Annual Report & Accounts

For the year to 31 January 1995

INTERMEDIATE CAPITAL GROUP PLC

The business of Intermediate Capital Group ("ICG") is to arrange and provide intermediate, or mezzanine, capital for companies in the United Kingdom and Continental Western Europe. ICG lends both its own resources and also funds under its management.

Intermediate capital ranks in terms of risk and reward between bank debt and equity capital and seeks a strong cash yield and an additional return related to the success of the investee company, usually in the form of a capital gain.

Intermediate capital has been principally used to help finance buyouts but is increasingly used as expansion and acquisition capital, as project and bridge finance and to finance capital reorganisations.

ICG is the market leader in the provision of intermediate capital in the United Kingdom and Continental Western Europe.

Directors and Management

Murray Stuart

Non-Executive Chairman

Murray Stuart, Chairman, aged 61, is Chairman of Scottish Power PLC and a non-executive director of Clerical Medical & General Life Assurance Society.

Tom Bartlam

Andrew Jackson

Jean-Loup de Gersigny

James Odgers

Executive Directors

Tom Bartlam, aged 47, is a graduate of Cambridge University and qualified as a Chartered Accountant with Price Waterhouse. Prior to founding ICG in 1989, he worked for fourteen years for Charterhouse Bank in London.

Andrew Jackson, aged 46, is a graduate of Cambridge University and has an MBA from the London Business School. Prior to founding ICG in 1989, he worked at Chemical Bank for sixteen years in London and Switzerland.

Jean-Loup de Gersigny, aged 41, is a Fellow of the Chartered Insurance Institute and has an MBA from the London Business School. Prior to founding ICG in 1989, he worked for Chemical Bank in London for seven years.

James Odgers, aged 40, is a graduate of Oxford University and subsequently qualified as a solicitor with Linklaters & Paines, for whom he worked for eight years. Prior to founding ICG in 1989, he worked for Chemical Bank in London for one year.

Non-Executive Directors

Thomas Attwood, aged 42, is a director of James Capel & Co Limited. He is also a non-executive director of ACS Wireless Inc.

Eric Kinder, aged 67, is Chairman of Smith & Nephew PLC, and Brunner Mond Holdings Limited.

Robert Padgett, aged 51, is the Head of Corporate Finance at PosTel Investment Management Limited.

Assistant Directors

Martin Conder
Christophe Evain
Simon Morrell
Andrew Phillips
Paul Piper

Managers

Christopher Stacey
Denis Viet-Jacobsen
Marcus Wood

Financial Controller

John Curtis

Secretary

James Odgers

Highlights

Pro forma pretax profits up 17% to £18.1m (1994 – £15.5m).

Pro forma core income up 24% to £9.5m (1994 – £7.6m).

Capital gains, net of provisions, up 10% to £8.7m (1994 – £7.9m).

New loans of £69m to 12 companies, representing ICG's most active year for new lending.

New fund management activity launched and £27m of client funds invested.

The proposed final dividend of 7.75p net per share, making a total dividend of 11.5p net per share, results in a 16% increase on last year's notional dividend.

Chairman's Statement

In our last financial year to 31 January 1995 Intermediate Capital Group ("ICG") obtained a listing on the London Stock Exchange and I would like to welcome all the investors who have become shareholders in the company as a result of the listing.

I am pleased to be able to announce a very satisfactory performance by ICG in its first year as a publicly listed company.

In my statement I refer to the pro forma results on page 16 which have been adjusted from the actual figures to take into account the effect of the listing.

Results

Core income, which ICG defines as net interest and dividend income and fee income less operating expenses, increased by 24% to £9.5m and capital gains net of provisions increased by 10% to £8.7m.

Pro forma pretax profits rose by 17% to £18.1m. Pro forma earnings per share increased by 3% to 26.3p, from last year's 25.6p which was increased by an abnormally low tax charge, as noted in the listing particulars. On a normalised tax charge, earnings per share would have increased by 18%. The pretax return on shareholders' funds increased to 30%.

Capital gains were achieved from the five portfolio companies which floated on the Stock Exchange last year and from one which was sold to an industrial group. ICG did not sell all its quoted shares in those portfolio companies which were listed, thereby leaving it with the opportunity to make further capital gains when the remaining quoted shares are sold in the future.

In the year ICG made loans totalling £69m to 12 further companies, of which half were based in the UK and half in Continental Europe. It arranged the mezzanine loan of $50m for the largest European buyout of 1994. Seven loans amounting to £45m were repaid during the year. The loan and investment portfolio increased to £177m at the year end.

Dividend

The Board is recommending a final ordinary share dividend of 7.75p net per share which, with the interim dividend of 3.75p, brings the total for the year to 11.5p net per share. This dividend represents a 16% increase over the dividend which, as was stated in the listing particulars, the company would have paid if it had been listed in the previous year. The ordinary share dividend is covered 2.25 times by actual profits after tax. Almost all actual core income net of tax (£6.2m) has been used to meet the cost of the ordinary dividend and the preference share dividend paid prior to listing.

Funding

ICG's Balance Sheet was further strengthened by the £10.4m of new capital raised at the time of the flotation. Taking into account both this and the retained profit for the year, share capital and reserves rose by £16.5m to £62.5m at the year end. In addition, ICG held at the year end quoted shares with a market value of £9.5m (1994 – £6.6m) which are held in the Balance Sheet at cost of £0.2m (1994 – £0.1m).

In terms of Balance Sheet funding, a new £155m five year revolving credit facility was completed in March 1994. Since then ICG has increased the size of the facility to £172m and is currently in discussions with a number of banks with a view to increasing it further to approximately £200m. Taking into account the year end level of borrowings of £119m at 31 January 1995, our gearing is a conservative 190% and our capital ratio is strong at 34%; we have substantial available bank facilities in place to fund the future planned growth in the loan portfolio.

In the year, ICG started investing third party funds which it had taken under management. Of the £60m of funds committed to ICG's management by Postel Investment Management Limited and Guardian Assurance plc in January 1994, £27m was invested in the financial year. In addition, since the year end an agreement has been entered into to manage £20m on behalf of a major overseas financial institution. Income from fund management activities can therefore confidently be predicted to grow significantly over the next few years.

Business development

While ICG's objective was always to be the leading specialist provider of mezzanine finance in the UK and Continental Europe, the original core of ICG's lending business was providing mezzanine loans to help finance buyouts in the UK. This market, which remains an important market for ICG, has recently seen an increase in the availability of unquoted equity and bank debt. This has, in some instances, reduced the demand for mezzanine in smaller management buyouts but, equally, it has facilitated larger buyouts where mezzanine finance is particularly useful.

Over the last few years ICG has, as originally planned, been extending the range of its mezzanine lending activity, particularly to Continental European buyouts and also to non buyout related financings in the UK such as expansion and acquisition capital and capital reorganisations. 1994/95 was notable for ICG in that more than half of its new loans were in these areas. The Board expects the use of mezzanine in these new areas to increase and thereby provide ICG with continuing growth opportunities.

Management and Board

During the last year ICG recruited two more professional staff and has recruited two further professional staff since the beginning of the new financial year. ICG's policy remains to grow gradually its executive team to match the growth in its business throughout Western Europe.

I welcome the appointment to the Board in May, as a Non Executive Director, of Eric Kinder, who is the Chairman of Smith & Nephew plc. It also gives me pleasure that Tom Attwood and Robert Padgett have remained on the Board subsequent to the listing.

Outlook

ICG has maintained its market leadership in the provision of mezzanine finance in both the UK and Continental Europe over the last year. On account of this position it continues to derive a strong flow of lending opportunities, a wide range of which are currently being evaluated. By building the loan portfolio and maintaining its quality we are confident we can continue to grow ICG's core income.

