



# Intermediate Capital Group PLC

Half Year Report for the Financial Year 2008

**Our vision is to be amongst the world's most innovative and successful investors, doubling in size every five years by employing and motivating great people.**

**To reach this goal we will leverage our unique advantages, which are: great people; an innovative, long term approach; local networks and relationships; our existing portfolio and permanent capital.**

## IFRS financial highlights

- Core income\* up 24% to £65.3 (2006: £52.5m)
- Gains on investments at £97.1m, up 4% compared to very strong levels achieved in the first half of last year (£93.3m)
- Pre-tax profits up 33% to £142.0m (2006: £106.9m)
- EPS 132.6p, up 33%
- Interim dividend 19.5p, an increase of 18%

## Operational highlights

- Loan and investment book at £1,776m, up 1% compared to 31 March 2007, driven by strong growth in Asia Pacific
- Quality and robust portfolio, performing well
- Third party assets under management up 5% compared to 31 March 2007 at £6,122m, with 73% invested (69% at 31 March 2007)
- Mezzanine and CDO funds performing well

	<b>6 months to 30 Sept 2007</b>	6 months to 30 Sept 2006	%
	£m	£m	
Net interest income†	<b>71.5</b>	57.4	25
Fee income	<b>30.3</b>	16.5	84
Core income	<b>65.3</b>	52.5	24
Gains on investments	<b>97.1</b>	93.3	4
Gross provisions	<b>19.9</b>	18.7	6
Profit before tax	<b>142.0</b>	106.9	33
EPS	<b>132.6p</b>	99.5p	33
Interim dividend	<b>19.5p</b>	16.5p	18

	<b>As at 30 Sept 2007</b>	As at 31 March 2007	%
	£m	£m	
Loans and investments	<b>1,775.7</b>	1,749.9	1
Third party assets under management	<b>6,122.0</b>	5,821.0	5

\* The definition of core income may be found in the analysis of profit before tax on page 17.

† Excludes net gain on derivatives held for hedging purposes of £9.1m (2006: net loss of £3.0m).

# Interim management statement

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## **To the members of ICG plc**

This interim management statement has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules. The interim management statement should not be relied on by any other party or for any other purpose.

This interim management statement may contain forward-looking statements. These statements have been made by the directors in good faith based on the information available to them up to the time of their approval of this report and should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

This interim management report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Intermediate Capital Group plc and its subsidiary undertakings when viewed as a whole.

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Unusually, I am going to wait until later in this statement before discussing these excellent results. First I want to talk about the unprecedented changes in the credit markets in which we operate and the private equity markets which we serve.

The credit bubble which we described in our results statement in June has burst. Many European institutional investors in the debt markets, mostly CDO managers and credit hedge funds, whose demand had been fuelling the market for loans and mezzanine, are no longer in a position to raise new funds. Consequently, the world in which covenant lite, and indeed due diligence lite, had become the norm, has now changed, and is unlikely to re-emerge in the foreseeable future.

This is an exciting opportunity for ICG in both our mezzanine and our CDO businesses. On the CDO side, we are pleased with the performance of our funds and we are delighted to report that we priced a new fund in mid-November. This is a considerable achievement by our CDO team in this market and confirms the strength of our brand. On the mezzanine side, we start with a high quality portfolio which is performing well. Our access to permanent capital together with significant capacity in our funds means that we are well positioned both to support our clients in the private equity community and to take advantage of opportunities in the secondary market.

Before July, banks and investment banks had been arranging and underwriting increasing amounts of debt for onward distribution to the institutional investors with, we thought, poor structures and no margin for safety. These banks, have found themselves left with many hundreds of millions of dollars and euros worth of risky debt. This, added to the warehouses they were building for CDO investors and the Structured Investment Vehicles (SIV), which

they have now had to absorb on balance sheet or finance, has used up a massive amount of bank capacity and will limit activity in LBO markets in both Europe and North America. The Asia Pacific region was largely isolated from the excesses of credit markets. In Asia Pacific, there are very few institutional investors in sub-investment grade credit and the local banks, which are mostly very liquid, have therefore only arranged loans which they are prepared to keep. Consequently, loans are satisfactorily structured with old fashioned covenants.

The dramatic reversal in debt markets is, in our view, only beginning to unfold. We are expecting all credit markets to remain volatile for some time to come, but it is already clear in the mid-market that structures are becoming much more “lender friendly”. We think we are entering a phase in the debt cycle that will provide enormous opportunities to lenders with a long term approach, in both primary and secondary markets for debt. These considerable opportunities combined with a lower level of early repayments, will lead to further growth for ICG.

