Annual Report and Accounts

For the year to 31 January 2002

Mezzanine 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.

Mezzanine has been principally used to help finance buyouts but is increasingly used as expansion and acquisition capital and to finance capital reorganisations.

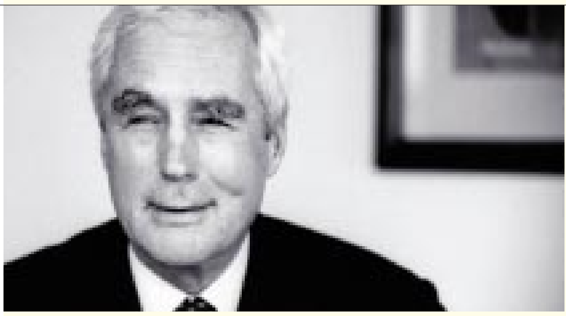
ICG is the leading specialist provider of mezzanine in the United Kingdom and Continental Western Europe.

Highlights

- Core income up 16% to £39.0m (2001 – £33.5m)
- Pre-tax profits £41.7m (2001 – £58.0m)
- Proposed final dividend of 19.4p net per share making 28.0p per share for the year, a 12% increase
- The loan book increased by 12% to £704m (2001 – £630m)
- Funds under management reach £1.2bn, a 20% increase
- New senior loan fund raised €450m (£280m)

	2002 £m	2001 £m	**2002 €m**	2001 €m
Net interest income	**36.0**	29.8	**58.9**	47.7
Core income	**39.0**	33.5	**64.0**	53.6
Net capital gains	**2.7**	24.5	**4.4**	39.2
Profit before tax	**41.7**	58.0	**68.4**	92.8
Loans and investments	**704.0**	630.4	**1,154.6**	1,008.7
Shareholders' funds	**198.5**	185.8	**325.5**	297.3

Chairman's Statement



Introduction

In the context of a testing business environment I am pleased to report a good performance by ICG in the last financial year.

The economic slowdown, which was becoming apparent in the first half of the year, was accelerated by the events of 11 September. This led to decreased levels of activity in mergers and acquisitions and in the buyout markets. Although this resulted in a slowdown in the rate of growth of our new lending, we yet again increased our loan book to a new record level. Core income, comprising net interest income and fee income, which is the key element of ICG's profits, showed further strong growth, while capital gains were, as expected, materially lower than the exceptionally high level achieved the previous year.

We are very pleased to have successfully launched a new loan fund, as a result of which our funds under management have increased from £1.0bn to approximately £1.2bn at the year end.

We have had an encouraging start to our current financial year, having completed four new deals, and while the current business environment presents us with challenges it also offers us good opportunities from which we believe ICG and its shareholders can benefit.

Results

Pretax profits for the year amounted to £41.7m, down from £58.0m in the previous year. This reduction was in line with expectations given the weak market for realisations and the high levels of capital gains in the previous year. The most important component of our profits, namely core income, increased by 16% to £39.0m on the back of growth in both net interest income and fund management fee income.

Dividends

The Board is recommending a final dividend of 19.4p net per share to be paid on 24 May 2002, which, with the interim dividend of 8.6p per share, brings the total for the year to 28p net per share, an increase of 12% over last year's dividend.

It is ICG's policy to deliver continuing dividend growth, driven by growth in core income. This year's dividend maintains our record of producing double digit dividend growth every year since we floated in 1994.

The dividend is covered 1.7 times by core income net of tax and 1.8 times by post tax earnings.

The loan portfolio

At the year end our portfolio of loans and investments amounted to £704m which represented a good increase of 12% over the year.

In a less active market we had a satisfactory year for new lending. We arranged or provided a total of £308m of funding in respect of 16 deals, of which £176m was invested on our own Balance Sheet, the balance being taken by our fund management clients and syndicated to third parties. We were particularly active in France, where we made eight new investments, and at the year end our continental European portfolio represented over 60% of our loan book. The lower level of M&A activity also resulted in fewer realisations and thus a lower level of repayments, which amounted to £81m in respect of 12 investments.

The more difficult economic environment has inevitably led to underperformance by some companies in our portfolio. In a small number of these instances, where the companies were already performing poorly prior to September, their situation is now of greater concern and in these cases we have made the appropriate provisions. In most other cases the level of underperformance is of less concern, and we would expect the trading of these companies to start to improve once we see an upturn in the global economy.

Overall we are pleased to be able to report that the bulk of our portfolio is performing satisfactorily.

Funding

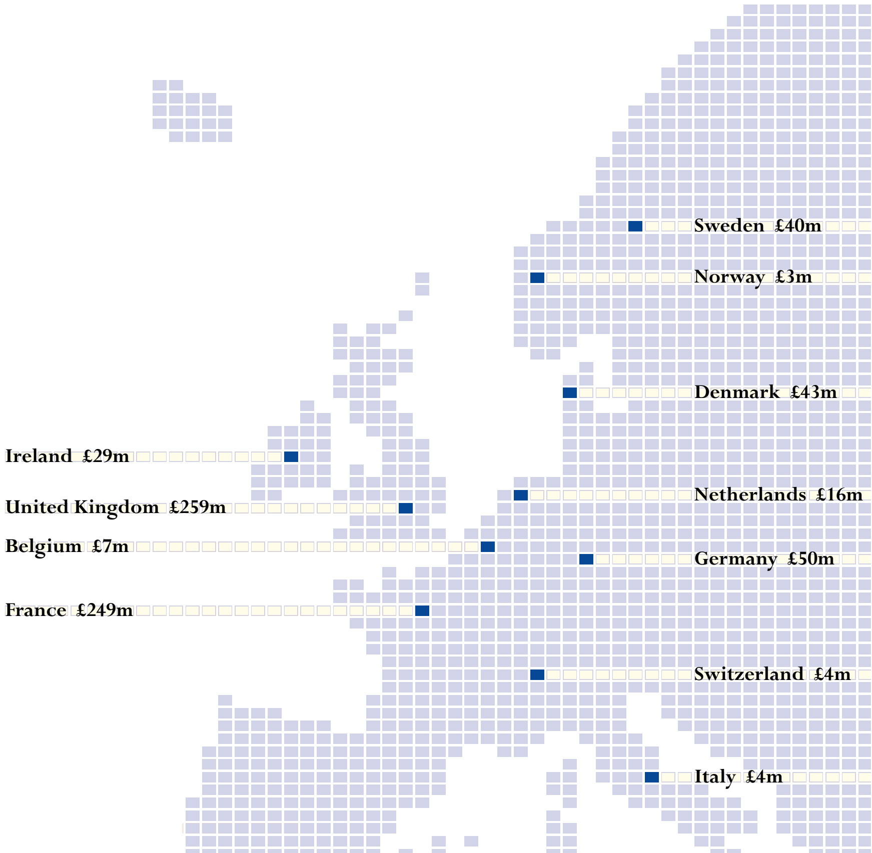
During the year we took the opportunity to increase our facilities so as not to be constrained in our ability

While Europe remains our main focus, we have expanded our activities into the Asia Pacific region, opening an office in Hong Kong.

London
20 Old Broad Street
London EC2N 1DP

Paris
38 Avenue Hoche
75008 Paris

Hong Kong
3603-3604 Edinburgh Tower
15 Queens Road Central
Hong Kong



to finance new lending opportunities in what could be an attractive environment for mezzanine investment. We raised £100m through a further private placement with maturities between five and ten years and have since the year end raised an additional £90m of medium term bank facilities. This has resulted in our total borrowing facilities amounting to £768m. At the year end our total borrowings amounted to £524m, which results in a relatively conservative gearing ratio for a financial institution like ICG of 2.6:1.

Fund management

Last year saw further growth in our fund management activities with funds under management increasing by 20% to £1.2bn and fee income increasing to £8.8m from £5.6m the previous year.

The highlight of the year was raising a new €450m (£280m) loan fund which will invest primarily in higher yielding European bank loans. The fund attracted considerable investor interest even in the difficult investment climate at the end of September and we believe the opportunity exists to raise new funds in this area.

Our two existing CDO funds, totalling €750m (£470m), are both fully invested. The European high yield bond market again performed very badly last year. Although our CDOs have continued to significantly outperform the market, their absolute performance has been worse than our original expectations.

In mezzanine fund management we continued to steadily invest our recent €475m (£295m) mezzanine fund. Higher than expected repayments of assets held by the earlier, more mature funds, however, led to the amount of money invested falling slightly to £250m at the year end.

ICG and the European mezzanine market

Last year, as concerns about the economy mounted and corporate confidence fell, there was a material reduction in the level of activity in the UK and European buyout markets. The value of buyouts in the second half of 2001 was 45% less than in the corresponding period of the previous year.

In this environment we have seen most banks becoming less aggressive in their senior lending, except for the larger, safer transactions. Most of them have also been more wary of taking on large underwriting risks. As a consequence, the demand for mezzanine finance has been quite good as it is the natural financing instrument to fill the gap left by the banks.

Overall we have seen the financial structures becoming somewhat more conservative since September with lower levels of gearing which is, of course, a welcome trend. In terms of pricing on new deals we have comfortably been able to maintain the cash yield as well as the overall level of projected returns.

During the last financial year the high yield bond markets were only really open for bond issues in excess of £100m for larger and safer companies. Consequently we rarely competed with that market.

The competitive threat from banks providing mezzanine themselves has reduced somewhat from the previous year. There remain a small number of banks that are particularly keen to build their own mezzanine portfolio and they have continued to be active in the market place along with a few independent mezzanine providers.

While at present the competitive threat from banks offering both senior debt and mezzanine may have reduced, in due course we expect this trend to reverse.

In 2001, ICG was the second most active arranger of mezzanine in European buyouts.

We recognise that we are operating in a market place which is already competitive and may become more so. We are confident we will continue to succeed in the winning of mezzanine mandates and maintaining a good market share because of our reliability, our geographic coverage, our commercial flexibility and the quality and size of our professional team.

The Asian mezzanine market

Last autumn we decided to set up a small office in Hong Kong with two experienced ICG professionals from Europe and we expect to add two further executives with suitable local knowledge and experience. We conducted detailed research over the previous twelve months on the prospects for mezzanine in the Asia Pacific market place and came to the conclusion that there are potentially interesting opportunities in selected countries within the region. Apart from ICG, there is currently no dedicated provider of mezzanine in that market but there are a number of major international private equity houses which are well known to us and are generally of the view that there will be increasing opportunities for buyouts, acquisition finance and refinancings.

As a result of opening the office, we should be in a better position to assess the opportunities in the Asia Pacific mezzanine marketplace and, subject to this, build a leading position in the region.

Management and staff

We have continued to expand our professional team during the year with particular emphasis on continental Europe which we believe has considerable growth opportunities. Since the year end we have moved into larger premises in London to accommodate our growing team.

The success of ICG depends primarily on the abilities of its staff. I would like to thank them on your behalf for their efforts last year.

The Board

I would like to pay tribute to my predecessor as chairman, Murray Stuart, who retired last May after serving seven and a half years as chairman of your company. During this time he played a most important role in overseeing the development of the company through its flotation and subsequent strong growth.