In the current year we expect to achieve good capital gains from realisations by means of trade sales and flotations and also from realising investments in our quoted share portfolio. We do not expect to see as many of ICG's portfolio companies listing on the London Stock Market as last year and therefore do not foresee such high capital gains from this source in the current year but we do expect to achieve higher capital gains from trade sales.

Your Board sees ICG taking advantage of the numerous applications available for mezzanine finance as a flexible form of finance with a risk profile and return expectations between the wide extremes of bank debt and venture capital. ICG will thereby become a provider of mezzanine finance to a broader range of UK and Continental European medium sized companies, and we look forward to the future with confidence.

Finally, I would like to thank on your behalf all the directors and staff of the company for their efforts in achieving what was a year of both significant growth and considerable achievement.

Murray Stuart
Chairman
27 March 1995

The Western European Market for Intermediate Capital

The UK buyout market

This has, in the past, been the core market for ICG's mezzanine lending activities. 1994 saw a material increase over 1993 with statistics showing the value of UK buyouts of £10m or more increasing from £2bn in 1993 to £2.75bn in 1994.

While there has not been materially more competition in the provision of mezzanine finance for UK buyouts, 1994 did see larger amounts of both bank debt and unquoted equity become available for financing UK buyouts. In some instances this resulted in the equity providers accepting lower returns or the banks accepting greater risk in respect of their increased financial commitment, thereby providing what was effectively the mezzanine layer of the financing. In some instances ICG was offered financing opportunities where, in the directors' opinion, the returns did not match the risk and the opportunity was declined. Despite this competitive market place ICG invested in five UK originated buyouts in 1994/95, arranging £57m and committing £36m of its own capital and its managed funds. One of these transactions, for which ICG arranged the mezzanine of $50m, was the buyout of the animal feeds business of BP for $500m, the largest European buyout in 1994.

ICG, because of its market leadership position, continues to see nearly all of the mezzanine lending opportunities available in the UK buyout market. The directors remain confident that there will continue to be a satisfactory flow of attractive mezzanine lending opportunities in this market.

The Continental European buyout market

Reliable statistics for this market remain elusive. However, ICG's perception of the market suggests a steady level of buyouts in Continental Europe and a high use of mezzanine in buyouts valued at more than £30m.

France remained the most active country in Continental Europe for both buyouts and the use of mezzanine. ICG was shown most of the significant mezzanine opportunities in France over the last year and retained its market leadership position. It made mezzanine loans to three of the largest French buyouts in 1994/95, committing a total of £30m of its own capital and managed funds. A follow-on loan of £2.5m to one of our existing French investee companies was also made. ICG continues to believe that the French market offers opportunities for increased lending activity and as a consequence ICG expects to open a Paris office in 1995, more effectively to develop the French business and to monitor the significant existing French portfolio.

The rest of Continental Europe showed more sporadic activity in the buyout market, with mezzanine being used in many of the larger transactions valued at more than £30m. ICG made loans to an Italian buyout and a Swedish buyout committing in total £20m of its own capital and funds under management. ICG was also shown and worked on further mezzanine financing opportunities for buyouts in Germany, Italy, the Netherlands and Finland, which were not completed.

The directors believe that opportunities for lending in the rest of Continental Europe are likely to grow in future years as their buyout markets develop, as the application of mezzanine in other non buyout related areas expands and as ICG continues to market its mezzanine financing product.

The use of mezzanine in the UK in non buyout transactions

ICG began to place increased emphasis on marketing the use of mezzanine in non buyout transactions in the UK in 1994/95. It is ICG's belief that mezzanine finance, with its risk reward profile falling between equity and bank debt, can be an attractive financial instrument in a wide variety of situations. In 1994/95 ICG investigated propositions for the use of mezzanine for expansion and acquisition capital, for refinancing existing buyouts and capital reorganisation, for bridge finance for both quoted and unquoted companies and for project finance. It was satisfying that, at this relatively early stage of our marketing effort, ICG committed £11m of its own capital and managed funds to two transactions in these areas.

ICG is now seeing, as a result of its marketing efforts and the increasing awareness of the attractiveness of mezzanine in different financing situations, a materially greater flow of lending opportunities in these areas.

New loans

During the last financial year ICG made 12 new mezzanine loans, of all of which it was the lead arranger. The total amount of mezzanine arranged by ICG for these companies was £127m. Of this amount £69m was taken on ICG's Balance Sheet, £27m was provided from funds under management and £31m was syndicated to other non connected parties. In addition, ICG increased its lending, in line with its original commitment, to one existing portfolio company, Neopost, by £2.5m.

The new loans made by ICG were as follows:

Buffetti is Italy's largest supplier and distributor of office stationery and equipment through a countrywide franchise network of over 800 retail outlets. The business was acquired as an MBO in February 1994 from an Italian public company for in excess of LIT 200bn. ICG arranged the mezzanine loan of LIT 30bn and retained LIT 18bn in its own portfolio.

Entrelec is the leading French manufacturer of industrial moulded plastic electrical connectors, electronic terminals and controlling and signalling devices. The business was acquired as an MBO from a French financial group in February 1994 for FF562m. ICG arranged the FF70m mezzanine loan and retained FF39.5m in its own portfolio.

Frans Bonhomme is France's leading distributor of plastic pipes and couplings for the building and the civil engineering industries. It was acquired as an MBO from a French public company in December 1994 for FF1150m. ICG arranged the FF150m of mezzanine and retained FF75m in its own portfolio.

ICS provides a specialist overnight courier and distribution service in the UK, primarily to the insurance, optical and travel industries. It was acquired as an MBO from its private owners in January 1995 for £63.3m. ICG arranged the £5.8m mezzanine loan and retained £4.1m in its own portfolio.

MTL Trust Holdings is the leading bus company on Merseyside and ICG's loan formed part of the financing it used to acquire, for £20.5m, London Northern Bus Company Limited, one of the ten London bus companies being sold by London Transport. ICG arranged the £3m acquisition loan and retained £2.1m in its own portfolio.

Norden Pac is a Swedish company and is the world's largest manufacturer of tube filling and sealing machines. The business was acquired as an MBO from a group of institutions for SEK 340m in April 1994 from a Swedish financial group. ICG arranged the SEK 120m mezzanine loan and retained SEK 86m in its own portfolio.

Nutreco is an international animal and fish feed business which is also involved in pig and poultry processing. The business was acquired as an MBO from BP plc for $500m in September 1994. ICG arranged and co-underwrote the $50m mezzanine loan and retained £9.2m in its own portfolio.

Porcelain and Fine China Companies is the parent company of the UK based Royal Worcester and Spode fine china businesses, which manufactures and sells branded porcelain and fine china throughout the world. ICG arranged a £7.5m mezzanine loan and retained £5.3m in its own portfolio. The loan was used to reorganise the medium term funding of this privately owned company.

Presspart is a UK company and is the leading manufacturer of anodised deep drawn aluminium pressings and other specialist types of pressings in Europe. The business was acquired for £35.5m as an MBO from BTR plc in December 1994. ICG arranged the £6m mezzanine loan and retained £4.3m in its own portfolio.

Sublistatic is a French company and is the world market leader in the helio-gravure paper transfer textile printing market. The business was acquired as an MBO from a consortium of investors in May 1994 for approximately FF500m. ICG arranged the FF100m mezzanine loan and retained FF67.1m in its own portfolio.

Tensar is a leading UK based manufacturer of polymer nets and mesh products for use in the packaging, horticultural and civil engineering markets. The business was acquired as an MBO from its founder in May 1994. ICG arranged a £5m mezzanine loan and retained £2.2m in its own portfolio.

Thorn Security is a leading UK based business involved in the manufacture, installation and service of fire protection and security systems. The business was acquired as an MBO from Thorn EMI plc in May 1994 for a consideration of £49m. ICG arranged the £8m mezzanine loan and retained £5.7m in its own portfolio.