Our strategy is to employ and motivate high quality people and, in so doing, to double in size every five years. This remains our objective and we believe that the changes in the credit markets have materially improved our prospects of achieving this goal over the next five years.

## **Strong results**

I am particularly pleased to report another strong performance by ICG in the 6 months to 30 September 2007.

Core income was up 24%, at £65.3m, as a result of continued growth in net interest income and strong growth in our Fund Management business. Net interest income (excluding the £9.1m positive effect of fair valuing derivatives, which are held for the purpose of hedging only) was up 25% to £71.5m. This was driven by the average loan book being 13% higher than in the first half of last year. Fee income rose 84% to £30.3m on the back of higher assets under management and a £5.6m carried interest from ICG Mezzanine Fund 2000. Excluding the performance related bonus schemes, operating costs increased by 56% as we continued to invest in our global network and corporate infrastructure to drive future growth. At 30 September 2007 headcount was 135 compared to 89 at 30 September 2006. Gains on investments at £97.1m were up 4% on the very high level achieved in the first half of last year. Profit before tax was up 33% at £142m. Earnings per share for the 6 months to 30 September 2007 were 132.6p, up 33%.

## **Increase in dividend**

Based on the strong performance in the first half and our outlook for the second half, the Board has declared an interim dividend of 19.5p, up 18% over last year's interim dividend. The dividend will be paid on 28 December 2007 to shareholders on the register at 7 December 2007.

## **Strong capital position**

ICG further strengthened its balance sheet in the first half of the year. At 30 September 2007, shareholders' funds were £670m, up £68m compared to the end of March 2007.

Our net debt to shareholders' funds ratio at the end of September was 161%. Taking account of the Group's equity investments and assuming that these are funded exclusively from shareholders' funds, the Group's gearing is 324%. At these levels we have a satisfactory amount of available headroom.

Following the review of our debt arrangements which started in the year to March 2007, we completed our on-balance sheet securitisation, Intermediate Finance II PLC in early July, at €650m, taking advantage of the then favourable market conditions. Our borrowing capacity at 30 September 2007 was £677m. Since then we have added extra borrowing capacity to our balance sheet to enable us to seize further the investment opportunities which we expect to see following this summer's credit crisis. We intend to continue to review our debt arrangements.

### **Investment portfolio**

Our Loan and Investment portfolio increased to £1,776m in the six months to 30 September 2007 despite a very high level of repayments. Over the six month period, we arranged or provided £898m in 21 transactions, 22% above the level achieved in the first half of last year. Of this £898m, £468m was retained on our balance sheet, £308m was allocated to our funds and the balance was syndicated or held for syndication to third parties. Some £248m of the total amount arranged took the form of equity, of which £131m was retained on our balance sheet.

Our French team saw the highest level of activity with seven deals completed.

Our Nordic team closed four deals, and our UK team, three. Two transactions were completed in Spain, and one in Germany. Our Asia Pacific team closed three transactions, accounting for 19% of the new lending for the period. We are also delighted to report our first deal in North America. This demonstrates once more the benefits of an expanded geographic footprint and the strength of our local presence in our chosen markets. Two of the deals completed over the period were minority partner transactions, an area where we are building our capabilities.

The strong European LBO market until mid July also led to very high levels of repayments, as equity sponsors took advantage of market conditions to exit their investments or refinance them. Repayments for the six month period amounted to £458m. In our core market of Europe we were repaid £184m more than we invested (on balance sheet). This reflects the concerns we had about the poor returns available during the spring and our greater selectivity as a result. We have however seen a considerable slow-down in early repayments since the end of the period.

Our portfolio companies continued to perform well. Gross provisions, at £19.9m were at a similar level to the first half of last year (£18.7m). However, write backs on provisions previously charged through the P&L led to significantly lower net provisions, at £9.3m, for the six month period to 30 September 2007 compared to £17.7m in the equivalent period of last year.

## **The mezzanine market**

In Europe, there has been limited activity in the primary leveraged buyout market since July. The large deals, which had become a feature of the market in the past two years, vanished entirely as the appetite for such deals evaporated. The underwriting banks and investment banks at that time all but stopped offering large amounts of senior debt, freezing activity in big deals. In our core mid-market segments, we continued to see primary deals after the summer but the market was significantly less active than in the first three months as equity sponsors and mezzanine capital providers adjusted their expectations to the new market environment. Since the end of September, while the volume of primary deals remains very low, we have noticed renewed interest for mezzanine finance from private equity sponsors who are working on new transactions.