During the year the Board welcomed James Nelson as a new non-executive director. He is a partner of Graphite Capital, formerly Foreign and Colonial Ventures. He is a former chairman of the British Venture Capital Association and, with his many years experience of the private equity market will, I am sure, make a valuable contribution to ICG's future development.

Prospects

While it remains difficult to forecast market conditions, it is our assumption in looking at the year ahead that activity levels will remain well below their peak of 2000, although we expect to see some recovery from the very depressed level of the last quarter of 2001. In this uncertain market a more conservative approach by the banks should lead to relatively good demand for mezzanine and a reasonable number of attractive opportunities from which ICG is well placed to benefit.

We have started the new financial year well, having completed four new loans in the first two months of which nearly £60m has been invested on our balance sheet. We would not expect this rate of investment to be continued throughout the year but do believe it is realistic to expect to be able to continue to grow our loan book. This should lead to growth in net interest income.

During the year we will continue our effort to increase funds under management with particular emphasis being placed on the leveraged loan market. In our existing high yield CDOs, improvement in performance will depend upon a recovery in the high yield market.

There are a number of companies in our portfolio that are seeking a sale or flotation this year and these are capable of producing good capital gains. The achievement of such is, of course, dependent upon the strength of the M&A and IPO markets during the year.

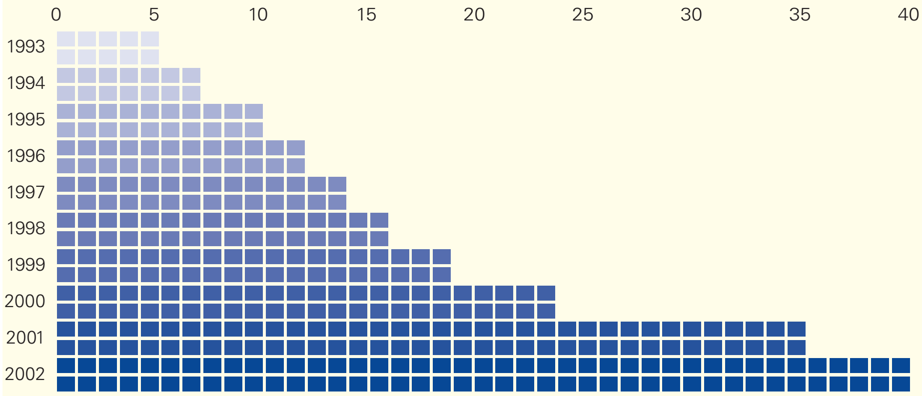
Our portfolio continues to be well diversified both geographically and across a wide range of sectors but it is not immune to the effects of a prolonged recession across Europe. We will continue to devote much time to managing the portfolio and protecting its value.

In today's changing environment, we continue to believe in the growth prospects of the markets in which we operate and look forward to the future with confidence.

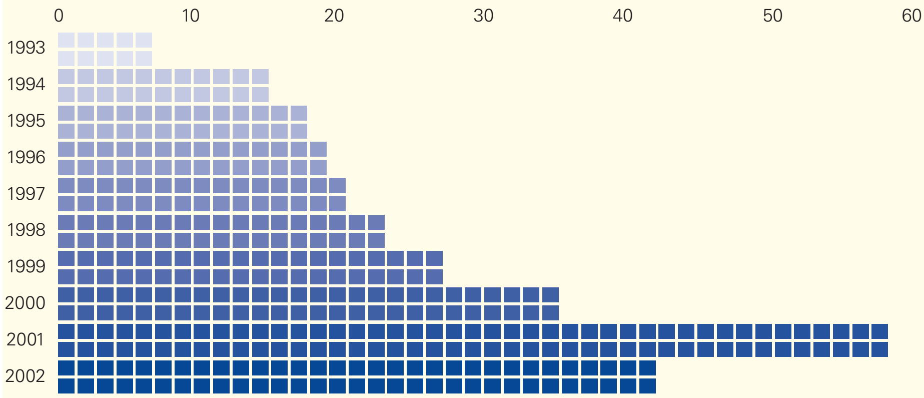
John Manser
Chairman
18 April 2002

Ten-Year Record

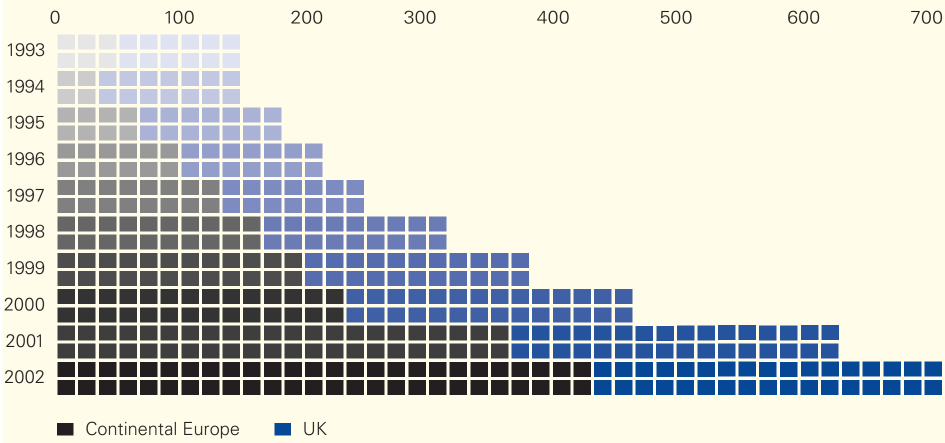
Core income £m



Profit before tax £m



Loans and investments £m



Business and Financial Review

1 The UK and Continental buyout market

A year ago ICG was predicting another strong year of buyout activity in 2001. While the year started well, by the summer activity levels were beginning to reduce as concerns about the economic outlook increased. The events of September did of course lead to a further significant slowdown. This pattern is shown clearly from the market statistics which show the total amount of buyouts in the UK and Europe in the second half of 2001 amounting to £14bn, a 45% reduction on the £25bn of buyouts recorded in the corresponding period in 2000. In times of uncertainty the level of M&A inevitably decreases materially because buyers are nervous about committing to a purchase and sellers are concerned about accepting too low a price. This is borne out by the M&A statistics for last year which show that the value of deals more than halved.

Although activity levels were significantly reduced there are still substantial amounts of money available in the market to finance buyouts. The private equity funds still have many tens of billions of pounds available to them and they are continuing to raise new funds for investment. These funds are actively pursuing deals where there is some reasonable visibility of future profitability. While there is strong competition for quality deals it is often the case that transactions take longer to complete as buyers wish to get a clearer view on current profitability.

To support private equity there are still considerable quantities of debt available to help finance new buyouts, particularly for the higher quality companies. However, in the short term at least, most banks appear to have become more selective in their lending and, except for very high quality companies, less aggressive in the financial structures which they are prepared to support.

The other development in the debt markets after September has been the greater reluctance of banks and investment banks to take on large underwriting risks.

In the short term ICG expects levels of buyout activity in the UK and continental Europe to be better than the last quarter of 2001 but still relatively subdued whilst uncertainty remains about the economic outlook. However, once confidence returns, M&A activity will increase again and the large amounts of money in the hands of financiers should ensure that buyouts represent a significant proportion of M&A activity.

In the current environment high quality companies are still being acquired on high valuations but there is a reduction in the prices being paid for the smaller companies of lesser quality.

2 ICG and the European mezzanine market

2001 saw mezzanine being used in 45% of the European and UK buyouts with a value exceeding £100m in 2001. The principal reasons for this relatively high usage of mezzanine were that the supply of mezzanine was strong, the high yield bond market was only available for the very large transactions and the senior lenders were becoming more conservative, leaving a gap to be filled by mezzanine.

Last year ICG declined a number of the larger mezzanine opportunities because it was not attracted by the nature of the businesses, the financial structure that was being proposed or the pricing on the mezzanine. In addition, the weakening economic background was a deterrent to investing in a number of other opportunities. Since September, on account of the increased caution of senior bank lenders, there began to appear a number of attractive opportunities particularly for independent providers of mezzanine such as ICG.

The most active competitors to ICG were again the banks which continued to underwrite mezzanine alongside senior debt as one-stop shops when there was a good opportunity to syndicate to other financial institutions. Since September their confidence in underwriting has in many cases reduced, making it more likely that some of them will seek the support of ICG to underwrite large amounts of mezzanine.

There remain a small number of banks that are keen to build up their mezzanine portfolios and they have continued to be active in the market place. There has also been some increase in the activity of some new independent funds but they are not adopting the pan European approach of ICG.

We also continue to believe that there are good opportunities for mezzanine in the non-buyout areas including recapitalisations and acquisition finance for private and public companies.

3 The European high yield debt market

The European high yield bond market had another bad year in 2001 with high levels of volatility, high default rates and low recovery rates. Despite this poor performance the pressing need for higher yielding assets among European investors continues to result in increasing cash flows coming into the market.

As a consequence the high yield market is polarising into two parts: a distressed sector and a small but growing group of quality industrial issues.

In the distressed debt category are telecom and cable companies where the market weighting decreased from 61% to 28% due to the combination of lower new issuance volume, lower secondary trading levels and defaults. Nine telecom companies with aggregate issuance of €3.5bn defaulted in 2001.

Overall European high yield issuance fell in 2001 as a decrease in telecom and cable volume offset the 30% increase in non-telecom volume. Thirty eight deals were priced during the year totalling €8.7bn. Helpfully the increase in non-telecom issuance after the first quarter of 2001 led to improved diversity over prior years. Also, significantly the market was enlarged by the fall of a number of investment grade corporates into the high yield arena.

The performance of European high yield in 2001 was once again very disappointing, mainly due to the problems in the telecom and cable sectors.

From ICG's point of view the changing market brings mixed blessings. On the one hand high yield issuance now tends to be limited to larger quality industrial credits where the issue size exceeds €150m which leaves a substantial middle market in which mezzanine is a primary financing source. On the other hand performance of the high yield market has led to significant difficulty in managing the high yield portfolios in ICG's CDOs.

4 The portfolio

During the year to 31 January 2002, ICG's portfolio of loans and investments increased from £630m to £704m, an increase of 12%. This is a lower rate of increase than in the previous year but reflects both the high level of new lending activity in the previous year and the effects of the economic slowdown during this year. The strengthening of sterling against the euro during the year resulted in the sterling value of the euro denominated portfolio decreasing by £18m.

ICG's portfolio is spread across 11 countries with 64% in continental Europe. The level of activity in France during the year continued to be very strong and it now represents 35% of the portfolios. While ICG opened its Hong Kong office in September 2001, no investments had been made there by the end of the year.

In addition to diversifying its risk by geographical area, ICG also invests in a wide range of industrial sectors. At the end of the year the portfolio was spread across 29 sectors with the largest exposure in any one sector being 13%.

Details of the portfolio, including new loans and repayments, may be found on pages 11 – 15.

New loans and investments The total amount of mezzanine loans and investments underwritten or provided by ICG during the year amounted to £308m which related to 16 new deals. ICG held £176m of this on its Balance Sheet while £51m was passed to its fund management clients. The remaining £81m was syndicated to third parties.

ICG completed eight deals in France, five in the UK and one each in Ireland, Netherlands and Sweden. Eleven of these deals were in respect of buyouts, three to provide support for acquisition finance and two refinancings. ICG was the lead mezzanine investor on 11 of the 16 deals completed in the year.

