Annual Report & Accounts 2011

Intermediate Capital Group plc

About ICG

We structure and provide mezzanine finance, leveraged credit and minority equity, managing €11.8 billion of assets from third party investors and our balance sheet.

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

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

What you'll find online

This year we launched our new website. You'll find past results and presentations, shareholder information (including shares calculator), press releases, fund information, our full investment portfolio, company history and our team.

▸ **Go to www.icgplc.com**

What's in this report

How we performed

Third party funds under management £m

2007	6,029
2008	7,259
2009	8,497
2010	7,340
2011	**7,984**

£8.0bn
+9%

Balance sheet investments £m

2007	1,750
2008	2,306
2009	2,923
2010	2,718
2011	**2,424**

£2.4bn
–7%

Fund Management Company profit before tax £m

2007	
2008	23.7
2009	30.9
2010	38.0
2011	**35.9**

£35.9m
–6%

Investment Company profit/(loss) before tax £m

2007	
2008	205.0
2009	(97.6)
2010	67.8
2011	**150.4**

£150.4m
+122%

Profit/(loss) before tax £m

2007	224.0
2008	229.5
2009	(66.7)
2010	105.8
2011	**186.3**

£186.3m
+76%

Dividend per share pence

2007	23
2008	27
2009	17
2010	17
2011	**18**

18p
+6%

In this report

Our business

Our model

We deploy capital on behalf of more than 170 investors through mezzanine, credit and minority equity funds specialising in mid-market transactions (typically €250 million to €1 billion of enterprise value). We also invest our own capital alongside third party funds.

The Fund Management Company ("FMC")

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

► Full details of our funds are available on **pages 46 – 47**

The Investment Company ("IC")

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

► Full details of the IC's portfolio are listed on **pages 48 – 56**

There are two discrete teams within FMC: mezzanine funds and credit funds.

Our mezzanine and equity funds

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

Our credit funds

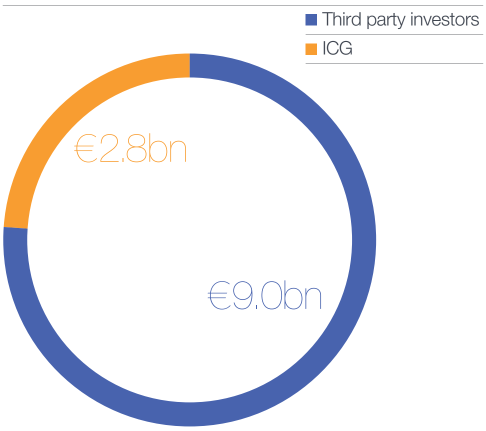
ICG credit funds deploy third party capital investing in senior loans and high yield bonds of proven European companies. The IC provides seed capital to launch and develop new funds such as the European High Yield Bond Fund.

€11.8bn

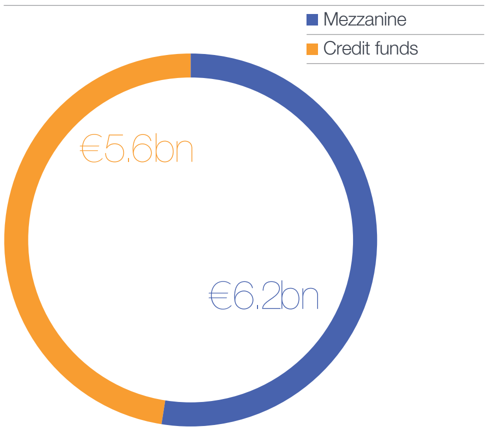
2011 Total assets under management

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

Where we source capital



Where we invest capital



Our strategy

1 Manage our portfolio to maximise value

Regular involvement with portfolio companies is fundamental to managing and supporting the value of our investments. Post-investment monitoring is a key focus of both ICG investment executives and the Investment Committee and typically we seek board attendance rights from portfolio companies. Investment executives are responsible for attending monthly, or quarterly, board meetings.

Board representation assists in:

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

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

2 Invest selectively

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

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

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

3 Grow our Fund Management Company

Mezzanine and equity funds. We continue to build on our leadership position and strong track record in European and Asia Pacific mezzanine and continue to expand our presence in the US. We will increase AUM through fundraising.

Credit funds. As one of the longest established European credit managers we are well placed to grow AUM in both senior loans and high yield bonds. In addition we will continue to review opportunities to expand our franchise geographically and through selective acquisitions.

Expanding the product offering – new asset classes. Over the past 20 years ICG has built a leading global mezzanine platform and a strong European leveraged loans and high yield bond business. This success was achieved by combining local, dedicated teams of investment specialists with a common investment discipline and operating platform. We will continue to grow our product offering through measured expansion into adjacent asset classes where our core skills, global reach and infrastructure can create value for our institutional clients and shareholders.

We believe that our skills can be successfully applied to adjacent asset classes such as commercial real estate, however, we will take measured steps to expand our product offering. In December 2010, we acquired a 51% stake in Longbow Real Estate to replicate in the real estate mezzanine market the success we have enjoyed in the leveraged buyout market.

Chairman's statement

"This has been a particularly strong year for ICG and I am pleased to report that we have generated a profit before tax of £186 million, up 76%."

Justin Dowley
Chairman

Group profit before tax of £186 million compared to £106 million in 2010
13 successful exits generating £133 million of capital gains
£1 billion of new investments on behalf of our mezzanine funds and Investment Company
Third party AUM up 9% to €9.0 billion

Overview

This has been a particularly strong year for ICG and I am pleased to report that we have generated a profit before tax of £186 million, up 76% compared to last year's £106 million.

We have demonstrated our ability both to source and structure unique deals, resulting in a significant level of investment. In particular, Eos Loan Fund I - the fund created for the acquisition of a €1.4 billion portfolio of senior loans from RBS – attests to this ability. ICG is one of the very few asset managers able to analyse, price, manage and underwrite a transaction of this scale and complexity.

We deployed a total of £1 billion on behalf of our shareholders and mezzanine funds in spite of a slow market for mezzanine investments. £311 million was invested from our balance sheet, a higher amount than we expected at the start of the year. This reflects the strength of our local networks across Europe, the United States and Asia Pacific and our ability to create investment opportunities in a challenging environment.

We have realised significant value from our portfolio of investments with a total of 13 exits in the financial year leading to capital gains of £133 million. This represents the third highest level of capital gains in our 22 year history.

The performance of our investment portfolio has improved steadily throughout the last 12 months as the economic environment stabilised with 74% of our investee companies performing at or above the prior year, compared to 59% last year. This is in spite of having exited strong performing companies. As a result, gross impairments are materially lower and we have started to benefit from write-backs on the assets which have shown a significant improvement in trading. Therefore net impairments are also lower at £71 million.

We grew AUM by 5% to €11.8 billion, with third party AUM of €9 billion, up 9%, thanks in large part to the Eos Loan Fund I. Our Fund Management Company has also benefited from excellent results across all our mezzanine, senior loan and high yield bond funds.

Since 2000, our mezzanine and equity funds have generated net multiples in line with top quartile performance of private equity returns and we are confident that we can maintain this level in the future.

Our credit funds have also performed well. Our loan funds have maintained a very low default rate of 1.5% and performance related fees have returned. Furthermore our European High Yield Fund has consistently outperformed the market. The fund generated a net return of 14% in 2010 and has already achieved a 4% net return in the first four months of 2011.

Capitalising on this track record of performance we have begun marketing a new European mezzanine and equity fund to global institutional investors as a successor to ICG European Fund 2006. In addition, we have opened our European High Yield Bond Fund to third party investors and continue to market our loan funds.

Overall, we have had an excellent year and we are building momentum towards achieving our strategic objectives.

76%

Strong growth in profit before tax.

18p dividend

Sustained high level of cash core income led to 6% increase of dividend to 18p.

Outlook and strategy

Our strategy and priorities continue to focus on building a specialist fund management business supported by a strong Investment Company.

In the short term, we expect liquidity in the current buyout market to remain broadly similar, providing further opportunities to make profitable exits. Although the investment environment remains challenging, we are seeing a promising pipeline of mid-market deals across our geographies and we will continue to pursue investment opportunities through our relationships, local presence and structuring ability to gain early access to proprietary investments.

In the medium term, the high levels of European buyout debt maturing over the next four years at the same time as CLO reinvestment periods expire, will create demand for new sources of capital to fill the gap. We will grow AUM by continuing to market our mezzanine, loans and high yield funds to take advantage of this market opportunity.

Dividend

As a result of maintaining a high level of cash core income at £107 million and the positive outlook, the Board recommends a final dividend of 12 pence per share, making a total of 18 pence per share for the year. This represents a 6% increase compared to last year.

The dividend will be paid on 19 August 2011 to shareholders on the register at 15 July 2011. The Board has decided to maintain the scrip dividend scheme introduced in June 2009 in order to give shareholders greater flexibility. This scheme allows shareholders to elect to receive dividends in shares as opposed to cash.

Employees

I would like to thank our employees for a year of hard work and considerable achievement.

Justin Dowley
Chairman

"We have made progress towards our three key strategic priorities: managing our portfolio to maximise value; investing selectively; and growing our Fund Management Company."

Excellent progress towards our strategic priorities

Priorities for FY 11

Manage our portfolio to maximise value

1

Market drivers

The economic environment has stabilised, with some Western economies showing signs of recovery.

There is a strong exit market with transactions achieving high valuations due to high levels of liquidity and a continued appetite amongst private equity firms for assets that performed well through the cycle.

Priorities for FY 11

Invest selectively

2

Market drivers

The temporary availability of high levels of debt, available from the high yield market, and equity capital has created a more challenging investment environment for standard mezzanine products.

However, there are attractive investment opportunities for tailored capital solutions in mid-market transactions, in partnership with local sponsors and management teams, who need flexible solutions to execute transactions.

Priorities for FY 11

Grow our Fund Management Company

3

Market drivers

The fundraising environment remains mixed. We are seeing strong interest for alternative investment products in our core credit speciality. However, ongoing changes in the regulatory environment are hampering the ability of some institutions to commit funds to long term investment decisions.

Progress

Portfolio performance showed strong and consistent improvement throughout the year with top-line growth across the majority of the portfolio leading to strong EBITDA increases and further deleveraging. As at 31 March 2011, 74% of the portfolio was performing better or at the same level than the prior year, compared to 59% at 31 March 2010 and 62% at 30 September 2010.