Realisations

In the last financial year £45m in respect of loans to seven different companies was repaid. These companies were:

Acova, a French manufacturer of heating radiators, which was sold to an industrial group in 1994. This resulted in ICG's loan of FF10m being repaid and ICG making a capital gain on the sale of all its warrants.

GSR, one of the leading French manufacturers of PVC and parquet flooring. As a result of the company performing above plan it was able to repay ICG's loan of FF119m in January 1995 and refinance it with cheaper bank debt. ICG continues to hold warrants to subscribe for ordinary shares in the company.

Healthcall Group, the leading provider in the UK of doctors deputising services. It was floated on the London Stock Exchange in May 1994 which resulted in ICG's loan of £4.5m being repaid and ICG receiving, for a nominal consideration, shares in the newly quoted company, some of which were sold at a profit in the year.

Instrumentation Laboratories, a leading Italian manufacturer and distributor of medical diagnostic machinery. In March 1994 the company repaid ICG's loan of LIT 10bn and replaced it with cheaper debt. ICG continues to hold warrants to subscribe for ordinary shares in the company.

Midland Newspapers, a major UK regional newspaper publisher. It was floated on the London Stock Exchange in March 1994, which resulted in ICG's loan of £6.8m being repaid and ICG receiving, for a nominal consideration, shares in the newly quoted company, some of which were sold at a profit in the year.

McDonnell Information Systems, a leading UK supplier of integrated computer software systems. It was floated on the London Stock Exchange in March 1994 which resulted in ICG's loan of £8.0m being repaid and ICG receiving, for a nominal consideration, shares in the newly quoted company, some of which were sold at a profit during the year.

United Pressings and Fabrications, a leading UK based manufacturer of vehicle chassis, particularly for four wheel drive vehicles. It was floated on the London Stock Exchange in June 1994 which resulted in ICG's loan of £5.9m being repaid and ICG receiving for a nominal consideration shares in the newly quoted company, some of which were sold at a profit in the year.

In addition, **Nottingham Group**, the leading wholesaler of educational products in the UK, was floated on the London Stock Exchange in March 1994 with ICG receiving, for a nominal consideration, shares in the newly quoted company, all of which were sold at a profit in the year. ICG's loan had already been repaid in the previous financial year.

The Loan Portfolio

ICG's loan portfolio, including both loans and holdings of preference shares, at 31 January 1995 consisted of loans to 30 different companies and amounted in total to £177m. These companies' activities are spread across a wide variety of industrial sectors which is in line with ICG's policy of ensuring sector diversification in its loan portfolio.

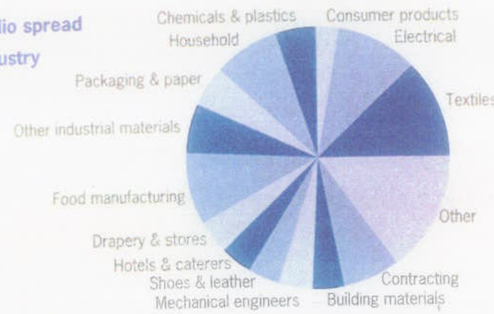
ICG's normal policy is to lend to companies with strong market positions, and nearly all the companies in its portfolio are either number one or two in their own specific industrial sector.

The portfolio was spread between the UK and five Continental European countries. It is noticeable that the proportion of ICG's loan portfolio companies headquartered in Continental Europe has risen from 27.5% at 31 January 1994 to 41.2% at 31 January 1995. ICG believes that spreading its lending between different countries and their different economic cycles further spreads the risk within the loan portfolio.

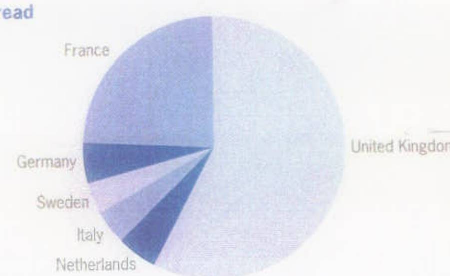
ICG's policy is normally to have a minimum £2m and a maximum of £12m in each loan, so that the portfolio is not too weighted towards one particular loan. The average size of the loans in the portfolio was £6m at 31 January 1995.

At 31 January 1995, in addition to the twelve new loans made in the financial year referred to above, ICG had loans outstanding to the following companies:

Portfolio spread by industry



Portfolio spread by country



Name	Country	Business
Addison Design	UK	Corporate literature and identity
Apcoa	Germany	Car parks
Brunner Mond	UK	Soda ash manufacturer
Enterprise Inns	UK	Public house freeholder
Hygiene Diffusion	France	Diaper manufacturer
Krings	Germany	Manufacturer of trench shoring systems
McBride	UK	Manufacturer of own-brand consumer products
MCD	UK	Carpet wholesale distributor
Multipart	UK	Automotive parts distributor
Neopost	France	Manufacturer of mailroom products and sealing machines
Northern Feather	UK	Manufacturer of pillows and duvets
Pavilion Services	UK	Operator of motorway service stations
Portfolio Foods	UK	Manufacturer of chocolates and confectionery
Servicetec	UK	Computer maintenance
Sicli	France	Manufacturer and distributor of fire fighting equipment
SLD	UK	Pump hire and other manufacturing and service companies
USM Texon	UK	Manufacturer of shoe manufacturing equipment and components
Video Arts	UK	Producer of training films

The portfolio of quoted shares

At 31 January 1995 ICG held quoted shares in the following companies:

Name	Country	Business
Arjo	Sweden	Patient hygiene and lifting
Fenchurch	UK	Insurance broking
Healthcall	UK	Doctors deputisation services
McDonnell Information Systems	UK	Software systems
Midland Independent Newspapers	UK	Provincial newspapers
Sharelink	UK	Execution-only stockbrokers
United Pressings and Fabrications	UK	Vehicle chassis manufacturer

The shares in the above companies were held in ICG's Balance Sheet at 31 January 1995 at cost of £0.2m and had a market value of £9.5m.

The Portfolio of warrants and unquoted shares

At 31 January 1995 ICG had unquoted shares or warrants, not only in almost all those companies mentioned above to which it had loans outstanding at that date, but also in the following companies which had already repaid in full ICG's loan:

Name	Country	Business
Instrumentation Laboratories	Italy	Medical instrumentation
GSR	France	Floor covering manufacturer
Sitex	UK	Security systems

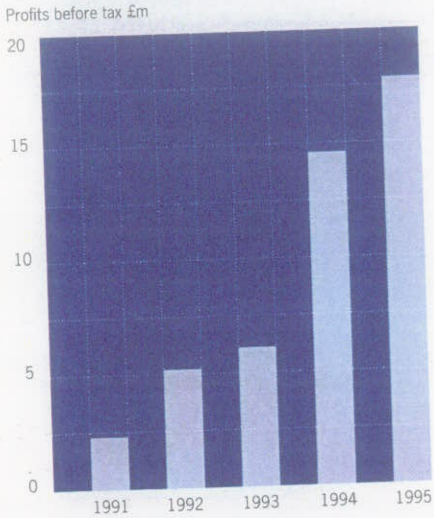
As set out in Notes 9 and 14 to the Accounts, the directors consider that the aggregate value of the unquoted shares and warrants would currently amount to £14m.

Financial Review

Profits before tax

For the financial year ended 31 January 1995 ICG's pre-tax profits rose by 22% from £14.6m in the previous year to £17.9m. On a pro forma basis, to take into account the effect of the listing, pretax profits rose by 17% to £18.1m from £15.5m in the previous year.