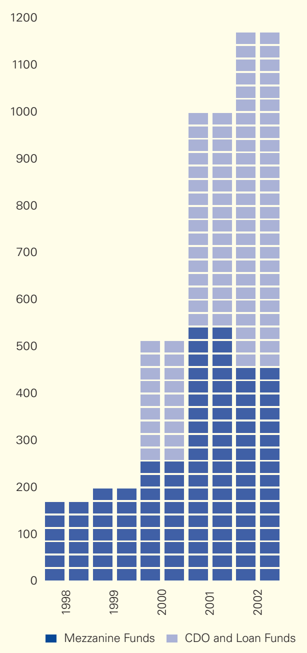
Repayments During the year investments amounting to £81m in 12 companies were fully repaid or prepaid. The repayments resulted from either a listing on a stock market, a trade sale or the refinancing of mezzanine loans with cheaper debt.

Provisions It is ICG's policy to make specific provisions against loans and investments where, in the opinion of ICG's management, the value of that loan or investment has become impaired. In the last financial year ICG made £18.2m of provisions which were in respect of loans to four companies. During the year, a £2m provision that had been made in a prior year has been released as the performance of the company has significantly improved. As a result, the net charge for the year amounted to £16.2m.

The level of provisioning this year was similar to that in the previous year and related to two new underperforming investments plus further provisioning on two investments where a partial provision had previously been made. At the year end, ICG's total provisions amounted to £42.9m which were in respect of seven investments. This represents 78% of the total cost of these loans and 6% of the gross loan book.

Shares and warrants As a result of its lending activity, ICG holds unquoted shares and warrants whose value is not included in the balance sheet. At the year end, the directors' valuation of these unquoted shares and warrants amounted to £55m compared to £37m at the beginning of the year. The increase reflects the maturing of our portfolio and the lower level of exits achieved during the year. In addition to its portfolio of unquoted shares and warrants, ICG holds a portfolio of listed shares acquired as a result of earlier exits. At the year end, the excess market value of this portfolio over its cost was £4m.

Value of funds under management £m



5 Fund management

Mezzanine During the year, ICG invested a further £51m of mezzanine on behalf of its fund management clients. Virtually all of this amount was invested on behalf of the Mezzanine Fund 2000 which was raised in the previous year. After £66m of fund management asset repayments, the amount invested on behalf of its clients at the end of the year was £250m, compared with £265m at the beginning of the year. For the second year running ICG included in its profit carried interest received from some of its more mature fund management clients.

High Yield fund management During the year ICG was successful in raising its first leveraged loan fund, Promus I, raising €450m (£280m) from UK and European investors. This fund is focused much more on leverage loans than high yield bonds as ICG believes they offer a more attractive risk return characteristic. It brings to €1.2bn (£750m) the total funds under management in leveraged loans and high yield bonds.

Last year ICG voiced its concern that the high yield bond market would be volatile. This has indeed been the case and the market has performed very badly. In these circumstances it has been difficult to manage the two existing CDOs, which themselves have leveraged structures. ICG is pleased to report however that each of the CDOs, which invest in high yield bonds, have significantly outperformed the market and still remain within their financial covenants. Since the year end the volatility of the high yield bond market has been more acute. The ongoing performance of the CDOs will depend on the health of the market.

While in the near term the growth in ICG's high yield bond fund management is likely to be restricted by the bad performance of the high yield bond market and the limited diversity it offers, ICG continues to be optimistic about the prospects of growing its funds under management in leveraged loans.

6 Borrowing and loan facilities

At the end of the financial year, ICG's total borrowings amounted to £524m, an increase of £62m over the figure at the beginning of the year.

In the spring of 2001, ICG returned to the private placement market, raising US$110m (£77m) from a number of US investors (including three new investors) and a further £25m from two UK institutional investors. The maturity on these funds is between five and ten years.

Subsequent to the year end, ICG increased its banking facilities by £90m through a new revolving credit facility led by Barclays, HBOS and Lloyds-TSB. Following this ICG's total borrowing facilities amounted to £768m.

7 Shareholders' funds

At the end of the year, ICG's shareholders' funds amounted to £199m, an increase of £13m. The movement on shareholders' funds is set out in Note 19 to the accounts. Including the full gross value of quoted shares and unquoted shares and warrants referred to earlier, ICG's equity base has increased to £258m compared to £244m at the beginning of the year.

8 Results for the year

ICG's results for the year to 31 January 2002 are summarised on page 1 to these statements. Pretax profits amounted to £41.7m compared to £58.0m in the previous year. This fall in profits was caused by the much lower level of capital gains compared to the high levels achieved in the previous year.

The pretax return on shareholders' funds amounted to 22%.

Profits after tax amounted to £28.9m compared with £40.5m for the previous year. Undiluted earnings per share amounted to 49.3p compared to 69.2p last year.

The constituent parts of ICG's profits are:

Core income Core income, the most important element of ICG's profits, which is defined as net interest and dividend income plus fee income less related administrative expenses, increased by 16% to £39.0m compared to £33.5m in the previous year.

Net interest income Net interest income increased by 21% from £29.8m to £36.0m.

This rise was due to a number of factors including the growth in the loan book, the continuing use of roll-up interest in the structure of mezzanine transactions and the receipt of non-accrued interest on a previously underperforming loan.

Fee income Fee income increased from £13.3m in the previous year to £14.3m. ICG earned less arrangement and underwriting fees this year, £4.7m compared to £7.0m last year, the reason for which was the overall lower levels of activity and the lower number of larger deals completed.

Fees from fund management activity increased during the year, both on the mezzanine and non-mezzanine side. Total fees from this activity increased from £5.6m to £8.8m. Fees from the management of mezzanine assets amounted to £6.2m, compared with £3.9m last year. This included the receipt of carried interest fees of £2.0m compared to £0.8m last year. Fees from the management of the two CDO funds and the new senior loan fund amounted to £2.6m compared to £1.7m for last year.

Recurring fees in the form of monitoring and agency fees increased from £0.7m to £0.8m.

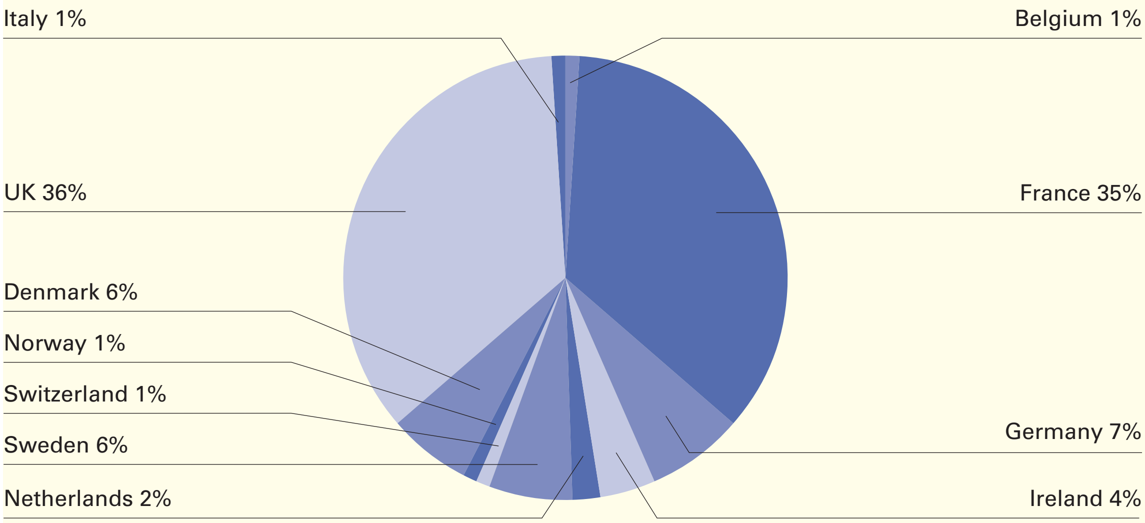
Expenses Administrative and operating expenses increased to £11.3m from £9.6m in the previous year. The increase arose from a number of factors including increased staff costs, and also a higher than usual amount of professional fees relating to aborted transactions. The costs for the year also reflect five months of costs for our new Hong Kong operation and also a full year's charge for the new French premises. These expenses represent 29% of core income.

Net capital gains ICG achieved capital gains during the year of £21.1m compared to the record level the previous year of £56.9m. After deducting specific provisions of £16.2m (2001 £16.9m) and the cost of the related employee incentives, net capital gains amounted to £2.7m compared to £24.5m the previous year. Capital gains were realised from eight different companies of which six were trade sales or refinancings with the remainder being from the sale of listed shares.

The cost of the medium-term incentive scheme (including discretionary contributions to the company's Employee Benefit Trust) decreased from £15.5m the previous year down to £2.2m this year as a result of the significantly lower level of capital gains coupled with a lower percentage payout according to the rules of the scheme.

The Portfolio

Portfolio spread by country



New loans and investments
During the year, ICG made the following loans and investments:

Baxi is a manufacturer of domestic hot water and central heating boilers and products based in the U.K. ICG took a participation of £10m in the mezzanine facility required to assist in the buyout.

Cantrell & Cochrane is a leading Irish manufacturer, wholesaler and distributor of alcoholic and non-alcoholic drinks. In November 2001 ICG assisted in refinancing the company by arranging an additional mezzanine facility of €35m.

Courtepaille is a leading chain of grill restaurants in France. ICG took a participation of €10.6m in the mezzanine facility required to assist in the buyout.

Craegmoor is a UK operator of homes in the long term care market. ICG took a participation of £6m in the mezzanine facility required to assist in the buyout.

Duni AB is a leading supplier of tabletop products for retail, professional and travel markets based in Sweden. ICG co-arranged a mezzanine facility of €44.5m to assist in refinancing the company.

Eliokem based in France, is a leading international manufacturer and marketer of speciality chemicals used in paints, masonry coatings, rubber, plastic, printer toners, textiles and latex. ICG arranged and provided a €20.7m mezzanine facility to assist in the buyout.

ERM is a leading global provider of environmental consultancy and risk management services for both the private and public sectors. ICG arranged and provided a mezzanine facility of $25m to assist in the buyout.

Eurogestion, an existing borrower, is a French company with a leading position in pest control for the housing and commercial building sectors. ICG arranged a mezzanine facility of FF46m to assist in the purchase of the market leader in Italy for pest control services.

Gerflor based in France, is the number two in Europe in the manufacture of PVC flooring. ICG took a participation of FF170m in the mezzanine facility provided to assist in the buyout.