We took full advantage to realise significant value via 13 exits across our geographies, which led to a high level of realisations for our mezzanine and equity funds and our Investment Company. For the latter we generated £132 million of capital gains, £388 million of repayments of principal and £82 million of accrued interest over the 12 months to 31 March 2011.

► For more information see **page 12**

Priorities for FY12

Managing our portfolio to maximise value remains a strategic priority.

We expect the exit window to remain open providing further opportunities to realise value from the assets held by our funds and our Investment Company in FY12.

Progress

Our response has been to invest principally in proprietary deals, originated through the local reach and relationships of our network of investment professionals, to gain early access to deals. Providing tailored and flexible solutions to local sponsors and management teams enables us to obtain an attractive pricing on our new investments.

We invested close to £1 billion for the full year on behalf of our mezzanine and equity funds and our Investment Company. As a result our ICG European Fund 2006 is now fully invested and our ICG Recovery Fund 2008 is 75% invested. For the Investment Company we deployed £311 million, well above our initial guidance for the year.

► For more information see **page 15**

Priorities for FY12

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

Progress

AUM has grown to €11.8 billion at 31 March 2011, up 5%. This includes €9.0 billion of third party funds, up 9%. The increase in third party funds was principally due to the Eos Loan Fund I, the vehicle we set up for the acquisition of the RBS portfolio, as well as the acquisition of the €300 million St Paul's CLO and the 51% stake in Longbow.

Our third party funds have benefited from the same improving economic environment and favourable exit conditions and have continued to deliver strong performances. This solid track record is of key importance as we seek to grow our fund management franchise.

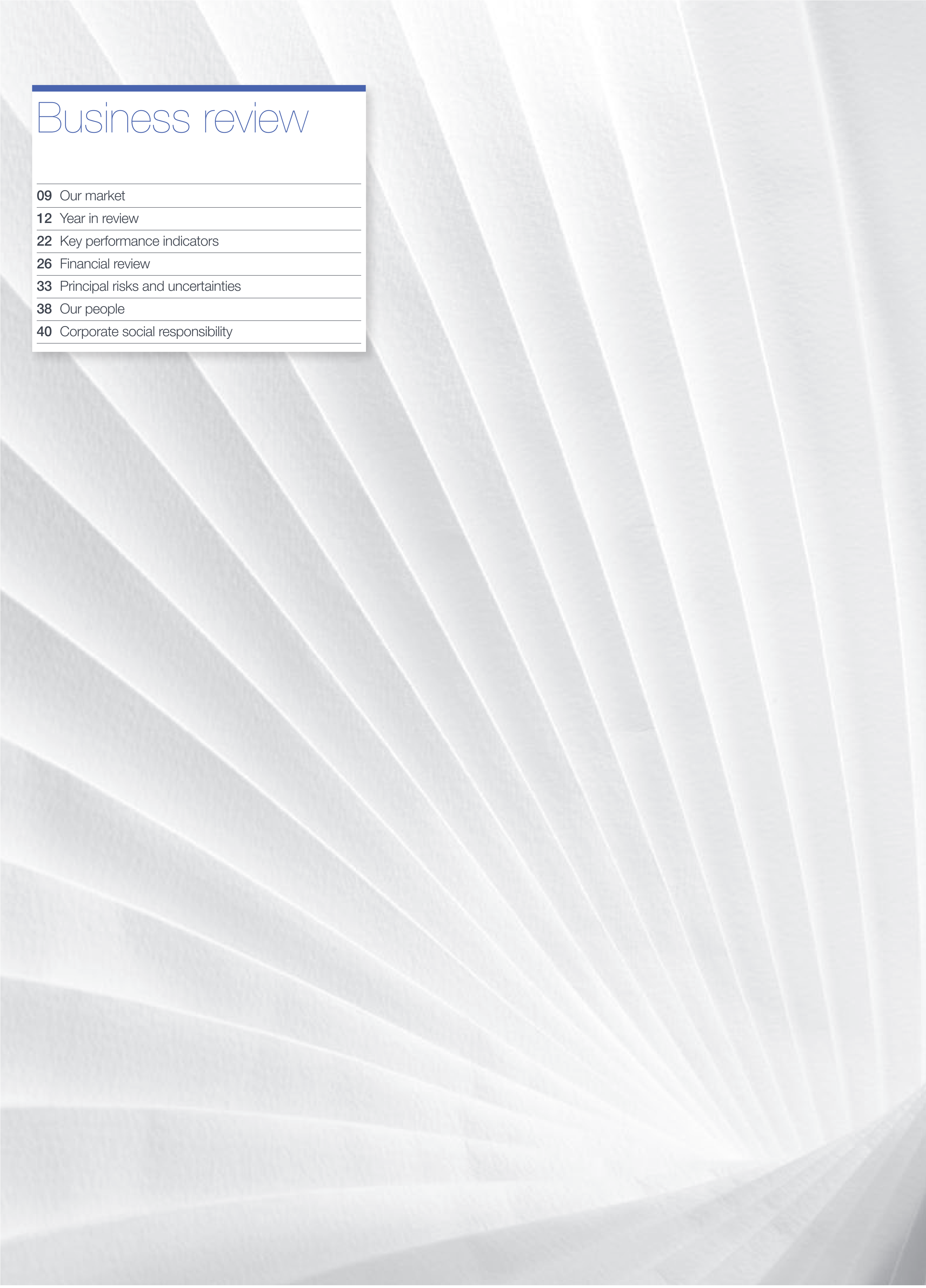
We have also expanded our marketing and distribution team which is now ten strong. We have begun marketing our new mezzanine fund, ICG Europe Fund V, the successor to ICG European Fund 2006 and are working towards a first close with investors.

► For more information see **page 17**

Priorities for FY12

The focus will be on raising the ICG Europe Fund V and marketing our senior loan and high yield funds.

We will continue to make selective hires of experienced marketing and distribution professionals to strengthen our brand and investor reach in support of our global fundraising activities in Europe, the US and Asia Pacific.



Business review

Our market

After three years of the worst crisis in several decades, the buyout market looks as though it is returning to normality. To our eyes, however, all is not what it seems.

Equity capital

Buyout transactions resumed in 2010 with the help of a strong high yield market and the recycling of CLO cash into new loans. The majority of deals have been serial buyouts; high prices have been paid by private equity firms supported by the vast amount of capital raised before 2008 that still needs to be put to work. There is still over €150 billion of unspent private equity commitments in Europe alone and strong companies which have shown resilience through the recession have been in particularly high demand.

However, fewer such companies remain available to buy and most of these are already in the process of exiting. As we look at the next layer of buyout companies, their quality and performance cannot justify such high valuations. Private equity owners will want to hold these assets for longer to generate acceptable returns on their original investment. Unless performance picks up significantly from today's levels, this will inevitably slow the pace of secondary deals. Meanwhile, a more stable economic environment will start to generate investment opportunities in the primary mid-market with existing leveraged finance arrangements that require restructuring also generating opportunities to invest.

Debt capital

But where does the funding to support mid-market deals come from? The European high yield market has seen a record level of €45 billion of issuance in 2010, representing more than 1.5 times the European record set in 2006 and these trends are continuing into 2011. A growing number of buyout companies are refinancing by issuing high yield bonds and as they repay their debt, the CLOs – owners of a large part of the outstanding senior secured loans – receive a prepayment which they are recycling by buying loans, new and old.

As a result, close to €20 billion of new senior debt was issued in 2010. Whilst this is a fraction of the €350 billion of debt available in the three year period 2005–2007, it has been sufficient to support recent mid-market buyout transactions, giving banks the confidence to arrange syndicated loans to finance and refinance buyouts; mostly sold to

"Market trends will create an even larger funding gap to be filled by asset managers and investors with the right skills in high yield, mezzanine and sub-investment grade debt. ICG is well positioned to compete in all of these asset classes."

Our market continued

"The implications for the debt market are significant as the syndicated loan market will lose approximately €50 billion of capacity; most of it expiring rapidly from 2012 onwards. This is a significant gap."

CLOs. The liquidity generated in the high yield market and recycled in the sub-investment grade market has also supported a rally in loan prices.

High levels of liquidity in the European buyout market, in the form of recycled debt and available equity capital, created a more challenging investment landscape for mezzanine investments.

Looking forward

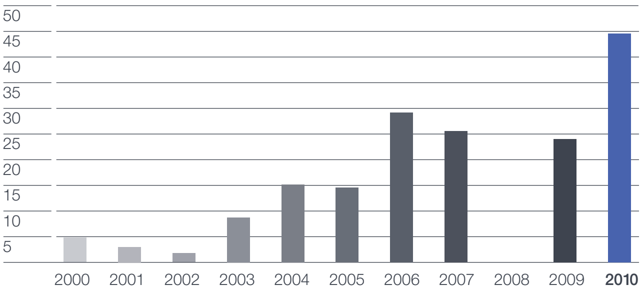
However, this recycling of loans will gradually cease between 2011 and 2014 as CLOs reach the end of their reinvestment period and will have to repay their liabilities with every new repayment of an asset rather than rolling the proceeds into new loans. The implications for the debt market are significant as the syndicated loan market will lose approximately €50 billion of capacity; most of it expiring rapidly from 2012 onwards. This is a significant gap.

Moreover, there is a large amount of European buyout debt that needs to be extended or refinanced between 2012 and 2015 as it reaches maturity. Unlike the US market, where significant efforts have been made to extend the maturity of leveraged loans, the wall of maturing European debt has yet to be tackled. Whilst maturity extension will be possible for loans that have not been repaid, these loans cannot be extended beyond the final tenure of the funds holding them, which creates an increased demand for new replacement capital. No new European CLOs have been raised over the past three years because higher margins on CLO debt and higher expectations on equity returns make them economically unviable. Nor are banks willing to drive growth through balance sheet expansion in the leveraged finance space.

A liquidity shortfall will emerge from this unbalanced market as traditional sources of debt finance evaporate, driving demand for alternative sources of capital to finance new leverage, refinancings and corporate acquisitions. Mezzanine, high yield bonds and institutional leveraged loans will represent a large part of the funding solution and new funds will be raised gradually to bridge the refinancing gap.