In North America, mid-market deals constitute the bulk of the mezzanine market, with larger transactions relying more on high yield bond issuance. Market conditions in the North American mid-market are broadly similar to those in Europe with lower transaction volumes since the credit crunch but encouraging signs that activity may be picking up.

Asia Pacific has by and large been immune to the credit crunch that has affected the rest of the world and there continues to be an active LBO market, in particular in Australia. Leverage in Asia Pacific never reached the dizzy heights which Europe and North America saw in the first part of 2007 and the region continued to offer attractive opportunities for

mezzanine providers. With our track record and network of offices in the region, ICG is well positioned to take advantage of the growing Asia Pacific mezzanine market.

## **Investment strategy**

We have always focussed on maintaining our investment discipline. We were particularly cautious of the large commodity deals that continued to come to the market between March and July, where price and structure did not, in our view, reflect the level of risk involved. As we indicated with our full year results, we were comfortable with not growing our investment portfolio as we were not willing to chase deals with unattractive risk/reward profiles. However, our focus on the mid-market, our strong relationships with private equity sponsors as well as our extensive network enabled us to continue to identify high quality investment opportunities. We seek companies with strong and sustainable business models, great management teams and predictable cash flows.

At this point in the cycle we are, more than ever, cautious about cyclical industries. Whilst the impact of the credit crunch has been limited to liquidity issues so far, we cannot rule out a potential contagion to the economy. We, and the wider financial community, have benefited from a benign default environment but we expect to see higher default rates across the market going forward. This may take some time to emerge in the light of the “borrower friendly” structures and covenant packages that had become normal. But emerge it will, resulting from the stretched financial structures increasingly



offered by the banks, over the last two years, with little or no margin for safety.

Historically ICG has performed best in times of market turbulence thanks to its strong credit culture. With 112 companies in our portfolio across 22 sectors, 18 countries and 4 continents, as well as 61 private equity counterparties we have a well diversified portfolio.

### **Fund management**

Our Fund Management business continued to grow strongly in the six months to 30 September 2007. Fee income was up 84% compared to the first half of last year as a result of the new funds raised since the end of September 2006 and due to the £5.6m of carried interest from ICG Mezzanine Fund 2000.

In our mezzanine fund management business, fee income was up 179% to £17m (including the £5.6m carried interest from ICG Mezzanine Fund 2000). Our mezzanine funds continued to perform well. The ICG European Fund 2006 invested a further €356m in the six months to 30 September 2007, bringing the total investments to €476m since inception, of which €13m was repaid during the period. The fund has equity commitments of €1.25bn and debt arrangements and commitments of €0.9bn. Our previous European funds (ICG Mezzanine Fund 2003, 2000 and 1998) are fully invested and are returning cash to investors as investments are realised. Our first Asia Pacific fund, the Intermediate Capital Asia Pacific Mezzanine Fund 2005, is performing strongly and was 63% invested at 30 September 2007 having deployed an

additional US \$127m in the six month period. Leveraging this success, we are currently in the process of raising a larger successor Asia Pacific mezzanine fund.

In our CDO and Institutional Mandate fund management business, fee income was up 62%, on the back of strong growth in assets under management since the end of September 2006. At 30 September 2007 the team managed some €4.9bn in eight CDO funds, one Credit Opportunity fund and three institutional client mandates funds (€3.4bn at 30 September 2006).

Market conditions for our CDO and Institutional Mandate fund management business also underwent a dramatic change in July. In the three months to July, the main challenge consisted in finding attractive assets despite the strong flow of transactions, as unprecedented demand for assets was pushing prices to unattractive levels and encouraging increasingly leveraged structures. In such market conditions the ability to leverage the ICG network to source assets was a distinct competitive advantage. Post the July credit crisis, competition for assets was of course much lower. In the secondary market, prices fell sharply as a result of forced selling by hedge funds and the unwinding of CLO warehouses into a weak market. These discounted prices, driven by liquidity issues rather than concerns with credit quality, have created opportunities for us to deploy our investors' funds attractively.