Profits before tax £m

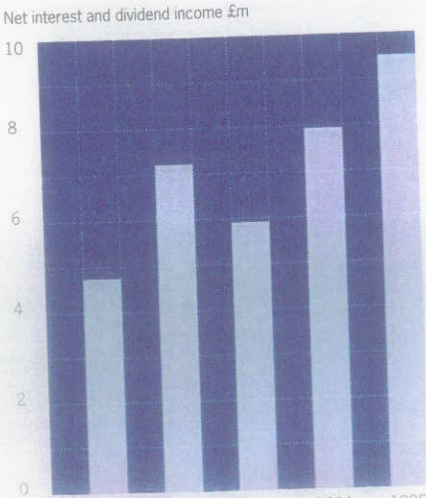


Net interest and dividend income

Net interest and dividend income grew by 19% from £8.0m in 1993/94 to £9.5m in the year to 31 January 1995. Net interest and dividend income benefited from the higher level of loans outstanding in the year compared with the previous year and from the new capital raised at the time of the listing.

On a pro forma basis, assuming the new capital raised from the listing had been in place for the whole of both years, net interest income would have increased by 11% from £8.8m to £9.8m.

Net interest and dividend income £m



Fee income

Fee income rose by 65% from £1.6m in the previous year to £2.7m in the year to 31 January 1995. This fee income was made up of three parts: firstly, arrangement, underwriting and transaction fees of £2.1m relating to the new loans entered into during the year. This showed a material increase over the £1.3m of fees from this source in the previous year as a result of greater lending and underwriting activity. Secondly, it included £0.3m of agency and monitoring fees which are recurring fees for monitoring loans which was at a similar level to that of the previous year. Thirdly, it comprised £0.3m from fund management fees which were not received at all in the previous year as third party managed funds were invested for the first time in the last financial year. The company receives a management fee on third party funds invested together with, eventually, a share in their net capital gains. As the level of third party managed funds invested by ICG increases, the levels of these fees will increase accordingly.

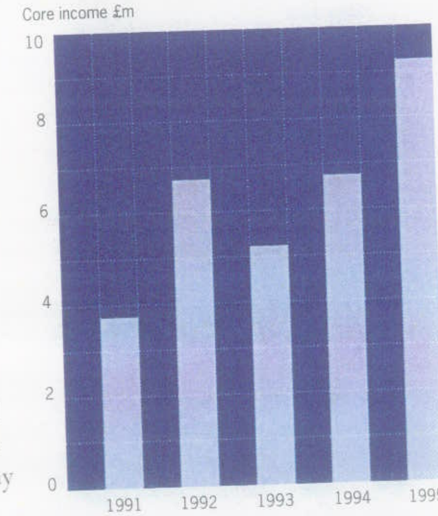
Expenses

Operating expenses of £3.0m compared with £2.8m in the previous year. The previous year's expenses had been inflated by an exceptional charge of £0.5m. The increase in expenses from last year's comparable figure of £2.3m related almost entirely to increased staff costs including the cost of new employees and payments made under the company's bonus scheme resulting from ICG exceeding its profit targets in its last financial year. The ratio of operating expenses to total revenue was 10% (1994 – 9%), which is low by the standards of banks and merchant banks.

Core income

Core income shows a healthy increase of 35% from £6.8m in the previous year to £9.2m in the year to 31 January 1995. On a pro forma basis core income grew by 24% from £7.6m to £9.5m.

Core income £m



Capital gains

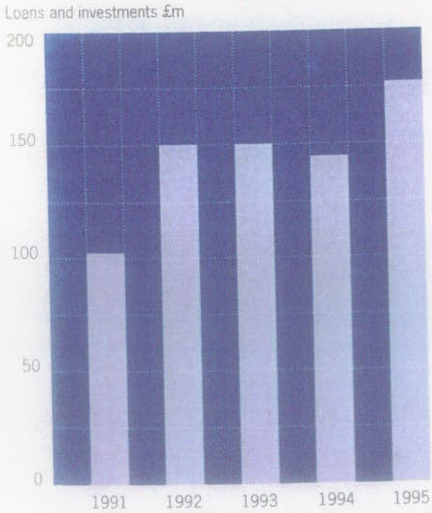
Capital gains for the year amounted to £9.9m. These capital gains arose from the sale of shares in five companies which floated during the year, namely Healthcall, Midland Newspapers, Nottingham Group, McDonnell Information Systems and United Pressings and Fabrications, from the sale of further shares in Arjo and Fenchurch, which were already in ICG's quoted share portfolio, and from the trade sale of one of its portfolio companies, namely Acova. While the capital gains of £9.9m were a reduction on the previous year's figure of £11.1m they could have been higher if the management had chosen to take further capital gains from ICG's quoted share portfolio which increased from £6.6m at 31 January 1994 to £9.5m at 31 January 1995 compared with cost of £0.2m in the Balance Sheet.

Provisions

ICG's provisioning policy is to make specific provisions against loans where, in management's judgement, the likely value of the loan principal is impaired. Such provisions were made in respect of part of our loans outstanding to two companies amounting in total to £1.2m.

Loans and investments

The loan portfolio, including both loans and holdings of preference shares, at 31 January 1995 amounted to £177m which represented an increase of £33m on the previous year end figure. In addition, ICG has holdings of quoted and unquoted shares and warrants which are held on the balance sheet at a cost of £0.3m.

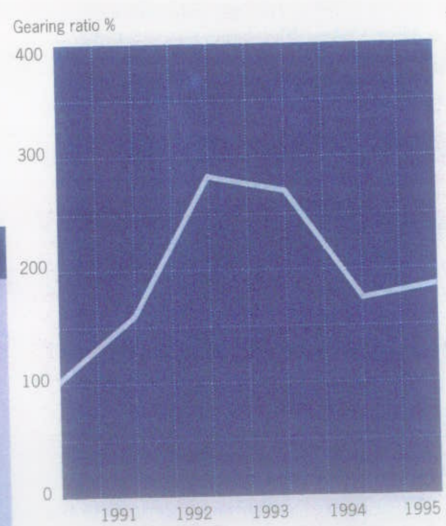


The quoted shares had a market value as at 31 January 1995 of £9.5m (1994 – £6.6m) and the directors consider that the aggregate value of the unquoted shares and warrants would currently amount to approximately £14m (1994 – £27m).

The reduction in value of the combined share and warrant portfolio from £33.6m to £23.5m has been caused principally by the realisation of capital gains from the portfolio of £9.9m during the year.

Borrowings and loan facilities

At 31 January 1995 ICG's total indebtedness stood at £119m. This represents an increase of £17m over the previous year and was used to help fund the increase in the loan portfolio. At the year end the ratio of bank debt to shareholders' funds stood at 190% which represents in banking terms a capital ratio of 34%.



In March 1994 ICG put in place a new five year increasable multicurrency revolving credit facility of £155m. During the year ICG has increased this facility to £172m and is currently talking to a number of banks with a view to increasing the facility to £200m. ICG thus has sufficient facilities in place to fund the anticipated growth in the loan book.

Shareholders' funds

Shareholders' funds increased from £46m as at the beginning of the year to £62.5m at 31 January 1995. This increase arose in part from the new capital of £10.4m raised at the time of the company's flotation and in part from retained earnings for the year of £6.1m. The figure shown in the Balance Sheet for shareholders' funds is a conservative one as it only includes ICG's portfolio of quoted and unquoted shares and warrants at their nominal cost.

Return on capital

ICG's pretax return on shareholders' funds for the year ending 31 January 1995 amounted to 30%, representing, in the opinion of the directors, an attractive return on ICG's shareholders' funds.

Corporate Governance

A summary of the system of Corporate Governance adopted by the company is set out below. Prior to the company's flotation on 1 June 1994, the company took the necessary steps to conform with the recommendations of the Code of Best Practice recommended by the Cadbury Committee and by 31 January 1995 was complying with all of its current provisions.

Board of Directors The company's Board of Directors meets regularly to discuss the performance of the company and to discuss matters which it has reserved to itself for decision as well as any other matters that are referred to it. The Board comprises four executive directors, a non-executive chairman and three further non-executive directors.