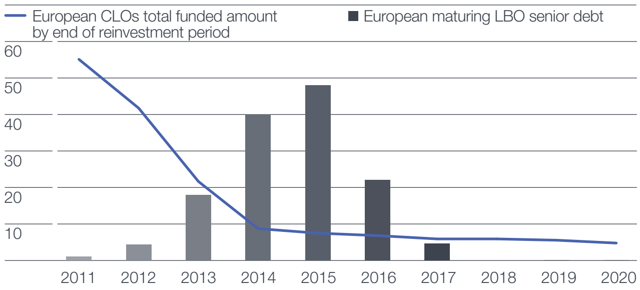
In the current market, and in spite of the current level of liquidity, we have been able to identify and create attractive investment opportunities from local pockets of value. In the future, market trends will create an even larger funding gap to be filled by asset managers and investors with the right skills in high yield, mezzanine and sub-investment grade debt. ICG is well positioned to compete in all of these asset classes.

European high yield bond issuance by year €bn



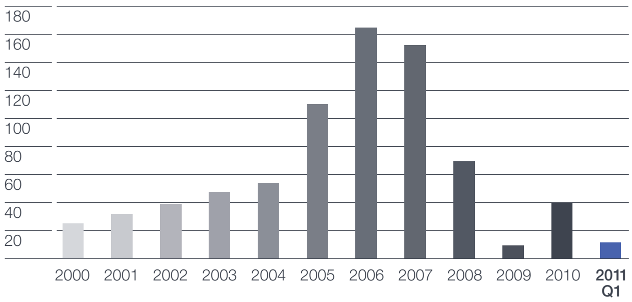
Source: S&P

Refinancing opportunities lie ahead €bn



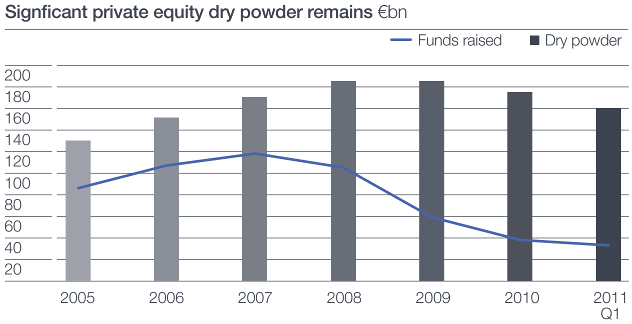
Source: JP Morgan, INTEX, S&P

LBO volume at 2001–2004 levels €bn



Source: S&P

Signficant private equity dry powder remains €bn



Source: Preqin

Fundraising market

The fundraising environment remains challenging but shows signs of improvement. Ongoing changes in the regulatory environment, particularly for banks, pension funds and insurance companies, are creating a level of uncertainty and this is hampering the ability of some institutions to commit to long term investment decisions. There is, however, evidence that established players can now raise new funds after a two year hiatus.

The majority of institutional investors are now focusing on their longer term investment strategies having positioned themselves tactically to benefit from the rally seen in many asset classes in both 2009 and 2010.

Institutional investors who have been disappointed by the performance of listed equity and traditional fixed income assets in recent years are showing interest in alternative investment products. Within the alternative asset class, the strong and consistent performance of mezzanine and its low correlation with most asset classes has been noticed by institutional investors.

Moreover, new issuance in the high yield market has created a well diversified market and the loan to bond trend is providing further investment opportunities which is attracting yield-seeking investors.

Following the crisis, investors are exercising greater diligence when selecting an asset manager and only those with a long track record of performance, a stable team and proven business model are likely to attract new capital.

Year in review

Overview

We have enjoyed a strong financial performance for the full year, reporting a profit before tax of £186 million. This represents one of the most profitable years in ICG's 22 year history.

The performance of the portfolio improved significantly throughout the year and, as a result, impairments further declined. We have been able to write-back £19 million of provisions on four assets which have shown a material recovery.

The European buyout market returned in 2010 and has remained active throughout this year, fuelled by secondary deals. We took full advantage to exit 13 investments (11 in Europe) held in our portfolio and funds, generating realised returns for our investors and shareholders.

Whilst a short term oversupply of debt and equity capital created a favourable market for exits, it also squeezed the standard mezzanine market, raising challenges for reinvesting. However, the ability of our network of investment professionals to gain early access to local opportunities, and create tailored structures resulted in a string of innovative and unique investments for ICG. In total, we invested close to £1 billion over the course of the year from our Investment Company and third party funds.

We have taken further steps to increase the rate of growth of our Fund Management Company via new fundraising, entry into an adjacent asset class and complementary acquisitions.

Strategic priorities

Our strategy remains consistent: manage our portfolio to maximise value, invest selectively and grow our Fund Management Company.

1. Manage our portfolio to maximise value

Portfolio performance showed strong and consistent improvement throughout the year due to a more positive economic environment with top-line growth across the majority of portfolio companies leading to significant increases in EBITDA. As at 31 March 2011, 74% of the portfolio was performing at the level of or better than the prior year compared to 59% last year and 62% in September 2010. In addition leverage had been reduced across the board.

This markedly improved portfolio performance has led to significantly lower gross impairments of £90 million compared to £180 million last year. In addition, we have also written back £19 million of provisions relating to four assets, the performance of which have improved materially. As a result net impairments were £71 million compared to £162 million last year.

We also took full advantage of the favourable exit conditions to realise value at attractive levels of return. In the year, we have achieved 13 exits with an average money mutiple of 1.8 times and an IRR of 18%.

In Europe we benefited from 11 exits: Picard, Medica, Visma, Eurofarad, TeamSystem, Loyalty Partners, Pasteur Cerba, Geoservices, Sebia, Gerflor and a partial exit from Labco.

In the US we realised our investment in Behavioral Interventions.

In Asia Pacific we exited Taiwan Broadband Communications and shortly after the close of our financial year, we exited our 2006 investment in Tegel in New Zealand.

In total, over the 12 months ended 31 March 2011 we generated £133 million of capital gains, £388 million of repayments of principal, and £82 million payment of accrued interest for the Investment Company.

Visma

Visma was acquired in 2006 by Hg Capital in a public to private transaction in which ICG provided mezzanine, senior equity and equity financing.

ICG worked closely with Hg to devise a unique financing solution in a very short timeframe. ICG took a seat on the board of Visma and continued to support the company with additional equity financing for a number of acquisitions.

Visma is the leading provider of business software and services for accounting and administration in the Nordic region. The group comprises four business areas: Software, BPO Payroll and Accounting, Procurement and Collecting, and Retail IT Solutions. Visma has an outstanding record of sales and profit growth, having increased EBITDA from NOK305 million in 2006 to NOK684 million in 2009.

Hg initiated an IPO process in the spring of 2009 with a target completion date of March 2010. Following several strong expressions of interest by financial sponsors a limited and focused auction process was conducted over the summer. KKR acquired the business for NOK11 billion in September 2010.

Country: Norway **Sector:** Business services
Year: 2006 **Status:** Exited investment
www.visma.com

Gerflor
theflooringgroup

Gerflor

In March 2011 ICG acquired the Gerflor Group from AXA Private Equity, with the support of Gerflor's management team.

ICG has been invested in Gerflor since 1992 successively supporting LBO France (1992), PAI (1998) and AXA Private Equity (2006).

The €310 million financing, encompassing subordinated debt tranches and equity, enabled the group to reduce leverage at the operating level and raise corporate debt from banks. By providing more flexibility and reduced leverage, the group will be able to continue its international expansion and benefit from the likely consolidation of the sector.

Gerflor is the third largest manufacturer of PVC flooring in the world and the second largest manufacturer in Europe with around 15% of the market. Their positioning is in the "mid to high-end" PVC flooring market.

The company has a strong brand, leading product and segment positions, strong cash flow conversion and low exposure to full building materials cycles as approximately 70% of sales are related to renovation projects.

Gerflor's management team is industry recognised and they have performed strongly over the course of ICG's investment cycle.

Country: France **Sector:** Building materials
Year: 1992, 1998, 2006, 2011 **Status:** Current investment
www.gerflor.com

Year in review continued

Financial News

European Mezzanine House of the year

For the third year in a row ICG has been awarded European Mezzanine House of the year.

2. Invest selectively

Our response to the slow market for mezzanine has been to generate proprietary deals through the local reach and relationships of our local network of investment professionals. It is testament to our origination capabilities that we successfully invested a large amount of capital in such a market.

We invested close to £1 billion for the full year, of which £311 million came from our balance sheet, through new mezzanine deals and follow on investments, as well as providing cash paying equity to finance the acquisition of a €1.4 billion senior loan portfolio from RBS, for which we created Eos Loan Fund I in August 2010. We are one of the very few alternative asset managers with the ability to analyse, price, manage and underwrite a transaction of this scale and complexity and the only one to have completed such an acquisition this year. This is due to the depth of experience in our credit team, our financial firepower and the long-standing relationship of trust we have established with our fund investors. Originating the opportunity would also not have been possible without the close relationship developed over a very long time with the vendor.

European mezzanine market

We invested in three sponsor-led mid-market European buyout transactions, working as a partner to the sponsor to provide a blend of securities from senior bonds to equity, for the acquisitions of Courtepaille, Quorn, and TeamSystem. Eos Loan Fund I, Gerflor and Courtepaille represent our top three deals of the year by size and they were sourced, structured and led by ICG.

In December ICG provided the whole debt financing structure for Courtepaille, a fast growing grill chain in France via a €160 million unitranche (single bond) providing the management team and private equity sponsor, Fondations Capital, with a tailored financing solution which will give the company maximum flexibility to continue growing and creating long term value for its shareholders.

In the case of Quorn, the leading European meat substitute producer, ICG provided junior debt and equity financing of £80 million to support the acquisition of the business by Exponent Private Equity from Premier Foods. ICG also arranged a mezzanine loan and equity investment of €120 million in support of the acquisition of TeamSystem, an established Italian software company, by Hg Capital.

"Our response has been to invest selectively, principally in proprietary deals, originated through the local reach and relationships of our local network of investment professionals."

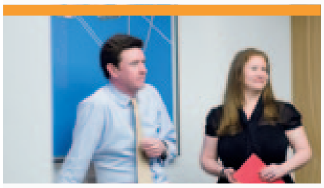
Year in review continued

"All our funds continue to perform very strongly."