The value of our Eurocredit Opportunity Fund, which is our only in-house fund marked-to-

market, has been affected by the weak prices in the secondary market. However it continues to operate with a satisfactory level of covenant headroom and we remain confident that we will deliver value through this fund. Our cashflow CDO funds have benefitted from the buying opportunities in the secondary markets and performed well. We are also delighted to report that since the end of the period we raised a new CDO fund, Eurocredit VIII. At €636m Eurocredit VIII was upsized from our original target of €500m showing the strength and depth of our fund management team and the ICG brand name.

## **Business development**

Geographic expansion has been one of the key drivers of ICG's growth and we are committed to further strengthening our existing teams as well as expanding our network to markets where we see opportunities to deploy our expertise in mezzanine capital. In the first half of 2007, ICG opened an office in New York. The Board had been convinced for some time that the North American market offered opportunities for ICG and was waiting for the right team and the right time to enter this market. Our five-strong North American team has a wealth of experience in providing financing solutions to buyout sponsors and management teams. They are ideally placed to develop our business in the region with a thorough understanding of ICG, its credit culture and people. The team has already closed one transaction in the six months to 30 September 2007. In 2008 we will be opening an office in Amsterdam and we will continue to look at opportunities to strengthen our geographic reach.

We also believe that minority partner (development capital investing) presents good opportunities for ICG and we have therefore set up a dedicated team. As the European LBO market matures we expect that there will be a growing number of companies seeking a minority partner to support their business plans. ICG has a proven track record of working closely with high quality management teams in a minority position, and has the permanent capital base, credit culture and long term investment horizon to add value to such companies. During the six months to 30 September 2007, we co-invested as a minority partner in the management led buyouts of Eismann, one of Europe's leaders in the home delivery market of frozen food products, and Marken, a leading provider of logistics to the biopharmaceutical industry.

## **Principal risk and uncertainties for the second half**

The principal risk is that the credit crisis impacts adversely the economy both in the US and then Europe, although we are not seeing signs of this at the moment. We are investing on the assumption that the economy will be adversely affected and accordingly we will be seeking to support only the strongest borrowers with good defensive characteristics. Our portfolio meanwhile remains strong. Our disciplined investment process and our long term approach have always resulted in our performing at our best in just such turbulent markets. The Group has no direct investment in mortgages and subprime debt.

## Outlook

In the second half we expect core income to continue to grow but anticipate that due to a lower level of realisations capital gains will be significantly below last year's second half levels.

We believe that the changes in market conditions following this summer's credit crisis have significantly improved our outlook. In Europe and the US, we are seeing evidence that transactions structured after the credit crisis are offering a better balance of risk and reward with structures close to those we used to see some years ago. We expect the LBO market, which remains the main driver of the mezzanine market, to be fairly subdued in the near future until vendors adjust their expectations to the new conditions and senior debt lenders re-open for business. After this period of adjustment, we expect the LBO market to pick up again on the back of the substantial funds raised by private equity sponsors in the past two years and as yet unspent. In Asia Pacific we expect the strong pipeline of deals seen in the past year to continue.

In the meantime we also expect to see further opportunities in the secondary market in assets held by banks that they have not been able to syndicate. Our credit discipline and knowledge of the market puts us in a good position to identify those assets that offer the best balance of risk and returns.

This is a time of considerable opportunities for mezzanine providers with strong credit skills, a long term approach to investing and permanent capital. We feel that we are

well positioned to take advantage of all these opportunities through our strong balance sheet and through our fast growing and highly regarded fund management business. At the same time, we expect that we will be experiencing much lower early repayments and we believe that this much improved environment will result in the growth of our portfolio.



**John Manser**  
Chairman

22 November 2007

# New investments

**In the 6 months ended 30 September 2007 ICG and funds managed by ICG invested in the following 21 companies:**

## Europe

**Attendo**, an existing investee company, is the leading elderly care provider in Sweden. In August 2007 ICG arranged and provided a mezzanine facility of €42.5m to assist in the acquisition of MedOne. ICG also invested an additional €3m in the equity.

**Dako**, a Danish company, provides cancer diagnostics instruments and reagents. In July 2007 ICG took a participation of US\$43.9m in the mezzanine facility provided to assist in the buyout. ICG also invested DKK25m in the equity.

**Ethypharm** is a French company that develops and manufactures drugs. In April 2007 ICG invested €55m in the mezzanine finance provided to support the buyout. ICG also invested €9.4m in the equity.

**Euroloc**, an existing investee company, is a Spanish company providing equipment and machinery for hire. In the May, June and July 2007 ICG invested, in total, an additional amount of €23m to assist in three acquisitions.