The non-executive directors are as follows:

Murray Stuart was appointed non-executive chairman of the company in September 1993.
Thomas Attwood was appointed a non-executive director in June 1993.
Eric Kinder was appointed a non-executive director in May 1994.
Robert Padgett was appointed a non-executive director in January 1994.

The Board has established a number of committees consisting of certain directors, including an Audit Committee and a Remuneration Committee whose membership and functions are defined below.

Audit Committee The Audit Committee meets regularly to oversee the production of the Annual and Interim Accounts, compliance with Accounting Standards and regulatory requirements and to keep the procedures and controls of the company continually under review. The committee consists of three non-executive directors. The executive directors are not members of the Audit Committee but are invited to attend along with the Financial Controller. Touche Ross & Co., the company's auditors, are also invited to attend and have direct access to committee members.

Remuneration Committee The Remuneration Committee, which consists of two non-executive directors, decides the terms and condition of employment of the executive directors and approves policies for the remuneration of other senior executives. The committee is also responsible for administering the executive share option scheme and the management incentive scheme.

The Cadbury Committee has recognised that two matters in the Code could not be complied with until the appropriate guidance had been developed. Based upon the guidance issued in December 1994 contained in Internal Control and Financial Reporting, the directors believe that the company will have no difficulty in reporting full compliance with the guideline in future years. Final guidance has been issued in respect of Going Concern and Financial Reporting and, after making the necessary enquiries, the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 January 1995.

Principal activities and business review The principal activity of the group is that of providing intermediate capital to companies in the United Kingdom and elsewhere in Western Europe.

The group's profit before taxation was £17,885,000 (1994 – £14,628,000). At 31 January 1995, the group held in its balance sheet a portfolio of listed shares at nominal cost, but with a market value of £9,534,000 (1994 – £6,640,000). A review of the group's business activities is set out on pages 6 to 9 and should be read in conjunction with this report.

On 19 May 1994, 7,600,000 Convertible Shares and 4,000,000 "A" Ordinary Shares were converted into 3,055,558 Ordinary Shares of 20p each. On that date, 30,277,789 Ordinary Shares were allocated by way of capitalisation of reserves. On 1 June 1994 13,333,333 Ordinary Shares were allotted for cash, credited as fully paid at a price of £2.25 each, following a Placing and Intermediaries Offer. The cash raised by the issue has been applied in redeeming the company's preference share capital of £18,000,000, with the balance reducing the group's borrowings.

Following these changes, the authorised share capital of the company is £12,400,000 divided into 62,000,000 Ordinary Shares of 20p of which 46,666,680 have been issued.

Pro forma financial information The pro forma financial information set out on page 16 has been prepared on the same basis as described in the listing particulars dated 19 May 1994. The assumptions made include:

- the listing and issue of shares took place on 1 February 1993;
- the proceeds of the issue of shares made at the time of the listing have been utilised to redeem the preference shares and reduce the group's net borrowings;
- interest payable on borrowings was reduced at the average rate payable for the period;
- the charge for taxation was adjusted in respect of the above using the UK corporation tax rate of 33%.

Directors The present membership of the Board is as set out on page 2. Mr Anderson resigned from the Board on 21 April 1994. Messrs Boris, Guest, McGrane, Nelson, Takenaka and Talerman resigned from the Board on 3 May 1994. Mr Kinder was appointed to the Board on 18 May 1994. The remainder of the directors shown on page 2 served throughout the year.

In accordance with the Articles of Association, Mr Bartlam and Mr Jackson retire by rotation and offer themselves for re-election. Mr Bartlam and Mr Jackson have service contracts under which the company is obliged to give 24 months notice of termination of employment to them.

The interests of the directors of the company and their immediate families, as defined by the Companies Act, in the shares of the company at 31 January 1995 were as follows:

	1995 Number of 20p Ordinary Shares	1994 Number of 2.5p "A" Ordinary Shares Voting	1994 Number of 2.5p "A" Ordinary Shares Non-voting
T H Bartlam	972,000	90,000	801,000
J-L Brousse de Gersigny	1,032,751	90,000	801,000
A D Jackson	972,001	90,000	801,000
J R B Odgers	972,001	90,000	801,000
C M Stuart	5,000	–	–
T R Attwood	5,000	–	–
E Kinder	5,000	–	–

Messrs Bartlam, Brousse de Gersigny, Jackson and Odgers and their respective trustees each had options to acquire 223,384 ordinary shares of the company from Royal Bank Development Capital Limited at a price of 138.7p at any time up to 26 January 1996.

No changes to the directors' interests in shares at 31 January 1995 as set out above had been notified up to 27March 1995.

The directors had no interests in the shares of Intermediate Capital Investments Limited or any other subsidiary company.

Directors' and officers' liability Insurance cover is held by the group to indemnify directors and officers against liability as permitted by Section 310 of the Companies Act 1985.

Dividend A preference dividend at the rate of 10% (net) (1994 – 10% (net)) was paid to holders of the Preference Shares, which were 60p paid, on 1 June 1994 in respect of the period from 1 February 1994 to 1 June 1994. On 1 June 1994, the Preference Shares were redeemed and no further dividends are payable in respect of these shares.

The directors recommend a final net dividend payment in respect of the ordinary shares of the company at a rate of 7.75p per share, which when added to the interim net dividend of 3.75p per share gives a total net dividend for the year of 11.5p per share. After dividends, retained profits of £6,128,000 (1994 – £9,574,000) have been transferred to retained earnings.

Substantial shareholdings As at 27 March 1995, the following interests in 3% or more of the issued ordinary share capital had been notified to the company

	Number of Ordinary Shares	Percentage of issued share capital
The BT Pension Scheme	4,000,012	8.6
Royal Bank Development Ltd	3,826,016	8.2
Robert Fleming Nominees Ltd	2,750,960	5.9
The Post Office Staff Superannuation Scheme	2,666,660	5.7
The Edinburgh Investment Trust plc	1,765,791	3.8
F&C Nominees Limited	1,765,791	3.8
The Prudential Assurance Company, Limited	1,765,791	3.8
The Industrial Bank of Japan, Limited	1,680,071	3.6
Clerical Medical & General Life Assurance Society	1,564,786	3.4
Lehman Brothers Holdings PLC	1,431,211	3.1

Fixed asset Movements in fixed assets are shown in Note 12 to the accounts.

Close company status So far as the directors are aware, the company is not a close company nor a close investment holding company for taxation purposes.

Auditors A resolution for the reappointment of the current auditors, Touche Ross & Co., will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
J R B Odgers
Secretary

27 March 1995

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for ensuring that proper accounting records are kept, safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report (to the Members of Intermediate Capital Group PLC)

We have audited the financial statements on pages 17 to 31 which have been prepared under the accounting policies set out on pages 21 and 22.

Respective responsibilities of directors and auditors As described on this page, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 January 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co.
Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London EC4

27 March 1995

Consolidated Pro Forma Profit and Loss Account (unaudited)

(for the year ended 31 January 1995)

	1995 £000	1994 £000
Interest and dividend income	18,753	18,440
Gain on disposals	9,889	11,056
Fee and other operating income	2,677	1,619
	31,319	31,115
Interest payable and similar charges	(8,968)	(9,623)
Provisions against loans and investments	(1,227)	(3,199)
Administrative expenses	(2,986)	(2,805)
Profit on ordinary activities before taxation	18,138	15,488
Tax on profit on ordinary activities	(5,876)	(3,538)
Profit on ordinary activities after taxation	12,262	11,950
Dividends paid and proposed – preference	–	–
– ordinary	(5,367)	(4,620)
Retained profit	6,895	7,330
Earnings per share	26.3p	25.6p

The calculation of pro forma earnings per share is based on earnings of £12,262,000 (1994 – £11,950,000) and an average number of shares in issue throughout the period of 46,666,680 (1994 – 46,666,680).