FINANCIAL NEWS

High Yield Investor of the Year

For the third year in a row ICG has secured the award for High Yield Investor of the Year at the Private Equity News fifth annual awards for "Excellence in Private Equity".



In addition we invested in two ICG led sponsorless transactions: BaxterStorey and Gerflor. Our relationship with Gerflor, a global PVC flooring company based in Europe, began as a mezzanine investor in 1992, since which time we have backed several buyouts creating significant interest income and capital gains. Given our knowledge of the company and our confidence in the management team's business plan, we were able to invest alongside them in a deleveraging structure to support the company's international development strategy. We structured this transaction using corporate senior debt giving the company a much lower cost of debt and a more flexible framework.

BaxterStorey, a fast growing UK catering company, was purchased by its management team with our support via the provision of a mix of mezzanine and equity. Our ability to structure a solution that answered management's requirement and our deep knowledge of their industry were critical factors in closing this transaction.

US mezzanine market

The US sub-investment grade debt market has seen a faster recovery than the European market. US banks have dealt with legacy loans more aggressively than their European counterparts and therefore have a greater capacity to write new business. The US institutional market is more mature and diverse than the European market and, as a result, the buyout debt market in the US has become more competitive with covenant-lite loans and dividend recapitalisations now back at pre crisis levels.

Despite a competitive market, we have made two new investments recently demonstrating solid progress towards our strategy to build the ICG franchise. In August 2010, the Investment Company invested in Fort Dearborn and in May 2011 (after our year end) in Cogent-HMG, our tenth American investment.

Asia Pacific mezzanine market

The Asia Pacific buyout market has continued to be active, driven primarily by auction processes for secondary buyouts. Valuations for good businesses have been high as a result of increased numbers of auction participants: Asian based private equity sponsors, trade buyers and US and European sponsors with no local presence, looking to gain a foothold in the region and access the growth in Asia.

Bank liquidity is high, particularly from the local banks, which have not been as badly affected by the crisis as their European counterparts, although leverage multiples have remained reasonable at 4-4.5 times EBITDA. For known companies and market leaders, multiples have reached 5-6 times EBITDA.

Sponsors have significant amounts of uninvested commitments from dedicated Asian funds, and this is also driving valuations higher with increased equity contributions. The result of these factors is that an understanding of the equity case, and where business improvements and increased profitability can be generated, are critical to the structuring of our investments between debt and equity instruments.

Our response has been to leverage our relationships in the region to find attractive investment value. We completed an add-on investment to finance an acquisition by Link, our share registrar and pension administration investment in Australia. In addition, in May 2011, we completed a successful exit and reinvestment in Tegel, New Zealand's leading integrated poultry producer.

We have formalised our China strategy and recently signed a strategic co-investment partnership with CITIC Capital China Opportunities, L.P., a fund of CITIC Capital. This strategic alliance provides superior access to deal flow in mainland China. In the coming year we expect to be investing in mid-sized, privately owned, Chinese companies where we see long term growth and a strong management team.

Year in review continued

3. Grow the Fund Management Company

Our strategy for growing the FMC is threefold. First, increase AUM in our credit and mezzanine funds; second, pursue acquisitions of loan portfolios and credit fund management contracts; and third, expand judiciously into adjacent asset classes.

AUM has grown to €11.8 billion (£10.4 billion) at 31 March 2011, up 5%. This includes €9.0 billion (£8.0 billion) of third party funds, up 9% principally due to Eos Loan Fund I, which added €953 million (£842 million) of AUM, as well as the acquisition of the St Paul's CLO I B.V. and the acquisition of a 51% stake in Longbow Real Estate LLC. The Investment Company investment book was €2.7 billion (£2.4 billion), excluding investments in our credit funds, down 7% due to the strong realisations.

Key to increasing the AUM of the Fund Management Company is the performance of our existing funds so as to attract new third party investors and repeat business from current investors. All our funds continue to perform very strongly. Our European mezzanine funds have benefited from the same improving economic environment as our Investment Company portfolio. These funds have generated net multiples in line with top quartile performance private equity returns since 2000.

Our mezzanine funds have performed strongly. ICG Mezzanine Fund 2000 is almost entirely realised and holds only one asset which we expect to realise in the current year. The fund has generated a net money multiple of 1.7 times and a net IRR of 18%. Its successor, ICG Mezzanine Fund 2003, shows an 18% IRR and a money multiple of 1.5 times on exited investments and has returned over 121% of commitments with a significant distribution in December 2010. This fund shows a net IRR of 15% and a net money multiple of 1.6 times. ICG European Fund 2006 is now 92% invested and closed for new investment. It has achieved a 1.8 times money multiple and 29% IRR on realised assets and a net money multiple and IRR of 1.2 times and 8% overall on both realised and unrealised investments. ICG Recovery Fund 2008 is 75% invested with no exits and a strong performance to date: net IRR and money multiple have reached 22% and 1.2 times respectively. ICG Minority Partners Fund 2008 is 84% invested with a 2.1 times multiple and 55% IRR on exits. Intermediate Capital Asia Pacific Fund 2005 is fully invested and shows a net money multiple of 1.3 times and an 11% net IRR overall on both realised and unrealised investments. Intermediate Capital Asia Pacific Fund 2008 is 26% invested and, at this early stage, performing satisfactorily.

We have also expanded our marketing and distribution team which is now ten strong and we will continue to hire experienced marketing and distribution professionals to strengthen our brand and investor reach in support of our global fundraising activities in Europe, the US and Asia Pacific.

We have begun marketing our new mezzanine fund, ICG Europe Fund V, the successor to ICG European Fund 2006. The fund will be raised over the course of 2011 and 2012 and is targeting €2 billion including a €500 million commitment from our Investment Company.

Our credit funds have also benefited from the improved operating performance of their underlying assets. Our 12 month senior loan default rate for the year ended 31 March 2011 was 1.5% compared to 1.7% for the market. These funds have benefited from the wave of exits in the buyout market as a change of ownership triggers the repayment of outstanding loans, resulting in improving performance ratios and a recovery in junior fees.

The ICG High Yield Bond Fund seeded by the Investment Company in late 2009 has outperformed the market returning 14% net of fees in 2010.

Eos

ICG Eos Loan Fund I ("Eos") is a €1.4 billion portfolio (at par value) of senior secured loans of western European based companies across a diversified range of sectors, backed by leveraged buyouts selected and purchased from the Royal Bank of Scotland Group's loan portfolio.

Eos is a fully invested low levered fund that closed in August 2010. ICG negotiated and purchased 100% of the preferred and subordinated notes – the equity – and privately placed a significant part of the equity to select institutional clients.

Intermediate Capital Managers Limited ("ICML"), a wholly-owned subsidiary of ICG, analysed and selected the initial portfolio and was retained as the investment manager. ICG applies a rigorous approach to credit selection and will actively manage the portfolio over the two year non-call, reinvestment period.

Portfolio statistics

- Primarily western European LBO backed, high quality, diversified loan portfolio
- €1.4 billion portfolio of 71 issuers
- Average portfolio rating B
- Weighted average life of 4.9 years
- 92% senior secured loans
- Rated by Fitch and Moody's

Year in review continued

The ICG High Yield Bond Fund has been set up as a UCITS III fund in March 2011and is now open to third party investors. We will continue fundraising for both our high yield and senior secured loan funds.

The European high yield bond market grew significantly in both 2010 and 2011. Close to a third of recent issuances are from companies which previously financed themselves in the loan market. Given our long standing knowledge of these companies, we believe we can build a franchise in this asset class over time.

We continue to review potential acquisitions of management contracts of both CLOs and loan portfolios. In December, we became the investment manager of a €300 million CLO, having acquired the management contract of Resource Europe CLO I B.V. from Resource America, since renamed St Paul's CLO I B.V.

Current market conditions have made these transactions less attractive at the moment, as banks and loan fund managers have seen a recovery in performance and have consequently increased their price expectations. For a number of European banks, leverage finance activity has nonetheless become non-core and it is possible that we will see new opportunities in the future both for non-core bank loan portfolios and sub-scale funds from managers with limited access to capital.

We want to grow ICG's product offering into adjacent asset classes through measured expansion in new areas where our core skills, global reach and infrastructure can create value for our fund investors and shareholders. In December, we acquired a 51% stake in Longbow Real Estate, a UK real estate debt specialist providing mezzanine finance to the UK commercial property market. The combination of ICG's international platform and Longbow's expertise and track record in real estate positions us to expand successfully into this asset class. The transaction closed in March 2011 and we have seen good progress in both raising capital and investing.

We will continue to pursue opportunities selectively where we can apply our specialist skills of local origination, risk pricing and investment structuring with a view to expanding our product range.

Year in review continued

Outlook

We are encouraged by the steady uplift in the performance of our portfolio throughout the year and we expect this positive trend to continue. We have realised strong exits and we expect the exit window to remain open in the current year providing further opportunities for ICG to realise value from the assets held by our funds and our Investment Company.

Despite a relatively slow recovery in the core mezzanine market in Europe and strong competition in both the US and Asia Pacific, we have demonstrated our ability to invest in unique investment opportunities. We are seeing a steady pipeline of potential deals and will tap local pockets of value, originate off-market opportunities, and be innovative in our structuring. Our long held relationships with management teams and financial partners and our local network throughout Europe, the US and Asia Pacific are key competitive advantages. Our experience of helping management teams to refinance and delever their balance sheets in order to invest in growth and development positions us as an attractive partner in the mid-market.

Internally, the introduction of a new compensation scheme for our employees, following approval by our shareholders at last year's AGM, aligns our interests directly with both shareholders and fund investors. This scheme also allows us to better motivate and retain our staff.

We outline in the "Our market" section the significant investment opportunities that we expect to emerge from a growing imbalance between supply and demand of credit in the European buyout market. The wall of maturing European buyout debt that requires refinancing over the next four years coincides with the expiry of CLO reinvestment periods. As banks are no longer seeking to drive growth and CLOs, which provided the majority of buyout debt before the crisis, are currently not economic, buyout companies will have to refinance from alternative sources of capital. We believe that instutional investors, via the high yield, mezzanine and sub-investment grade debt market, will form a key part of the supply solution.

We therefore see opportunities to continue to grow our fund management business.