**Feu Vert** is a French Auto Centre operator. In May 2007 ICG invested €57m in the mezzanine finance provided to support the buyout. ICG also invested €6.1m in the equity.

**Flaktwoods**, a French company, is a leading global supplier of energy efficient air solutions. In September 2007 ICG invested €40m in the mezzanine finance provided to support the secondary buyout. ICG also invested €7m in the equity.

**Global Solutions** is a U.K. company providing support services for public and private sector organisations. In May 2007 ICG arranged a mezzanine facility of £20m to assist in the recapitalisation.

**Indas** is a Spanish company that manufactures incontinence products. In July 2007 ICG provided mezzanine finance of €35m to assist in the buyout. ICG also invested in the equity.

**Inspecta**, a Finnish company, is a testing, inspection and certification business. In August 2007 ICG arranged and provided mezzanine facilities of €40m to assist in the secondary buyout. ICG also invested €9.5m in the equity.

**Parkeon**, a French company, develops and manufactures parking and transit ticketing systems. In June 2007 ICG invested €42m in the mezzanine finance provided to support the secondary buyout. ICG also invested €5m in the equity.

**Q-MATIC** is a Swedish company that provides queue management systems. In July 2007 ICG arranged mezzanine finance of SEK225m to support the buyout. ICG also invested SEK30m in the equity.

**Retif** is a French wholesaler and retailer of display units for retail businesses. In September 2007 ICG invested €55m in the mezzanine finance provided to support the quaternary buyout.

**Tractel**, a French company, is the world leader in the manufacture of lifting and access related products. In June 2007 ICG took a participation of €30m in the mezzanine financing provided to support the tertiary buyout. ICG also invested €5m in the equity.

**Via Location** is a French independent truck rental company. In April 2007 ICG invested €35m in the mezzanine finance provided to support the secondary buyout. ICG also invested €12m in the equity.

**V Ships** is a U.K. company that provides shipping management services. In June 2007 ICG invested US\$10m in the equity provided to support the secondary buyout.

#### **Asia Pacific**

**Franklin**, a Singaporean company, provides rigging, lifting and mooring services to offshore and marine industries. In July 2007 ICG arranged and provided a mezzanine facility of Sing\$80m to assist in the buyout. ICG also invested Sing\$16.3m in the equity.

**New Zealand Yellow Pages** is the sole provider of yellow pages, white pages and local directories in New Zealand. In July 2007 ICG took a participation of NZ\$53.8m in the mezzanine facility provided to support the buyout. ICG also invested NZ\$18.3m in the equity.

**Taiwan Broadband** is the leading cable operator in Taiwan. In July 2007 ICG arranged finance of US\$254.4m to support the recapitalisation.

#### **U.S.A.**

**Helicon Cable** is a U.S. cable operator. In August 2007 ICG took a participation of US\$9.9m in the subordinated facilities provided to assist in financing acquisitions. ICG also invested US\$9m in the equity.

#### **Growth Capital**

**Eismann** is a German company that provides home delivery of frozen foods. In May 2007 ICG arranged and provided mezzanine finance of €33m and invested €45m in the equity as a minority investment alongside management in the secondary buyout.

**Marken**, a U.K. company, is a global leader in specialist courier services for the pharmaceutical industry. In July 2007 ICG arranged mezzanine and equity facilities totalling £171.9m as a minority investment alongside management in the secondary buyout.

#### **In the same period ICG and funds managed by ICG arranged/participated in refinancings for the following 2 companies:**

**Aster (Poland)** refinanced in August 2007. ICG maintained its current exposure.

**Caradon (U.K.)** refinanced in April 2007. ICG's exposure was marginally reduced.

**ICG also provided additional funding of £12.6m for a further 7 existing investee companies.**

# Responsibility statement

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We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,



**John Manser**  
Chairman



**Philip Keller**  
Finance Director

22 November 2007

# Condensed consolidated income statement

for the six months ended 30 September 2007

	<b>Six months ended 30 Sept 2007 (unaudited) £m</b>	Six months ended 30 Sept 2006 (unaudited) £m	Year ended 31 March 2007 (audited) £m
Interest and dividend income	<b>106.0</b>	86.9	196.8
Gains on investments	<b>97.1</b>	93.3	197.0
Fee and other operating income	<b>30.3</b>	16.5	33.3
	<b>233.4</b>	196.7	427.1
Interest payable and other related financing costs	<b>(25.4)</b>	(32.5)	(66.6)
Provisions for impairment of assets	<b>(9.3)</b>	(17.7)	(34.8)
Administrative expenses	<b>(56.7)</b>	(39.6)	(101.7)
<b>Profit before tax</b>	<b>142.0</b>	106.9	224.0
Tax expense	<b>(48.7)</b>	(37.3)	(80.6)
<b>Profit for the period attributable to equity shareholders</b>	<b>93.3</b>	69.6	143.4
<b>Earnings per share</b>	<b>132.6p</b>	99.5p	204.6p
<b>Diluted earnings per share</b>	<b>131.0p</b>	98.5p	202.3p

All activities represent continuing operations.