Consolidated Profit and Loss Account

(for the year ended 31 January 1995)

	Note	1995 £000	1994 £000
Interest and dividend income		18,753	18,440
Gain on disposals		9,889	11,056
Fee and other operating income		2,677	1,619
	3	31,319	31,115
Interest payable and similar charges	5	(9,221)	(10,483)
Provisions against loans and investments	6	(1,227)	(3,199)
Administrative expenses	4	(2,986)	(2,805)
Profit on ordinary activities before taxation		17,885	14,628
Tax on profit on ordinary activities	7	(5,793)	(3,254)
Profit on ordinary activities after taxation		12,092	11,374
Dividends paid and proposed – preference	10	(597)	(1,800)
– ordinary	10	(5,367)	–
Retained profit transferred to reserves		6,128	9,574
Earnings per share	11	27.2p	28.7p

All activities represent continuing operations. There are no other recognised gains or losses other than those shown in the profit and loss account. The historical cost profit before tax and retained profit for the year would have been £1,417,000 higher in 1994 had Note 1(f) followed the historical cost convention.

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

Consolidated Balance Sheet

(31 January 1995)

	Note	1995 £000	1994 £000
Fixed assets			
Tangible assets	12	198	193
Loans	13	170,215	138,542
Investments	14	7,237	5,791
Current assets			
Debtors	15	7,055	6,873
Loans and investments	16	3,834	–
Cash at bank		84	1,646
		10,973	8,519
Total assets		188,623	153,045
Capital and reserves			
Called up share capital	17	9,333	20,000
Share premium account		32,221	12,550
Capital redemption reserve		1,389	–
Profit and loss account	18	19,531	13,403
Equity shareholders' funds		62,474	45,953
Provisions for liabilities and charges	21	1,156	470
Creditors: amounts falling due after more than one year	20	118,456	102,868
Creditors: amounts falling due within one year	19	6,537	3,754
Total capital and liabilities		188,623	153,045

These financial statements were approved by the Board of Directors on 27 March 1995.

Signed on behalf of the Board of Directors by:

C M Stuart

T H Bartlam

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

Balance Sheet

(31 January 1995)

	Note	1995 £000	1994 £000
Fixed assets			
Tangible assets	12	198	193
Loans	13	143,778	134,931
Investments	14	12,023	10,443
Current assets			
Debtors	15	5,469	4,423
Loans and investments	16	3,834	–
Cash at bank		63	1,622
		9,366	6,045
Total assets		165,365	151,612
Capital and reserves			
Called up share capital	17	9,333	20,000
Share premium account		32,221	12,550
Capital redemption reserve		1,389	–
Profit and loss account	18	13,170	12,440
Equity shareholders' funds		56,113	44,990
Creditors: amounts falling due after more than one year	20	105,456	102,868
Creditors: amounts falling due within one year	19	3,796	3,754
Total capital and liabilities		165,365	151,612

These financial statements were approved by the Board of Directors on 27 March 1995.

Signed on behalf of the Board of Directors by:

C M Stuart

T H Bartlam

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

Consolidated Cash Flow Statement

(for the year ended 31 January 1995)

	Note	1995 £000	1994 £000
Operating activities			
Interest and dividends received		15,500	18,637
Gain on disposals		10,828	12,721
Fee and other operating income		2,770	1,742
Administrative expenses		(3,867)	(2,884)
		25,231	30,216
Interest paid		(9,872)	(10,486)
Net cash inflow from operating activities	22	15,359	19,730
Returns on investments and servicing of finance			
Dividends paid		(4,147)	(1,260)
Taxation paid		(3,245)	(3,285)
Investing activities			
Loans and investments made		(74,631)	(39,008)
Realisations of loans and investments		45,558	45,510
Loans for syndication		(3,781)	–
Realisation of year-end debtor		–	7,653
		(32,854)	14,155
Purchase of tangible fixed assets		(56)	(29)
		(32,910)	14,126
Net cash (outflow)/inflow before financing		(24,943)	29,311
Financing			
Issue of shares (net of expenses)	24	28,393	–
Redemption of Preference Shares	24	(18,000)	–
Increase/(decrease) in bank loans and overdrafts	24	12,988	(30,297)
Decrease in cash and cash equivalents	23	(1,562)	(986)

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

Notes to the accounts

(for the year ended 31 January 1995)

1 **Accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

a Basis of accounting The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets as described below.

b Basis of consolidation The group financial statements incorporate the financial statements of the company and all its subsidiaries.

c Revenues and expenses Underwriting fees and other arrangement fees are included in the profit and loss account on the date at which they are receivable. Amounts receivable at the repayment of a loan which exceed the original cost are taken to profit and loss account over the full life of the loan. Such amounts, less tax, are considered to be non-distributable until such time as repayment occurs. Recurring fees, interest income, interest expense and overheads are accounted for on the accruals basis.

Dividend income is accounted for in the year in which the income is received.

The gain or loss arising on the disposal of a loan or an investment is recognised at the date on which the investment is sold. Any gain or loss is stated net of associated selling expenses.

d Tangible fixed assets 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 & Equipment – 20% per annum
Leasehold Premises – Over the term of the lease

e Loans and investments Loans and investments are shown at cost less provisions plus the accrual of amounts receivable at the repayment of a loan which exceed the original cost. The specific provisioning policy of the company is to make a provision against any loan or investment as and when the directors consider that the carrying value is wholly or partially impaired.

In its earlier years of operation, it was the company's practice to maintain a general provision at an appropriate level of the total carrying value of loans and investments after specific provisions having regard to the total value of the portfolio of loans and investments including listed and unlisted shares and warrants. This practice ceased in the year ended 31 January 1994 in recognition of the maturing of the portfolio and the existing general provision was released to profit and loss account.

f Loans and investments held as current assets Listed investments held as current assets are marked to market value, and any gain or loss arising taken to the profit and loss account. Other loans and investments are held at the lower of cost and net realisable value.

g Taxation Corporation Tax is provided on the taxable profits of the company at the current rate.

h Deferred taxation Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

i Pension costs It is the policy of the company to provide for pension liabilities by payments to insurance companies or to individuals for employees' private pension plans. The amount charged to the profit and loss account represents a percentage of the current payroll cost paid to defined contribution schemes.

1 Accounting policies continued

j Foreign exchange Transactions denominated in foreign currencies are recorded at actual exchange rates ruling at the dates of the transactions, or where appropriate, at the rate of exchange in related forward exchange contracts.

Monetary assets and liabilities denominated in foreign currencies at the year end are translated into sterling at the rates of exchange ruling at that date, or where appropriate, at the rate of exchange in related forward contracts. Any gain or loss arising from a change of exchange rates subsequent to the dates of the transactions is included as an exchange gain or loss in the profit and loss account.

k Value added tax It is the company's policy to write off irrecoverable VAT on items of expenditure relating to the profit and loss account. VAT on tangible fixed assets is capitalised and written off over a similar period to the asset to which it relates.

2 Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's retained profit for the financial year amounted to £730,000 (1994 – £4,387,000).

3 Analysis of gross income

	1995 £000	1994 £000
Gross income was received from:		
United Kingdom	20,991	20,551
Western Europe	10,328	10,564
	31,319	31,115

The company's costs and liabilities are all currently derived from the United Kingdom, and therefore no meaningful geographical split of net assets and profit before tax can be made.

Gross income includes £188,000 (1994 – £43,000) of dividend income from listed investments.

4 Administrative expenses

	1995 £000	1994 £000
Administrative expenses include:		
Directors' remuneration	1,071	763
Depreciation	51	55
Auditors' remuneration:		
Audit	40	44
Other services	66	35

Administrative expenses include certain non-recurring costs of £nil (1994 – £542,000) in respect of expenses incurred as part of fundraising activities. £117,000 of auditors' fees for other services has been dealt with as part of issue expenses.