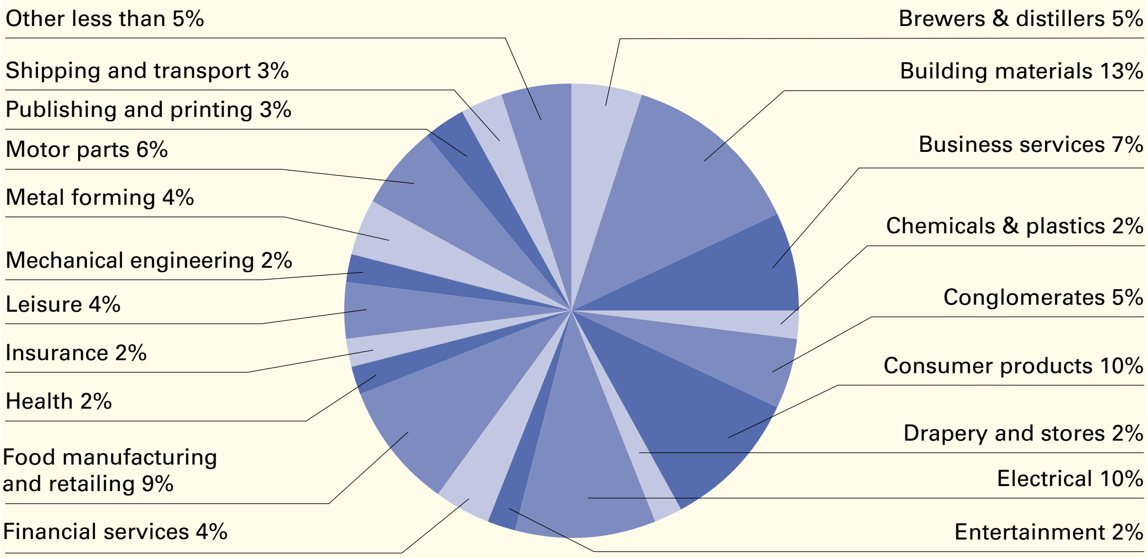
Leisure Link manages a wide range of both gaming machines and other entertainment machines. ICG arranged the mezzanine facility of £37.5m required to assist in this secondary buyout.

Malmberg is a leading publisher of educational material in the Netherlands and Belgium. ICG provided €12.5m of the mezzanine facility to assist in the buyout.

Picard is a leading French manufacturer, distributor and retailer of frozen foods. ICG arranged a mezannine facility of €164m required to assist in the buyout.

Pinewood an existing borrower based in the U.K., is the leading film studio complex in Europe. ICG arranged and provided a mezzanine facility of £3m to assist in the acquisition of Shepperton Studios.

Portfolio spread by industry



Plastimo an existing borrower based in France, is a manufacturer and distributor of recreational marine equipment. ICG arranged and provided a mezzanine facility of FF53m to assist in the purchase of a U.K. nautical equipment distributor.

Retif is the leading French wholesaler and retailer of equipment and display units used by small retail outlets, restaurants and hotels. ICG arranged and provided a mezzanine facility of €21.4m to assist in the buyout.

Sebia is a French based company operating in the clinical diagnostic market, developing and producing equipment and reagents. ICG arranged and provided a mezzanine facility of €11.5m to assist in the buyout.

Repayments

During the year, loans and investments of £81m in respect of 12 companies were repaid or prepaid. These companies were:

Name	Country	Form of realisation
Cartiere del Garda	Italy	Refinancing
County Hotels	UK	Refinancing
CPL Aromas	UK	Trade sale
Healthcall	UK	Trade sale
Holding Sia	France	Buyout
IPC	UK	Trade sale
Landal Greenparks	Netherlands	Refinancing
Meneba	Netherlands	Refinancing
Netlon	UK	Refinancing
PHS	UK	Flotation
Regal Hotels	UK	Refinancing
TGE Group	UK	Trade sale

In addition to the capital gains made on many of the exits above, during the year ICG also made capital gains on shares in companies where its loan had been repaid in previous years. These companies were:

Name	Country	Form of realisation
The Stationery Office	UK	Trade sale
Wightlink	UK	Trade sale

Current portfolio

At 31 January 2002, in addition to the new loans and investments listed above, ICG's portfolio consisted of the following companies:

Name	Country	Business
Accord	UK	Outsourcing to local authorities
Adco and Dixi	Germany	Hirer of portable toilets
Allflex	France	Animal identification tags
Asco	UK	Provider of logistic services for oil industry
Automotive Products	UK	Automotive clutch and brake manufacturer
Best	UK	IT recruitment agency
Blagden	Belgium	Steel drum supplier
Cantrell & Cochrane	Ireland	Manufacturer, wholesaler and distributor of drinks
Charter	UK	Engineering and manufacturer of fastenings and components
Clydesdale Financial Services	UK	Finance company
Coal Products	UK	Producer of smokeless solid fuels
De Dietrich	France	Manufacturer of heating, railway and processing equipment
DSV	Denmark	Transportation and logistics
Edrasco	France	Manufacturer of educational equipment
Electrokopper	Sweden	Manufacturer of copper wire rod and winding wire
Elis	France	Textile renting and cleaning business
Elmville	UK	Hotel operator
Empe	Germany	Manufacturer of interior trim for automotives
Eurogestion	France	Pest control
Focus	UK	DIY stores
Frans Bonhomme	France	Distributor of plastic pipes and couplings
Grand Vins de Gironde	France	Wine trading company
Helly Hansen	Norway	Producer of outdoor clothing
HLF Insurance	UK	Insurance broking
HMY	France	Manufacturer of supermarket equipment

Name	Country	Business
IBS Brocke	Germany	Manufacturer of automotive components
Jallatte	France	Manufacturer and distributor of protective footwear
Kiekert	Germany	Automotive equipment manufacturer
Latium Group	UK	Manufacturer and retailer of UPVC windows
Le Figaro	France	Newspaper publisher
Maccess	UK	Wholesaler and distributor of car accessories
Meyn	Netherlands	Manufacturer of poultry processing equipment
MGE	France	Manufacturer of UPS equipment
Nobia Byginterior	Sweden	Kitchen manufacturer
Norcros	UK	Manufacturer and distributor of showers and tiles
Nycomed	Norway	Pharmaceuticals
Orefi	France	Wholesaler of industrial items
Oriflame	Sweden	Direct selling of cosmetic products
Pets at Home	UK	Retailer in domestic pet market
Pinewood	UK	Film studios
Plastimo	France	Manufacturer of recreational marine equipment
Porcelain & Fine China Companies	UK	Manufacturer of china and porcelain
Portman Travel	UK	Travel agent
Premier Oilfield Services	UK	Hirer of North Sea oilfield equipment
Presspart	UK	Manufacturer of anodised aluminium
Saveurs	France	Producer of ingredients for food industry
Servicetec	UK	Computer services and maintenance
Sound Holdings	Denmark	Hearing aid component supplier
Steiner Industries	Austria	Plastic packaging and garden furniture producer
Sublistatic	France	Manufacturer of textile printing paper transfers
Takko	Germany	Fashion retailer
Target	UK	Express delivery services
Tata Tea	UK	Tea company
TMD Friction	Germany	Manufacturer of brake pads for automotive industry
Tunstall	UK	Manufacturer and maintenance of social alarm systems
Unipoly	UK	Manufacturer of building products and other industrial components
Vantico	Switzerlaand	Speciality chemical manufacturer
Victorvox	Germany	Service provider for mobile and fixed telecommunication industry
William Cook	UK	Manufacturer of steel castings

The portfolio of warrants and unquoted shares

At 31 January 2002 ICG had unquoted shares and warrants in most of the unquoted companies in its loan portfolio, as well as in the following companies which have prepaid their loans to ICG in full:

Name	Country	Business
Calvet	France	Wholesale wine merchant
Cartiere del Garda	Italy	Manufacturer of coated woodfree papers
Convenience Food Systems	Netherlands	Supplier of equipment for the preparation, processing and packaging of food
CPL Aromas	UK	Designer and manufacturer of fragrances and flavours
IPT	UK	Textile fabrics
Landal Greenparks	Netherlands	Holiday park operator
Meneba	Netherlands	Producer of flour, bakery and animal feed products
Neste OY	Finland	Manufacturer of epoxy resin
TGE	UK	Fluid processing technology and control information

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 January 2002.

Principal activities and business review The principal activities of the group are those of providing intermediate capital to companies in the United Kingdom and elsewhere in Western Europe along with the management of third party funds.

The group's profit before taxation was £41.7m (2001 – £58.0m). The directors consider the state of the company's affairs to be satisfactory.

Directors The present membership of the Board is as set out on page 41. With the exception of Mr Nelson, all the directors shown on page 41 served throughout the year. Mr Nelson was elected to the Board as non-executive director on 21 May 2001 and offers himself for re-election in accordance with the articles of association. Mr C M Stuart, who had served as non-executive Chairman since 1993, retired on 21 May 2001. Mr Manser was appointed non-executive Chairman on that date, having previously been non-executive deputy Chairman. In accordance with the articles of association, Mr Bartlam and Mr Jackson retire by rotation and offer themselves for re-election. The interests of the directors of the company and their immediate families as defined by the Companies Act in the shares of the company as at 31 January 2002 are as follows:

	2002 Number of 20p ordinary shares	2001 Number of 20p ordinary shares
T R Attwood	**10,000**	10,000
T H Bartlam	**834,106**	834,106
J-L de Gersigny	**676,675**	676,675
A D Jackson	**834,107**	834,107
E G Licoys	**1,800**	1,800
P J Manser	**3,000**	–
J J Nelson	**–**	–
P J Stone	**12,250**	12,250

On 8 April 2002, Mr Manser purchased a further 2,000 ordinary shares in the company. Other than this, no changes to the directors' interests in shares at 31 January 2002 as set out above had been notified up to 10 April 2002.

The directors had no interests in the shares of any subsidiary company.

Substantial shareholdings The company has received notifications from Prudential Portfolio Management and Standard Life that each is interested in more than 3% of the ordinary share capital of the company.

According to the company's share register at 25 March 2002, these and the following investment managers (through separately managed funds) had interests in aggregate amounting to over 3%.

Schroder Investment Management Limited	5,142,212	8.77%
Morley Fund Management Limited	4,864,662	8.29%
Standard Life	3,571,920	6.09%
Deutsche Asset Management Limited	3,174,860	5.41%
Invesco Fund Managers Limited	2,895,498	4.94%
Prudential Portfolio Managers Limited	2,633,806	4.49%
Martin Currie Investment Management Limited	2,347,206	4.00%
Framlington Investment Management Limited	2,095,050	3.57%
Gartmore Investment Management PLC	1,913,182	3.26%
Graphite Capital Management Limited	1,847,630	3.15%
Threadneedle Asset Management Limited	1,823,275	3.11%

Dividend The directors recommend a final net dividend payment in respect of the ordinary shares of the company at a rate of 19.4p per share (2001 –17.3p), which when added to the interim net dividend of 8.6p per share (2001 –7.7p) gives a total net dividend for the year of 28.0p per share (2001 – 25.0p). The amount of dividend paid and proposed for the year was £16.4m (2001 – £14.6m). After dividends, retained profits of £12.5m (2001 – £25.9m) have been transferred to retained earnings.

Trade creditors It is group policy to agree and clearly communicate terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms, based upon the timely receipt of an accurate invoice. The group does not follow any code regarding terms of payment, and the average number of creditor days throughout the year was 37 (2001 – 32).

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

Annual General Meeting A number of other resolutions will be proposed at the Annual General Meeting as special business.