# Condensed consolidated statement of recognised income and expense

for the six months ended 30 September 2007

	<b>Six months ended 30 Sept 2007 (unaudited) £m</b>	Six months ended 30 Sept 2006 (unaudited) £m	Year ended 31 March 2007 (audited) £m
Available for sale investments:			
Valuation gains taken to equity	<b>53.9</b>	16.9	56.9
Transferred to profit or loss for the period	<b>(50.4)</b>	(16.5)	(53.4)
Tax on items taken directly to or transferred from equity	<b>(1.7)</b>	–	(0.4)
Net income recognised directly in equity	<b>1.8</b>	0.4	3.1
Profit for the period	<b>93.3</b>	69.6	143.4
Total recognised income and expense for the period attributable to the equity holders of the parent	<b>95.1</b>	70.0	146.5



# Condensed consolidated balance sheet

30 September 2007

	30 Sept 2007 (unaudited) £m	30 Sept 2006 (unaudited) £m	31 March 2007 (audited) £m
<b>Non-current assets</b>			
Property, plant and equipment	4.6	1.4	2.9
Financial assets: loans and investments and warrants	1,775.7	1,631.5	1,749.9
other derivatives	2.9	18.4	15.3
	<b>1,783.2</b>	1,651.3	1,768.1
<b>Current assets</b>			
Trade and other receivables	26.1	17.6	13.3
Financial assets: loans and investments	157.2	81.9	14.0
Cash and cash equivalents	80.7	44.6	172.0
	<b>264.0</b>	144.1	199.3
<b>Total assets</b>	<b>2,047.2</b>	1,795.4	1,967.4
<b>Equity and reserves</b>			
Called up share capital	14.1	14.0	14.0
Share premium account	177.0	175.2	175.7
Capital redemption reserve	1.4	1.4	1.4
Other reserves	14.1	7.8	11.0
Retained earnings	463.6	337.2	399.5
<b>Equity shareholders' funds</b>	<b>670.2</b>	535.6	601.6
<b>Non current liabilities</b>			
Financial liabilities	1,195.3	826.7	1,137.0
Deferred tax liabilities	6.8	12.2	7.4
	<b>1,202.1</b>	838.9	1,144.4
<b>Current liabilities</b>			
Trade and other payables	99.1	61.8	112.7
Financial liabilities	20.4	320.3	73.6
Liabilities for current tax	55.4	38.8	35.1
	<b>174.9</b>	420.9	221.4
<b>Total liabilities</b>	<b>1,377.0</b>	1,259.8	1,365.8
<b>Total equity and liabilities</b>	<b>2,047.2</b>	1,795.4	1,967.4

# Condensed consolidated cash flow statement

for the six months ended 30 September 2007

	Six months ended 30 Sept 2007 (unaudited) £m	Six months ended 30 Sept 2006 (unaudited) £m	Year ended 31 March 2007 (audited) £m
<b>Net cash from operating activities</b>			
Interest and fee receipts	123.0	82.2	180.2
Dividends received	2.8	2.5	6.7
Gain on disposals	105.3	97.3	206.5
Interest payments	(25.7)	(22.2)	(48.8)
Cash payments to suppliers and employees	(70.1)	(44.6)	(59.9)
Net proceeds from (purchase)/sale of current financial assets	(143.6)	(13.9)	54.5
Purchase of loans and investments	(467.8)	(428.6)	(732.1)
Proceeds from sale of loans and investments	458.0	241.8	435.9
Cash (used in)/generated by operations	(18.1)	(85.5)	43.0
Taxes paid	(30.2)	(22.4)	(74.0)
<b>Net cash used in operating activities</b>	<b>(48.3)</b>	<b>(107.9)</b>	<b>(31.0)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(1.7)	(0.3)	(2.2)
<b>Net cash used in investing activities</b>	<b>(1.7)</b>	<b>(0.3)</b>	<b>(2.2)</b>
<b>Financing activities</b>			
Dividends paid	(29.2)	(29.4)	(40.9)
(Decrease)/increase in long-term borrowings	(8.4)	137.2	207.2
Decrease in bank overdrafts	(5.6)	(8.1)	(14.7)
Proceeds on issue of shares	1.9	0.7	1.2
<b>Net cash (used in)/from financing activities</b>	<b>(41.3)</b>	<b>100.4</b>	<b>152.8</b>
<b>Net (decrease)/increase in cash</b>	<b>(91.3)</b>	<b>(7.8)</b>	<b>119.6</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>172.0</b>	<b>52.4</b>	<b>52.4</b>
<b>Cash and cash equivalents at end of period</b>	<b>80.7</b>	<b>44.6</b>	<b>172.0</b>