5 Interest payable and similar charges

	1995 £000	1994 £000
Bank loans and overdrafts repayable within five years	9,221	10,483

6 Provisions

	1995 £000	1994 £000
Provisions against loans and investments:		
Specific provision	1,227	7,593
General provision	--	(4,627)
	1,227	2,966
Provisions against guarantees	–	233
	1,227	3,199

As explained in Note 1(e) the practice of maintaining a general provision ceased during the previous year in recognition of the maturing of the portfolio and the general provision was released to profit and loss account.

7 Tax on profit on ordinary activities

	1995 £000	1994 £000
Corporation tax on the profits of the year at 33% (1994 – 33%)	4,987	1,837
Tax on franked investment income	120	175
Deferred taxation	686	849
	5,793	2,861
Adjustment in respect of prior years	–	393
	5,793	3,254

The taxation charge was low in 1994 due to the effect of the write-back of the general provision.

8 Information regarding directors and employees

	1995 £000	1994 £000
Directors' emoluments:		
Fees	106	99
Other emoluments	965	664
	1,071	763
Remuneration of chairman:		
Former chairman to 19 May 1993		8
Current chairman from 1 September 1993	46	17
Remuneration of highest paid director	205	143

Scale of directors' remuneration (excluding chairman and highest paid director)	No.	No.
£0 – £5,000	6	8
£5,001 – £10,000	2	5
£20,001 – £25,000	1	–
£140,001 – £145,000	–	3
£185,001 – £190,000	3	–

The performance related element included in directors's emoluments is £115,000 (1994 – nil) which is derived as a result of the annual cash bonus element of the Management Incentive Scheme.

8 Information regarding Directors and Employees continued

Employee costs during the year, including directors	1995 £000	1994 £000
Wages and salaries	1,658	1,075
Social security costs	166	110
Pension costs	148	129
	1,972	1,314
	No.	No.
Average number of employees	16	14

The performance related element included in wages and salaries is £310,000 (1994 – nil) which is derived as a result of the annual cash bonus element of the Management Incentive Scheme.

Management Incentive Scheme During this year, and after consultation with the company's advisers and remuneration consultants, the Board accepted recommendations of the Remuneration Committee regarding a Management Incentive Scheme.

Key elements are:

- an annual cash bonus scheme for managing directors and executives related to growth in core income. The Remuneration Committee will determine bonus allocations for the managing directors and will apply significantly higher growth targets than those applied for executives.
- an incentive scheme related to the cumulative growth in earnings per share in excess of RPI and funded by a share of realised gains. No amounts will be payable unless the growth in earnings per share on a cumulative basis exceeds RPI plus 5% per annum and no amounts will be payable before the financial year ending 31 January 1997. The amounts payable rise proportionately with increasing growth in earnings per share but such proportionate rise is capped at a growth in earnings per share on a cumulative basis of RPI plus 15% per annum. The extension of the scheme will be considered by the Remuneration Committee on an annual basis.

The Board is satisfied that these arrangements provide both annual and medium term incentives that give minimum exposure for core income and strong motivation for the achievement of sustained excellent performance over the medium term.

9 Valuation of warrants

The group has warrants to subscribe for shares in a number of borrowers. These warrants are not marketable instruments and can generally only be realised by the group when the investment is realised. These warrants, along with unlisted equity shares, are held in the financial statements at nominal cost. The directors consider that a reasonable valuation of these shares and warrants, representing the group's interests in the equity value of those companies realisable over a period of time, would currently amount to £14,000,000 (1994 – £27,000,000) before tax. This valuation is based on the borrowers' current pro forma earnings multiplied by the appropriate price/earnings ratio, to which an appropriate discount has been applied by reference to the guidelines of the British Venture Capital Association (BVCA). No discount was applied to the value of warrants at 31 January 1994 which, since that date and prior to the signing of the accounts, had been exercised immediately prior to flotation of the borrower.

10 Dividends paid and proposed

	Per share pence	1995 £000	Per share pence	1994 £000
Preference dividend	–	597	–	1,800
Ordinary dividend				
Interim paid	3.75	1,750	–	–
Proposed final	7.75	3,617	–	–
	11.50	5,367	–	–

11 Earnings per share

The calculation of earnings per share is based on earnings (after preference dividends) of £11,495,000 (1994 – £9,574,000) and an average number of shares in issue throughout the period of 42,222,236 (1994 – 33,333,347).

12 Tangible fixed assets

	Furniture & equipment £000	Short leasehold premises £000	Total £000
Group and company			
Cost			
At 1 February 1994	177	161	338
Additions	49	7	56
At 31 January 1995	226	168	394
Depreciation			
At 1 February 1994	115	30	145
Charge for the year	27	24	51
At 31 January 1995	142	54	196
Net book value			
At 31 January 1995	84	114	198
At 31 January 1994	62	131	193

13 Loans

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Loans to group companies	–	–	1,566	16,735
Other loans				
Loans	174,240	141,435	144,278	119,562
Less : Specific provision	(4,025)	(2,893)	(2,066)	(1,366)
	170,215	138,542	142,212	118,196
Total	170,215	138,542	143,778	134,931

Additional information in respect of loans for which there have been movements during the year is as follows:

	Group £000	Company £000
Loans to group companies		
Balance at 1 February 1994	–	16,735
Additional loans	–	4,137
Repayments	–	(22,194)
Currency movement on foreign loans	–	188
Proposed dividend	–	2,700
Balance at 31 January 1995	–	1,566
Other loans at cost		
Balance at 1 February 1994	141,435	119,562
Net additions	74,001	67,723
Realisations	(45,462)	(45,462)
Transfer to investments	(1,000)	(1,000)
Amortised discount and capitalised interest	2,148	531
Currency movement on foreign loans	3,118	2,924
Balance at 31 January 1995	174,240	144,278
Specific provision		
Balance at 1 February 1994	2,893	1,366
Provisions made during the year	1,132	700
Balance at 31 January 1995	4,025	2,066

The group has a 32% interest in the shares (carrying 59% of the voting rights) in and has provided some £2,450,000 to one of its borrowers, Northern Feather (Home Furnishings) Limited, a company incorporated in the United Kingdom and registered in England and Wales. The main activity of the company is the manufacture of natural and synthetic duvets, pillows and other bedlinen. The results of the company have not been incorporated into these accounts on the basis that this interest was effectively acquired as a result of enforcement of security and control is intended to be temporary.

14 Investments

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Shares in group companies at cost	–	–	9,014	9,014
Other investments				
Redeemable Preference Shares (unlisted)	6,886	5,246	3,009	1,429
Equity Shares (unlisted)	287	481	–	–
Equity Shares (listed)	159	64	–	–
	7,332	5,791	3,009	1,429
Less : Specific provision	(95)	–	–	–
	7,237	5,791	3,009	1,429
Total	7,237	5,791	12,023	10,443

The listed Equity Shares are listed on the London Stock Exchange and at 31 January 1995 had a market value of £9,534,000 (1994 – £6,640,000).

Additional information in respect of investments for which there have been movements during the year is as follows:

	Group £000	Company £000
Other investments at cost		
Balance at 1 February 1994	5,791	1,429
Net additions	631	580
Realisations	(96)	–
Transfer from loans	1,000	1,000
Currency movement on foreign loans	6	–
Balance at 31 January 1995	7,332	3,009

15 Debtors

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Tax recoverable	–	305	–	397
Advance corporation tax recoverable	–	450	–	450
Other debtors	124	1,202	85	171
Prepayments and accrued income	6,931	4,916	5,384	3,405
	7,055	6,873	5,469	4,423

Other debtors include £nil (1994 – £940,000) in respect of realisations completed in the year, but for which proceeds were not received until the following year. Prepayments and accrued income include £1,240,000 (1994 – £762,000) which is receivable after more than one year. Advance corporation tax is recoverable after one year.