Resolutions 6 and 7 will give the directors flexibility to allot unissued shares, although the directors have no present intention to issue any further shares save on the exercise of options granted under the Intermediate Capital Group Executive Share Option Scheme 1994 and the Intermediate Capital Group Unapproved Executive Share Option Scheme 1997. Resolution 6 will, if passed, authorise the directors to allot ordinary shares up to an aggregate amount of £3,401,509, representing approximately 29% of the current issued share capital of the company. Resolution 7 will, if passed, authorise the directors to disapply pre-emption rights of existing shareholders on future issues of ordinary shares for cash in respect of up to a maximum nominal amount of £586,467, being 5% of the current issued share capital. These authorities will expire at the conclusion of the Annual General Meeting of the company in 2003 and in any event no later than 15 months after the passing of the resolutions. However, the directors have no present intention of exercising these authorities, except pursuant to any exercise of share options. It is intended to renew such authorities at successive Annual General Meetings.

Resolution 8 will, if passed, authorise the company to purchase its own shares up to a maximum of 14.99% of the current issued share capital. The price payable for shares purchased will not be more than 105% of the average of the market values for the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days before the day on which the purchase is made, nor less than 20p (the nominal value of the share). The authority will expire at the conclusion of the Annual General Meeting of the company to be held in 2003 and in any event no later than 15 months after the passing of the resolution. The authority will only be exercised if to do so would be in the best interests of shareholders generally. At the date of this report, there are outstanding 2,618,889 share options under the Intermediate Capital Group Executive Share Option Scheme 1994, the Intermediate Capital Group Unapproved Executive Share Option Scheme 1997, the Intermediate Capital Group PLC 2001 Approved Executive Share Option Scheme and the Intermediate Capital Group PLC 2001 Unapproved Executive Share Option Scheme, which represent 4.5% of the company's existing issued share capital and would represent 3.9% of the company's issued share capital if the authority to purchase the company's own shares being sought were fully utilised.

By Order of the Board
J E Curtis
Secretary

18 April 2002

Corporate Governance

A summary of the system of corporate governance adopted by the company is set out below. Throughout the year ended 31 January 2002, the company has been compliant with the Code Provisions set out in Section 1 of the Combined Code of Corporate Governance issued by the Financial Services Authority.

The auditors have confirmed that, in their opinion, with respect to the directors' statements on internal control and going concern below, the directors have provided the disclosures required by the UK Listing Authority and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' other statements below appropriately reflect the company's compliance with the other paragraphs of the Combined Code specified for their review by Listing Rule 12.43(a). They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the company's system of internal control or its corporate governance procedures.

Statement of compliance with the principles of the combined code

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. It is their responsibility to present a balanced and understandable assessment of the company's position and prospects and this is done through the chairman's statement, business and financial review and the financial statements. Regular reports and presentations to the Board ensure that it is supplied with the quality information that it needs, in a timely manner.

The Board comprises four executive directors, an independent non-executive chairman and three further independent non-executive directors. The company has never had a designated chief executive. Each of the four executive directors has specific areas of responsibility and all collectively form the executive committee, with no one director being able to significantly affect the running of the company without consulting his colleagues. P J Stone has been identified as the senior independent director. The non-executive directors are as follows:

John Manser was appointed a non-executive director in January 2001 and non-executive chairman in May 2001.

Eric Licoys was appointed a non-executive director in January 1998.

James Nelson was appointed a non-executive director in May 2001.

Peter Stone was appointed a non-executive director in January 1998.

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

Audit Committee The Audit Committee meets regularly to review the annual and interim accounts, the procedures and controls of the company and to ensure compliance with accounting standards and regulatory requirements. The committee consists of four (2001 – four) independent non-executive directors, these being Messrs, Licoys, Nelson and Stone under the chairmanship of Mr Manser. The executive directors are not members of the Audit Committee but are invited to attend along with the Financial Controller. Deloitte & Touche, the company's auditors, are also invited to attend and have direct access to committee members.

Remuneration and Nomination Committee The Committee consists of four (2001 – three) independent non-executive directors, these being Messrs Manser, Licoys, Nelson and Stone. It recommends the terms and conditions of employment of the executive directors. Levels of remuneration are considered sufficient, but not excessive, to attract and retain the directors needed to run the company successfully. A significant proportion of directors' remuneration is linked to corporate performance. Although the Code recommends that executive directors have one year rolling contracts, executive directors have two year "rolling" service contracts which are judged appropriate for the investment and fund management nature of the company's business, given the level of continuity required. Further details regarding remuneration policy and payments made can be found in the report to shareholders on directors' remuneration and in the notes to the accounts. Appointments of executive and non-executive directors are made as necessary as a result of discussions by the committee and are subject to full Board approval. One-third of the directors offer themselves for re-election every year. Any director appointed during the year must offer himself or herself for re-election at the next Annual General Meeting. Details of directors up for re-election at the forthcoming Annual General Meeting are shown on page 39.

Relationships with shareholders The company is always willing to enter into dialogue with shareholders, based on mutual understanding of objectives. Investors are encouraged to attend the Annual General Meeting.

Internal control The directors acknowledge their ultimate responsibility for ensuring that the group has in place a system of internal controls that is appropriate to the business environment in which it operates. The directors have reviewed the effectiveness of the system of internal control and believe that such a system of controls is in place to give reasonable, but not absolute, assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are prevented or would be detected within a timely period.

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

The Board confirms that an ongoing process for identifying, evaluating and managing the group's significant risks has operated throughout the year and up to the date of approval of the directors' report and accounts. This process has been subject to regular review by the Board and accords with the guidelines contained in "Internal Control: Guidance for Directors on the Combined Code" issued in September 1999 by the Institute of Chartered Accountants in England and Wales. The key elements of this process are:

- Strategic risks are considered by both the Board and the executive committee in the context of an agreed strategic framework. A strategy paper and three year plan are produced annually to address the strategic challenges of the group and these are approved by the Board. A detailed financial plan is developed for the year ahead and monthly reports covering actual and planned performance are provided to the Board by the group's finance function.
- Financial risks (primarily loan losses and associated risks) are considered on behalf of the Board by the executive committee. The minutes of the executive committee are reviewed by the Board on a regular basis. These controls concentrate on the procedures for making and monitoring loans and investments and for the safeguarding of assets against unauthorised disposition.
- Operational risks (including compliance with the Financial Services Act) are considered on behalf of the Board by the executive committee.

The Board has established practices for reviewing the system of internal controls by way of reports it receives from the executive committee. The Board has considered the need for an internal audit function, but has decided that because of the nature of the current internal control system and size of the company it cannot be justified at present. The Board will review this decision next year. The Board undertook a formal annual assessment of the risk management and control arrangements on 24 January 2002 in order to form a view on the overall effectiveness of the system of internal control.

Going concern statement Based upon the review of the group's budgets and outline business plans for the next two years, the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future, and accordingly they continue to adopt the going concern basis in preparing the accounts.

Report of the Remuneration and Nomination Committee

for the year ended 31 January 2002

Remuneration and Nomination Committee The Committee consists solely of four non-executive directors, Messrs P J Manser, E G Licoys, J J Nelson and P J Stone, under the chairmanship of Mr Manser. Mr Nelson is a partner in Graphite Capital, one of whose funds has an investment in the ICG Mezzanine Fund 2000. Other than this, none of the Committee members have any personal financial interests (other than as shareholders), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. The Committee consults the executive directors about its proposals and has access to professional advice from outside the company.

Remuneration policy on executive directors' remuneration Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre needed to maintain the company's position as a market leader and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the Committee. This policy has been formulated having given full consideration to Section B of the Best Practices Provisions annexed to the Financial Services Authority Listing Rules.

The main elements of the remuneration package for executive directors are as follows:

- basic annual salary;
- bonus payments;
- share option incentives;
- carried interest arrangements.

Executive directors are entitled to accept appointments outside the company in connection with the company's activities and otherwise, providing the Chairman's permission is obtained.

Basic salary An executive director's basic salary is determined by the Committee at the beginning of each year. In deciding appropriate levels the Committee can rely on objective research which gives up to date information on a comparator group of companies (which comprises development capital companies engaged in private equity investment). Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Bonus payments In setting appropriate bonus parameters the Committee refers to the objective research on comparator groups of companies as noted above. The Committee believes that any incentive compensation awarded should be tied to the interests of the company's shareholders and that the principal measure of those interests is shareholder value. The key element of the current bonus incentive scheme is as follows:

- a medium-term incentive scheme, implemented in 1994, relating to the cumulative growth in earnings per share in excess of RPI and calculated by reference to the amount of realised gains. No payment currently is made if the cumulative growth in EPS is less than RPI plus 5% per annum. The amounts payable rise proportionately from 4% of realised gains to a maximum of 20% of realised gains with increasing cumulative growth in earnings per share. The extension and appropriateness of the scheme is considered by the Committee on an annual basis. The amounts include discretionary contributions to the Employee Benefit Trust established by the company.

Share options There is in existence a share option scheme which the company adopted on 18 May 1994 and which was approved by the Inland Revenue on 2 June 1994. The principal features of this option scheme are laid out in the Placing and Intermediaries Offer document dated 19 May 1994. This option scheme is, so far as executive directors are concerned, administered by the Committee. Details of options granted to directors are shown in note 9 to the accounts.

The company adopted a further unapproved option scheme on 19 May 1997. The principal features of this scheme are substantially the same as those of the scheme dated 18 May 1994 and the scheme is, so far as executive directors are concerned, administered by the Committee. Details of options granted to directors are shown in note 9 to the accounts.

The company adopted a further approved and a further non-approved share option scheme on 21 May 2001. Approval was given by the Inland Revenue on the former scheme on 22 May 2001. The principal features of these schemes were set out in the letter to shareholders dated 23 April 2001 and the schemes, as far as the Executive Directors are concerned, are administered by the Committee. Details of options granted to directors are shown in note 9 to the accounts.

Carried interest arrangements The company has established for its executives, including the executive directors, carried interest arrangements whereby 60% of the carried interest negotiated by the company in respect of managed funds raised since 21 January 1998 be available for allocation to its executives. Whilst these arrangements are not a long-term incentive scheme, it being the investors in such funds who bear the cost of the carried interest, the company sought, and obtained, approval from its shareholders for such arrangements at an Extraordinary General Meeting on 21 January 1998.

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

Executive directors' pension arrangements Under their service agreements, each executive director is paid an additional gross annual amount to be paid into any one or more pension plans of his choice by him up to a maximum annual amount equal to 15% of basic annual salary. There have been no changes in the terms of executive directors' pension entitlement during the year and there are no other arrangements in place concerning their pensions.

Executive directors' contracts Executive directors have two year "rolling" contracts which are deemed appropriate for the nature of the company's business. The company is obliged to pay damages for wrongful termination. No other payments are made for compensation for loss of office.

Mr Bartlam and Mr Jackson are due to retire by rotation and offer themselves for re-election. Mr Nelson was appointed to the Board on 21 May 2001 and offers himself for re-election in accordance with the articles of association.

Non-executive directors The remuneration of the non-executive directors is determined by the Board within the limits set out in the articles of association. The fee paid to the current non-executive chairman in the year was £62,500 (£56,250 as chairman) and the fee paid to the former chairman for his tenure of office was £17,000 and the annual fees paid to other non-executive directors varied between £19,000 and £29,000. Included in these amounts are fees for additional work performed for the company in respect of time spent working on the Remuneration and Nomination and Audit Committees. Non-executive directors cannot participate in any of the company's share option schemes. Non-executive directors do not have a contract of service and are not eligible to join the company's pension scheme.

