors' report continued

Re election of directors – Resolutions 6, 7, 8, 9, 10, and 11

In accordance with the provisions of the UK Corporate Governance Code relating to the annual re election of directors, Justin Dowley, Christophe Evain, Philip Keller, Benoît Durteste, Peter Gibbs, and Kevin Parry are retiring and will be standing for re election at the AGM. The Chairman is satisfied that, following formal performance evaluation, each director continues to be effective and demonstrates commitment to his role. The Board considers that each of the directors brings experience and skills valuable to the Board's effective performance and that their re-appointment is in the best interest of the Company. Biographies of all the directors appear on pages 56 and 57.

Authority to allot shares – Resolutions 12

The directors may allot relevant securities only if authorised to do so by shareholders. The authority granted at the 2011 AGM is due to expire at this year's AGM. Resolution 12 seeks to renew this authority for a period until 30 September 2013, or the date of the 2013 AGM, whichever is the earlier.

Paragraph (a) of Resolution 12 will allow the directors to allot ordinary shares up to a maximum nominal amount of £26,679,347 representing approximately one-third (33.33%) of the Company's existing issued share capital and calculated as at 21 May 2012 (being the latest practicable date prior to publication of the Notice of AGM). In accordance with the latest institutional guidelines issued by the ABI, paragraph (b) of Resolution 12 will also allow directors to allot, including the ordinary shares referred to in paragraph (a) of Resolution 12, further ordinary shares in connection with a pre emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £53,358,694, representing approximately two-thirds (66.67%) of the Company's existing issued share capital calculated as at 21 May 2012.
The directors have no present intention of exercising this authority. However, if they do exercise the authority, the directors intend to follow emerging best practice as regards its use (including, where appropriate, the directors standing for re-election) as recommended by the ABI.

Issue of Shares – Resolution 13

If the directors wish to allot equity securities or sell treasury shares for cash, the Companies Act 2006 requires that these shares are offered first to existing shareholders in proportion to their existing holdings. These requirements are known as shareholders' pre emption rights. There may be occasions, however, when, in order to act in the best interests of the Company, the directors need flexibility to finance business opportunities as they arise without offering securities on a pre emptive basis. Resolution 13 asks shareholders to renew the directors' authority to allot equity securities for cash up to an aggregate nominal value of £4,001,902 (being equivalent to approximately 5% of the ordinary issued share capital as at 21 May 2012) without the shares being offered first to existing shareholders. If given, this power will expire on 30 September 2013 or at the conclusion of the 2013 AGM, whichever is the earlier.

Repurchase of own Shares – Resolution 14

The Company may buy its own shares with the authority of shareholders. Resolution 14 seeks to renew the current authority given at the 2011 AGM. The resolution specifies the maximum number of shares that may be purchased in the markets up to a limit of 10% of the Company's issued ordinary share capital as at 21 May 2012 and the highest and lowest prices at which they may be bought. In the event that shares are purchased, they would be either cancelled (and the number of shares in issue would be reduced accordingly) or, in accordance with the Companies Act 2006, be retained as treasury shares for re-sale or transfer for use with the Company's employee share plans.

General Meetings – Resolution 15

Resolution 15 is required to meet the requirements of the Shareholder Rights Directive, which would otherwise require the notice period for General Meetings of the Company to be not less than 21 days.

The Shareholder Rights Directive provides that the Company must have shareholder approval to allow the Company to call General Meetings (other than an AGM) on 14 clear days' notice. The approval given at the 2011 AGM is due to expire at this year's AGM. If granted, the 2012 AGM approval will be effective until the 2013 AGM or 30 September 2013, whichever is the earlier.
The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Justin Dowley
Chairman

22 May 2012

Corporate governance

Chairman's Statement

The Group recognises, and is committed to, the highest standards of corporate governance. Throughout the year ended 31 March 2012, the Group has been in compliance with the provisions of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council. Details on how we have applied the Principles of the Code can be found in this Corporate Governance section and also in the Remuneration Report on pages 70 and 80. A copy of the Code is publicly available on the Financial Reporting Council's website (www.frc.org.uk).

The Board's responsibilities and processes

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

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

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

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

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

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

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

The non executive directors, at least annually, hold meetings in the absence of the managing directors and, separately, in the absence of the Chairman.

Each non executive director has an appointment letter with the Company and their appointments are reviewed periodically. The principal matters considered by the Board during the year included:

- the Group strategic plan, budget and financial resources;
- review of the compliance policies;
- regular review of the investment portfolio and any areas of concern;
- communication of our financial results for the interim and year end;
- review of current compensation structures;
- independence of non executive directors; and
- corporate responsibility initiatives and performance.

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

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

The roles of the Chairman and Chief Executive

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

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

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

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

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

Corporate governance continued

Senior Independent Director

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

Board of directors

As at 31 March 2012, the Board comprised two managing directors, an independent non executive Chairman and four independent non executive directors. Following a rigorous review in accordance with the Code the Board consider all five of its non executive directors to be independent in character and judgement and that they each provide effective challenge both within and outside Board meetings. The non executive directors are as follows:

- Justin Dowley was appointed a non executive director in February 2006, and non executive Chairman in July 2010.
- James Nelson was appointed a non executive director in May 2001.
- Jean-Daniel Camus was appointed a non executive director in March 2007.
- Kevin Parry was appointed as a non executive director in June 2009.
- Peter Gibbs was appointed as a non executive director in March 2010.

The non executive directors are considered to be of the appropriate calibre and experience to bring significant influence to bear on the Board's decision making process.

The Chairman was appointed a non executive director of Melrose plc during the year. We do not consider this appointment to have any impact on his ability to effectively perform his role as Chairman of the Board.

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

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

Board and Committee meetings

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held	9	4	4	2
Tom Attwood	7	3*	3*	–
Jean-Daniel Camus	5	4	3	2
Justin Dowley	9	4	4	2
Christophe Evain	9	4*	3*	2*
Peter Gibbs	9	4	4	2
Philip Keller	9	4*	4*	2*
François de Mitry	2	–	1*	–
James Nelson	8	3	4	1
Kevin Parry	9	4	4	2

* Attended these meetings but is not on the Committee.

Board performance

In line with the effective governance requirements of the Code, the Board reviews its own performance annually using a predetermined template designed as a tool to facilitate the evaluation process.

The assessment covers the functioning of the Board as a whole, the functioning of the Executive Committee, the evaluation of individual directors and includes a review of the effectiveness of the Board committees. The Board considers the results of the performance evaluation when making its recommendations regarding the re-election of directors.

In addition, and in accordance with the Code, the Board also employs the services of an external third party to periodically conduct an independent evaluation of the effectiveness and performance of the Board. An independent Board evaluation was undertaken in April 2012 and considered the effectiveness and performance of the Board within relation to: Board composition, expertise, and dynamics; time management and board support; strategic oversight; risk management and internal control; and succession planning and human resource management. The independent Board evaluation concluded that the Board was effective in all areas.

The Board recognises that there are no women on the Board, contrary to recently announced Code guidance on Board composition, and takes account of this in its process of selecting new directors.

Election and re-election of directors

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

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

Conflicts of Interest

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

Board Committees

The Board is supported in its decisions by four principal Committees, which are described below. The Terms of Reference of each of the Board Committees together with the directors' service agreements, the terms and conditions of appointment of non executive directors and directors' deeds of indemnity are available for inspection at the Company's registered office during normal business hours. Each Committee has access to such external advice as it may consider appropriate. The Company Secretary acts as Secretary of the Audit and Risk and Remuneration Committees.

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

Audit and Risk Committee

The Audit and Risk Committee consists of four independent non executive directors, these being Kevin Parry (Chairman of the Committee), Jean-Daniel Camus, Peter Gibbs and James Nelson. The managing directors and Chairman of the Board are not members of the Audit and Risk Committee but are normally invited to attend. Deloitte LLP, the Company's auditor, is also invited to attend and has direct access to Committee members. The Board is satisfied that the Chairman has recent and relevant financial experience as do other members of the Committee. The Committee meets regularly, at least four times a year, and is responsible for:

- selecting and recommending the appointment and re-appointment of the external auditor to the Board, approving their terms of reference and fees;
- reviewing the performance of the external auditor and ensuring appropriate rotation of audit partner;
- acting as a forum for discussion of internal control issues and giving input to the Board's review of the Company's internal control and risk management systems and procedures;
- reviewing the independence of the external auditor and the relationship between audit and non audit work performed by the external auditor. Procedures are in place to ensure that all significant non audit work performed by the auditor in excess of £50,000 is approved in advance by the Committee and they assess whether such appointments impair, or appear to impair, the auditor's judgement or independence. The procedures set out the categories of non-audit services which the external auditor will and will not be allowed to provide to the Group, including those that are pre-approved by the Committee and those which require specific approval before they are contracted for, subject to de minimis levels. The Audit and Risk Committee also undertakes an annual evaluation to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. The results of the evaluation were last reported to the Board in September 2011.
- reviewing the annual and interim accounts before they are presented to the Board, in particular any significant issues arising from the audit; accounting policies and clarity of disclosures; compliance with applicable accounting and legal standards; issues regarding a significant element of judgement; and the statements on internal controls and business risk assessment;
- reviewing the provisioning policy for the investment portfolio on a six monthly basis; and reviewing and approving the Company's whistleblowing policy;
- reviewing the Company's procedures for detecting fraud and for handling, in confidence, allegations from whistleblowers and to ensure these procedures allow proportionate and independent investigation of such matters and appropriate follow up action;
- reviewing management's and the internal risk's reports on the effectiveness of systems for internal financial control, financial reporting and risk management, including non-financial risk management; and
- monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.

During the year the Audit and Risk Committee:

- reviewed and recommended to the Board the accounting disclosures comprised in the interim and annual financial statements of the Group and reviewed the scope of the external audit plan and audit findings;
- evaluated the independence and objectivity of the external auditor and the effectiveness of the audit process. The auditor provided non-audit services in the form of tax advisory and other assurance services not related to the audit of the financial statements. The external auditor was used to provide these services since they are widely recognised as a market leader in these areas, have a reputation for quality, and have a local presence in the countries in which the services were performed. Audit objectivity and independence was safeguarded in these instances through the advice being provided by partners and staff who have no involvement in the audit of the financial statements plus an independent audit partner reviewing any audit work in these areas. No services were provided pursuant to contingent fee arrangements. An analysis of fees paid to Deloitte LLP is shown in note 9 on page 97;
- met with the external auditor in the absence of management;
- Reviewed procedures for Anti-Money Laundering and the MLRO report;
- reviewed the effectiveness of the internal control environment of the Group;
- reviewed the Risk Management of and Operational Control over the Funds under Management;
- reviewed Treasury Committee activity;
- reviewed regulatory developments and their impact on the Group and
- reviewed and approved the ICAAP.

Corporate governance continued

Remuneration Committee

The Remuneration Committee consists of five non executive directors, these being Peter Gibbs (Chairman of the Committee), Jean-Daniel Camus, Justin Dowley, James Nelson and Kevin Parry. Managing Directors are not members of the Remuneration Committee but are normally invited to attend. The Committee supports the Board in determining the level of remuneration of the Chairman (in his absence) and reviews the remuneration policy applicable to senior management. Further details regarding remuneration policy and payments made can be found in the Report of the Remuneration Committee on pages 69 to 81.

Nominations Committee

The Nominations Committee consists of five non executive directors, these being Justin Dowley (Chairman of the Committee), Jean-Daniel Camus, Peter Gibbs, Kevin Parry and James Nelson.

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

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

Executive Committee

The Executive Committee comprises the managing directors of ICG, each of whom have a specific area of responsibility. The Executive Committee has general responsibility for ICG's resources, determining strategy, financial and operational control and managing the business worldwide. Christophe Evain is Chief Executive Officer and in addition to his strategic and operational remit he chairs the Company's Investment Committees in his role as the Chief Investment Officer. Philip Keller is Chief Financial Officer and is responsible for finance and infrastructure. Tom Attwood chaired the Executive Committee and focused on credit funds until his resignation on 31 March 2012, whereupon Christophe Evain took over those responsibilities, François De Mitry was responsible for the mezzanine and minority equity business until his resignation on 31 July 2011 whereupon Christophe Evain took over that responsibility. Benoît Durteste, appointed to the Board on 21 May 2012, took over responsibility for the mezzanine and minority equity business from that date.

Relationships with shareholders

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

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

Internal control

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

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

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

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

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

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

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

The key elements of this process are:

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

Going concern statement

The Financial review on pages 26 to 31 describes the financial position of the Group, its cash flows, liquidity position and borrowing facilities together with its objectives, factors likely to affect its future development and policies and processes for managing its capital. The Group's financial risk management objectives and its exposure to credit risk and liquidity risk are described in the Principal risks and uncertainties section on pages 32 to 35 and details of its financial instruments and hedging activities are described in note 30 on pages 111 to 118. The Group continually monitors its debt profile and looks to refinance senior facilities a substantial period before they mature. As reported in the financial statements a number of facilities have been renegotiated during the year. Having reviewed the Group's budget and business plan and, taking into account reasonable downside sensitivity, the directors believe that the Group has adequate financial resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Directors' responsibilities statement

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to:

- properly select accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue on this basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of directors on 22 May 2012 and is signed on its behalf by:

Christophe Evain
Chief Executive Officer

22 May 2012

Philip Keller
Chief Financial Officer

22 May 2012

Report of the Remuneration Committee

Remuneration Committee Chairman's Letter

Dear Shareholder

This year marks my first as Chairman of the Committee and I wanted to take this opportunity to thank shareholders for the support that the Committee has received over the last 12 months and I look forward to an on-going and open dialogue with you in the years ahead.

Last year was the final year where we transitioned from the old remuneration arrangements to those that were approved at the 2010 AGM. Whilst there will continue to be some payments from the old remuneration arrangements due to vesting of existing awards, all awards this year are part of the new arrangements. In July 2010 shareholders approved the Annual Award Pool being 30% of cash profits. This year the Committee has determined that the Annual Award Pool should be 18% (£29.5 million), some £20.0 million below the 30% of cash profits. One of the key reasons for the lower level of award is that there has been fewer high quality investment opportunities and this has resulted in lower levels of Balance Sheet Carry being awarded to investment professionals. This follows last year when the awards were also lower than the 30% of cash profits.

The remuneration policy is aligned to our strategy (see page 70) with a focus on rewarding growth in the FMC business through FMC equity awards and returns on our investments through BSC awards. In addition, our senior employees receive a significant proportion of their remuneration in Company shares that vest over five years.