16 Loans and investments held as current assets

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Loans held for syndication	3,834	–	3,834	–

17 Called-up share capital

	1995 £000	1994 £000
Authorised		
62,000,000 Ordinary Shares of 20p	12,400	–
4,000,000 "A" Ordinary Shares of 2.5p	–	100
7,600,000 Convertible Ordinary Shares of 25p	–	1,900
30,000,000 Preference Shares of £1	–	30,000
	12,400	32,000
Allotted, called-up and fully paid		
46,666,680 Ordinary Shares of 20p	9,333	–
4,000,000 "A" Ordinary Shares of 2.5p	–	100
7,600,000 Convertible Ordinary Shares of 25p	–	1,900
	9,333	2,000
Allotted, called-up and part paid		
30,000,000 Preference Shares of £1 (60p paid – (1994 60p paid))	–	18,000
	9,333	20,000

On 19 May 1994, 7,600,000 Convertible Shares and 4,000,000 "A" Ordinary Shares were converted into 3,055,558 Ordinary Shares of 20p each. On that date, 30,277,789 Ordinary Shares were allocated by way of capitalisation of reserves.

On 1 June 1994, 13,333,333 Ordinary Shares were allotted for cash, credited as fully paid at a price of £2.25 each, following a Placing and Intermediaries Offer. The cash raised by the issue has been applied in redeeming the group's preference share capital of £18,000,000, with the balance reducing the group's borrowings.

18 Reconciliation of shareholders' funds and movements on reserves

	Share Capital £000	Share Premium £000	Capital Redemption Reserve Fund £000	Profit & Loss Account £000	Total £000
Group					
Balance at 1 February 1994	20,000	12,550	–	13,403	45,953
Profit retained for the year	–	–	–	12,092	12,092
Dividends	–	–	–	(5,964)	(5,964)
Redemption of Preference Shares	(18,000)	–	–	–	(18,000)
Conversion of "A" Ordinary Shares and Convertible Shares into ordinary shares	(1,389)	–	1,389	–	–
Bonus issue of shares	6,055	(6,055)	–	–	–
Issue of new shares	2,667	27,333	–	–	30,000
Issue expenses	–	(1,607)	–	–	(1,607)
	9,333	32,221	1,389	19,531	62,474

£3,001,000 (1994 – £1,669,000) of the profit and loss account of the group is currently regarded as non-distributable.

	Share Capital £000	Share Premium £000	Capital Redemption Reserve Fund £000	Profit & Loss Account £000	Total £000
Company					
Balance at 1 February 1994	20,000	12,550	–	12,440	44,990
Profit retained for the year	–	–	–	6,694	6,694
Dividends	–	–	–	(5,964)	(5,964)
Redemption of Preference Shares	(18,000)	–	–	–	(18,000)
Conversion of "A" Ordinary Shares and Convertible Shares into ordinary shares	(1,389)	–	1,389	–	–
Bonus issue of shares	6,055	(6,055)	–	–	–
Issue of new shares	2,667	27,333	–	–	30,000
Issue expenses	–	(1,607)	–	–	(1,607)
	9,333	32,221	1,389	13,170	56,113

19 Creditors: amounts falling due within one year

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Trade creditors	12	10	12	10
Accruals	1,745	1,944	1,619	1,944
Amounts owed to group companies	–	–	120	–
Dividends proposed	3,617	1,800	3,617	1,800
Taxation – corporation tax	1,106	–	(1,629)	–
Taxation – social security	57	–	57	–
	6,537	3,754	3,796	3,754

20 Creditors: amounts falling due after one year

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Bank loans	114,016	99,491	101,016	99,491
Bank overdraft	5,352	2,910	5,352	2,910
Other	112	467	112	467
	119,480	102,868	106,480	102,868
Prepaid expenses	(1,024)	–	(1,024)	–
	118,456	102,868	105,456	102,868

The bank loans and overdraft are secured by a floating charge over the assets of the group and are repayable in between two and five years.

21 Provisions for liabilities and charges

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Deferred taxation				
on accrued income	1,660	874	–	–
on currency movements	–	100	–	–
on specific provision	(504)	(504)	–	–
	1,156	470	–	–
Balance at 1 February 1994	470		–	
Current year charge	686		–	
Adjustment in respect of prior year	–		–	
Balance at 31 January 1995	1,156		–	

Full provision is made for deferred tax.

22 Net cash inflow from operating activities

	1995 £000	1994 £000
Income before provisions and taxation	19,112	17,827
(Increase)/decrease in accrued income	(1,193)	162
(Decrease)/increase in accrued interest expenses	(267)	101
(Decrease)/increase in other debtors/creditors	(285)	3,807
Amortisation of deep discount securities	(550)	(406)
Capitalisation of interest receivable	(1,458)	(1,761)
Net cash inflow from operating activities	15,359	19,730

23 Analysis of changes in cash and cash equivalents during the year

	£000
Balance at 1 February 1994	1,646
Net cash outflow	(1,562)
Balance at 31 January 1995	84

24 Analysis of changes in financing during the year

	Share capital (including premium) £000	Bank loans and overdraft £000
Balance at 1 February 1994	32,550	102,401
Cash inflow from financing	10,393	12,988
Currency adjustment on foreign currency bank loans and overdraft	–	3,979
Balance at 31 January 1995	42,943	119,368

25 Contingent liabilities

The company has guaranteed a total of £2,645,000 in respect of liabilities incurred by its investee companies.

26 Capital commitments

At 31 January 1995, the group estimated that it had contractual obligations to provide further funding of £1,428,000 (1994 – £2,367,000).

27 Contracts with substantial shareholders

The company has intermediate capital fund management contracts to manage funds totalling £50m provided by the BT Pension Scheme and the Post Office Staff Superannuation Scheme, whose investments are managed by PosTel Investment Management.

28 Principal subsidiary companies

The principal subsidiary company is Intermediate Capital Investments Limited, a 100% owned company incorporated in the United Kingdom and registered in England and Wales, whose principal activity is that of an investment company.

Notice of meeting

Notice is hereby given that the Annual General Meeting of Intermediate Capital Group PLC will be held at 62-63 Threadneedle Street, London EC2R 8HE on Monday, 15 May 1995, at 12 noon for the following purposes:

1 To receive and adopt the financial statements for the year ended 31 January 1995 together with the reports of the directors and auditors thereon.

2 To declare a final dividend of 7.75p per Ordinary Share.

3 To reappoint Touche Ross & Co. as auditors and authorise the directors to fix their remuneration.

4 To re-elect as directors:
Mr T H Bartlam
Mr A D Jackson.

5 To transact any other ordinary business of the company.

By Order of the Board

J R B Odgers
Secretary
27 March 1995

Notes:

1 A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the company. Proxy forms must be lodged with the Registrar not later than 48 hours before the time fixed for the meeting.

2 Copies of directors' service contracts are available for inspection during business hours at the company's registered office at 62/63 Threadneedle Street, London EC2R 8HE.

Financial advisers
Lazard Brothers & Co Limited
21 Moorfields, London EC2P 2HT

Stockbrokers
Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

James Capel & Co Limited
Thames Exchange
10 Queen Street Place
London EC4R 1BL

Bankers
National Westminster Bank Plc
21 Lombard Street
London EC3P 3AR

Registered offices
62/63 Threadneedle Street
London EC2R 8HE

Auditors
Touche Ross & Co
Chartered Accountants and
Registered Auditors
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Solicitors
Norton Rose
Blackfriars House
19 New Bridge Street
London EC4V 6DH

Registrars
The Royal Bank of Scotland plc
Securities Services
PO Box 82, Caxton House
Redcliffe Way, Bristol BS99 7NH

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