Courtepaille

In February 2011 ICG financed the entire debt structure for the acquisition of French restaurant chain Courtepaille by Fondations Capital. The €160 million unitranche single bond issue is the first of its kind in a leveraged buyout in France. ICG offered management and sponsor an attractive alternative to a standard LBO financing structure by providing a simpler capital structure with a single investor, no intercreditor issues and greater flexibility in the use of cash to finance the strong organic growth.

The group and its management were very well known to ICG who had previously supported the secondary LBO led by ING Parcom in 2005.

Courtepaille is the second largest waiter-service food chain in France with 222 "grill" restaurants nationwide and a turnover of €280 million. It follows a uniform concept centred on a distinctive restaurant design ("grill" concept) offering competitive pricing and high quality service. As one of the fastest growing companies in a rapidly developing sector, management wanted to execute a growth plan to increase restaurant penetration across France.

The company benefits from a resilient business model, positive market dynamics and good geographical coverage. Courtepaille is a strong cash-generative business with competitive price positioning and a balanced customer base combined with an experienced management team.

Country: France **Sector:** Hotels and catering
Year: 2005, 2011 **Status:** Current investment
www.courtepaille.com

Key performance indicators

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

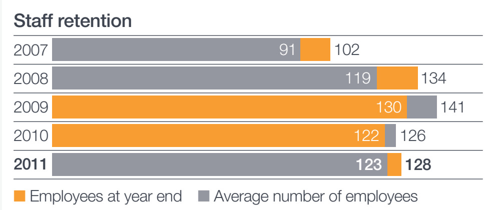
Group
Staff retention and training

Review of performance

ICG recognises that the continued development and retention of exceptional staff is key to reaching our full potential as an organisation.

- Headcount at 31 March 2011 was 128, up from 122 a year ago. Having invested in building our investment teams and infrastructure teams in the past few years, we are now focusing on the development of our international distribution capabilities to support the growth of our FMC. We are also looking to strengthen our US presence.
- We introduced a new compensation scheme for our employees to align our interests directly with both shareholders and fund investors and enable us to better motivate and retain our staff. Turnover was low over the period, particularly at a senior level.
- We are committed to encouraging the continuous development of our employees. This year a total of 25 training and development initiatives were held to support personal development and 176 training days were completed. These courses have covered a variety of topics including commercial, technical, compliance, professional, managerial and personal skills.

Performance table

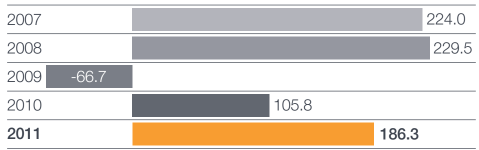


Profit before tax

Strong growth in profit before tax driven by higher profits from our Investment Company.

- Adjusted for the £6.9 million one-off release which benefited last year's figures, profit before tax for the FMC was up 15% due to the growth in fee income.
- Strong realisations and a materially lower level of impairments resulted in a strong growth in profits for our IC.
- As a result Group profit before tax was up 76% to £186.3 million, the third highest annual profit in our 22 year history.

Profit before tax in £m



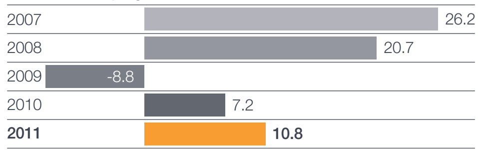
£186.3m

Return on equity

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

- ROE for the 12 months to 31 March 2011 was 10.8% compared to 7.2% in the previous year, due to the higher level of profits generated by our Investment Company.
- ROE will continue to increase as we grow AUM and invest in higher yielding assets. Growing our Fund Management Company is less capital intensive than the IC and therefore growth in FMC profits is highly accretive to ROE.

Return on equity %

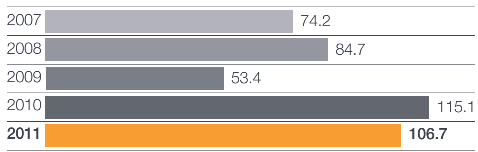


10.8%

Cash core income

- The definition of cash core income is available in the "Financial review" on page 26.
- The 16% increase in third party fee income, as well as the strong level of rolled up interest realisations at £82.2 million, have benefited cash core income, which was maintained at a higher level of £107 million compared to last year's £115 million, despite the lower size of the overall investment book.

Cash core income in £m



£106.7m

Key performance indicators continued

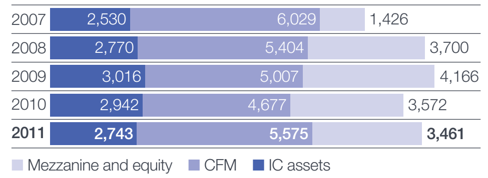
Fund Management Company KPIs

Assets under management

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

– As over 90% of our AUM are euro denominated we have used euros for this KPI.
– Total AUM stood at €11,779 million at 31 March 2011. This comprises €2,743 million from the Investment Company, €3,461 million in mezzanine funds (including Longbow) and €5,575 million in credit funds.
– Total AUM was up 5% compared to last year as higher third party AUM more than compensated for lower AUM from our Investment Company.
– Third party fund flows are explained below.

Total AUM in €m



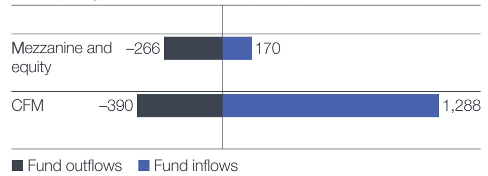
€11.8bn

Third party flows

Growing third party AUM is one of our strategic priorities.

– Given the nature of the funds we manage, AUM does not increase at a consistent and continuous pace. AUM increases in stages when we raise new funds and will tend to decrease in the interim period as older funds realise their assets and return capital to investors.
– Mezzanine and equity funds: third party AUM were down 3% as the increase in third party AUM through the Longbow acquisition did not compensate for the reduction in assets resulting for the realisations generated by our older funds. We have launched our next European mezzanine fund and would therefore expect AUM to increase next year.
– Credit funds: AUM were up 19% over the period, primarily due to the establishment of the Eos Loan Fund I, the vehicle used to purchase the RBS portfolio in August 2010, and the purchase of the fund management contract from Resource Europe. These transactions increased AUM by €1,288 million and more than compensate the decline in AUM of €390 million from older CFM funds which continue to return capital to investors as assets are realised.

Third party fund flows in €m (2011)

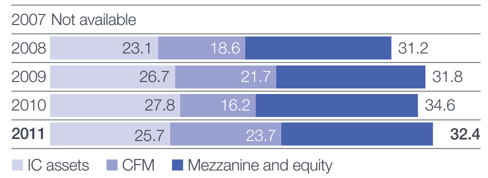


Fee income

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

– The average carrying value of the IC's portfolio was down 7% at £2,580 million, generating a fee for the FMC of £25.7 million versus £27.8 million last year.
– Mezzanine and equity funds: fee income decreased by 6% to £32.4 million. This was principally due to reduced income from our older funds as these are now in the realisation phase. These decreases have been partially offset by a £5.4 million increase of fee income from ICG Recovery Fund 2008 as its funds become 75% invested.
– Credit funds: fee income was 70% higher than the previous year at £23.7 million as a result of higher AUM and a recovery in junior fees. All junior fees are now switched back on and we have recovered all back fees in full, generating an extra £3.8 million of fee income in the year.

Fee income in £m

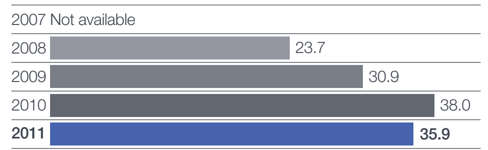


£81.8m

Profit before tax

– Profit before tax for the FMC was down 6% at £35.9 million compared to £38.0 million last year, which benefited from a £6.9 million release of accrued costs. Excluding this cost release, profit before tax was up 15%.
– We will introduce operating margin as a KPI for the FMC once the new schemes have been materially vested, as the transition to the remuneration schemes will be over.

Profit before tax in £m



£35.9m

Investment Company KPIs

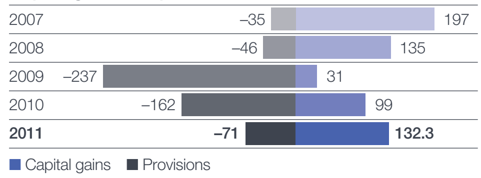
Capital gains and provisions

Our portfolio of investments is performing well. Managing our investments to maximise value remains a key priority.

– Capital gains were up 33% at £132.3 million. The acceleration in realisations that we saw in the second half of FY10 continued apace. Over the period, we exited 13 transactions at an average money multiple of 1.8 times.

– Net impairments for the 12 months to 31 March 2011 were 56% lower at £70.9 million compared to £161.8 million at 31 March 2010. Gross provisions for portfolio companies were 50% lower at £89.8 million compared to £180.3 million. Recoveries on past provisions were £18.9 million for the year as we wrote back our provisions on four assets which have recovered considerably from when provisions were taken.

Capital gains and provisions £m



New investments and repayments

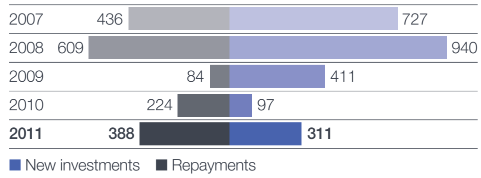
We have seen a clear pick up in investment activity, which led us to revise our guidance upwards for new investments in January.

– In the 12 months the IC invested £311 million, of which £64 million were follow-on investments. We are seeing a steady pipeline of potential deals and will continue to tap local pockets of value; originate off-market opportunities and innovate in our structuring.

– The market for realisations remained favourable and the IC received repayments of £388 million, including £82 million of rolled up interest.

– As a result, net new lending was still a negative £78 million but materially lower than last year at negative £127 million.

New investments and repayments £m



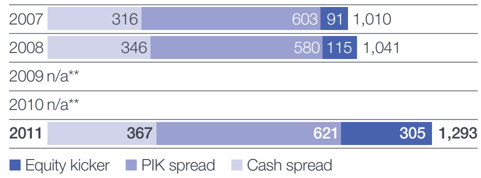
Margin on new mezzanine loans

The current market offers attractive investment opportunities for investors with the right origination capabilities.