In determining the appropriate level of remuneration for managing Directors, the Remuneration Committee has given careful consideration to their performance, in particular in relation to the achievement of corporate and financial objectives for FY12, which support the longer term strategy of ICG, highlights of which include:

- Adjusted Group profit before tax increased 5% to £198.8 million
- Adjusted EPS increased 18% to 39.2p
- Cash core income increased 6% to £113.5 million
- Strong performance of Portfolio in terms of exits and low impairments
- Building the marketing infrastructure to grow the Fund Management Company
- Strong progress towards €2.0 billion target for ICG Europe Fund V

This year has seen the departure of two managing directors, François de Mitry and Tom Attwood. The Committee exercised limited discretion in respect of François de Mitry that took into account his contractual entitlement; his long and distinguished service with the Company; the treatment of other leavers in similar circumstances; and restrictions placed upon him not to undertake competitive activities over the following 12 months. He did not receive compensation in respect of FY12 performance under any annual bonus plan or long term incentive award.

In respect of Tom Attwood, the Committee only exercised discretion in respect of MTIS payments which was in accordance with the treatment of other leavers. Tom Attwood was entitled to consideration for incentive awards in respect of FY12 performance for which he was a Board member for the whole year. He has waived any right to an incentive payment and the Board has decided to make a donation to a registered charity of his choice.

Full details of the discretion exercised and awards made for François de Mitry and are set out in the report.

Now that we have completed the transition from the old to the new remuneration arrangements, I can confirm that no major changes to the remuneration policy are anticipated in the next few years. The remainder of this report provides the basis upon which awards have been made under the new plans and the transition arrangements for the wind up of the old schemes during FY12 and FY13.

Peter Gibbs
Chairman of the Remuneration Committee

Contents of the FY12 Remuneration Report

We have structured the remuneration report in five parts:

Report of the Remuneration Committee continued

1 Remuneration policy for FY12 and FY13

This section explains the Remuneration policy that is in operation in the Financial Year under review, FY12, and the current Financial Year, FY13. This policy is in line with that approved by shareholders in July 2010 and the Committee does not anticipate any changes in the next few years.

Remuneration principles

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

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

Basic salary in FY13

The managing directors received salary increases of 3.66%. This followed a year in which the managing directors elected to receive no salary increase. In determining the base salary increases the Committee considered the range of salary increases applying across the Group. The average basic salary for all other staff has increased by an average of 3.77% from FY12 levels, depending on their role.

Pensions and benefits

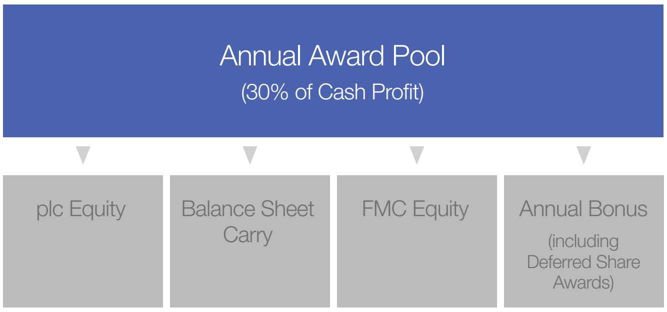
All employees are entitled to a pension allowance which is generally paid into ICG's stakeholder pension plan. The pension allowance available to managing directors is 15% of basic salary.

Annual Award Pool

The central feature of the remuneration policy going forward is the Annual Award Pool. For FY12 and future years all incentives will be governed by an overall limit expressed in terms of cash profit.

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

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



For the five year period commencing with the FY12 financial year the percentage of cash profit allocated to the Annual Award Pool is 30%. The Committee considers 30% to be an appropriate limit for ICG.

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

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

Annual Bonus

Annual bonus awards are allocated on the basis of individual performance with mandatory deferral into Deferred Share Awards of a proportion of bonuses over a specified amount. Deferred Share Awards are made under the Omnibus Plan and vest in equal tranches after one, two and three years.

Omnibus Plan and Balance Sheet Carry

Details of the terms of the Omnibus Plan and the Balance Sheet Carry arrangements under which awards are made from the Annual Award Pool are set out on page 77.

Carried interest over third party funds

Because of the nature of the business carried on by the Company, it is important that it offers the types of incentive arrangements that are offered by its competitors for talent. Accordingly, there are a number of carried interest schemes operated by the Company.

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

How do the elements of remuneration for FY12 and FY13 align with ICG's remuneration principles?

<table>
<tr><th></th><th colspan="5">Principle</th></tr>
<tr><th>Element of remuneration</th><th>Alignment</th><th>Support the long term corporate strategy</th><th>Promote staff share ownership</th><th>Transparent</th><th>Cash on cash</th></tr>
<tr><td>Salary</td><td>–</td><td>Sufficient to ensure that variable pay can be reduced to zero</td><td>–</td><td rowspan="5">All aspects of remuneration are clear and openly communicated to employees and shareholders</td><td>–</td></tr>
<tr><td>Annual Bonus (including Deferred Share Awards)</td><td>Portion awarded as Deferred Share Awards aligns with overall shareholders interests</td><td>Introducing performance metrics aligned with business strategy</td><td>Deferred Share Awards deliver ICG shares</td><td rowspan="4">Aggregate expected value of awards is subject to Annual Award Pool driven by cash profit

Subject to Annual Award Pool and payments only made in respect of realised gains

Payments only made in respect of realised gains</td></tr>
<tr><td>plc Equity</td><td>Rewards creation of overall shareholder value</td><td>Rewards creation of overall shareholder value</td><td>Delivers ICG shares</td></tr>
<tr><td>FMC Equity</td><td>Rewards creation of shareholder value in FMC</td><td>Rewards creation of shareholder value in FMC</td><td>Delivers ICG shares</td></tr>
<tr><td>Balance Sheet Carry</td><td>Ensures management is exposed to outcome of investment decisions</td><td>Encourages staff to invest successfully and maximise returns and recoveries</td><td>–</td></tr>
<tr><td>Carried Interest on third party funds</td><td>Rewards creation of value for third party investors</td><td>Encourages staff to invest successfully and maximise returns and recoveries</td><td>–</td><td></td><td></td></tr>
</table>

Report of the Remuneration Committee continued

2 Remuneration for FY12 explained

Basic salary in FY12

The managing directors elected not to receive any increase in their basic salaries for FY12 from the FY11 level. The average basic salary increase for other staff was 6.4% from FY11 levels, depending upon their roles.

Pensions and benefits

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

Other benefits provided to managing directors include medical insurance, permanent health insurance and disability insurance.

Split of variable remuneration for managing directors for FY12

The Remuneration Committee has approved the calculation of the Annual Award Pool and the methodology and assumptions used to determine the value of awards for FY12.

The value of the Annual Award Pool for the FY12 awards is £49.5 million based upon 30% of FY12 cash profit as disclosed on page 30. The Remuneration Committee is awarding nearly 40% less than this amount in May 2012. The value of the aggregate variable compensation awarded for the relevant year is £29.5 million. As this is the first year of the five year rolling period, the cumulative average of the annual award pool and the cumulative average of the aggregate value of compensation awarded is 18%.

The value of the Annual Award Pool for the FY11 awards would have been £57 million based upon 30% of the FY11 cash profit. The Remuneration Committee awarded less than this amount in June 2011.

The split between elements of variable remuneration for managing directors for FY12 is estimated as:

1 PLC Equity	
PLC Equity maintains alignment between managing directors and overall shareholder value and comprises the majority of managing directors' remuneration	91%
2 Balance Sheet Carry	
Balance Sheet Carry links remuneration to the performance of ICG's balance sheet investments based upon an estimated value of award at time of grant	9%
3 Annual Bonus	
The allocation of annual bonus includes the element that will be delivered in Deferred Share Awards	0%

Awards made from the Annual Award Pool

Annual Bonus

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

All employees are eligible to participate. Bonuses are determined on a discretionary basis at the end of the performance year.

There will be mandatory deferral into Company shares of 50% of a managing director's bonus that exceeds £100,000 (40% for all other staff). The managing directors will not be receiving an annual bonus in respect of FY12.

Intermediate Capital Group plc Omnibus Plan

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

Awards under these schemes were made in May 2012.

Deferred Share Awards

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

Good Leaver treatment (automatic vesting) will apply in circumstances of death, disability and ill-health. The treatment of other leavers will be subject to Committee discretion. Although managing directors are eligible, they did not participate in these awards for this year.

PLC Equity Awards

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

This scheme will form the largest proportion of the remuneration of managing directors, but other senior staff will also be eligible to participate.

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

Dividend Equivalents will accrue to participants during the vesting period.

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

FMC Equity Awards

These awards are designed to incentivise those employees charged with accelerating the expansion of our alternative fund management business. The award is over shares in FMC. The value of a share will be determined by an independent valuation.

The shares will vest, one third on 1 June following each of the first, second and third anniversaries of grant. A holding period applies until the third anniversary of grant.

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

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

Although managing directors are eligible, they did not participate in these awards for this year.

Balance Sheet Carry Plan

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

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

Awards vest in three equal tranches on the first, second and third anniversaries of grant and payment will be made on the realisation of investments, once a hurdle rate of return has been achieved on these investments.

The hurdle rate will be fixed by the Committee prior to making the first awards in each vintage, calculated as the base rate plus 4% per annum, with a floor of 5% per annum. The hurdle for the FY12 vintage was 5% per annum. Awards in respect of FY13 will not be made until the end of the year at which time the hurdle rate will be determined.

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

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

The Intermediate Capital Group plc SAYE Plan 2004

This plan was approved by shareholders on 25 May 2004 and amended on 20 November 2007 and 21 May 2009. UK employees are offered the opportunity to save a regular amount each month over 36 months and receive a bonus at the end of the saving contract. At maturity, employees can exercise their option and purchase shares in ICG at the discounted price set at the launch of the plan or receive the accumulated cash.

Carried Interest on third party funds

There are a number of carried interest schemes operated by the Group. Carried interest is a share of the profits of a successful fund that is paid to the Company as a manager of the fund and certain employees who are involved in the management of the fund.

Although carried interest is a cost to external investors, they value the fact that it aligns the interests of the fund management team with their own, encouraging the best returns to be obtained.

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

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

The Company currently operates carried interest on the following funds:

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

Carried Interest on third party funds will continue unchanged and generally new allocations of interest will be made as new funds are raised. It is not possible to put a monetary value on carried interest at grant (and consequently it is not included in the target split) as the amounts paid out depend on the performance of investments in future years.

Old Remuneration Schemes

There are a number of legacy remuneration schemes which are being wound up. Details of these plans are set out below. Under these schemes, deferred awards were made to executives in previous years which will generate remuneration to executives in FY13, if certain performance hurdles are met. Over the longer term the new schemes are designed to award the same quantum to staff as the old schemes and to have a similar impact on the income statement.

Report of the Remuneration Committee continued

2 Remuneration for FY12 explained continued

Medium Term Incentive Scheme

As detailed last year, the MTIS does not form part of ICG's new reward policy, and no further points have been awarded in respect of investments made after 31 March 2010. Payments continued to accrue up until March 2012 (when the scheme closed for employees) in respect of points awarded in previous years. Payments under this scheme are based upon a proportion of cash realisations from our portfolio, subject to the satisfaction of the performance condition.

The payment from the MTIS in respect of FY12 is the maximum of 20%, since the full performance target has been achieved. This will be been paid to participants in June 2012 and there will be a final termination payment which will be paid to all participants other than managing directors and other senior management in June 2012. Prior period MTIS accruals of £45.0 million will be released to the Income Statement. This release will more than offset the cost of running the old and new schemes in parallel over the transition period (estimated to be £20.0 million).

Share options in FY12

There are a number of share option schemes currently in existence at the Company. No new awards have been made under these schemes in the last 2 years but the awards made in previous years are still in existence until they either lapse or are exercised.

The schemes are:

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

Market value options may only normally be exercised between three and 10 years after the date of grant if performance targets are met.

- The Key Executive Retention Share Plan (KERSP).

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

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

CDO Remuneration Plan

The final payments in relation to this plan will be made in June 2012.

3 Remuneration in detail for FY12

Directors' remuneration – audited

Details of managing directors' remuneration for the year are as follows:

Executive directors	Basic salaries £000	Short and medium term scheme £000	Pension scheme allowances £000	Benefits in kind £000	Termination payment £000	Total for year ending 31 March 2012 £000	Total for year ending 31 March 2011 £000
Tom Attwood	328	2,050	49	7	–	2,434	4,383
Christophe Evain	328	2,050	49	6	–	2,433	4,383
Philip Keller	328	1,367	49	5	–	1,749	3,048
François de Mitry[1]	109	2,050	16	3	400	2,578	4,382
	1,093	7,517	163	21	400	9,194	16,196

1 François de Mitry stepped down from the Board on 31 July 2011. He was entitled to 12 months' salary and benefits in lieu of his 12 month notice period consistent with other leavers (included above in the termination payment). The Remuneration Committee exercised its discretion to determine that he should receive payment under the MTIS in respect of FY12 providing that he does not undertake activities competitive with the group for a twelve month period after his departure.

The maximum performance hurdle for the MTIS has been achieved this year, therefore 100% of amounts awarded under MTIS for FY12 will be paid to participants.

The emoluments paid to former managing directors in relation to MTIS for FY12 amounted to £2.2 million as follows: Paul Piper £1,015,260 (2011: £3,756,000), Andrew Phillips £945,925 (2011: £3,360,000), Tom Bartlam £120,344 (2011: £582,000), Andrew Jackson £832 (2011: £56,000) and Jean Loup de Gersigny £120,344 (2011: £56,000).