# Notes

## 1 Analysis of profit before tax

	<b>Six months ended 30 Sept 2007 (unaudited) £m</b>	Six months ended 30 Sept 2006 (unaudited) £m	Year ended 31 March 2007 (audited) £m
<b>Income</b>			
Interest and dividend income	<b>106.0</b>	86.9	196.8
Fee and other operating income	<b>30.3</b>	16.5	33.3
	<b>136.3</b>	103.4	230.1
<b>Less: related expenses</b>			
Interest payable and other related financing costs	<b>(25.4)</b>	(32.5)	(66.6)
Addback: net (gain)/loss on derivatives held for hedging purposes*	<b>(9.1)</b>	3.0	8.2
Salaries and benefits	<b>(19.7)</b>	(9.6)	(32.8)
Operating expenses	<b>(8.4)</b>	(6.0)	(14.1)
Medium Term Incentive Scheme	<b>(8.4)</b>	(5.8)	(12.8)
<b>Core income</b>	<b>65.3</b>	52.5	112.0
Gains on investments	<b>97.1</b>	93.3	197.0
Medium Term Incentive Scheme	<b>(20.2)</b>	(18.2)	(42.0)
<b>Net gains on investments</b>	<b>76.9</b>	75.1	155.0
<b>Provisions against loans and investments</b>	<b>(9.3)</b>	(17.7)	(34.8)
<b>Net gain/(loss) on derivatives held for hedging purposes*</b>	<b>9.1</b>	(3.0)	(8.2)
<b>Profit on ordinary activities before taxation</b>	<b>142.0</b>	106.9	224.0

The costs of the Medium Term Incentive Scheme included under core income relates to rolled-up interest.

\*Net gain/(loss) relating to movements in the fair value of derivatives used to economically hedge certain liabilities of the Group, excluding any interest accruals and spot F/X-translation movements on these derivatives, are not considered part of core income.

## 2 Basis of accounting

The interim financial statements have been prepared under International Financial Reporting Standards (IFRS) and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, and on the basis of the accounting policies and methods of computation set out in the statutory accounts of the Group for the period ended 31 March 2007.

## 3 Segmental revenue

### (a) Business segments

	Mezzanine finance £m	Fund management £m	Total £m
<b>For the six months ended 30 September 2007</b>			
Revenue – external	<b>204.7</b>	<b>28.7</b>	<b>233.4</b>
Segment result	<b>121.6</b>	<b>20.4</b>	<b>142.0</b>
<b>For the year ended 31 March 2007</b>			
Revenue – external	400.5	26.6	427.1
Segment result	213.7	10.3	224.0
<b>For the period ended 30 September 2006</b>			
Revenue – external	184.9	11.8	196.7
Segment result	97.7	9.2	106.9

### (b) Geographical segments

	Europe	Asia	North America	Total
<b>For the six months ended 30 September 2007</b>				
Revenue – external	<b>225.3</b>	<b>8.0</b>	<b>0.1</b>	<b>233.4</b>
<b>For the year ended 31 March 2007</b>				
Revenue – external	422.4	4.7	–	427.1
<b>For the period ended 30 September 2006</b>				
Revenue – external	193.4	3.3	–	196.7

#### 4 Dividends

The interim dividend of 19.5p per share will be paid out to members registered at the close of business on 7 December 2007.