Details of directors' remuneration This report should be read in conjunction with note 9 to the accounts which provides details of the remuneration of each director and which also constitutes part of this report.

The Remuneration and Nomination Committee
18 April 2002

Statement of Directors' Responsibilities

United Kingdom 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; and
- prepare the financial statements on a 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 which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control and for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

to the members of Intermediate Capital Group PLC

We have audited the financial statements of Intermediate Capital Group PLC for the year ended 31 January 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion We conducted our audit in accordance with United Kingdom 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 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

18 April 2002

Consolidated Profit and Loss Account

for the year ended 31 January 2002

	Note	2002 £m	2001 £m
Interest and dividend income		**62.9**	55.8
Capital gains		**21.1**	56.9
Fee and other operating income		**14.3**	13.3
	4	**98.3**	126.0
Interest payable and similar charges	5	**(26.9)**	(26.0)
Provisions against loans and investments	6	**(16.2)**	(16.9)
Administrative expenses	7	**(13.5)**	(25.1)
Profit on ordinary activities before taxation	3	**41.7**	58.0
Tax on profit on ordinary activities	8	**(12.8)**	(17.5)
Profit on ordinary activities after taxation		**28.9**	40.5
Dividends paid and proposed – ordinary	11	**(16.4)**	(14.6)
Retained profit transferred to reserves		**12.5**	25.9
Earnings per share	12	**49.3p**	69.2p
Diluted earnings per share	12	**48.7p**	68.2p

All activities represent continuing operations. There are no other recognised gains or losses for the current or prior year other than those shown in the profit and loss account.

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

Balance Sheets

31 January 2002

	Note	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Fixed assets					
Tangible assets	13	**1.5**	0.3	**1.5**	0.3
Loans	14	**633.3**	550.0	**630.8**	548.0
Investments	15	**70.7**	80.4	**40.6**	31.2
Current assets					
Debtors	16	**14.4**	9.4	**13.3**	8.3
Loans and investments	17	**33.0**	46.7	**33.0**	46.7
Cash at bank		**1.1**	3.1	**–**	2.4
		48.5	59.2	**46.3**	57.4
Total assets		**754.0**	689.9	**719.2**	636.9
Capital and reserves					
Called up share capital	18	**11.7**	11.7	**11.7**	11.7
Share premium account		**85.2**	85.0	**85.2**	85.0
Capital redemption reserve		**1.4**	1.4	**1.4**	1.4
Profit and loss account	19	**100.2**	87.7	**51.7**	40.9
Equity shareholders' funds		**198.5**	185.8	**150.0**	139.0
Creditors: amounts falling due after more than one year	20	**523.5**	461.2	**523.5**	461.2
Creditors: amounts falling due within one year	21	**32.0**	42.9	**45.7**	36.7
Total capital and liabilities		**754.0**	689.9	**719.2**	636.9

These financial statements were approved by the Board of Directors on 18 April 2002.
Signed on behalf of the Board of Directors by:

P J Manser Director

T H Bartlam Director

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

Consolidated Cash Flow Statement

for the year ended 31 January 2002

	Note	2002 £m	2001 £m
Operating activities			
Interest and dividends received		**58.5**	55.4
Gain on disposals		**21.3**	57.4
Fee and other operating income		**16.0**	13.2
Administrative expenses		**(25.6)**	(19.0)
		70.2	107.0
Interest paid		**(26.7)**	(24.8)
Net cash inflow from operating activities	22	**43.5**	82.2
Taxation paid		**(16.5)**	(14.7)
Capital expenditure and financial investment			
Loans and investments made		**(184.0)**	(274.2)
Realisations of loans and investments		**82.7**	115.2
Loans for syndication		**13.8**	(22.8)
		(87.5)	(181.8)
Purchase of tangible fixed assets		**(1.3)**	(0.1)
		(88.8)	(181.9)
Equity dividends paid		**(15.2)**	(13.5)
Net cash outflow before financing		**(77.0)**	(127.9)
Financing			
Increase in share capital		**0.2**	0.3
Increase in debt		**74.8**	130.6
(Decrease)/increase in cash	24	**(2.0)**	3.0

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

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 its principal 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 the 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. Gains or losses arising on the early termination of financial instruments used for hedging purposes are shown as part of interest expense.

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 of disposal. 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 and Equipment – 20%-33% 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.

f Loans and investments held as current assets Listed investments which are held as current assets, due to their impending sale, are held at their market value, with any resulting gain or loss being taken to the profit and loss account and included within capital gains. Loans and non-listed investments held as current assets are carried 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 expected 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.

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 and is included as part of interest expense.

1 Accounting policies continued

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.

l Financial instruments Derivative instruments utilised by the group are interest rate swaps and forward exchange contracts. The group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

Termination payments made or received are spread over the life of the underlying exposure in cases where the underlying exposure continues to exist. In other cases termination payments are taken to the profit and loss account.

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 £10.8m (2001 – £11.8m).

3 Analysis of profit before tax

	Core income		Capital gains	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Income:				
Interest and dividend income	**62.9**	55.8	**–**	–
Gain on disposals	**–**	–	**21.1**	56.9
Fee and other operating income	**14.3**	13.3	**–**	–
	77.2	69.1	**21.1**	56.9
Less:				
Interest payable and similar charges	**(26.9)**	(26.0)	**–**	–
Provisions against loans and investments	**–**	–	**(16.2)**	(16.9)
Administrative expenses	**(11.3)**	(9.6)	**(2.2)**	(15.5)
	39.0	33.5	**2.7**	24.5

The administrative expenses included under capital gains represent the costs of the medium-term incentive scheme, the amount of which is dependent on the level of capital gains for the year and cumulative earnings per share growth.

4 Analysis of gross income

	2002 £m	2001 £m
Gross income received from:		
United Kingdom	**38.9**	39.8
Continental Europe	**59.4**	86.2
	98.3	126.0

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

Gross income includes £0.1m (2001 – £0.2m) of dividend income from listed investments.

5 Interest payable and similar charges

	2002 £m	2001 £m
Bank loans and overdrafts	**14.3**	17.0
US private placement	**12.6**	9.0
	26.9	26.0

6 Provisions

	2002 £m	2001 £m
Provisions against loans and investments:		
Specific provisions charged in year	**18.2**	19.0
Written back in respect of prior years	**(2.0)**	(2.1)
	16.2	16.9

7 Administrative expenses

	2002 £m	2001 £m
Administrative expenses include:		
Amounts due under medium-term incentive scheme	**2.2**	15.5
Directors' remuneration	**2.2**	8.0
Depreciation	**0.1**	0.1
Auditors' remuneration:		
Audit	**0.1**	0.1
Other services	**0.2**	0.1

8 Tax on profit on ordinary activities

	2002 £m	2001 £m
Corporation tax on the profits for the year at 30% (2001 – 30%)	**12.8**	17.5
	12.8	17.5

9 Information regarding directors and employees

	2002 £m	2001 £m
Directors' remuneration:		
Fees	**0.2**	0.1
Other emoluments and benefits	**2.2**	7.9
	2.4	8.0
Employee costs during the year, including directors:		
Wages and salaries	**7.6**	18.7
Social security costs	**0.7**	2.3
Pension costs	**0.4**	0.3
	8.7	21.3

	No	No
Average number of employees	**42**	36

The performance related element included in wages and salaries is £2.2m (2001 – £15.5m), which is derived as a result of the management incentive scheme and contributions to the company's Employee Benefit Trust.

9 Information regarding directors and employees continued

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

Executive directors:	Basic salaries £000	Employee Benefit Trust interests £000	Pension scheme contributions £000	Benefits in kind £000	**Total 2002 £000**	Total 2001 £000
T R Attwood	237.5	274.0	35.6	2.0	**549.1**	1,657
T H Bartlam	237.5	274.0	35.6	2.0	**549.1**	2,086
J-L de Gersigny	237.5	274.0	35.6	2.0	**549.1**	2,086
A D Jackson	237.5	274.0	35.6	2.0	**549.1**	2,086

The emoluments paid to the executive directors include an amount of £1.1m which was contributed by Intermediate Capital Group PLC to the Intermediate Capital Group Employee Benefit Trust ("the Trust") with the recommendation that it was appointed for the benefit of the above directors and their families in the amounts shown. It is understood that the trustees of the Trust followed that recommendation.

Non-executive directors:	Fees £000	**Total 2002 £000**	Total 2001 £000
P J Manser	62	**62**	1
E Licoys	27	**27**	23
J J Nelson	19	**19**	–
R A Padgett	–	–	10
P J Stone	29	**29**	25
C M Stuart	17	**17**	65

Under the terms of the company's incentive scheme, J R B Odgers, a former executive director, is due an amount of £45,000 (2001 – £784,000) in respect of his former service as an executive director.

At 31 January 2002, the following directors had share options in the company which had not been exercised. The number of shares over which options are held is:

		Date granted	No. of shares	Exercise price	Earliest exercise date	Expiry date
T R Attwood	Approved	April 1996	8,670	346p	31 Jan 2000	April 2006
	Approved	April 1996	221,940	347p	31 Jan 2000	April 2003
	Unapproved	April 1997	71,827	342p	31 Jan 2001	April 2004
	Unapproved	April 2001	47,099	732.5p	31 Jan 2005	April 2008
T H Bartlam	Approved	April 1998	5,700	526.25p	31 Jan 2002	April 2005
	Unapproved	April 1998	71,259	526.25p	31 Jan 2002	April 2005
	Unapproved	April 2001	47,099	732.5p	31 Jan 2005	April 2008
J-L de Gersigny	Approved	April 1998	5,700	526.25p	31 Jan 2002	April 2005
	Unapproved	April 1998	92,806	526.25p	31 Jan 2002	April 2005
	Unapproved	April 2001	47,099	732.5p	31 Jan 2005	April 2008
A D Jackson	Approved	April 1998	5,700	526.25p	31 Jan 2002	April 2005
	Unapproved	April 1998	71,259	526.25p	31 Jan 2002	April 2005
	Unapproved	April 2001	47,099	732.5p	31 Jan 2005	April 2008

The earliest exercise date is the announcement date of the results in respect of the year then ended. The market price of the shares at 31 January 2002 was 765p per share.

10 Valuation of warrants and unlisted shares

The group has warrants to subscribe for shares in a number of borrowers. These warrants are not marketable instruments and can generally be realised by the group only 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 £55m (2001 – £37m) 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).

11 Dividends paid and proposed

	2002 Per share pence	2002 £m	2001 Per share pence	2001 £m
Ordinary dividend:				
Interim paid	**8.6**	**5.0**	7.7	4.5
Proposed final	**19.4**	**11.4**	17.3	10.1
	28.0	**16.4**	25.0	14.6

12 Earnings per share

The calculation of earnings per share is based on earnings of £28.9m (2001 – £40.5m) and an average number of shares in issue throughout the year of 58,615,048 (2001 – 58,517,708). The diluted earnings per share, is calculated after taking into account options issued to executives in respect of 2,618,889 (2001 – 2,066,310) ordinary shares and is calculated on an average number of shares of 59,403,833 (2001 – 59,356,693).