Fees paid to non executive directors were:

Non executive directors	Board membership fees £000	Non Executive Committee Chairman fees £000	Senior Independent director fee £000	Committee chairman/Membership Audit £000	Remuneration £000	Total for year ending 2012 £000	Total for year ending 2011 £'000
Justin Dowley (Chairman)	–	150.0	–	–	5.0	155.0	131.4
Jean-Daniel Camus	50.0	–	–	5.0	5.0	60.0	60.0
Peter Gibbs[1]	50.0	14.0	–	5.0	1.4	70.4	60.0
James Nelson[2]	50.0	6.7	–	5.0	3.4	65.1	75.0
Kevin Parry	50.0	10.0	5.0	–	5.0	70.0	67.2
	200.0	180.7	5.0	15.0	19.8	420.5	393.6

1 Peter Gibbs is Chairman of the Remuneration Committee from 19 July 2011.

2 James Nelson was Chairman of the Remuneration Committee until 18 July 2011.

Share option scheme – audited

At 31 March 2012, the following managing directors had share options in the Company, which had not been exercised. The number of shares over which options are held is:

Managing directors	At 1 April 2011	Exercised during the year	At 31 March 2012 or date of leaving	Exercise price*	Exercise periods From	To
Tom Attwood[1]	119,984	119,984	–	£2.875	June 2004	Sept 2012
	91,161	–	91,161	£3.256	April 2005	April 2012
	110,635	–	110,635	£3.322	June 2006	Sept 2012
	106,745	–	106,745	£4.731	June 2007	Sept 2012
	125,999	–	125,999	£4.286	June 2008	Sept 2012
	111,478	–	111,478	£4.844	June 2009	Sept 2012
	282,472	–	282,472	£2.230	June 2012	Sept 2012
Christophe Evain	76,947	76,947	–	£2.875	June 2004	June 2011
	73,699	–	73,699	£3.256	April 2005	April 2012
	76,766		76,766	£3.322	June 2006	April 2013
	73,982	–	73,982	£4.731	June 2007	April 2014
	111,997	–	111,997	£4.286	June 2008	April 2015
	99,090	–	99,090	£4.844	June 2009	June 2016
	282,472	–	282,472	£2.230	June 2012	June 2019
Philip Keller	4,992	–	4,992	£6.008	Dec 2009	Dec 2016
	176,447	–	176,447	£6.008	Dec 2009	Dec 2016
	282,472	–	282,472	£2.230	June 2012	June 2019
François de Mitry[2]	84,293	–	84,293	£3.322	June 2006	January 2012
	69,782	–	69,782	£4.729	June 2007	January 2012
	117,035	–	117,035	£4.101	June 2008	January 2012
	99,090	–	99,090	£4.844	June 2009	January 2012
	282,472	–	282,472	£2.230	July 2011	January 2012

* The number of outstanding options has been adjusted by a factor of 2.4149 and the exercise price has been adjusted by a factor of 0.414 following the rights issue in July 2009.

1 Tom Attwood retired from the Board on 31 March 2012. Under the Rules of the Plan he is permitted to exercise his options within 6 months of leaving.

2 François de Mitry stepped down from the Board on 31 July 2011. The Remuneration Committee exercised its discretion to permit him to exercise his options within six months of leaving.

Tom Attwood exercised options on the 1 June 2011. The market price at date of exercise was £3.391, and the gain on exercise was £61,911.74

Christophe Evain exercised options on 15 June 2011. The market price at date of exercise was £3.132, and the gain on exercise was £19,844.63

The options awarded in June 2009 have vested in full as the performance condition relating to growth in core income per share has been met. Options may only normally be exercised between three and 10 years after the date of grant if performance targets are met.

Report of the Remuneration Committee continued

3 Remuneration in detail for FY12 continued

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

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

Pre-tax Cash Profit is calculated as profit before tax per the income statement, add back net provisions and rolled up interest received, less rolled up interest accrued and add back costs in connection with a capital raising exercise. Options granted to directors in earlier years are subject to an earnings per share performance condition (from 1 February 2005, core income per share) as shown below.

Average growth in earnings per share	Proportion of option exercisable
<3% per annum above RPI	Nil
3% per annum above RPI	1/3
4% per annum above RPI	2/3
5% per annum above RPI	All
And on a straight line basis in between	

KERSP option scheme – audited

At 31 March 2012, the following managing directors had nil cost options in the Company under the KERSP scheme, which had not been exercised. The number of shares over which options are held is:

					Exercise periods	
Managing directors	At 1 April 2011 (or later date of appointment)	Lapsed during the year	At 31 March 2012 or date of leaving	Exercise price	From	To
Tom Attwood[1]	48,857	12,214	36,643	Nil	May 2010	March 2013
	74,616	14,923	59,693	Nil	June 2011	March 2013
	118,855	–	118,855	Nil	June 2012	March 2013
Christophe Evain	42,856	10,714	32,142	Nil	May 2010	May 2018
	66,553	13,310	53,243	Nil	June 2011	June 2019
	118,855	–	118,855	Nil	June 2012	June 2020
Philip Keller	31,855	6,371	25,484	Nil	June 2011	June 2019
	54,024	–	54,024	Nil	June 2012	June 2020
François de Mitry[2]	42,856	42,856	–	Nil	May 2010	July 2011
	66,553	66,553	–	Nil	June 2011	July 2011
	118,855	118,855	–	Nil	June 2012	July 2011

1 Tom Attwood retired from the Board on 31 March 2012. Under the Rules of the Plan he is permitted to exercise a proportion of his options within 12 months of leaving, subject to the performance conditions being met.

2 François de Mitry stepped down from the Board on 31 July 2011. His options under the KERSP lapsed at that date.

20% of the options granted vest each successive year starting four years from the date granted. Amounts brought forward in respect of the 2006 options (exercisable from May 2010 onwards) have been amended to reflect the five year vesting period over which the options will lapse. Options may be exercised only if the Company achieves a growth in EPS of 5 per cent per annum from the date granted to the applicable vesting date.

Directors' share options – audited

The market price of each share at 1 April 2011 and 31 March 2012 was £3.263 per share and £2.895 per share respectively. The highest and lowest share prices during the year were £3.45 and £1.979 respectively.

Omnibus Plan – audited

At 31 March 2012, the following managing directors held PLC Equity Awards over ICG plc shares under the Omnibus Plan, which was approved by shareholders in July 2010:

Managing directors	As at 31 March 2011	Granted in June 2011	At 31 March 2012 or date of leaving	Vesting date	Award price
Tom Attwood[1]	235,153	–	235,153	2/6/13	2.580
	235,153	–	235,153	2/6/14	2.580
	235,154	–	235,154	2/6/15	2.580
	–	121,278	121,278	1/6/14	3.335
	–	121,278	121,278	1/6/15	3.335
	–	121,279	121,279	1/6/16	3.335
Christophe Evain	235,153	–	235,153	2/6/13	2.580
	235,153	–	235,153	2/6/14	2.580
	235,154	–	235,154	2/6/15	2.580
	–	181,917	181,917	1/6/14	3.335
	–	181,917	181,917	1/6/15	3.335
	–	181,918	181,918	1/6/16	3.335
Philip Keller	156,769	–	156,769	2/6/13	2.580
	156,769	–	156,769	2/6/14	2.580
	156,769	–	156,769	2/6/15	2.580
	–	121,278	121,278	1/6/14	3.335
	–	121,278	121,278	1/6/15	3.335
	–	121,279	121,279	1/6/16	3.335
François de Mitry[2]	235,153	–	235,153	2/6/13	2.580
	235,153	–	235,153	2/6/14	2.580
	235,154	–	235,154	2/6/15	2.580
	–	181,917	181,917	1/6/14	3.335
	–	181,917	181,917	1/6/15	3.335
	–	181,918	181,918	1/6/16	3.335

1 Tom Attwood retired from the Board on 31 March 2012. Under the Rules of the Omnibus Plan he is permitted to retain his awards providing he does not engage in competitive activity for a 12 month period following cessation.

2 François de Mitry stepped down from the Board on 31 July 2011. Under the rules of the Omnibus Plan, he is permitted to retain his awards providing he does not engage in competitive activity for a 12 month period following cessation.

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

At 31 March 2012, the following managing director held Deferred Share Awards over ICG plc shares under the Omnibus Plan, which was approved by the shareholders in July 2010:

Managing director	As at 31 March 2011	Granted in June 2011	Vested during year[1]	At 31 March 2012	Vesting date	Vesting Price	Award price
Philip Keller	33,351	–	33,351	–	2/6/11	3.41	2.58
	33,351	–	–	33,351	2/6/12	–	2.58
	33,351	–	–	33,351	2/6/13	–	2.58

1 In addition to the shares vested above, a further 2,079 dividend equivalent shares also vested.

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

Report of the Remuneration Committee continued

3 Remuneration in detail for FY12 continued

Balance Sheet Carry Plan – audited

At 31 March 2012, the following directors held Balance Sheet Carry points under the Balance Sheet Carry Plan which was approved by shareholders in July 2010:

Managing directors	As at 31 March 2011	Points granted in July 2011	Lapsed during year	Points held at 31 March 2012 or date of leaving
Tom Attwood[1]	346.00	402.00	555.67	192.33
Christophe Evain	346.00	602.00	–	948.00
François de Mitry[2]	346.00	602.00	401.34	546.66
Philip Keller	231.00	402.00	–	633.00

1 Tom Attwood retired from the Board on 31 March 2012. Under the Rules of the Balance Sheet Carry Plan he is permitted to retain his vested Balance Sheet Carry awards providing he does not engage in competitive activity for a 12 month period following cessation. All unvested Balance Sheet Carry awards will lapse.

2 François de Mitry stepped down from the Board on 31 July 2011. The Remuneration Committee exercised its discretion to permit his Balance Sheet Carry to continue to vest for the 12 months from the termination date. At that point, any unvested Balance Sheet Carry awards will lapse.

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

Shareholder dilution

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

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

Employee Benefit Trust

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

Carried interest on third party funds

The Company has established for its executives, including the managing directors, carried interest arrangements under which between 56% and 77% of the carried interest negotiated by the Company in respect of managed funds raised since 21 January 1998 is available for allocation to its executives. Although these arrangements are not a long term incentive scheme (as the costs of these arrangements are borne by the investors in such funds) the Company sought, and obtained, approval from its shareholders for such arrangements at an Extraordinary General Meeting on 21 January 1998. Reconfirmation of the approval of the carried interest arrangements was obtained from shareholders at the Annual General Meeting held on 27 May 2003.

It is not possible to put a monetary value on these interests, as they are dependent upon the performance of the relevant funds in the future. No amounts will be payable until the third party investors in the funds have had all their capital returned, plus a minimum return. The allocation of carried interest entitlements as at 31 March 2012 was as follows:

	ICG Mezzanine Fund 1998	ICG Mezzanine Fund 2000	ICG Mezzanine Fund 2003	Intermediate Capital Asia Pacific Mezzanine Fund 2005	ICG European Fund 2006	Intermediate Capital Asia Pacific Fund 2008	ICG Minority Partners Fund 2008	ICG Recovery Fund 2008
Managing directors	13.4%	12.9%	19.6%	21.8%	23.3%	17.2%	40.0%	20.4%
Former managing directors	27.5%	16.0%	9.6%	9.4%	2.8%	0.7%	1.2%	1.4%
Other executives	20.6%	27.9%	39.4%	42.3%	49.7%	49.0%	35.6%	53.1%
ICG	38.5%	43.2%	31.4%	26.5%	24.2%	33.1%	23.2%	25.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

4 Directors' terms of appointment

Managing directors' contracts

Managing directors have one year "rolling" contracts which are deemed appropriate for the nature of the Company's business.

The Company is obliged to pay damages for wrongful termination. No other payments are made for compensation for loss of office.

The Company will continue to provide all managing directors, along with all other employees, with healthcare and prolonged disability and life assurance cover.

The details of the service contracts for managing directors serving during the year are shown below.

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

Appointment and Termination arrangements

François de Mitry stepped down from the Board on 31 July 2011. In recognition of his long service with the company, the Committee exercised its discretion to allow him to receive the final MTIS award for FY12 and to exercise his unapproved options. His KERSP options lapsed. Any outstanding awards under the Omnibus Plan will continue to vest in accordance with the rules of that Plan. He has also been permitted to continue to vest his Balance Sheet Carry for twelve months after he left. Retention of these awards is conditional upon him not undertaking activities competitive with the Group for a 12 month period after his departure. No further awards will be made to him in respect of FY12.

Tom Attwood retired on 31 March 2012. He has waived any entitlement to variable pay in respect of FY12 and his outstanding awards from earlier years will continue to vest in accordance with the terms of the arrangements. In recognition of the enormous value Tom has delivered to ICG, the Board has determined to make a donation to a registered charity of Tom Attwood's choice which is dedicated to improving the educational opportunities available to children and young people across Kent.

Benoît Durteste will be appointed to the Board with effect from 21st May 2012. His remuneration will be consistent with that of the other managing directors. His salary on joining the Board will be £340,000.

Shareholding requirements

In addition to the alignment between the managing directors and Senior employees and shareholders provided by the Balance Sheet Carry awards, PLC Equity Awards, FMC Equity Awards and Deferred Share Awards, further alignment will be provided by a minimum shareholding policy of two times salary for managing directors and one times salary for other senior employees. A period of up to three years from 1 April 2011 will be permitted to build up to the required shareholding.

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

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

Non executive directors

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

Fees are generally reviewed every two years and the fee rates applicable for FY12 were agreed with effect from 1 April 2010. In May 2012, it was agreed to defer the next review until May 2013.

Non executive directors cannot participate in any of the Company's share schemes.

Report of the Remuneration Committee continued

4 Directors' terms of appointment continued

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

Non executive directors	Date appointed	Last re-elected
Kevin Parry	June 2009	July 2011
Jean-Daniel Camus	March 2007	July 2011
Justin Dowley	February 2006	July 2011
Peter Gibbs	March 2010	July 2011
James Nelson	May 2001	July 2011

5 Remuneration Committee

Composition, remit and operation

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

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

The Committee comprises five independent non executive directors:

- Jean-Daniel Camus
- Justin Dowley
- Peter Gibbs (Chairman from 19 July 2011)
- James Nelson (Chairman until 18 July 2011)]
- Kevin Parry

Non executive directors who are not members of the Committee are invited to attend the meetings. None of the Committee members have any personal financial interests (other than as shareholders or investors in ICG funds), conflicts of interest arising from cross directorships or day to day involvement in running the business.

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

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

A table showing the number of Committee meetings held during the year and the attendance record of individual directors can be found in the Corporate Governance section on page 64.

Advisers to the Committee

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

Mayer Brown and Ashurst advised the Committee on a broad range of legal issues for the Group during the year to 31 March 2012. These advisors were not appointed by the Committee.