#### 5 Earnings per share

	<b>Six months ended Sept 30 2007 £m</b>	Six months ended Sept 30 2006 £m	Year ended Mar 31 2007 £m
<b>Earnings</b>			
Earnings for the purposes of basic earnings per share being net profit attributable to the equity holders of the parent	<b>93.3</b>	69.6	143.4
<b>Number of shares</b>	<b>2007</b>	2006	2007
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>70,360,255</b>	69,979,810	70,079,998
Effect of dilutive potential ordinary shares			
Share options	<b>861,974</b>	666,696	817,856
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>71,222,229</b>	70,646,506	70,897,854

## 6 Financial liabilities

### Floating rate secured notes

During the period, the Group issued €520 million of notes as follows:

CCY	Amount	Description	Due
EUR	104,000,000.00	Class A-1 Senior secured floating rate notes	2024
EUR	195,000,000.00	Class A-2 Senior secured floating rate multi currency notes	2024
EUR	26,000,000.00	Class A-3 Senior secured floating rate notes	2024
EUR	63,000,000.00	Class B-1 Senior secured floating rate notes	2024
EUR	15,000,000.00	Class B-2 Senior fixed rate notes	2024
EUR	78,000,000.00	Class C Secured deferrable floating rate notes	2024
EUR	39,000,000.00	Class D Secured deferrable floating rate notes	2024

At 30 September 2007, €159.6 million of the €195 million facility was drawn down. The other classes of floating rate notes were fully drawn down.

### Private placements

During the period, repayments of private placements amounting to US\$70 million were made.

### Revolving credit facility

During the period there was a net repayment of £22 million.

### Bridge facility

During the period, the bridging facility provided by the Royal Bank of Scotland of €384 million was repaid.

## 7 Equity shareholders' funds

	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share based payments £m	Available for sale or reserve £m	Retained earnings £m	Total £m
<b>Six months ended 30 September 2007</b>							
Balance at 31 March 2007	14.0	175.7	1.4	2.9	8.1	399.5	601.6
Exercise of share options	0.1	1.3	–	–	–	–	1.4
Credit for share based payments	–	–	–	1.3	–	–	1.3
Revaluation of available for sale investments	–	–	–	–	1.8	–	1.8
Profit for the period	–	–	–	–	–	93.3	93.3
Dividends paid	–	–	–	–	–	(29.2)	(29.2)
Balance at 30 September 2007	<b>14.1</b>	<b>177.0</b>	<b>1.4</b>	<b>4.2</b>	<b>9.9</b>	<b>463.6</b>	<b>670.2</b>
<b>Six months ended 30 September 2006</b>							
Balance at 31 March 2006	14.0	174.5	1.4	1.4	5.0	297.0	493.3
Exercise of share options	–	0.7	–	–	–	–	0.7
Credit for share based payments	–	–	–	0.7	–	–	0.7
Revaluation of available for sale investments	–	–	–	–	0.7	–	0.7
Profit for the period	–	–	–	–	–	69.6	69.6
Dividends paid	–	–	–	–	–	(29.4)	(29.4)
Balance at 30 September 2006	14.0	175.2	1.4	2.1	5.7	337.2	535.6
<b>Year ended 31 March 2007</b>							
Balance at 31 March 2006	14.0	174.5	1.4	1.4	5.0	297.0	493.3
Exercise of share options	–	1.2	–	–	–	–	1.2
Credit for share based payments	–	–	–	1.5	–	–	1.5
Revaluation of available for sale investments	–	–	–	–	3.1	–	3.1
Profit for the period	–	–	–	–	–	143.4	143.4
Dividends paid	–	–	–	–	–	(40.9)	(40.9)
Balance at 31 March 2007	14.0	175.7	1.4	2.9	8.1	399.5	601.6

## **8 Related party transactions**

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There have been no material changes to the related party transactions as disclosed in the Annual Report and Accounts for the year ending 31 March 2007.

## **9 General**

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The interim financial statements for the six months to 30 September 2007 were approved by the Board on 22 November 2007. These financial statements are unaudited, but they have been reviewed by the auditors, having regard to the bulletin "Review of Interim Financial Information" issued by the Auditing Practices Board.

The financial information for the year ended 31 March 2007 does not constitute statutory accounts under section 240 of the Companies Act 1985. A copy of the statutory accounts for that period have been delivered to the Registrar of Companies. The auditors' report on those statements was unqualified and did not include a statement under Section 237 (2) or (3) of the Companies Act 1985.

Copies of this statement are available on our website.



# Independent review report to Intermediate Capital Group PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of Review**

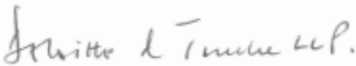
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Independent review report to Intermediate Capital Group PLC continued

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## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, slightly slanted style.

## **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
London, UK

22 November 2007



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