13 Tangible fixed assets

	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group and company			
Cost			
At 1 February 2001	**0.6**	**0.4**	**1.0**
Additions	**0.3**	**1.0**	**1.3**
Write-offs	**–**	**(0.3)**	**(0.3)**
At 31 January 2002	**0.9**	**1.1**	**2.0**
Depreciation			
At 1 February 2001	**0.4**	**0.3**	**0.7**
Charge for the year	**0.1**	**–**	**0.1**
Write-offs	**–**	**(0.3)**	**(0.3)**
At 31 January 2002	**0.5**	**–**	**0.5**
Net book value			
At 31 January 2002	**0.4**	**1.1**	**1.5**
At 31 January 2001	**0.2**	**0.1**	**0.3**

14 Loans

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Other loans:				
Loans	**661.2**	578.2	**658.7**	575.1
Less: Specific provisions	**(27.9)**	(28.2)	**(27.9)**	(27.1)
	633.3	550.0	**630.8**	548.0

	Group £m	Company £m
Additional information in respect of movements during the year is as follows:		
Other loans at cost:		
Balance at 1 February 2001	**578.2**	**575.1**
Net additions	**174.2**	**174.2**
Realisations	**(67.7)**	**(67.7)**
Reclassification	**(8.9)**	**(8.9)**
Amortised discount and capitalised interest	**0.2**	**0.2**
Currency movement on non sterling denominated loans	**(14.8)**	**(14.2)**
Balance at 31 January 2002	**661.2**	**658.7**

14 Loans continued

	Group £m	Company £m
Specific provisions:		
Balance at 1 February 2001	**28.2**	**27.1**
Provisions made during the year	**10.3**	**10.3**
Provisions released during the year	**(2.0)**	**(2.0)**
Reclassification	**2.4**	**3.5**
Loans realised or written off	**(9.9)**	**(9.9)**
Currency movement on non sterling denominated loans	**(1.1)**	**(1.1)**
Balance at 31 January 2002	**27.9**	**27.9**

15 Investments

	Group		Company	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Shares in group companies at cost	**–**	–	**9.4**	9.4
Other investments at cost:				
Redeemable preference shares (unlisted)	**16.4**	34.9	**8.9**	6.5
Redeemable preference shares (listed)	**–**	2.4	**–**	–
Equity shares (unlisted)	**65.9**	44.9	**30.2**	19.9
Equity shares (listed)	**3.4**	7.9	**–**	–
	85.7	90.1	**39.1**	26.4
Less: Specific provisions	**(15.0)**	(9.7)	**(7.9)**	(4.6)
	70.7	80.4	**31.2**	21.8
	70.7	80.4	**40.6**	31.2

The listed equity shares are listed on the London and Paris Stock Exchanges and at 31 January 2002 had a market value of £7.4m (2001 – £30m).

	Group £m	Company £m
Additional information in respect of investments for which there have been movements during the year is as follows:		
Other investments at cost:		
Balance at 1 February 2001	**90.1**	**26.4**
Net additions	**9.8**	**6.1**
Realisations	**(22.8)**	**(2.0)**
Reclassification	**8.9**	**8.9**
Currency movement on non sterling denominated investments	**(0.3)**	**(0.3)**
Balance at 31 January 2002	**85.7**	**39.1**
Specific provisions:		
Balance at 1 February 2001	**9.7**	**4.6**
Provisions made during the year	**7.9**	**7.9**
Investments realised or written off	**(0.2)**	**–**
Reclassification	**(2.4)**	**(3.5)**
Currency movement on non sterling denominated investments	**–**	**(1.1)**
Balance at 31 January 2002	**15.0**	**7.9**

16 Debtors

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Other debtors	1.7	–	0.6	–
Prepayments and accrued income	12.7	9.4	12.7	8.3
	14.4	9.4	13.3	8.3

17 Loans and investments held as current assets

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Loans held for syndication and high yield bonds	33.0	46.7	33.0	46.7

18 Called up share capital

	2002 £m	2001 £m
Authorised:		
77,500,000 (2001 – 77,500,000) ordinary shares of 20p	15.5	15.5
Allotted, called up and fully paid:		
58,646,710 (2001 – 58,598,825) ordinary shares of 20p	11.7	11.7

During the year, the company allotted 47,885 shares under its Unapproved Executive Share Option Scheme 1997.

19 Reconciliation of shareholders' funds and movement on reserves

	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Profit and loss account £m	Total £m
Group					
Balance at 1 February 2001	11.7	85.0	1.4	87.7	185.8
Exercise of option	–	0.2	–	–	0.2
Profit for the year	–	–	–	28.9	28.9
Dividends paid and proposed	–	–	–	(16.4)	(16.4)
Balance at 31 January 2002	11.7	85.2	1.4	100.2	198.5

£10.4m (2001 – £10.5m) of the retained earnings of the group is currently regarded as non-distributable.

	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Profit and loss account £m	Total £m
Company					
Balance at 1 February 2001	11.7	85.0	1.4	40.9	139.0
Exercise of options	–	0.2	–	–	0.2
Profit for the year	–	–	–	27.2	27.2
Dividends paid and proposed	–	–	–	(16.4)	(16.4)
Balance at 31 January 2002	11.7	85.2	1.4	51.7	150.0

20 Creditors: amounts falling due after one year

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
US private placement	**301.2**	192.7	**301.2**	192.7
Bank loans	**244.3**	289.3	**244.3**	289.3
Bank overdraft	**8.1**	–	**8.1**	–
Other	**(29.3)**	(19.7)	**(29.3)**	(19.7)
	524.3	462.3	**524.3**	462.3
Prepaid expenses	**(0.8)**	(1.1)	**(0.8)**	(1.1)
	523.5	461.2	**523.5**	461.2

The bank loans and overdraft are unsecured and are repayable within two to five years. The US$ 75,000,000 private placement issued in December 1995, which is denominated in US Dollars and swapped into floating rate European currencies, is unsecured and is repayable in three equal instalments, each of US$25,000,000, one within one to two years and two within two to five years.

The US$ 75,000,000 private placement issued in July 1998, which is denominated in US Dollars and swapped into floating rate European currencies, is unsecured and is repayable in two instalments, one of US$ 25,000,000 within two to five years and one of US$ 50,000,000 within five to ten years.

The US$ 95,000,000 private placement issued in April 2000, which is denominated in US Dollars and swapped into floating rate European currencies is unsecured and is repayable in four instalments, one of US$ 45,000,000 within two to five years and one of US$ 10,000,000 and two of US$ 20,000,000 each within five to ten years. The £25,000,000 private placement issued in April 2000 is unsecured and repayable within five to ten years.

The US$110,000,000 private placement issued in June 2001, which is denominated in US Dollars and swapped into floating rate European currencies is unsecured and is repayable in three instalments, one of $45,000,000 repayable within two to five years and two of $40,000,000 and $25,000,000 repayable within five to ten years. The £25,000,000 issued in June 2001 is unsecured and is repayable in two instalments, one of £5,000,000 repayable in two to five years and one of £20,000,000 repayable in five to ten years.

21 Creditors: amounts falling due within one year

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Trade creditors	**0.3**	0.1	**0.3**	0.1
Accruals	**16.7**	23.6	**16.9**	23.5
Amounts owed to group companies	**–**	–	**16.5**	(1.4)
Dividends proposed	**11.4**	10.1	**11.4**	10.1
Taxation – corporation tax	**3.2**	7.2	**0.2**	2.5
Taxation – social security	**0.4**	1.9	**0.4**	1.9
	32.0	42.9	**45.7**	36.7

22 Reconciliation of operating profits to operating cash flow

	2002 £m	2001 £m
Income before provisions and taxation	**57.9**	74.9
(Increase)/decrease in accrued income	**(2.3)**	3.1
Increase in accrued interest expenses	**0.3**	3.7
(Decrease)/increase in other net current liabilities	**(12.2)**	0.4
Amortisation of deep discount securities (net)	**–**	0.1
Capitalisation of interest receivable (net)	**(0.2)**	–
	43.5	82.2

23 Analysis of net debt

	As at 1 Feb 01 £m	Cash flow £m	Reclassification £m	Exchange movement £m	As at 31 Jan 02 £m
Cash in hand and at bank	3.1	**(2.0)**	**–**	**–**	**1.1**
Debt due between one and two years:					
US private placement	–	**–**	**(17.1)**	**–**	**(17.1)**
Other	–	**–**	**4.0**	**–**	**4.0**
	–	**–**	**(13.1)**	**–**	**(13.1)**
Debt due between two and five years:					
Bank debt	(289.3)	**36.2**	**–**	**8.8**	**(244.3)**
US private placement	(82.1)	**(31.9)**	**–**	**(3.3)**	**(117.3)**
Overdrafts	–	**(8.1)**	**–**	**–**	**(8.1)**
Other	9.9	**–**	**(0.4)**	**5.9**	**15.4**
	(361.5)	**(3.8)**	**(0.4)**	**11.4**	**(354.3)**
Debt due after five years:					
US private placement	(110.6)	**(71.0)**	**17.1**	**(2.3)**	**(166.8)**
Other	9.8	**–**	**(3.6)**	**3.7**	**9.9**
	(100.8)	**(71.0)**	**13.5**	**1.4**	**(156.9)**
Total	(459.2)	**(76.8)**	**–**	**12.8**	**(523.2)**

At 31 January 2002 the group has available undrawn facilities amounting to £155m under its revolving credit facilities, due between two and five years.

24 Reconciliation of net cash flow to movement in net debt

	2002 £m	2001 £m
(Decrease)/increase in cash in the period	**2.0**	(3.0)
Cash inflow from increase in debt	**74.8**	130.6
Change in net debt arising from cash flows	**76.8**	127.6
Translation difference	**(3.2)**	14.3
Movement in net debt	**73.6**	141.9
Net debt at beginning of the year	**478.9**	337.0
Net debt at end of the year	**552.5**	478.9

25 Financial commitments

At 31 January 2002, the group estimated that it had no contractual obligations to provide further funding (2001 – £nil).

The group regularly enters into forward contracts for financial instruments which are used to hedge interest rate and foreign exchange risk in the normal course of business.

26 Related party transactions

The company takes advantage of the exemption under FRS8 and does not report transactions or balances between group entities that have been eliminated on consolidation. There are no other related party transactions requiring disclosure under FRS8.

27 Principal subsidiary companies

The principal subsidiary companies are 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, Intermediate Capital Managers Limited, a 100% owned company incorporated in the United Kingdom and registered in England and Wales, whose principal activity is that of an advisory company, Intermediate Capital Limited, a 100% owned company incorporated in the United Kingdom and registered in England and Wales, whose principal activity is that of a general partner, Intermediate Capital GP Limited, a 100% owned company incorporated in Jersey and registered in Jersey, whose principal activity is that of a general partner in a number of partnerships and Intermediate Capital Asia Limited, a 100% owned company incorporated in Hong Kong and registered in Hong Kong, whose principal activity is that of providing intermediate capital to companies in the Asia Pacific region.

28 Financial assets and liabilities

Treasury and hedging policies

The group's financial instruments, other than derivatives, comprise borrowings in the form of bank debt and private placements, and various items, such as accrued interest, debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The group also enters into derivatives transactions (principally interest rate swaps and forward foreign currency contracts). The purpose of such transactions is to manage the interest rate and currency risks arising from the group's operations and its sources of finance.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. It is the group's policy to match foreign currency loans and related net interest income, wherever possible, through either borrowing in the same foreign currency or entering into equivalent forward foreign exchange contracts. The group's policy is to manage its exposure to interest rate movements present or future, actual or contingent so as to protect its net interest income over time. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the company's flotation in 1994.