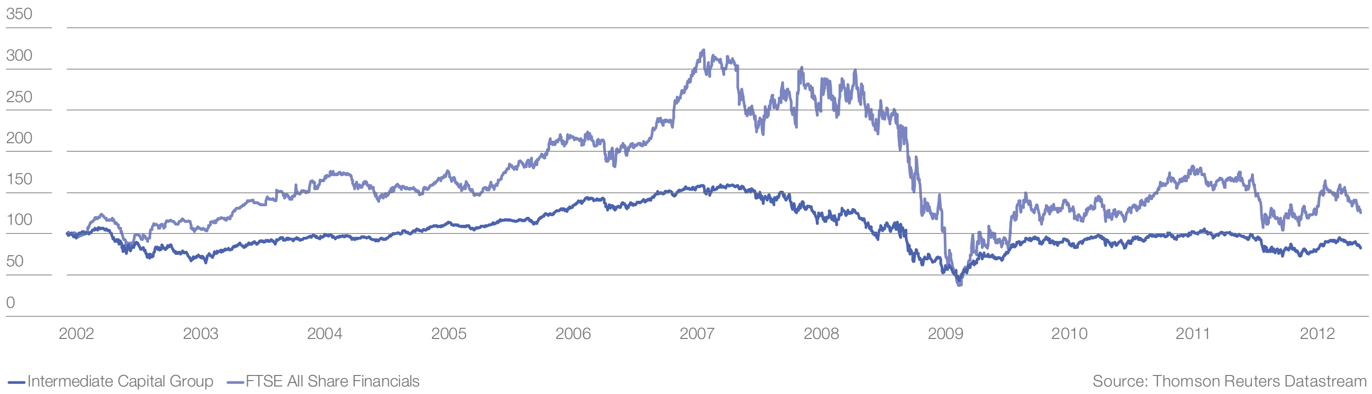
The following topics were discussed and addressed as required:

Meetings	Topics addressed
May	Review and approval of compensation recommendations for FY12 and awards for FY13 taking into account advice from the Group's compliance function in relation to performance measurement Review of percentage of remuneration deferred Review of FMC valuation
November	Review of FSA Remuneration Policy Statement Review of ABI Principles of Remuneration Update on co-investment structures MTIS closure discussions
January	Review of emerging trends within remuneration regulation and governance UK pension policy update Approval of Remuneration Committee annual timetable ICG Remuneration Policy annual review
March	Review of final transition to new compensation schemes Review of the asset allocation for Balance Sheet Carry Review of EBT arrangements

6 Performance graph and other regulatory information

The graph below shows a comparison between the Company's total shareholder return performance and the financial services companies in the FTSE All Share index. The graph compares the value, at 31 March 2012, of £100 invested in Intermediate Capital Group plc on 1 February 2002 with the value of £100 invested in the FTSE All Share Financials Index over the subsequent 10 years. This index has been chosen to give a comparison with the average returns that shareholders could have received by investing in a range of other major financial services companies.

Performance graph



Audited information

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

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

This report was approved by the Board of directors on 22 May 2012.

Signed on behalf of the Board of directors by:

Peter Gibbs
Chairman of the Remuneration Committee

22 May 2012

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

We have audited the financial statements of Intermediate Capital Group plc for the year ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Report of the Remuneration Committee to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

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

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

22 May 2012

Accounts:
A strong financial performance

The following 35 pages include our audited accounts and notes to these accounts.

Accounts contents

Consolidated income statement
For the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Interest and dividend income	5	251.3	242.0
Gains on investments	7	118.0	133.4
Fee and other operating income		68.2	63.3
	4	437.5	438.7
Interest payable and other related financing costs	6	(58.8)	(59.2)
Provisions for impairment of assets	8	(70.6)	(70.9)
Administrative expenses	9	(64.3)	(122.3)
Profit before tax		243.8	186.3
Tax expense	10	(56.2)	(58.2)
Profit for the year		187.6	128.1
Attributable to:			
Equity holders of the parent		188.3	128.2
Non-controlling interests	15	(0.7)	(0.1)
		187.6	128.1
Earnings per share	13	47.7p	32.6p
Diluted earnings per share	13	47.6p	32.5p

All activities represent continuing operations.

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

Consolidated and parent company statements of comprehensive income

For the year ended 31 March 2012

Group	Notes	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit for the year		187.6	128.1
AFS financial assets:			
Gains arising in the year	7	148.9	110.1
Less: Reclassification adjustment for gains included in profit		(48.3)	(120.6)
Exchange differences on translation of foreign operations		(0.2)	(1.5)
		100.4	(12.0)
Tax on items taken directly to or transferred from equity	24	(23.1)	3.6
Other comprehensive income/(expense) for the year		77.3	(8.4)
Total comprehensive income for the year		264.9	119.7

Company	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit for the year	225.8	75.3
AFS financial assets:		
Gains arising in the year	(4.5)	34.9
Less: Reclassification adjustment for gains included in profit	0.3	(25.2)
	(4.2)	9.7
Tax on items taken directly to or transferred from equity	1.2	(2.5)
Other comprehensive (expense)/income for the year	(3.0)	7.2
Total comprehensive income for the year	222.8	82.5

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

Consolidated and parent company statements of financial position
31 March 2012

	Notes	31 March 2012 Group £m	31 March 2012 Company £m	31 March 2011 Group £m	31 March 2011 Company £m
Non current assets					
Intangible assets	14	7.8	–	9.1	–
Property, plant and equipment	4,16	5.6	5.2	7.0	6.4
Financial assets: loans, investments and warrants	4,17	2,352.2	1,666.7	2,575.1	1,912.2
Derivative financial instruments	17	21.6	21.6	12.0	12.0
		2,387.2	1,693.5	2,603.2	1,930.6
Current assets					
Trade and other receivables	18	47.1	452.2	51.3	440.4
Financial assets: loans and investments	19	49.7	33.6	39.7	39.7
Derivative financial instruments		12.8	12.8	2.3	2.3
Cash and cash equivalents		159.3	13.2	140.9	–
		268.9	511.8	234.2	482.4
Total assets		2,656.1	2,205.3	2,837.4	2,413.0
Equity and reserves					
Called up share capital	20	80.0	80.0	79.8	79.8
Share premium account		668.0	668.0	665.7	665.7
Capital redemption reserve		1.4	1.4	1.4	1.4
Own shares reserve		(33.0)	–	(23.8)	–
Other reserves		125.9	27.7	36.8	19.5
Retained earnings		608.3	445.1	490.3	289.4
Equity attributable to owners of the Company		1,450.6	1,222.2	1,250.2	1,055.8
Non controlling interest	15	0.1	–	0.2	–
Total equity		1,450.7	1,222.2	1,250.4	1,055.8
Non current liabilities					
Provisions	21	3.9	3.9	4.5	4.5
Financial liabilities	22	892.5	493.9	1,060.7	643.7
Derivative financial instruments	22	3.7	3.7	8.2	8.2
Deferred tax liabilities	24	43.3	14.5	12.7	7.4
		943.4	516.0	1,086.1	663.8
Current liabilities					
Provisions	21	0.5	0.5	0.5	0.5
Trade and other payables	23	124.1	362.0	196.4	415.4
Financial liabilities	22	83.6	83.6	175.2	181.6
Liabilities for current tax	23	52.6	19.8	70.5	37.6
Derivative financial instruments	22	1.2	1.2	58.3	58.3
		262.0	467.1	500.9	693.4
Total liabilities		1,205.4	983.1	1,587.0	1,357.2
Total equity and liabilities		2,656.1	2,205.3	2,837.4	2,413.0

Company Registration Number: 2234775

These financial statements were approved and authorised for issue by the Board of directors on 22 May 2012.

Signed on behalf of the Board of directors by:

Justin Dowley
Director

Philip Keller
Director

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

Consolidated and parent company statements of cash flow
For the year ended 31 March 2012

	Notes	31 March 2012 Group £m	31 March 2012 Company £m	31 March 2011 Group £m	31 March 2011 Company £m
Operating activities					
Interest receipts		198.1	163.8	174.0	120.7
Fee receipts		70.9	14.9	77.9	5.8
Dividends received		9.0	134.1	5.7	12.7
Gain on disposals		78.7	1.3	146.6	40.2
Interest payments		(50.4)	(41.7)	(43.9)	(36.1)
Cash payments to suppliers and employees		(126.4)	(112.0)	(80.9)	(65.0)
Payment for purchase of current financial assets		(16.0)	1.5	(20.0)	(20.0)
Purchase of loans and investments		(121.9)	(94.5)	(305.7)	(234.2)
Recoveries on previously impaired assets		4.6	3.6	–	–
Proceeds from sale of loans and investments		380.0	260.9	388.6	281.5
Cash generated from operations		426.6	331.9	342.3	105.6
Taxes (paid)/received		(66.6)	(64.9)	(5.1)	0.1
Net cash generated from operating activities		360.0	267.0	337.2	105.7
Investing activities					
Proceeds from subsidiary undertakings		–	70.3	–	128.6
Purchase of property, plant and equipment	16	(1.4)	(1.3)	(2.5)	(2.3)
Purchase of intangible assets		–	–	(5.1)	–
Acquisition of subsidiary		–	–	(2.6)	–
Net cash (used in)/from investing activities		(1.4)	69.0	(10.2)	126.3
Financing activities					
Dividends paid	12	(68.9)	(68.9)	(40.6)	(40.6)
Decrease in long term borrowings		(249.7)	(249.7)	(223.8)	(211.8)
Net cash flow from derivative contracts		(8.9)	(8.9)	14.6	14.6
Purchase of own shares		(16.8)	–	(16.9)	–
Capital contributions from non controlling interests		0.2	–	–	–
Proceeds on issue of shares		1.3	1.3	–	–
Net cash used in financing activities		(342.8)	(326.2)	(266.7)	(237.8)
Net increase/(decrease) in cash		15.8	9.8	60.3	(5.8)
Cash and cash equivalents at beginning of year		140.9	(6.4)	83.7	4.4
Effect of foreign exchange rate changes		(6.9)	0.3	(3.1)	(5.0)
Net Cash and cash equivalents at end of year		149.8	3.7	140.9	(6.4)

Presented on statement of financial position as:

	31 March 2012 Group £m	31 March 2012 Company £m	31 March 2011 Group £m	31 March 2011 Company £m
Cash and cash equivalents	159.3	13.2	140.9	–
Bank overdraft	(9.5)	(9.5)	–	(6.4)
Net Cash and cash equivalents	149.8	3.7	140.9	(6.4)

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

Consolidated and parent company statements of changes in equity

For the year ended 31 March 2012

Group	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share based payments £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m	Non controlling interest £m	Total Equity £m
Balance at 31 March 2011	79.8	665.7	1.4	13.1	23.7	(23.8)	490.3	1,250.2	0.2	1,250.4
Profit for the year	–	–	–	–	–	–	188.3	188.3	(0.7)	187.6
AFS financial assets	–	–	–	–	100.6	–	–	100.6	–	100.6
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Tax relating to components of other comprehensive income	–	–	–	–	(23.1)	–	–	(23.1)	–	(23.1)
Total comprehensive income for the year	–	–	–	–	77.5	–	188.1	265.6	(0.7)	264.9
Own shares acquired in the year	–	–	–	–	–	(12.8)	–	(12.8)	–	(12.8)
Scrip dividend	0.1	1.1	–	–	–	–	–	1.2	–	1.2
Options exercised	0.1	1.2	–	–	–	–	–	1.3	–	1.3
Vesting of share schemes	–	–	–	–	–	3.6	–	3.6	–	3.6
Net loss on consideration paid in the form of shares	–	–	–	(1.5)	–	–	–	(1.5)	–	(1.5)
Capital contribution	–	–	–	–	–	–	–	–	0.6	0.6
Credit for equity settled share schemes	–	–	–	13.1	–	–	–	13.1	–	13.1
Dividends paid	–	–	–	–	–	–	(70.1)	(70.1)	–	(70.1)
Balance at 31 March 2012	80.0	668.0	1.4	24.7	101.2	(33.0)	608.3	1,450.6	0.1	1,450.7

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

Group	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share based payments £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m	Non controlling interest £m	Total Equity £m
Balance at 31 March 2010	78.0	642.5	1.4	4.6	30.6	(2.8)	429.2	1,183.5	–	1,183.5
Profit for the year	–	–	–	–	–	–	128.2	128.2	(0.1)	128.1
AFS financial assets	–	–	–	–	(10.5)	–	–	(10.5)	–	(10.5)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(1.5)	(1.5)	–	(1.5)
Tax relating to components of other comprehensive income	–	–	–	–	3.6	–	–	3.6	–	3.6
Total comprehensive income for the year	–	–	–	–	(6.9)	–	126.7	119.8	(0.1)	119.7
Own shares acquired in the year	–	–	–	–	–	(21.0)	–	(21.0)	–	(21.0)
Acquisition of non controlling interest with a change in control	–	–	–	–	–	–	–	–	0.3	0.3
Scrip dividend	1.8	23.2	–	–	–	–	–	25.0	–	25.0
Credit for equity settled share schemes	–	–	–	8.5	–	–	–	8.5	–	8.5
Dividends paid	–	–	–	–	–	–	(65.6)	(65.6)	–	(65.6)
Balance at 31 March 2011	79.8	665.7	1.4	13.1	23.7	(23.8)	490.3	1,250.2	0.2	1,250.4

Company	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share based payments £m	Available for sale reserve £m	Retained earnings £m	Total £m
Balance at 31 March 2010	78.0	642.5	1.4	4.3	–	279.7	1,005.9
Profit for the year	–	–	–	–	–	75.3	75.3
AFS financial assets	–	–	–	–	9.7	–	9.7
Tax relating to components of other comprehensive income	–	–	–	–	(2.5)	–	(2.5)
Total comprehensive income for the year	–	–	–	–	7.2	75.3	82.5
Scrip dividend	1.8	23.2	–	–	–	–	25.0
Credit for equity settled share schemes	–	–	–	8.0	–	–	8.0
Dividends paid	–	–	–	–	–	(65.6)	(65.6)
Balance at 31 March 2011	79.8	665.7	1.4	12.3	7.2	289.4	1,055.8

Notes to the accounts

1. General information

Intermediate Capital Group plc is a company incorporated in the United Kingdom under the Companies Act with Companies registration number 2234775. The address of the registered office is on page 120. The nature of the Group's operations and its principal activities are set out in the Directors' report on page 58.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

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

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group, except for the treatment of certain financial assets when IFRS 9 comes into effect. The impact of this cannot be estimated at this time.

2. Significant accounting policies

(a) Basis of accounting

(i) General information – The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis as modified to include the fair valuation of certain financial instruments.

(ii) Going concern – The Financial review on pages 26 to 31 describes the financial position of the Group, its cash flows, liquidity position and borrowing facilities together with its objectives, factors likely to affect its future development and policies and processes for managing its capital. The Group's financial risk management objectives and its exposure to credit risk and liquidity risk are described in the Principal risks and uncertainties section on pages 32 to 35 and details of its financial instruments and hedging activities are described in note 30. The Group continually monitors its debt profile and looks to refinance senior facilities a substantial period before they mature. Having reviewed the Group's budget and business plan and, taking into account reasonable downside sensitivity, the directors believe that the Group has adequate financial resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The principal accounting policies are set out below:

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

2. Significant accounting policies continued

(d) Intangible assets/Investment management contracts

Investment management contracts have been identified as separately identifiable intangible assets.

These intangible assets are recognised at cost of acquisition which is based upon the present value of the expected future cash flows of the investment management contract acquired. The intangible asset is amortised on a straight line basis over the expected life of the investment management contracts, currently estimated at four years.