– We have invested selectively, principally in proprietary deals, originated through the relationships of our local network of investment professionals. By partnering with local sponsors and management teams and offering a tailored solution we achieve a better pricing.

– As a result the average pricing achieved this year of 12.93% over base rate, a level materially higher than that achieved in the years preceding the global financial crisis. In fact we have to go back to 2002 to find an equally attractive level of pricing.

Interest rate margins on new investments* %



* Over base rate
** Too few transactions for pricing information to be meaningful

Default and recovery rates since inception

Our default rate since inception is 4.6% and our recovery rate of principal, on defaulted assets, is 52% excluding any interest payments we receive. This recovery rate is increasing as economic conditions improve; enabling write-backs on weaker assets. The improvement of performance trends across our portfolio in the last 12 months should continue to lower our default rate and increase our recovery rate. We remain focused on maximising the value of the weaker assets within our portfolio.

Default and recovery rates since inception %

Financial review

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

As highlighted in this statement, ICG has had another successful year and our portfolio, as a whole, is performing satisfactorily.

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

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

Going concern statement

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

Definitions

We now report the profit of the Fund Management Company ("FMC") separately from the profits generated by the Investment Company ("IC") in our segmental reporting note.

The FMC is an operating vehicle of ICG plc. It sources and manages investments on behalf of the IC and third party funds. It bears the bulk of the Group's costs including the cost of the investment network, i.e. the investment executives and the local offices, as well as the cost of most support functions, primarily information technology, operations, human resources and marketing.

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

During the year ICG purchased a 51% stake in Longbow Real Estate, a UK real estate debt specialist providing mezzanine finance to the UK commercial property market. This entity is fully consolidated into the results for the FMC for the year with the minority stake deducted.

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

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

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

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

Overview

Group profit before tax rose 76% to £186.3 million compared to £105.8 million last year.

The profit before tax for the FMC was £35.9 million compared to £31.1 million last year, excluding a one off £6.9 million release of accrued cost from the shadow share plan for our Credit Fund Management ("CFM") team (reflecting the lower level of fee income generated by this team). Excluding this one-off, the profit before tax of the FMC has grown by 15% from the previous year. This is primarily due to the recovery of junior fees from our credit funds.

The profit before tax for the IC rose strongly from £67.8 million to £150.4 million. This was due to a high level of gross capital gains, which, at £132.3 million, was the third highest level of gains in our 22 year history, a decrease of 56% in the level of impairments and resilient net interest income.

Total AUM at 31 March 2011 were £10,408 million, up 5% compared to 31 March 2010 (£9,958 million) primarily due to the establishment of the Eos Loan Fund I, which added £842 million of third party assets under management, and the purchase of the management contract of St Paul's CLO I B.V. which added £259 million of assets under management.

Shareholders' funds at 31 March 2011 stood at £1,250.4 million, up £66.9 million compared to 31 March 2010, primarily due to retained profit in the year. The balance sheet has remained strong with a gearing ratio of 100% compared to 127% at the end of last year.

The balance sheet had undrawn debt facilities of £784 million at the year end. At the end of April following maturity of a portion of our senior debt, undrawn debt facilities were £506 million. Given the medium term shortage of easily available bank debt we remain vigilant about the maturity of our debt. We continue to review alternative sources of debt capital to refresh and further diversify the balance sheet funding. In addition to the public rating of BBB- with stable outlook from Fitch Ratings announced in January, we obtained a BBB-/A-3 Issuer Credit Rating with a stable outlook from Standard & Poor's.

Free cash flow prior to investments and dividends was £642.9 million, a 73% increase on the level of last year, due to higher fee income and strong realisations.

"Group profit before tax rose 76% to £186.3 million compared to £105.8 million last year."

Financial review continued

Profit and loss account

Fund Management Company

Assets under management

Total AUM at 31 March 2011 were £10,408 million, up 5% compared to 31 March 2010 (£9,958 million) due to the establishment of the Eos Loan Fund I, which added £842 million of third party assets under management, and the purchase of the management contract of St Paul's I which added £259 million of AUM. The impact of these new funds has been partially offset by the 7% decrease in balance sheet investments. The appreciation of sterling versus the euro and the US dollar has decreased AUM by 1%.

Third party AUM, at £7,984 million, were up 9% in the 12 months to 31 March 2011.

Mezzanine and equity AUM amounted to £3,058 million, down by 9%, primarily due to the level of realisations during the year, particularly in the ICG European Fund 2003 and the Intermediate Capital Asia Pacific Mezzanine Fund 2005.

Credit funds AUM have increased by 18% to £4,926 million due to the establishment of the Eos Loan Fund I and the purchase of the fund management contract from Resource Europe overall increasing AUM by £1,101 million. However, the overall impact of these new funds has been reduced by £390 million as the older CFM funds continue to reduce as assets are realised. Credit funds AUM include £70.8 million of seed equity provided by ICG Group compared to £34.0 million at 31 March 2010, principally due to a further £35.0 million of investment to seed our dedicated high yield fund.

Fee income

Fee income, including the IC management fee recharge, increased by 7% to £81.8 million.

Credit funds fee income was 69% higher than the previous year at £23.7 million as a result of the recovery of junior fees. Junior fees on certain of our funds were switched off during the year to March 2010 due to the level of downgrades we experienced last year, in common with the market generally. These fees are now all switched back on and we have recovered all back fees in full, generating an extra £3.8 million of fee income in the year.

Mezzanine and equity funds fee income decreased by 6% to £32.4 million. This was principally due to reduced income from the ICG European Fund 2003 and the Intermediate Capital Asia Pacific Mezzanine Fund 2005, as these funds are now in realisation mode. In addition carried interest contribution for this year was lower at £1.3 million compared to £2.6 million last year. These decreases have been partially offset by an £5.4 million increase of fee income from ICG Recovery Fund 2008.

The average carrying value of the IC's portfolio was down 7% at £2,580 million, generating a fee from the IC to the FMC of £25.7 million versus £27.8 million last year.

Other income

Dividends paid from our credit funds also recovered during the year as the underlying asset prices increased and surplus cash in the individual funds were generated. The dividends received on the equity stakes we own in our credit funds were £3.0 million, up from £1.9 million in the previous 12 months. Equity purchased as part of the Resource Europe management contract purchase was sold shortly after the year end at a profit of £1.1 million, the valuation was therefore uplifted at the year end.

Operating expenses
Operating expenses for the FMC were £50.0 million compared to £47.2 million last year (excluding the positive impact of the £6.9 million release in the year to 31 March 2010). Other administrative costs are £19.2 million compared to £17.9 million reflecting the recruitment costs of strengthening our distribution capabilities. Excluding the impact of the release of £6.9 million, staff costs were broadly flat compared to last year.

The operating margin was 43.9% compared to 40.7% (excluding the £6.9 million release) in the previous 12 months.

Profit before tax
Excluding the impact of the £6.9 million release in the year to 31 March 2010, profit before tax was up 15% to £35.9 million compared to £31.1 million last year.

Investment Company
Balance sheet investments
The balance sheet investment portfolio amounted to £2,424 million down 7% compared to 31 March 2010. This excludes £70.8 million of seed equity in our credit funds and £80.6 million of debt held in our credit funds.

As detailed in the "Business review", the level of investments and repayments has recovered. In the 12 months the balance sheet invested £311.0 million, of which £64.0 million were follow-on investments. There were repayments of £388.6 million. As a result, net repayments were £77.6 million.

In addition, the sterling value of our portfolio was negatively impacted by the appreciation of the currency as 68% of the portfolio is euro denominated and 9% is US dollar denominated. Sterling denominated assets only account for 15% of the portfolio.

The investment portfolio comprises £1,404 million of senior mezzanine and senior debt (58%), £503 million of junior mezzanine investments (21%) and £517 million of equity investments (21%) (excluding amounts invested in our credit funds).

Net interest income
Net interest income was 14% lower at £179.8 million compared to £209.7 million last year (excluding dividend income and the impact of the fair value adjustment of financial instruments held for hedging purposes) principally due to a lower average portfolio over the year.

Interest income was down 14% at £235.2 million principally due to a lower average portfolio over the year (£2.6 billion compared with £2.8 billion in the previous year). This comprises £85.4 million of cash interest income and £149.8 million of rolled up interest.

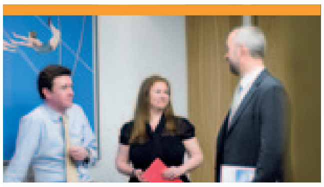
Interest income is accrued using a discounted cash flow model in accordance with IFRS and early repayments can generate an uplift in interest income as a result of the shorter discount period used for the computation of the rolled up interest. We also benefited from cash interest payments on some underperforming assets due to our relentless effort to maximise recoveries.

Interest expense was down 11% at £55.4 million (excluding the impact of the fair value adjustment of financial instruments held for hedging purposes) due to lower net debt.

Dividend income from portfolio companies was £3.8 million in the last 12 months compared to dividend income of nil in the previous 12 months.

Fair value movements of financial instruments held for hedging purposes resulted in a £3.8 million negative adjustment this year compared to a £0.1 million positive adjustment last year.

Financial review continued



Other income

Other income, principally waiver and early repayment fees, was £7.2 million compared to £3.4 million in the previous 12 months.

Operating expense

Operating expenses were up by 10% at £67.0 million from £60.7 million last year. Staff costs have increased from £2.3 million to £9.1 million as the costs of the awards in the year under the new remuneration schemes have been charged this year. Operating expenses also include a £5.7 million cost relating to an onerous lease provision for 20 Old Broad Street following our move to new premises. As a consequence our rental costs will be reduced by £0.6 million a year on average for the next ten years. This has no material impact on a cash basis.

The Medium Term Incentive Scheme ("MTIS") charged on rolled up interest accruals for the year, amounted to £22.8 million compared to £28.9 million last year. This scheme is closing in March 2012, therefore the amount expected to be paid out before the scheme closes is reducing.

The management fee on balance sheet investments (£25.7 million compared to £27.8 million) has reduced due to the lower average value of the portfolio.

Capital gains

The acceleration in realisations that we saw in the second half of FY10 continued and capital gains for the 12 months to 31 March 2011 were very strong at £132.3 million up 33% compared to last year. The largest contributors to capital gains were Visma, Sebia, Picard, Pasteur Cerba, TeamSystem, Eurofarad, Gerflor, Behavioral Interventions, Loyalty Partners and TBC.