Interests and currency exposures

Interest rate risk The group's main activity is to provide mezzanine finance to its borrowers at both fixed and floating rates in any freely traded currency. The group finances its operations by a mixture of retained profits, bank borrowings and private placements. The group borrows in currencies at both fixed and floating rates of interest and then uses interest rate swaps in order to match the interest profile of its assets and to manage the group's exposure to interest rate fluctuations. In order to protect its future interest income as its fixed rate assets mature, the company has entered into a series of delayed interest rate swaps under which it receives a fixed rate. The average rate achieved on these swaps is 5.95%. As a result, the group does not have material financial exposure to interest rate movements.

Liquidity risk As regards liquidity, the group's policy has throughout the year been to ensure continuity of funding. Due to the long term nature of the group's assets, the group's policy is that, wherever possible, the majority of its debt should mature in more than five years. This has been achieved by using a combination of private placements with maturities of between five and ten years and by short term borrowings under a five year extendible, multi-currency bank facility and other further syndicated and bilateral facilities.

The maturity profile of the group's financial liabilities, other than short term creditors, is shown in the net debt analysis in note 23 and the analysis of creditors over one year is shown in note 20.

Foreign currency risk Over one half of the portfolio of the group is in currencies other than sterling which gives rise to revenues in those currencies. In order to protect the group's sterling balance sheet from the movements in these currencies and the sterling exchange rate, the group finances its loans and investments by means of borrowings in the respective currency and by way of forward foreign exchange contracts. As a result, the group does not have material financial exposure to foreign exchange gains or losses.

After taking into account the various interest rate swaps entered into by the group to hedge its future income, the interest rate profile of the group's financial assets and liabilities at 31 January 2002 was as follows:-

	Financial assets			Financial liabilities		
Currency	Total £m	Floating rate financial assets £m	Fixed rate financial assets £m	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m
Sterling	242.9	224.8	18.1	37.9	37.9	–
Euro	412.6	361.8	50.8	409.9	409.9	–
Other currencies	71.0	59.0	12.0	69.8	69.8	–
	726.5	645.6	80.9	517.6	517.6	–

The group's financial assets consist of long term loans and investments. These usually have a term of between five and ten years, but are often prepaid prior to their contractual maturity. The interest rate for each fixed rate asset is set at the commencement of the loan. Interest rates for both floating rate assets and liabilities are based upon LIBOR plus the relevant margin

Hedging

Interest rates As stated in the group's accounting policies, the amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts. In respect of the year to 31 January 2002, interest expense was reduced by £7.1m (2001 – £4.2m) in order to reflect the amounts receivable for interest rate swaps. These interest rate swaps are primarily used to hedge the group's private placements, thereby lowering the higher costs of borrowing fixed rate US Dollars by converting into floating rate Sterling and Euros.

Currency exposure Forward foreign exchange contracts 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 and is included as part of interest expense. In the year to 31 January 2002, interest expense was reduced by £9.6m (2001 – £8.5m) in order to reflect this translation of forward currency contracts. However, because the group does not have any material financial currency exposure, this reduction in interest expense was offset by a corresponding increase arising from the translation of other monetary assets and liabilities, primarily its loans and investments, its bank borrowings and its private placements.

Fair value of financial assets and liabilities The carrying amounts and the estimated fair value of the group's outstanding financial instruments is set out below:

	2002 Net carrying amount £m	2002 Estimated fair value £m	2001 Net carrying amount £m	2001 Estimated fair value £m
Long-term loans and investments	704.0	763.0	630.4	689.5
Loans held for syndication	33.0	33.0	44.0	44.0
Cash at bank	1.1	1.1	3.1	3.1
Borrowings:				
Bank debt (including overdraft)	252.4	252.4	289.3	289.3
Private placements	301.2	301.2	192.7	192.7
Derivatives and financial instruments:				
Interest rate	–	3.2	–	2.1
Foreign currency	29.3	29.3	19.7	19.7

The following methods and assumptions were used to estimate the fair values shown below:

Long term loans and investments The estimate of the fair value of long term loans and investments is based on their cost, which is shown in the balance sheet at £704m, and the value of its warrants and listed equity shares. The fair value of the loans and investments does not include an adjustment to reflect interest rate movements since the date of the transaction as such loans are not readily marketable. The valuation of the warrants 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).

Loans held for syndication, cash at bank and bank debt The carrying values of these instruments approximate to their fair values because of their short term nature.

Private placements These are fixed rate US Dollar liabilities whose market value may be different to the carrying value. However, because the associated interest rate swaps provide a complete hedge to, and are considered part of, the transaction, any difference between the carrying value and fair value of the private placement will be offset by the difference on the associated interest rate swaps.

Foreign exchange contracts and interest rate swaps Foreign exchange contracts are revalued into sterling and shown in the balance sheet at their revalued amount. The fair value will therefore equate to the carrying value. The fair value of interest rate swaps (with the exception of those swaps taken out as part of the private placement) was estimated by discounting the future cash flows to net present values using appropriate market interest rates prevailing at the year end.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Intermediate Capital Group PLC will be held at 20 Old Broad Street, London EC2N 1DP on 20 May 2002 at 12 noon to transact the following ordinary business:

1 To receive and adopt the financial statements for the year ended 31 January 2002 together with the reports of the directors and auditors thereon.

2 To declare a final dividend of 19.4p per ordinary share.

3 To reappoint Deloitte & Touche as auditors and determine their remuneration.

4 To re-elect as directors:
T H Bartlam
A D Jackson
J J Nelson

5 To transact any other ordinary business of the company

and as special business to consider and, if thought fit, pass the following resolutions, of which Resolution 6 will be proposed as Ordinary Resolution and Resolutions 7 and 8 will be passed as Special Resolutions.

Ordinary resolutions

6 THAT the directors be and they are hereby generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985, to exercise all the powers of the company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £3,401,509 during the period commencing on the date of the passing of this Resolution and expiring at the conclusion of the Annual General Meeting of the company in 2003 or 20 August 2003, whichever is earlier, but so that this authority shall allow the company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities in pursuance of such offers or agreements.

Special resolutions

7 THAT, subject to the passing of Resolution 6 set out in the Notice of this Meeting, the directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (as defined by section 94 of the Act) pursuant to the authority conferred on them by the said Resolution 8 up to an aggregate nominal amount of £586,467 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall expire at the conclusion of the Annual General Meeting of the company in 2003 or 20 August 2003, whichever is earlier, save that this power shall enable the company before the expiry of this power to make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

8 THAT the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary shares of 20p each in the capital of the company ("ordinary shares"), provided that:

(a) the maximum number of ordinary shares that may be purchased is 8,791,141;
(b) the minimum price that may be paid for an ordinary share is 20p;
(c) the maximum price that may be paid for an ordinary share is an amount equal to 105%. of the average of the market values of the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days before the day on which such ordinary share is purchased;

(d) this authority shall expire at the conclusion of the next Annual General Meeting of the company in 2003 or 20 August 2003, whichever is earlier, unless previously renewed, varied or revoked by the company in general meeting; and

(e) the company may enter into a contract to purchase its ordinary shares under this authority prior to its expiry, which contract would or might be executed wholly or partly after such expiry, and may purchase its ordinary shares in pursuance of such contract.

By Order of the Board
J E Curtis
Secretary

18 April 2002

Notes:

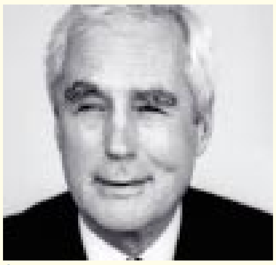
1 A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the company. Proxy forms must be lodged with the Secretary not later than 48 hours before the time fixed for the meeting.

2 Copies of directors' service contracts are available for inspection during business hours at the company's registered office at 20 Old Broad Street, London EC2N 1DP.

Directors and Management

Non-executive Chairman

1 John Manser, CBE, DL, aged 62, is a Fellow of the Institute of Chartered Accountants in England and Wales. He was formerly Chairman of Robert Fleming Holdings Limited and currently is Deputy Chairman of Fitzhardinge plc and a non-executive director of Shaftesbury PLC and South African Breweries PLC.


1

Executive directors

2 Tom Attwood, age 49. Prior to joining ICG in April 1996, he was a director of James Capel & Co where he worked for eight years.

3 Tom Bartlam, age 54, qualified as a Chartered Accountant with Price Waterhouse. Prior to founding ICG in 1989, he was a director of Charterhouse Bank, where he worked for fourteen years.


2


3

4 Jean-Loup de Gersigny, age 48, has an MBA from the London Business School. Prior to founding ICG in 1989, he worked for Chemical Bank in London for seven years.

5 Andrew Jackson, age 53, 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.


4


5

Non-executive directors

6 Eric Licoys, age 63, is Directeur Général of Vivendi, Universal, the media and communications group, having previously been President of the venture capital arm of Lazard Frères in France. He is a past chairman of AFIC.

7 James Nelson, age 54, is a partner of Graphite Capital which acquired Foreign and Colonial's private equity business. He is a past chairman of the British Venture Capital Association.


6


7

8 Peter Stone, age 55, is a qualified solicitor. He is a non-executive director of various businesses and was previously a director of Close Brothers Group plc.


8

Company secretary and financial controller

1 John Curtis


1

Finance executives

2 Tony Payne
3 Kim Rennie


2


3

High yield executives

4 Claire Campbell
5 Sara Halbard
6 Robin Jenner
7 Andrew Phillips
8 Richard Samuel


4


5


6


7


8

Mezzanine executives

9 Mike Anderson
10 Carola Babcock
11 Katharine Belsham
12 Martin Conder
13 James Davis
14 Hadj Djemaï
15 Martin Eriksson
16 Christophe Evain
17 Magnus Hildingsson
18 Felix Hoelzer
19 Piers Millar
20 François de Mitry
21 Simon Morrell
22 Rolf Nuijens
23 Paul Piper
24 Matthew Robinson
25 Damien Scaillierez
26 Graeme Smith
27 Denis Viet-Jacobsen
28 Rosine Vitman
29 Thomas Warnholtz


9


10


11


12


13


14


15


16


17


18


19


20


21


22


23


24


25


26


27


28


29

Company Information

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

Stockbrokers
Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

HSBC Securities
Thames Exchange
10 Queen Street Place
London EC4R 1BL

Bankers
The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Registered office
20 Old Broad Street
London EC2N 1DP

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

Registrars
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Designed and produced by fourthquarter Printed in England by SV.two

Intermediate Capital Group PLC
20 Old Broad Street
London EC2N 1DP
Telephone 020 7628 9898
Facsimile 020 7628 2268
Website www.icgplc.com

38 Avenue Hoche
75008 Paris
Telephone 00 331 4495 8686
Facsimile 00 331 4495 8687

3603-3604 Edinburgh Tower
15 Queens Road Central
Hong Kong
Telephone 00 852 2297 3080
Facsimile 00 852 2297 3081