At each reporting date, an assessment is made as to whether there is any indication that an asset in use may be impaired. If any such indication exists and the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use.

(e) Investment in subsidiaries

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

Non controlling interests represent the equity interests in subsidiaries not fully held by the Group.

(f) Investment in associates

An associate is an entity over which the Group has significant influence but not control, through participation in the financial and operating policy decisions. The results, assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. A presumption of significant influence is made when the Group holds 20% or more of the voting rights of an investee. IAS 28: Investment in Associates excludes from its scope certain investments of a greater than 20% holding held by Venture Capital organisations. The Group therefore designates such investments, upon initial recognition, as fair value through profit or loss and measures them at fair value.

(g) Employee benefit trust

An Employee Benefit Trust ("EBT") acts as an agent for the purpose of the employee share based compensation plans.

Accordingly, the EBT is included within the Group's consolidated financial statements.

(h) Interest income and expense

Interest income and expense on financial assets and liabilities held at amortised cost are measured using the effective interest rate method, which allocates the interest income or interest expense over the relevant period. The Effective Interest Rate ("EIR") is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. The expected life of an asset is estimated by the relevant Investment Executive using knowledge gained from the close monitoring of the investment and their presence on the Board. The expected life of a liability is based upon the maturity date of the liability.

(i) Fee income and expense

Fees and commissions are recognised on an accruals basis when the service has been provided and include fund management fees. Fees integral to the loan yield, including underwriting and agency fees, are included within interest income as part of the effective interest rate calculation. Fees payable on the arrangement of balance sheet funding are included within interest expense as part of the effective interest rate calculation. Other fees are recognised as earned or spent.

(j) Operating leases

All of the leases we hold are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

(k) Dividend income

Dividend income from investments is recognised in the income statement when the shareholders' rights to receive payment have been established.

(l) Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid and, in the case of final dividends, when these are approved by the Company's shareholders at the AGM. Dividend distributions are recognised in equity.

(m) Share based payments

The Group issues share awards to its employees under share-based compensation plans. The awards have been classified as equity settled under IFRS 2: Share Based Payments.

The fair value of the amounts payable to employees is recognised as an expense with a corresponding increase in equity.

The fair value is measured at grant date and spread over the vesting period based on the Group's estimate of shares that will eventually vest. The fair value is measured using an appropriate valuation model, taking into account the terms and conditions upon which the instruments were granted.

(n) Pension costs

Pension liabilities are provided for by payments to insurance companies or to individuals for employees' private pension plans. The amount charged to the income statement represents a percentage of the current payroll cost paid to defined contribution schemes.

(o) Own shares held

Own shares held are equity shares of the Company acquired by the EBT. Own shares held are recorded at cost and are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity shares.

(p) Value added tax

Irrecoverable VAT is written off on items of expenditure relating to the income statement. Irrecoverable VAT on tangible fixed assets is capitalised and written off over a similar period to the asset to which it relates.

(q) Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which they operate. For the purpose of the consolidated financial statements, the results and financial position of each

Notes to the accounts continued

2. Significant accounting policies continued

Group company are expressed in pounds sterling which is the presentation currency for the consolidated financial statements. The assets and liabilities of the Group's foreign operations are translated using the exchange rates prevailing on the balance sheet date. The income and expense items are translated using the exchange rates at the date of the transactions. Exchange differences are recognised in other comprehensive income and accumulated in equity.

Foreign currency monetary transactions are translated into pounds sterling using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, foreign currency monetary assets and liabilities are translated at the rates prevailing on the balance sheet date. Exchange differences on the translation of monetary items are recognised in the income statement for the year. Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at that date when fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. The treasury policies of the Group are described in more detail in note 30 of the financial statements.

(r) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are non taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

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

(s) Property, plant and equipment and depreciation
Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Furniture and equipment – 20% to 33% per annum

Short leasehold premises – 20% per annum

(t) Financial assets
Financial assets are classified into the following categories, as determined at initial recognition:

(i) Financial assets at fair value through profit or loss – Derivatives, which include warrants and other derivatives held for risk management purposes and shares are categorised as "at fair value through profit or loss" ("FVTPL"). These instruments are initially recognised at fair value on the date on which the derivative contract is entered into or the investment is acquired and are subsequently remeasured at their fair value. Changes in fair value are immediately recognised in the income statement.

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

(ii) Loans and receivables – Loans and receivables, held at amortised cost, are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include loans made as part of the Group's operating activities as well as trade and other receivables and cash and cash equivalents. Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less.

Loans and receivables are initially recognised at fair value including direct and incremental transaction costs and subsequently valued at amortised cost using the effective interest rate method, see note 2(h).

(iii) Available for sale ("AFS") – AFS financial assets are financial assets not classified in (i) or (ii) above and include listed bonds and listed and unlisted shares, see note 2(v).

AFS financial assets are initially recognised at fair value including direct and incremental transaction costs. They are subsequently measured at fair value with gains and losses arising from changes in fair value included as a separate component of equity until the sale or impairment, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Translation differences on monetary items are recognised in the income statement.

(u) Impairment of financial assets
A financial asset, other than one classified as fair value through the profit and loss, is impaired and impairment losses are incurred if, and only if, there is objective evidence of a fall in value of that asset as a result of events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows.

2. Significant accounting policies continued

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate.

If there is objective evidence of impairment for financial assets classified as AFS, the loss is removed from equity and recognised in the income statement.

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

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

(v) Shares and warrants

Shares and warrants are classified as AFS assets or Financial assets at fair value through profit or loss and are initially recognised at the fair value of the consideration given. They are subsequently measured at fair value as the Directors' consider that fair value can be reliably measured. Unlisted shares and warrants are held in private companies with no ready market therefore fair value is determined as described in note 30.

(w) Financial liabilities

All financial liabilities, except for derivatives, are initially recognised at fair value less transaction costs and subsequently, measured at amortised cost using the effective interest rate method, see note 2(h). Derivative liabilities are categorised as at fair value through profit or loss, see note 2(y).

(x) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the existence of an obligation is possible, dependent on uncertain events not wholly within the control of the Group, or a present obligation cannot be measured reliably, or it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the Group discloses, but does not recognise, a contingent liability.

For onerous lease (or "surplus space") provisions, where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(y) Derivative financial instruments and hedge accounting

Derivatives, including embedded derivatives which are not considered to be closely related to the host contract, are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at their fair value using an independent third party valuation. Changes in fair values of derivatives are recognised immediately in the income statement.

The Group does not apply hedge accounting per IAS 39 "Financial Instruments – Recognition and Measurement".

(z) Significant estimates/uncertainties

The significant accounting estimates used in preparing the financial statements are considered to relate to the valuations of impaired assets, equity investments, warrants, share based payments, variable reward schemes and the effective interest rate calculations. The estimates and associated assumptions are based on historical experience and other relevant factors, and are reviewed on an ongoing basis. Actual results may differ from these estimates.

The methodology for valuing impaired assets is as detailed in note 17 on page 103, for valuing share based payments is as detailed in note 25 on pages 107 and 108 and for deciding upon the maturity date for the effective interest rate on loans and investments in note 2(h) on page 91.The estimation technique for valuing warrants and unquoted equity is detailed in note 30(b) on page 114. The estimation technique for valuing unquoted equity was changed during the year and amounts previously held at cost are now measured at fair value. The effect of this change was the recognition of unrealised gains of £44.2m in the Income Statement and £106.9m in the Statement of Comprehensive Income.

3. Profit of Parent Company

As permitted by section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit for the year amounted to £225.8 million (year ended 31 March 2011: £75.3 million).

4. Business and geographical segments

For management purposes, the Group is currently organised into two distinct business groups, one of these being the Fund Management Company and the other being the Investment Company. Segment information about these businesses, as reviewed by the Chief Executive Officer, is presented below in (i) to (iv):

The Group reports the profit of the Fund Management Company ("FMC"), separately from the profits generated by the Investment Company ("IC"). The FMC is defined as the operating unit and as such carries the bulk 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 and human resources and marketing.

The IC is charged a management fee of 1% of the carrying value of the investment portfolio by the FMC and this is shown below as Fee income from the Balance Sheet. The costs of finance, treasury, and portfolio administration teams and the costs related to being a listed entity are allocated to the IC. The cost of the Medium Term Incentive Scheme, ("MTIS") is charged to the IC, while the scheme remains operational. The remuneration of the managing directors (excluding MTIS) is allocated equally to the FMC and the IC.

Notes to the accounts continued

4. Business and geographical segments continued

(i) Analysis of income and profit before tax

Year ended 31 March 2012 (£m)	Mezzanine Fund Management Europe	Mezzanine Fund Management Asia	Mezzanine Fund Management US	Credit Fund Management	Total FMC	IC	Total
External fund management fee income	36.7	6.8	–	23.2	66.7	–	66.7
Fee income from the Balance Sheet (inter segment)	20.6	2.0	0.9	1.0	24.5	–	24.5
Fund management fee income	57.3	8.8	0.9	24.2	91.2	–	91.2
Net interest income^					–	183.5	183.5
Dividend income					3.3	5.7	9.0
Cost of funding					(0.4)	0.4	–
Other fee income					–	1.5	1.5
Staff costs					(32.6)	(24.8)	(57.4)
Medium Term Incentive Scheme					–	34.0	34.0
Balance Sheet fee income charge (inter segment expense)					–	(24.5)	(24.5)
Administrative costs					(23.8)	(2.4)	(26.2)
Net gains on investments					–	103.3	103.3
Impairments					–	(70.6)	(70.6)
Add back net fair value loss on derivatives held for hedging purposes^					–	–	–
Profit before tax					37.7	206.1	243.8

^ Net loss of £34k relating to foreign exchange gains and losses arising on translation of monetary assets and liabilities at the exchange rate prevailing at the balance sheet date and fair value movements on derivative assets and liabilities, is not considered part of net interest income for segmental reporting.

Year ended 31 March 2011 (£m)	Mezzanine Fund Management Europe	Mezzanine Fund Management Asia	Mezzanine Fund Management US	Credit Fund Management	Total FMC	IC	Total
External fund management fee income	25.1	7.3	–	23.7	56.1	–	56.1
Fee income from the Balance Sheet (inter segment)	20.7	2.3	1.3	1.4	25.7	–	25.7
Fund management fee income	45.8	9.6	1.3	25.1	81.8	–	81.8
Net interest income^					–	179.8	179.8
Dividend income					3.9	2.9	6.8
Cost of funding					(0.9)	0.9	–
Other fee income					–	7.2	7.2
Staff costs					(30.8)	(9.1)	(39.9)
Medium Term Incentive Scheme					–	(22.8)	(22.8)
Balance Sheet fee income charge (inter segment expense)					–	(25.7)	(25.7)
Administrative costs					(19.2)	(9.4)	(28.6)
Net gains on investments					1.1	101.3	102.4
Impairments					–	(70.9)	(70.9)
Add back net fair value loss on derivatives held for hedging purposes^					–	(3.8)	(3.8)
Profit before tax					35.9	150.4	186.3

^ Net loss of £3.8 million relating to foreign exchange gains and losses arising on translation of monetary assets and liabilities at the exchange rate prevailing at the balance sheet date and fair value movements on derivative assets and liabilities, is not considered part of net interest income for segmental reporting.

4. Business and geographical segments continued

(ii) Loan book by sector

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Europe	1,953.9	2,153.1
Asia	207.7	190.6
US	112.9	89.6
Credit Fund Management	77.7	141.8
	2,352.2	2,575.1

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

(iii) Group revenue by geographical segment from external customers

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Europe	387.8	390.9
Asia	40.0	31.5
US	9.7	16.3
	437.5	438.7

(iv) Property, plant and equipment by geographical segment

Information about the Group's non current assets, excluding financial instruments, deferred tax assets and intangible assets, is detailed below by geographical location.

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Europe	5.5	6.8
Asia	0.1	0.2
	5.6	7.0

5. Interest and dividend income

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Interest income on interest bearing loans and investments	241.4	234.4
Dividend income from equity investments	9.0	6.8
Interest on bank deposits	0.9	0.8
	251.3	242.0

Interest income on interest bearing loans and investments includes £13.6 million (2011: £8.2 million) accrued on impaired loans.

6. Interest payable and other related financing costs

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Interest expense recognised under the amortised cost method	44.8	37.0
Fair value movements on assets and liabilities held at fair value through profit or loss^	–	3.8
Other related financing costs	14.0	18.4
	58.8	59.2

^ This relates to foreign exchange gains and losses arising in translation of monetary assets and liabilities at the exchange rate prevailing at the balance sheet date, and other fair value movements on derivative assets and liabilities.

Notes to the accounts continued

7. Valuation of unquoted ordinary shares and warrants

Gains arising during the year comprise the following items:

(i) For unquoted ordinary shares held as AFS financial assets, the uplift on valuation, along with the realisations during the year are recognised in other comprehensive income.

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Realised gains on ordinary shares	49.9	105.0
Impairments of AFS financial assets recycled to the income statement	(1.6)	(6.5)
Unrealised gains on AFS financial assets		
– Fair value movement on ordinary shares	106.9	4.8
– Fair value movement on other assets	(3.7)	9.7
Foreign exchange	(2.6)	(2.9)
Gains arising in the AFS reserve in the year	148.9	110.1

(ii) The uplift on warrants and other financial assets at fair value through the profit and loss, form part of gains on investments in the income statement

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Realised gains on warrants	23.9	23.6
Realised gains on assets designated as FVTPL	–	4.8
Unrealised gains on assets designated as FVTPL		
– Fair value movement on ordinary shares	9.8	–
– Fair value movement on warrants	31.9	–
– Fair value movement on other assets	2.5	–
Realised gains on AFS financial assets recycled from AFS equity reserves	49.9	105.0
Gains arising in the income statement in the year	118.0	133.4

8. Impairment of assets

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Impairment on loans and receivables		
New and increased	69.6	62.6
Write off	12.3	–
Recoveries	(11.4)	(18.9)
Total net impairment on loans and receivables	**70.5**	**43.7**
Impairment on AFS financial assets		
New and increased	1.6	27.2
Recoveries	(1.5)	–
Total net impairment on AFS financial assets	**0.1**	**27.2**
	70.6	70.9

Recoveries arose on assets from the Mezzanine and CFM Investment businesses.

9. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Administrative expenses include:		
Staff costs	38.1	93.7
Comprising :		
- Staff Costs	83.1	93.7
- MTIS release during the year	(45.0)	–
Amortisation	1.3	0.3
Depreciation	2.8	2.8
Loss on disposal of fixed assets	–	0.3
Auditor's remuneration	0.8	0.6

Information regarding director and employee costs is provided in note 11.