This £132.3 million also includes £3.1 million of unrealised gains on the equity we hold in Aster and Tegel, which were recently sold to Liberty Global and Affinity Partners respectively. The Aster transaction is expected to complete in May, subject to regulatory approvals. The Tegel transaction completed in early May.

Impairments

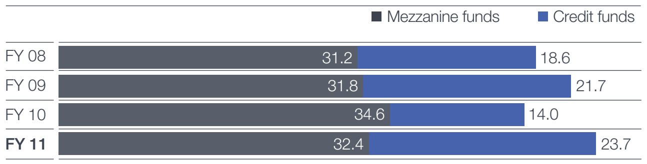
Gross provisions for portfolio companies were 50% lower at £89.8 million compared to £180.3 million last year. Recoveries on past provisions were materially higher in the second half at £17.8 million compared to £1.1 million in the first half, resulting in a £18.9 million recovery for the year. We wrote back our provisions on four of our investments which saw a strong operational recovery during the year.

Net impairments for the 12 months to 31 March 2011 were therefore 56% lower at £70.9 million compared to £161.8 million at 31 March 2010.

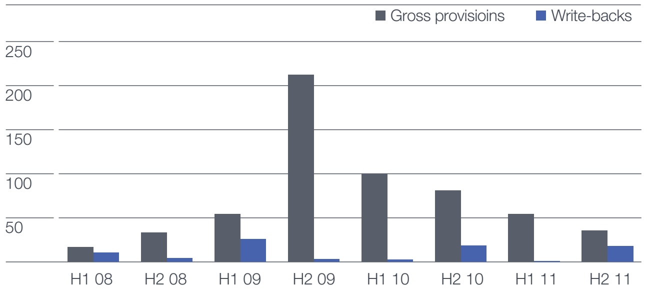
Profit before tax

Profit before tax for the IC was up by 122% to £150.4 million compared to £67.8 million in the 12 months to 31 March 2010.

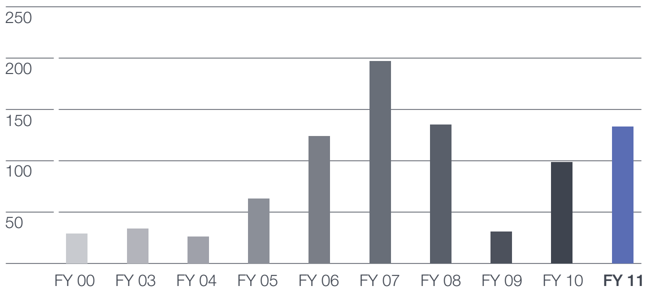
Third party fee income £m



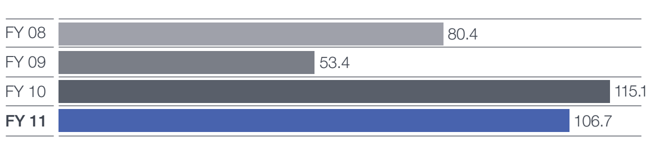
Trend in provisions for portfolio companies £m



Capital gains £m



Cash core income £m



Group

Profit before tax

Group profit before tax was up by 76% to £186.3 million compared to a profit of £105.8 million last year.

Profit after tax, ROE, earnings per share

Group profit after tax is £128.1 million compared with £81.7 million in the previous year.

The Group generated a ROE of 10.8% compared to 7.2 % in the 12 months to 31 March 2010.

Earnings per share for the 12 months to 31 March 2011 were 32.6p compared to 25.0p last year (adjusted for the rights issue in July 2009). The weighted average number of shares for the year was 393,785,735.

Dividend per share and cash profit measures

Cash core income was maintained at a high level of £106.7 million. The Board has recommended a final dividend of 12p per share. This would result in a full year dividend of 18p per share, an increase of 6% on the prior year.

In order to continue to offer flexibility to shareholders, the Company will maintain the scrip dividend scheme introduced last year. This scheme allows shareholders to elect to receive dividends in shares in lieu of cash.

Pre-incentive cash profit was £191.2 million.

Financial review continued

Group cash flow

Operating cash flow

Interest income received during the reported financial year was up 3% to £174 million as the lower level of cash interest income was more than offset by a higher level of rolled up interest realisations. Over the year the realisation of rolled up interest was £82.2 million compared to £65.7 million last year. Interest expense was materially lower at £43.9 million compared to £82.7 million due to the one-off payment to extend the debt facilities last year together with a lower level of average net debt. Dividend income was considerably higher at £5.7 million compared to £1.9 million in the previous year. Third party fee income received amounted to £77.9 million as junior fees on the CFM funds were recovered in full. Operating expenses were £80.9 million as we returned to paying bonuses to staff.

Operating cash flow for the 12 months to 31 March was up 47%, at £132.8 million.

Cash flow relating to capital gains

Cash flow from capital gains was £146.6 million, up from £79.3 million in the previous year on the back of a return to realisations.

Free cash flow

Tax expense paid was only £5.1 million due to the impact of the large losses realised in the year to 31 March 2009 which were carried forward. Following repayments, syndication proceeds and recoveries of £368.6 million, free cash flow prior to investments and dividends was £642.9 million, a 73% increase on the level of last year.

Movement in net debt and cash balances

These financed investments of £315.9 million and a reduction in net debt of £286.4 million. Dividend payments amounted to £40.6 million, given the high take up of scrip dividend.

Group balance sheet

Capital position

Shareholders' funds at 31 March 2011 stood at £1,250.4 million, up 5% compared to 31 March 2010, primarily due to the increase in retained earnings during the year.

Net debt was £1,248.6 million at 31 March 2011 down 17% from last year.

Net debt to shareholder funds at year end was 100%, down from 127% at the end of last year as a result of the capital gains and realisations.

Investment capacity

Total debt facilities stood at £2,033 million at 31 March 2011, including undrawn debt facilities of £784 million.

£216 million of bank debt and £101 million of private placements are maturing in the current financial year and £438 million matures in April 2012.

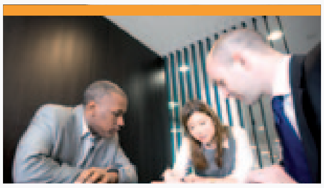
In May 2010, we extended a further £67 million of debt in addition to the £545 million we extended in July 2009.

Financial outlook

For the FMC, fee income is expected to be broadly stable as the partial contribution from ICG Europe Fund V should compensate for the catch up on junior fees included in this year's fee income. The new compensation schemes are expected to continue to allocate a greater proportion of our incentive scheme costs to the FMC.

The IC will be negatively affected by a lower level of net interest income as a result of the good realisations achieved which we expect to continue in the current year. This, however, should result in further capital gains. Impairments are expected to be lower given the improvement in performance across our investment portfolio.

Principal risks and uncertainties



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

Committees of executives

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

The Mezzanine and Minority Equity Investment Committee is chaired by Christophe Evain, CEO and Chief Investment Officer (CIO). The Chairman selects up to seven members among two predefined lists of senior investment professionals including managing directors and senior members of the mezzanine and equity business. One of these members will be nominated as a sponsor member, to reflect the specifics of the investment (geography, size, nature of the transaction).

The Committee members are responsible for reviewing and approving all investment proposals presented by investment executives in accordance with the Investment Policy set by the Board. The approval of the Board is required for large investments. The Mezzanine and Minority Equity Investment Committee also reviews and manages potential and actual conflicts of interest, reviews quarterly performance reports of our portfolio companies, and coordinates management plans for individual assets as necessary.

The Credit Funds Investment Committee is chaired by Christophe Evain, CEO and CIO. The Chairman selects up to five members among two predefined lists of senior investment professionals including managing directors and senior members of the Credit Funds Management team. One of these members will be nominated as sponsor member, depending on the specifics of the investment (geography, size, nature of the transaction).

The Committee members are responsible for reviewing and approving all investment proposals presented by credit executives in accordance with the Investment Policy. The Credit Funds Investment Committee also reviews and manages potential and actual conflicts of interest, reviews the quarterly performance reports of our credit funds' portfolio companies, and coordinates management plans for individual assets as necessary.

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

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

The Legal and Compliance department is responsible for ensuring that business is conducted in accordance with relevant regulatory and legal frameworks and internal policies of the Group.

Principal risks and uncertainties continued

Non executive committees

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

The Remuneration Committee consists of four non executive directors and the Chairman. Executive directors are not members of the Remuneration Committee but are normally invited to attend except when the Committee is discussing their remuneration. The Committee is responsible for the overall remuneration policy for all ICG staff and ensures that the remuneration arrangements promote sound and effective risk management and are in line with the long term interests of the Group. The Committee determines the level of remuneration of the executive directors and reviews the remuneration of senior management.

Our key risks, and the ways in which we mitigate them, are outlined below.

Business risks

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

Credit risk

Potential impact

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

Description of risk

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

Mitigation

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

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

Liquidity and funding risk

Potential impact

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

Description of risk

The level of repayments on the Group's loan portfolio and consequently on the realisation of rolled up interest as well as delays in realising minority interests could have a negative impact on the Group's investment capacity. In addition, there can be no assurance that the Group will be able to secure borrowings or other forms of liquidity in the longer term on commercially acceptable terms or at all. Failure to secure borrowings or other forms of liquidity on commercially acceptable terms may adversely affect the Group's business and returns. The Group's ability to borrow funds or access debt capital markets in the longer term is dependent on a number of factors including credit market conditions. Adverse credit market conditions may make it difficult for the Group to refinance existing credit facilities as and when they mature or to obtain debt financing for new investments. In addition, the cost and terms of any new or replacement facilities may be less favourable and may include more onerous financial covenants. Failure to secure borrowings on commercially acceptable terms or a default by the Group under its debt agreements may have a material adverse effect upon the Group's financial condition and results.