The fees for audit and other services payable to the Company's auditor, Deloitte LLP, are analysed as follows:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Audit fees:		
-Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.2	0.2
-Fees payable to the Company's auditor and their associates for other services to the Group: the audit of the Company's subsidiaries	0.3	0.2
Total audit fees	0.5	0.4
Non audit fees:		
– Taxation compliance services	0.1	0.1
– Other taxation advisory services	0.1	–
– Other services	0.1	0.1
Total non audit fees	0.3	0.2
Total auditor's remuneration	0.8	0.6

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Corporate Governance report on page 63. No services were provided pursuant to contingent fee arrangements.

Notes to the accounts continued

10. Tax expense

Analysis of tax on ordinary activities	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Corporate tax	58.9	64.9
Prior year adjustment	(10.2)	9.3
	48.7	74.2
Deferred taxation:		
Current period	7.5	(9.7)
Prior year adjustment	–	(6.3)
Tax on profit on ordinary activities	56.2	58.2

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit on ordinary activities before tax	243.8	186.3
Profit before tax multiplied by the rate of corporation tax in the UK of 26% (2011: 28%)	63.4	52.2
Effects of:		
Non deductible expenditure	6.1	1.5
Current year risk provision	3.8	–
Tax losses not recognised	0.4	2.3
Deferred tax asset written off	2.9	0.5
Changes in statutory tax rates	0.2	(0.4)
Overseas tax credit	(10.4)	(0.9)
Prior year adjustment	(10.2)	3.0
Current tax charge for the year	56.2	58.2

11. Information regarding directors and employees

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Directors' remuneration:		
Emoluments and benefits	9.6	16.6
	9.6	16.6
Employee costs during the year including directors:		
Wages and salaries	34.6	90.9
Social security costs	2.2	1.7
Pension costs	1.3	1.1
	38.1	93.7

The average number of employees (including managing directors) employed by ICG was:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Investment Executives	71	66
Support staff	61	55
Directors	3	4
	135	125

The performance related element included in wages and salaries is £57.2 million (2011: £74.3 million), which is derived as a result of the Medium Term Incentive Scheme (MTIS), the annual bonus scheme, the Omnibus Scheme and the Balance Sheet Carry Scheme. This excludes a credit to the income statement of £45.0 million following the termination of the MTIS which is also included within wages and salaries.

12. Dividends paid and proposed

	2012 Per share pence	2012 £m	2011 Per share pence	2011 £m
Ordinary dividend:				
Final dividend for the years ended 31 March 2011/10	12.0	46.8	11.0	42.2
Interim dividend for the periods to 30 September 2011/10	6.0	23.3	6.0	23.4
	18.0	70.1	17.0	65.6

The proposed final dividend for the year ended 31 March 2012 is 13 pence per share (2011: 12 pence per share) which will amount to £50.5 million (2011: £46.8 million).

In the year to 31 March 2012 £70.1 million (2011: £65.6 million) of dividends were paid. Of these £1.2 million (2011: £25.0 million) were taken as scrip dividends.

13. Earnings per share

Earnings	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	188.3	128.2

Number of shares	2012	2011
Weighted average number of ordinary shares for the purposes of basic earnings per share	395,135,061	393,785,735
Effect of dilutive potential ordinary shares share options	422,943	593,940
Weighted average number of ordinary shares for the purposes of diluted earnings per share	395,558,004	394,379,675

14. Intangible assets

Year ended 31 March 2012	Goodwill £m	Investment Management Contract £m	Total £m
Cost			
At 1 April 2011	4.3	5.1	9.4
At 31 March 2012	4.3	5.1	9.4
Amortisation and impairment losses			
At 1 April 2011	–	0.3	0.3
Amortisation charge during the year	–	1.3	1.3
At 31 March 2012	–	1.6	1.6
Net book value			
At 31 March 2012	4.3	3.5	7.8
At 31 March 2011	4.3	4.8	9.1

The Company purchased an investment management contract from Resource Europe during December 2010 for €5.9 million (£5.1 million). The contract is expected to generate junior, senior and incentive fees over the four year term and therefore has been capitalised and will be amortised over the contract term on a straight line basis. Amortisation of investment management contracts is recognised in the income statement as an administrative expense.

Goodwill arose from the 51% equity share acquisition of Longbow Real Estate Capital, in December 2010. Total consideration of £4.3 million was paid for £nil net assets/liabilities. The recoverable amount of Longbow Real Estate Capital has been estimated on the basis of fair value less costs to sell.

None of the Company's intangible assets are internally generated.

Notes to the accounts continued

14. Intangible assets continued

Year ended 31 March 2011	Goodwill £m	Investment Management Contract £m	Total £m
Cost			
At 1 April 2010	–	–	–
Additions	–	5.1	5.1
Assets arising on business acquisition	4.3	–	4.3
At 31 March 2011	4.3	5.1	9.4
Amortisation and impairment losses			
At 1 April 2010	–	–	–
Amortisation charge during the year	–	0.3	0.3
At 31 March 2011	–	0.3	0.3
Net book value			
At 31 March 2011	4.3	4.8	9.1

15. Non controlling interests

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

	2012 % Non controlling Interest	2012 £m	2011 % Non controlling Interest	2011 £m
Longbow Real Estate Capital LLP	49%	0.1	49%	0.2
LREC Partners Investments No.2 Ltd	41%	–	–	–
At 31 March 2012		0.1		0.2

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Loss retained for the year	(0.7)	(0.1)
	(0.7)	(0.1)

LREC Partners Investments No.2 Ltd, a newly incorporated company, began trading during the year.

16. Property, plant and equipment

Year ended 31 March 2012	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group			
Cost			
At 31 March 2011	10.5	4.5	15.0
Additions	1.2	0.2	1.4
Disposals	(0.2)	–	(0.2)
At 31 March 2012	11.5	4.7	16.2
Depreciation			
At 31 March 2011	5.5	2.5	8.0
Charge for the year	2.3	0.5	2.8
Depreciation on disposals	(0.2)	–	(0.2)
At 31 March 2012	7.6	3.0	10.6
Net book value			
At 31 March 2012	3.9	1.7	5.6
At 31 March 2011	5.0	2.0	7.0
Company			
Cost			
At 31 March 2011	8.8	3.9	12.7
Additions	1.2	0.1	1.3
At 31 March 2012	10.0	4.0	14.0
Depreciation			
At 31 March 2011	4.1	2.2	6.3
Charge for the year	1.8	0.7	2.5
At 31 March 2012	5.9	2.9	8.8
Net book value			
At 31 March 2012	4.1	1.1	5.2
At 31 March 2011	4.7	1.7	6.4

Notes to the accounts continued

16. Property, plant and equipment continued

Year ended 31 March 2011	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group			
Cost			
At 31 March 2010	10.2	4.6	14.8
Additions	1.1	1.4	2.5
Disposals	(0.8)	(1.5)	(2.3)
At 31 March 2011	10.5	4.5	15.0
Depreciation			
At 31 March 2010	4.3	2.9	7.2
Charge for the year	2.0	0.8	2.8
Depreciation on disposals	(0.8)	(1.2)	(2.0)
At 31 March 2011	5.5	2.5	8.0
Net book value			
At 31 March 2011	5.0	2.0	7.0
At 31 March 2010	5.9	1.7	7.6
Company			
Cost			
At 31 March 2010	8.6	3.9	12.5
Additions	1.0	1.3	2.3
Disposals	(0.8)	(1.3)	(2.1)
At 31 March 2011	8.8	3.9	12.7
Depreciation			
At 31 March 2010	3.1	2.6	5.7
Charge for the year	1.8	0.7	2.5
Depreciation on disposals	(0.8)	(1.1)	(1.9)
At 31 March 2011	4.1	2.2	6.3
Net book value			
At 31 March 2011	4.7	1.7	6.4
At 31 March 2010	5.5	1.3	6.8

17. Financial assets – non current

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Loans and receivables held at amortised cost	1,938.5	2,300.7	1,426.7	1,678.9
Investment in subsidiaries	–	–	133.4	128.6
AFS financial assets held at fair value	283.4	198.0	39.8	46.1
Financial assets designated as FVTPL	97.7	75.6	58.5	58.0
Derivative financial instruments held at fair value – warrants	32.6	0.8	8.3	0.6
Other derivative financial instruments held at fair value	21.6	12.0	21.6	12.0
	2,373.8	2,587.1	1,688.3	1,924.2

AFS financial assets and Financial Assets designated at fair value through profit and loss

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

17. Financial assets – non current continued

AFS financial assets	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Additional information in respect of movements during the year is as follows:				
Balance at 31 March 2011/10	198.0	238.3	46.1	37.1
Additions	8.7	13.9	0.8	4.3
Change in fair value	151.1	3.8	(4.2)	5.7
Realisations	(66.5)	(56.8)	(0.4)	(0.8)
Currency translation	(7.9)	(1.2)	(2.5)	(0.2)
Balance at 31 March 2012/11	283.4	198.0	39.8	46.1

There were no additions arising from the conversion of existing Loan and Receivables to AFS financial assets during 2012 (2011: £5.8 million).

Impairment	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Additional information in respect of movements during the year is as follows:				
Balance at 31 March 2011/10	581.1	515.0	384.3	329.9
Charged to income statement	83.5	89.8	54.6	67.7
Recovery of previously impaired assets	(12.9)	(18.9)	(11.8)	(10.7)
Assets written off in year	(114.1)	–	(63.9)	–
Impairments recovered on extinguishment of assets	(19.0)	–	(19.0)	–
Impairments arising through restructuring of assets	20.5	–	20.5	–
Currency translation	(22.1)	(4.8)	(11.6)	(2.6)
Balance at 31 March 2012/11	517.0	581.1	353.1	384.3

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

18. Trade and other receivables

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Other receivables	35.5	49.6	19.6	39.4
Amount owed by Group companies	–	–	429.7	399.7
Prepayments	11.6	1.7	2.9	1.3
	47.1	51.3	452.2	440.4

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Notes to the accounts continued

19. Financial assets – current

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Loans and investments	49.7	39.7	33.6	39.7

The directors consider that the carrying amount of loans and investments approximates their fair value.

20. Called up share capital and own shares reserve

Group and Company	2012 £m	2011 £m
Authorised:		
450,000,000 (2011: 450,000,000) ordinary shares of 20 pence	90.0	90.0
Allotted, called up and fully paid:		
400,190,206 (2011: 399,206,490) ordinary shares of 20 pence	80.0	79.8

No shares were issued under the Company's Approved and Unapproved Executive Share Option Schemes 2001 during the year.

The own shares reserve represents the cost of shares in ICG purchased in the market and held by the ICG Employee Benefit Trust ("EBT"). The EBT purchased 4,813,531 (2011: 7,452,221) shares of 20 pence each, for consideration of £12.9 million (2011: £21.0 million), to hedge future liabilities arising under long term incentive plans. This represented 1.20% (2011: 1.87%) of the Group and Company's share capital at 31 March 2012.

21. Provisions

Group and Company	Onerous Lease £m	Total £m
At 1 April 2011	5.0	5.0
Utilisation of provision	(0.7)	(0.7)
Provisions released	(0.1)	(0.1)
Unwinding of discount	0.2	0.2
As at 31 March 2012	4.4	4.4
Current – 2012	0.5	0.5
Non Current – 2012	3.9	3.9

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

Group and Company	2012 £m	2011 £m
Less than one year	0.5	0.5
One to five years	2.6	2.1
Greater than five years	2.1	3.3
Effect of discounting	(0.8)	(0.9)
Total greater than one year	3.9	4.5
As at 31 March 2012	4.4	5.0

Onerous Lease Provision

The Group holds provisions of £4.4 million (2011: £5.0 million) against certain leaseholds in connection with surplus space. The provision for these onerous lease contracts has been made taking into account residual lease commitments, other outgoings and sub-letting arrangements. In arriving at the provisions and it is envisaged that the provisions will be utilised on an even basis until 2021.

22. Financial liabilities

Group	2012 Current £m	2012 Non current £m	2011 Current £m	2011 Non current £m
Liabilities held at amortised cost				
Private placement	–	322.0	102.4	247.2
Public bond	–	34.6	–	–
Revolving credit facility	74.1	–	72.8	254.3
£295m Loan facility agreement	–	137.3	–	142.2
Floating rate secured notes	–	398.6	–	417.0
Bank overdraft	9.5	–	–	–
Derivative financial instruments held at FVTPL	1.2	3.7	58.3	8.2
	84.8	896.2	233.5	1,068.9

The floating rate secured notes are secured on the debt portfolio of a subsidiary company Intermediate Finance II plc. The carrying value of the portfolio is £427.0 million (2011: £453.0 million).

The balance sheet had undrawn debt facilities of £827 million at the year end. During April 2012, the revolving credit facility matured, however three previously established forward starting facilities became available totalling £367 million. These facilities mature between June 2013 and July 2014. Had these events taken place on 31 March 2012, the balance sheet would have had £505 million of undrawn debt facilities at the year end.

Company	2012 Current £m	2012 Non current £m	2011 Current £m	2011 Non current £m
Liabilities held at amortised cost				
Private placement	–	322.0	102.4	247.2
Public bond	–	34.6	–	–
Revolving credit facility	74.1	–	72.8	254.3
£295m Loan facility agreement	–	137.3	–	142.2
Bank overdraft	9.5	–	6.4	–
Derivative financial instruments held at FVTPL	1.2	3.7	58.3	8.2
	84.8	497.6	239.9	651.9

The maturity of the funding liabilities on an amortised cost basis is shown below:

As at 31 March 2012 (£m)	Contractual maturity analysis: Less than one year	One to two years	Two to five years	More than five years	Total
$200m private placement	–	44.8	–	–	44.8
£30m private placement	–	10.0	–	–	10.0
$240m private placement	–	81.4	47.0	–	128.4
£30m private placement	–	–	30.1	–	30.1
£20m private placement	–	–	–	20.3	20.3
$22m private placement	–	–	14.0	–	14.0
£75m private placement	–	–	25.0	49.4	74.4
Public bond	–	–	–	34.6	34.6
Revolving credit facility	74.1	–	–	–	74.1
£295m loan facility agreement	–	137.3	–	–	137.3
€325m class A secured notes	–	–	–	236.8	236.8
€78m class B secured notes	–	–	–	64.7	64.7
€78m class C secured notes	–	–	–	64.7	64.7
€39m class D secured notes	–	–	–	32.4	32.4
	74.1	273.5	116.1	502.9	966.6

Notes to the accounts continued

22. Financial liabilities continued

As at 31 March 2011 (£m)	Contractual maturity analysis Less than one year	One to two years	Two to five years	More than five years	Total
$110m private placement	25.5	–	–	–	25.5
£25m private placement	20.5	–	–	–	20.5
$200m private placement	–	–	44.7	–	44.7
£30m private placement	–	–	10.0	–	10.0
$240m private placement	21.9	–	81.3	46.9	150.1
€39m private placement	34.5	–	–	–	34.5
£30m private placement	–	–	–	30.1	30.1
£20m private placement	–	–	–	20.3	20.3
$22m private placement	–	–	13.9	–	13.9
Revolving credit facility	72.8	147.6	106.7	–	327.1
£295m loan facility agreement	–	–	142.2	–	142.2
€325m class A secured notes	–	–	–	245.9	245.9
€78m class B secured notes	–	–	–	68.5	68.5
€78m class C secured notes	–	–	–	68.4	68.4
€39m class D secured notes	–	–	–	34.2	34.2
	175.2	147.6	398.8	514.3	1,235.9

The maturity profile of the Company is the same as that of the Group, except for the class A, B, C, D secured notes which are issued by a subsidiary.

23. Trade, other payables and liabilities for current tax

	Group 2012 £m	 2011 £m	Company 2012 £m	 2011 £m
Trade payables	14.5	8.5	3.9	0.3
Accruals	109.0	187.1	106.1	174.5
Amounts owed to Group companies	–	–	251.5	240.0
Taxation – corporation tax	52.6	70.5	19.8	37.6
Taxation – social security	0.6	0.8	0.5	0.6
	176.7	266.9	381.8	453.0

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

24. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

	Share based payment £m	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2010	(0.5)	19.1	13.8	–	(0.1)	32.3
Prior year adjustment	–	–	–	(5.0)	(1.3)	(6.3)
Charge/(credit) to income	0.5	(2.6)	(2.0)	(6.8)	1.2	(9.7)
Credit to equity	–	–	(3.6)	–	–	(3.6)
At 31 March 2011	–	16.5	8.2	(11.8)	(0.2)	12.7
Charge to equity	–	–	23.1	–	–	23.1
Charge to income	–	0.7	–	6.7	0.1	7.5
At 31 March 2012	–	17.2	31.3	(5.1)	(0.1)	43.3

24. Deferred tax continued

Deferred tax has been accounted for at the substantively enacted corporation tax rate of 24% (2011: 26%). Further reductions to the main rate have been proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further reductions in the tax rate had not been substantively enacted at the balance sheet date and, therefore, are not reflected in these financial statements.

As at 31 March 2012 the Group has tax losses carried forward of £11.8 million. It is not probable that these will be utilised and therefore no deferred tax asset has been recognised. No deferred tax liability has been recognised in respect of temporary differences arising from the undistributed profits of overseas subsidiaries of £17.3 million, because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Additionally, any tax consequences of distribution of those profits are expected to be insignificant.

25. Share based payments

All share based payment transactions are equity settled. The total charge to the income statement for the year was £13.1 million (2011: £8.5 million) and this was credited to the reserve in equity for share based payments.

Intermediate Capital Group plc 2001 Approved and Unapproved Executive Share Option Scheme

The Company has a number of share option schemes for certain employees of the Group. The terms of the Intermediate Capital Group plc 2001 Approved Executive Share Option Scheme and the Intermediate Capital Group plc 2001 Unapproved Executive Share Option Scheme are shown on pages 74 and 75.

Analysis of movements in the number and weighted average exercise price of options is set out below:

	Number		Weighted average exercise price (£)	
	2012	2011	2012	2011
Outstanding at 1 April	6,435,473	9,973,435	3.57	4.37
Forfeited	(565,353)	(3,537,962)	4.34	5.80
Exercised	(516,354)	–	2.52	–
Outstanding at 31 March	5,353,766	6,435,473	3.59	3.57
Of which are currently exercisable:	3,161,926	3,961,161	4.54	4.41

In the year to 31 March 2012 there were 516,354 share options exercised (2011: nil). The options outstanding at 31 March 2012 have a range of exercise prices between £2.230 and £6.008 (2011: £2.230 and £6.008) as follows, and a weighted average remaining contractual life of 4.70 years (2011: 5.45 years).

Exercise price	2012 Number	2011 Number
£2.230	2,166,239	2,448,711
£2.947	25,601	25,601
£6.008	314,604	314,604
£4.844	901,551	1,055,078
£5.048	136,762	136,762
£4.286	718,829	822,273
£4.101	88,471	205,506
£4.731	428,566	465,838
£4.729	23,251	93,033
£3.322	305,962	390,255
£3.256	243,930	243,930
£2.875	–	233,882

In the year to 31 March 2012 no new share options were granted (2011: nil).

Notes to the accounts continued

25. Share based payments continued

The inputs into the Black-Scholes model are as follows:

For options granted	11 June 2009
Exercise price	£5.39
Expected volatility	78.58%
Expected life	4.63 years
Risk free rate	2.17%
Dividend yield	7.27%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year. The expected life used in the model has been calculated using actual exercise periods over the previous five years.

Key Employee Retention Share Plan ("KERSP")

In the year to 31 March 2012, no new shares were granted under the KERSP scheme (2011: nil).

Intermediate Capital Group plc Omnibus Plan

Details of all the different types of awards under the Omnibus Plan are provided in the Report of the Remuneration Committee on pages 72 and 73.

Share awards outstanding under the Omnibus Plan were as follows:

	Number		Weighted average fair value (£)	
Deferred Share Awards	2012	2011	2012	2011
Outstanding at 1 April	546,267	–	2.58	–
Granted	503,705	560,802	3.34	2.58
Vested	(182,082)	–	2.58	–
Forfeited	(24,508)	(14,535)	3.16	2.58
Outstanding at 31 March	843,382	546,267	3.02	2.58

	Number		Weighted average fair value (£)	
PLC Equity Awards	2012	2011	2012	2011
Outstanding at 1 April	2,854,134	–	2.58	–
Granted	2,083,400	2,854,131	3.34	2.58
Outstanding at 31 March	4,937,534	2,854,134	2.90	2.58

	Number		Weighted average fair value (£)	
FMC Equity Awards	2012	2011	2012	2011
Outstanding at 1 April	40,938	–	190	–
Granted	40,665	42,333	245	190
Forfeited	–	1,395	–	190
Outstanding at 31 March	81,603	40,938	217	190

The fair values of awards granted under the ICG plc Omnibus Plan are determined by the average share price for the five business days prior to grant except for the FMC equity awards which are determined by an independent third party valuation.

26. Financial commitments

At 31 March 2012, the Group had contractual obligations to lend a further £462.1 million (2011: £51.3 million) on six existing investments, two new investments and two co-investment agreements. The co-investment agreements are with Intermediate Capital Asia Pacific Fund 2008 and ICG European Fund V.

The Group regularly enters into forward contracts for financial instruments which are used to hedge interest rate and foreign exchange risk in the normal course of business.

27. Operating leases

	Group		Company	
	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Minimum lease payments recognised under operating leases	3.2	3.0	2.0	1.8

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	Group		Company	
	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Within one year	3.0	3.2	2.0	2.1
In the second to fifth years inclusive	8.5	9.2	6.0	8.2
After five years	10.8	10.4	8.2	10.4

28. Related party transactions

All transactions between the Parent Company and its subsidiary undertakings are classified as related party transactions. All significant Company balances with subsidiary undertakings are disclosed in notes 15, 18 and 23. Aggregated significant transactions with subsidiary undertakings are as follows:

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Service charges paid	11.5	10.1
Dividends received	121.4	77.1

Management consider key management personnel to be the Board of directors and all related party transactions are disclosed in the Remuneration report.

Notes to the accounts continued

29. Principal subsidiary companies

Principal subsidiary	Percentage owned	Country of incorporation	Registered in	Principal activity
Intermediate Capital Investments Ltd	100	United Kingdom	England and Wales	Investment company
*Intermediate Capital Managers Ltd	100	United Kingdom	England and Wales	Advisory company
Intermediate Finance II PLC	100	United Kingdom	England and Wales	Provider of mezzanine
Mezzanine Finance (Guernsey) Ltd	100	Guernsey	Guernsey	Holding company for loans and investments
JOG Partners Limited	100	United Kingdom	England and Wales	Investment company
**Intermediate Investments LLP	100	United Kingdom	England and Wales	Holding company for loans and investments
Intermediate Investments Guarantee Ltd	100	United Kingdom	England and Wales	General Partner
Intermediate Investments Jersey Ltd	100	Jersey	Jersey	Investment company
*Intermediate Capital Asia Pacific Ltd	100	Hong Kong	Hong Kong	Advisory company
*Intermediate Capital Group SAS	100	France	France	Advisory company
*Intermediate Capital Group Espana SL	100	Spain	Spain	Advisory company
*Intermediate Capital Nordic AB	100	Sweden	Sweden	Advisory company
*Intermediate Capital Group Beratungsgesellschaft	100	Germany	Germany	Advisory company
*Intermediate Capital Group Benelux B.V.	100	Amsterdam	Amsterdam	Advisory company
*Intermediate Capital Australia Pty Ltd	100	Australia	Australia	Advisory company
*Intermediate Capital Group Inc	100	USA	Delaware	Advisory company
Intermediate Capital Ltd	100	United Kingdom	England and Wales	General Partner in a number of partnerships
*Intermediate Capital GP Ltd	100	Jersey	Jersey	General Partner in a number of partnerships
*Intermediate Capital GP 2003 Ltd	100	Jersey	Jersey	General Partner in a number of partnerships
*Intermediate Capital GP 2003 No 1 Ltd	100	Jersey	Jersey	General Partner in a number of partnerships
*Intermediate Capital Asia Pacific Mezz GP 2005 Ltd	100	Jersey	Jersey	General Partner
*Intermediate Capital Asia Pacific Mezz Opps GP 2005 Ltd	100	Jersey	Jersey	General Partner
*Intermediate Capital European Fund GP 2006 Ltd	100	Jersey	Jersey	General Partner
*Intermediate Capital Asia Pacific 2008 GP Limited	100	Jersey	Jersey	General Partner
*ICG Recovery Fund 2008 GP Ltd	100	Jersey	Jersey	General Partner
*ICG Minority Partners Fund 2008 GP Ltd	100	Jersey	Jersey	General Partner
ICG FMC Limited	100	United Kingdom	England and Wales	Holding company for funds management
*Longbow Real Estate Capital LLP	51	United Kingdom	England and Wales	Advisory company
LREC Partners Investments No. 2 Ltd	59	United Kingdom	England and Wales	Investment company
ICG EF V UK Ltd	100	United Kingdom	England and Wales	Holding company for funds management
ICG Europe Fund V GP Ltd	100	Jersey	Jersey	General Partner
ICG EF V Jersey Ltd	100	Jersey	Jersey	General Partner

All companies listed above have a reporting date of 31 March.

* Subsidiary of ICG FMC Limited

** Intermediate Investments Guarantee Ltd, JOG Partners Limited and Intermediate Capital Ltd are the members of Intermediate Investments LLP.

30. Financial assets and liabilities

(a) Treasury and hedging policies

The Group's treasury policies seek to manage the following risks.

(i) 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 shareholders' funds, bank borrowings, private placement notes, a public bond, and fixed and floating rate notes. The Group manages its exposure to market interest rate movements by matching, to the extent possible, the interest profiles of assets and liabilities and by using derivative 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 in (d), page 117.

(ii) Foreign exchange risk

The Group is exposed to currency risk in relation to the translation of net assets, currency transactions and the translation of net assets, and profit and loss accounts of foreign subsidiaries. The Group's most significant exposures are to the euro and the US dollar.

The Group manages its exposure to market currency risk by matching assets with debt to the extent possible and through the use of derivative instruments.

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

The Group is exposed to currency risk arising on the translation of fund management fee income receipts, which are primarily denominated in euro. Fund management fee income is hedged to provide more certainty over the value of future cash inflows. US dollar denominated management fee income is not hedged as foreign exchange risk arising from this income is not expected to be material to the Groups' results.

The financial assets and liabilities by currency and the sensitivity of the assets and liabilities to foreign exchange rates are shown in (d), page 117. This is before the effect of derivative instruments.

(iii) Liquidity risk

The Group manages its liquidity risk by maintaining headroom on its financing facilities, particularly the 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 2012. It is assumed that borrowings under the Group's revolving credit facility remains at the level as at 31 March 2012 until contractual maturity.

	Contractual maturity analysis				
As at 31 March 2012 (£m)	Less than one year	One to two years	Two to five years	More than five years	Total
$200m private placement	2.7	47.7	–	–	50.4
£30m private placement	0.3	10.3	–	–	10.6
$240m private placement	8.4	89.6	56.1	–	154.1
£30m private placement	2.0	2.0	35.9	–	39.9
£20m private placement	1.8	1.8	5.4	22.7	31.7
$22m private placement	1.1	1.1	15.4	–	17.6
£75m private placement	4.5	4.5	38.3	53.8	101.1
Revolving credit facility	1.1	76.0	–	–	77.1
£295m loan facility agreement	4.0	142.8	–	–	146.8
€325m class A secured notes	5.0	5.0	15.1	287.2	312.3
€78m class B secured notes	1.8	1.8	5.4	70.9	79.9
€78m class C secured notes	1.6	1.6	4.8	70.2	78.2
€39m class D secured notes	1.1	1.1	3.2	36.0	41.4
£35m retail bond	2.5	2.5	7.4	39.9	52.3
Interest rate swaps	(6.2)	(6.3)	(6.1)	(2.0)	(20.6)
Cross currency swaps	(5.9)	(4.3)	(1.2)	–	(11.4)
Forward foreign exchange contracts	(0.5)	–	–	–	(0.5)
Total liabilities	25.3	377.2	179.7	578.7	1,160.9

Notes to the accounts continued

30. Financial assets and liabilities continued

As at 31 March 2011 (£m)	Contractual maturity analysis Less than one year	One to two years	Two to five years	More than five years	Total
$110m private placement	26.0	–	–	–	26.0
£25m private placement	20.8	–	–	–	20.8
$200m private placement	2.7	2.7	47.6	–	53.0
£30m private placement	0.3	0.3	10.3	–	10.9
$240m private placement	31.6	8.4	95.6	49.9	185.5
€39m private placement	35.9	–	–	–	35.9
£30m private placement	2.0	2.0	5.9	32.0	41.9
£20m private placement	1.8	1.8	5.4	24.5	33.5
$22m private placement	1.1	1.1	16.5	–	18.7
Revolving credit facility	5.7	5.7	335.6	–	347.0
£295m loan facility agreement	4.8	4.8	151.6	–	161.2
€325m class A secured notes	4.5	4.5	13.4	301.7	324.1
€78m class B secured notes	1.7	1.7	5.2	74.6	83.2
€78m class C secured notes	1.5	1.5	4.5	73.8	81.3
€39m class D secured notes	1.0	1.0	3.1	37.9	43.0
Interest rate swaps	(8.5)	(6.2)	(10.7)	(3.6)	(29.0)
Cross currency swaps	8.6	(6.9)	(10.5)	10.6	1.8
Forward foreign exchange contracts	(41.7)	–	–	–	(41.7)
Total liabilities	99.8	22.4	673.5	601.4	1,397.1

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

(iv) Refinancing risk

The Group's policy is to maintain continuity of funding. Due to the long term nature of the Group's assets the Group seeks to ensure that the maturity of its debt instruments is matched to the expected maturity of its assets. This has been achieved by the ongoing private placement programme with notes maturing between two and 10 years, short term borrowings under bank facilities, a public bond and by issuing floating and fixed rate notes.

(v) Credit risk

The Group's policy is to diversify its portfolio in terms of geography, sector and size and has in place disciplined credit procedures both before and during the period of investment to protect its portfolio.

The carrying amount of financial assets before any impairments best represents both the Group and Company's maximum credit risk exposure at the balance sheet date. The Group believes that all financial assets that are neither past due or impaired will be recovered in full. Details on impairments are included in note 17, which sets out the factors the Group considers when determining if a financial asset is impaired.

Additional information on the concentrations of credit risk is provided by industry and country on page 46.

ICG minimises its surplus operational cash balance by regularly forecasting cash flow requirements and managing its level of debt. Operational cash is deposited in a pool of current accounts with one of our key relationship banks. ICG manages credit risk exposure on cash and deposits according to a credit risk policy which limits exposure to any one bank and ensures that cash and deposits are only placed with banks with higher credit ratings.

30. Financial assets and liabilities continued

(b) Fair value

The carrying amount and estimated fair value of the Group's and Company's financial instruments is set out below:

Group	2012 Carrying amount £m	2012 Fair value £m	2011 Carrying amount £m	2011 Fair value £m
Financial assets				
Loans and receivables	1,988.2	1,988.2	2,340.4	2,340.4
AFS financial assets	283.4	283.4	198.0	198.0
FVTPL				
Designated as FVTPL	97.7	97.7	75.6	75.6
Derivative financial instruments – warrants	32.6	32.6	0.8	0.8
Other derivative financial instruments	34.4	34.4	14.3	14.3
Trade and other receivables	47.1	47.1	51.3	51.3
Cash and cash equivalents	159.3	159.3	140.9	140.9
Financial liabilities				
Amortised cost				
Senior debt and bank overdraft	211.4	211.4	469.3	469.3
Private placements	322.0	322.0	349.6	349.6
Public Bond	34.6	34.6	–	–
Bank overdraft	9.5	9.5	–	–
Secured notes	398.6	398.6	417.0	417.0
FVTPL				
Derivatives financial instruments	4.9	4.9	66.5	66.5
Trade and other payables	128.5	128.5	201.4	201.4

Company	2012 Carrying amount £m	2012 Fair value £m	2011 Carrying amount £m	2011 Fair value £m
Financial assets				
Investment in subsidiaries	133.4	133.4	128.6	128.6
Loans and receivables	1460.3	1460.3	1,718.5	1,718.5
AFS financial assets	39.8	39.8	46.2	46.2
FVTPL				
Designated as FVTPL	58.5	58.5	58.0	58.0
Derivative financial instruments – warrants	8.3	8.3	0.6	0.6
Other derivative financial instruments	34.4	34.4	14.3	14.3
Trade and other receivables	452.2	452.2	440.4	440.4
Cash and cash equivalents	13.2	13.2	–	–
Financial liabilities				
Amortised cost				
Senior debt	211.4	211.4	475.7	475.7
Private placements	322.0	322.0	349.6	349.6
Public Bond	34.6	34.6	–	–
Bank overdraft	9.5	9.5	–	–
FVTPL				
Derivatives financial instruments	4.9	4.9	66.5	66.5
Trade and other payables	366.4	366.4	420.4	420.4

Notes to the accounts continued

30. Financial assets and liabilities continued

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

Loans and receivables Interest bearing loans with a determinable repayment date are recognised in the balance sheet using the effective interest rate method, less provisions for impairment. This value is considered by the directors to be a good approximation for fair value.

AFS financial assets, and financial assets at fair value through profit or loss Equity investments and warrants fair value is based on quoted prices, where available. Where quoted prices are not available, the fair value is based on recent significant transactions or an earning based valuation technique.

The valuation techniques applied follow the International Private Equity and Venture Capital valuation guidelines and include some assumptions which are not supportable by observable market prices or rates. The majority of the portfolio of unquoted shares and warrants is valued using an earnings based technique. Earnings multiples are applied to the maintainable earnings of the private company being valued to determine the enterprise value. From this, the value attributable to ICG is calculated based on ICG's holding in the company after making deductions for higher ranking instruments in the capital structure. ICG's policy is to use reporting earnings based on the latest management accounts available from the Company, which is adjusted for non-recurring items. For each company being valued, the earnings multiple is derived from a set of comparable listed companies or relevant market transaction multiples that have been approved by the Investment Committee. A premium or discount is applied to the earnings multiple to adjust for points of difference relating to risk and earnings growth prospects between the comparable company set and the private company being valued. Across the portfolio being valued, the discount applied is generally in a range of between 5% to 30% and exceptionally as high as 50%. The adjusted multiple is the key valuation input which could change fair values significantly if a reasonably possible alternative assumption was made. If this input to the valuation models for a selection of the largest financial assets was changed by 10% while all the other variables were held constant, the impact would be as set out in the table below.

The following table shows the sensitivity of fair values grouped in level 3 to reasonably possible alternative assumptions as at 31 March 2012.

		Sensitivity of financial asset to adjusted earnings multiple	
	Value in accounts	+10%	-10%
Financial assets	£m	£m	£m
AFS financial assets held at fair value	283.4	336.9	229.9
Financial assets designated as FVTPL	57.4	66.6	48.2
Derivate financial instruments held at fair value - warrants	32.6	34.7	30.6

Financial assets designated as FVTPL The maximum exposure to credit risk of financial assets designated as FVTPL is £97.7 million (2011: £75.6 million). Of the change in fair value in the period £1.0 million (2011: £1.1 million) is due to changes in credit risk of the asset. £27.8 million (2011: £38.0 million) relates to an acquisition.

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

Revolving credit facility, private placements and secured notes Floating rate loans are recognised in the balance sheet using the effective interest rate method. This value is considered by the directors to be a good approximation for fair value. The fair value of fixed rate loans is calculated by discounting expected future cash flows on these instruments at current market interest rates.

Other financial assets and liabilities Due to their short term nature, the directors consider the carrying value to be a good approximation of fair value.

30. Financial assets and liabilities continued

(c) Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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 (unobservable inputs).

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

There were no transfers between Level 1 and 2 during the year.

				2011
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Designated as FVTPL	51.8	–	23.8	75.6
Derivative financial instruments – warrants	–	–	0.8	0.8
Other derivative financial instruments	–	14.3	–	14.3
AFS financial assets				
Unquoted equities	–	–	198.0	198.0
	51.8	14.3	222.6	288.7
Financial liabilities at FVTPL				
Derivative financial liabilities	–	66.5	–	66.5

Notes to the accounts continued

30. Financial assets and liabilities continued

Reconciliation of Level 3 fair value measurements of financial assets:

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

	Financial assets at FVTPL		AFS	
	Financial assets at FVTPL £m	Derivative financial instruments – warrants £m	Unquoted equities £m	Total £m
At 31 March 2010	10.0	20.5	238.3	268.8
Transfers to Level 3 in the year	–	–	5.8	5.8
Total gains or losses in the income statement				
– Capital gains	–	–	0.6	0.6
– Impairments	–	–	(6.5)	(6.5)
– Foreign exchange	(1.1)	(0.5)	(3.8)	(5.4)
Total gains or losses in other comprehensive income				
– Unrealised gains	–	–	9.7	9.7
– Realised gains	–	–	(22.1)	(22.1)
– Foreign exchange	–	–	2.6	2.6
Purchases	18.1	0.2	8.1	26.4
Realisations	(3.2)	(19.4)	(34.7)	(57.3)
At 31 March 2011	23.8	0.8	198.0	222.6

The table above includes financial assets. There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases.

All gains and losses included in other comprehensive income relate to unquoted equities held at the balance sheet date and are reported as changes in the AFS reserve in the consolidated statement of changes in equity.

30. Financial assets and liabilities continued

(d) Sensitivity to foreign exchange risk and interest rate risk

	Financial assets 2012			Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	175.5	163.8	339.3	1.7	–	1.7
Euro	1,098.5	605.4	1,703.9	11.0	–	11.0
Other currencies	119.3	445.8	565.1	1.2	–	1.2
	1,393.3	1,215.0	2,608.3	13.9	–	13.9

	Financial liabilities 2012			Sensitivity of financial liabilities to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	127.1	286.7	413.8	(1.3)	–	(1.3)
Euro	442.0	15.6	457.6	(4.4)	–	(4.4)
Other currencies	38.5	194.7	233.2	(0.4)	–	(0.4)
	607.6	497.0	1,104.6	(6.1)	–	(6.1)

	Financial assets 2011			Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	255.1	178.4	433.5	2.6	–	2.6
Euro	1,237.9	670.3	1,908.2	12.4	–	12.4
Other currencies	130.1	335.2	465.3	1.3	–	1.3
	1,623.1	1,183.9	2,807.0	16.3	–	16.3

	Financial liabilities 2011			Sensitivity of financial liabilities to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	254.9	300.5	555.4	(2.5)	–	(2.5)
Euro	601.4	16.4	617.8	(6.0)	–	(6.0)
Other currencies	39.2	224.9	264.1	(0.4)	–	(0.4)
	895.5	541.8	1,437.3	(8.9)	–	(8.9)

Current and non current derivative financial assets and liabilities are excluded from the above analysis of financial assets and liabilities by currency and interest rate profile.

The Group sensitivity to movements in exchange rates is assumed by applying a 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 sensitivity was calculated at a loss of £3.6 million (2011: gain £16.3 million).

Notes to the accounts continued

30. Financial assets and liabilities continued

(e) Derivatives

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

As at 31 March 2012	Group Contract or underlying principal amount £m	Group Fair values Asset £m	Group Fair values Liability £m	Company Contract or underlying principal amount £m	Company Fair values Asset £m	Company Fair values Liability £m
Foreign exchange derivatives:						
Forward foreign exchange contracts	1,461.1	12.0	(1.2)	1,461.1	12.0	(1.2)
Cross currency swaps	137.4	10.1	(3.4)	137.4	10.1	(3.4)
Total	1,598.5	22.1	(4.6)	1,598.5	22.1	(4.6)
Interest rate derivatives:						
Interest rate swaps	171.4	12.3	(0.3)	171.4	12.3	(0.3)
Total	171.4	12.3	(0.3)	171.4	12.3	(0.3)

As at 31 March 2011	Group Contract or underlying principal amount £m	Group Fair values Asset £m	Group Fair values Liability £m	Company Contract or underlying principal amount £m	Company Fair values Asset £m	Company Fair values Liability £m
Foreign exchange derivatives:						
Forward foreign exchange contracts	1,264.6	0.2	(41.2)	1,264.6	0.2	(41.2)
Cross currency swaps	210.7	2.1	(24.9)	210.7	2.1	(24.9)
Total	1,475.3	2.3	(66.1)	1,475.3	2.3	(66.1)
Interest rate derivatives:						
Interest rate swaps	235.1	12.0	(0.4)	235.1	12.0	(0.4)
Total	235.1	12.0	(0.4)	235.1	12.0	(0.4)

(f) 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 Services Authority and ensure that the Group maximises the return to shareholders through the optimisation of the debt and equity balance. The Group's strategy has remained unchanged from the year ending 31 March 2011.

The capital structure comprises debts, which includes the borrowings disclosed in note 22, cash and cash equivalents, and capital and reserves of the parent, comprising called-up share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

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

31. Post Balance Sheet Events

After 31 March 2012 and up until the date of approval of these financial statements, the Group made financial asset investments of £22.3 million.

In April 2012, the revolving credit facility matured, however three previously established forward starting facilities became available totalling £367 million.

Shareholder information

Timetable

The major timetable dates are as follows:

Annual General Meeting	10 July 2012
Ex dividend date	30 May 2012
Record date for Financial Year 2012 final dividend	1 June 2012
Payment of final dividend	13 July 2012
Interim results announcement for the six months to 30 September 2012	27 November 2012 Available on ICG's website at 9.00 am

Website

The Company's website address is www.icgplc.com
Copies of the Annual and Interim Reports and other information about the Company are available on this site.

Company information

Stockbrokers

JPMorgan Cazenove
10 Aldermanbury
London
EC2V 7RF

Jefferies Hoare Govett Limited
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Bankers

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

Lloyds TSB plc
25 Gresham Street
London
EC2V 7HN

Registered office

Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

Auditor

Deloitte LLP
Chartered Accountants and
Statutory Auditor
London

Registrars

Computershare Investor
Services PLC
PO Box 92
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Company Registration Number

2234775

Contacts

Europe

United Kingdom (Head office)
Juxon House
100 St Paul's Churchyard
London EC4M 8BU
T +44 20 3201 7700
F +44 20 7248 2536

France
38, Avenue Hoche
75008 Paris
T +33 1 4495 8686
F +33 1 4495 8687

Germany
12th floor, An der Welle 5
60322 Frankfurt
T +49 69 254 976 50
F +49 69 254 976 99

Spain
Serrano, 30 – 3°
28001 Madrid
T +34 91 310 7200
F +34 91 310 7201

Sweden
Birger Jarlsgatan 13, 1tr
111 45 Stockholm
T +46 8 545 04 150
F +46 8 545 04 151

The Netherlands
Paulus Potterstraat 20 II/III
1071 DA Amsterdam
T +31 20 305 9600
F +31 20 305 9620

Asia Pacific

Australia
Level 18, 88 Phillip Street
Sydney, NSW 2000
T +61 2 9241 5525
F +61 2 9241 5526

Hong Kong
Rms 3603-4, 36/Fl.
Edinburgh Tower
15 Queen's Road Central
T +85 2 2297 3080
F +85 2 2297 3081

North America

United States of America
250 Park Avenue, Suite 810
New York, NY 10177, USA
T +1 212 710 9650
F +1 212 710 9651

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www.ry.com

www.icgplc.com