Mitigation

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

Fundraising risk

Potential impact

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

Description of risk

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

Mitigation

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

Principal risks and uncertainties continued

Market risks
Risks relating to the Group and its business

General market conditions

Potential impact

Description of risk

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

Mitigation

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

Interest rate risk

Potential impact

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

Description of risk

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

Mitigation

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

Foreign exchange risk

Potential impact

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

Description of risk

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

Mitigation

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

Operational risk

Loss of staff

Potential impact

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

Description of risk

The Group's continued success is highly dependent upon the efforts of the Group's investment professionals and other key employees. The Group's future success and growth depends to a substantial degree on the Group's ability to retain and motivate key employees, the market for whom is very competitive. The Group may be unable to retain such key employees or to continue to motivate them. The Group's investment professionals possess substantial experience and expertise in investing and are responsible for locating, executing and monitoring the Group's investments. The loss of even a small number of the Group's investment professionals could jeopardise the Group's ability to source, execute and manage investments as well as affect recoveries on troubled assets, which could have a material adverse effect on the Group's business.

Mitigation

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

Regulatory risk

Potential impact

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

Description of risk

The Group operates in numerous jurisdictions and its business, particularly the fund management part of the business, is subject to numerous regulatory regimes, including the United Kingdom, the United States, Hong Kong, Ireland and Luxembourg. The FSA is the Group's primary regulator. The FSA and other such regulatory authorities have broad regulatory powers dealing with all aspects of financial services, including the authority to grant, and in specific circumstances to vary or cancel, permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources.
If the Group were to breach any such laws or regulations it would be exposed to the risk of investigations, fines, temporary or permanent prohibition from engaging in certain activities, suspensions of personnel or revocation of their licences and suspension or termination of the regulatory permissions to operate.

Mitigation

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

Business interruption

Potential impact

Operational risks may disrupt the Group's business, result in losses or damage the Group's reputation.

Description of risk

The Group relies heavily on its financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, the Group could suffer financial loss, disruption of business and damage to its reputation.

Mitigation

The Group has in place business processes and procedures covering information security, change management, business continuity and disaster recovery, aimed at ensuring that its systems can be rebuilt in the event any of its premises suffer a disaster.
In addition, the Group maintains a system of internal controls designed to detect, amongst other things, fraud by the Group's employees, agents and counterparties.

Our people

We take great pride in our ability to continue to attract, develop and retain exceptional staff, and believe it is essential to our ability to reach our full potential as an organisation. All 128 employees are of the highest calibre in their chosen field and have been attracted by the sense of cultural belonging and purpose at work which ICG offers. We are a thriving multi-cultural organisation with our employees coming from 14 nationalities, who speak 26 different languages and have made investments in over 20 countries.

We regularly review our long term compensation and benefits schemes to ensure they are market competitive and that they align the interests of our employees with our business strategy and the interests of our shareholders. To this end, a new remuneration scheme was approved by shareholders this year.

We are committed to encouraging the continuous development of our employees. This year 176 training days were completed and a total of 25 training and development initiatives were held to support personal development. These courses have covered a variety of topics including commercial, technical, compliance, professional, managerial and personal skills.

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

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

Our credit fund managers

John Barker

Funds managed:

Eurocredit CDO III

Eurocredit CDO V

Eurocredit CDO VI

Investment experience:
31 years

Our mezzaine and equity managers

Benoît Durteste

Funds managed:

ICG Recovery Fund 2008

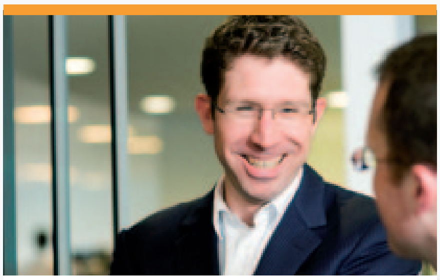
Investment experience:
17 years

Jeff Boswell

Funds managed:

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

Investment experience:
14 years

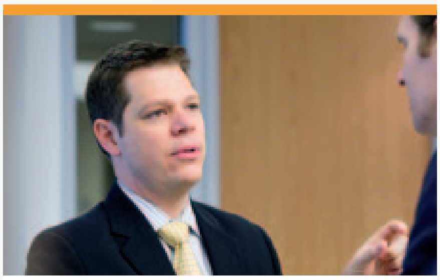


Garland Hansmann

Funds managed:

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

Investment experience:
16 years



Simon Peatfield

Funds managed:

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

Investment experience:
12 years

Chris Heine

Funds managed:

- Intermediate Capital Asia Pacific Mezzanine Fund 2005
- Intermediate Capital Asia Pacific Fund 2008

Investment experience:
23 years

Piers Millar

Funds managed:

- ICG Minority Partners Fund 2008

Investment experience:
19 years

Rolf Nuijens

Funds managed:

- ICG Mezzanine Fund II 2000
- ICG Mezzanine Fund III 2003
- ICG European Fund IV 2006

Investment experience:
17 years

Corporate social responsibility

Our investors and financial partners

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

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

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

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

Community

Environment

Corporate social responsibility ICG operates a corporate Give As You Earn scheme and encourages employees to give their time to charities. To support this each employee has two paid days a year for direct charity involvement.

Charities and events we have supported over the past year include:

Trees for Cities

Trees for Cities is an independent charity working with local communities on tree planting and landscaping projects. Their aim is to tackle global warming, create social cohesion and beautify our cities through tree planting, community education and training initiatives in urban areas of greatest need.
www.treesforcities.org

ICG runners after completing the "Run to the Beat" half marathon in September where they raised £22,846 for ICG sponsored charities.

PEF World Cup 2010

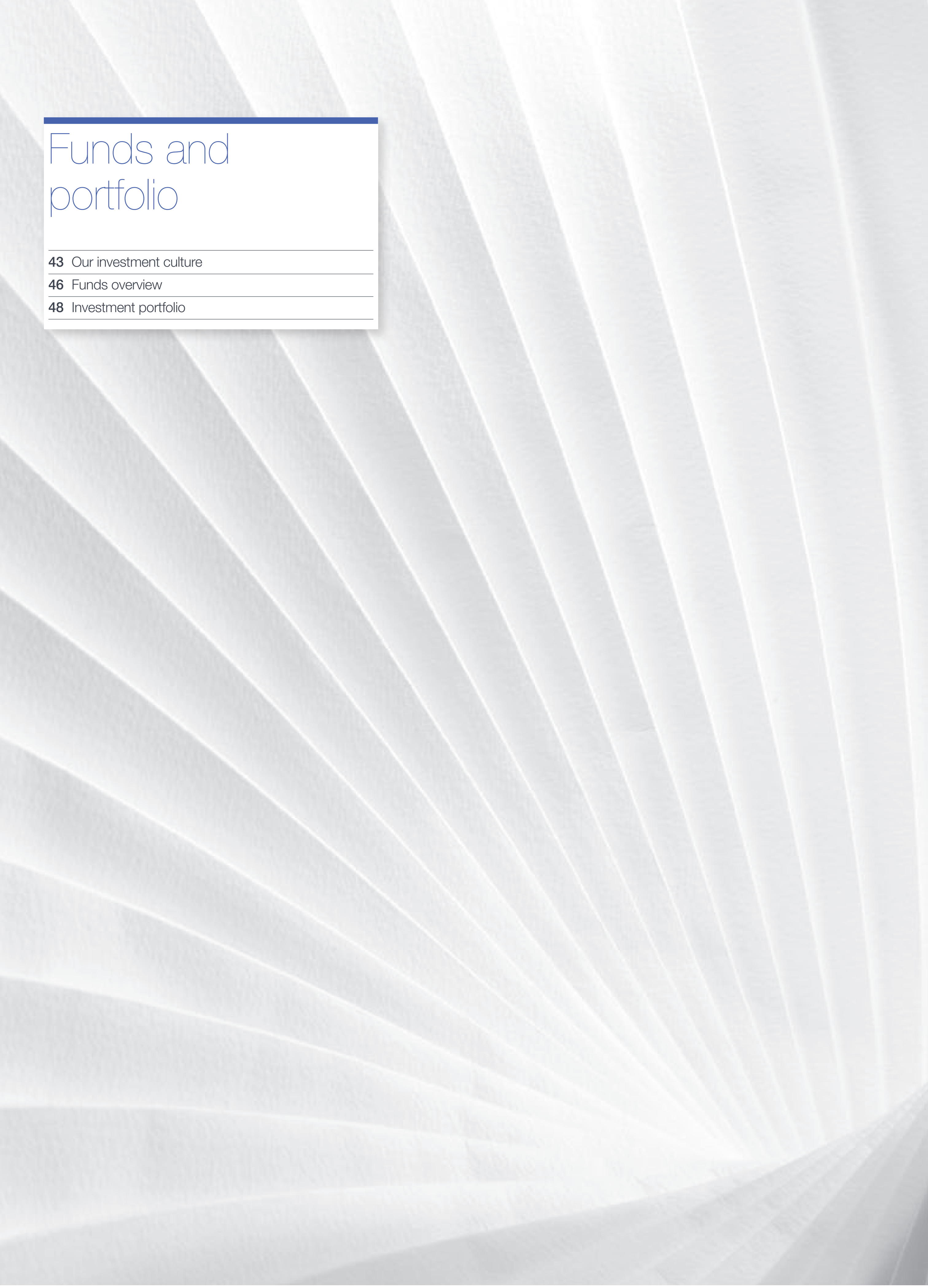
The Private Equity Foundation ("PEF") is a foundation backed by private equity firms and their advisers. Their mission is to empower young people by investing both money and expertise from the private equity community to help excellent charities achieve a significant change in their impact.
Our employees support PEF throughout the course of the year, most recently in the PEF World Cup. Managing Director Tom Attwood joined the PEF board in October 2010.
www.privateequityfoundation.org

ICG Run to the Beat 2010

A number of our runners took part in the Run to the Beat half marathon in September. Running for two charities, Enfants du Mékong and the Private Equity Foundation, the team came in with some very respectable times, the fastest of which was 1 hour 35. More importantly, they raised £11,423 which ICG then matched.
www.enfantsdumekong.com

Spitalfields City Farm

Spitalfields City Farm is a community farm offering educational, fun activities and skills training for local communities and visiting groups. Spitalfields City Farm is the nearest city farm to London's Square Mile.
www.spitalfieldscityfarm.org



Funds and portfolio

Our investment culture

Strong credit discipline leads to consistent returns. Since inception, we have realised 253 assets with a 1.6 times average money multiple and an average IRR of 19%

19% IRR

Our investment culture

ICG is one of the leading independent mezzanine providers in the world with 22 years of mezzanine investing experience. In addition, we are one of the largest managers of European senior loans and high yield bonds, having started investing in 1999.

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

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

ICG's network of 53 investment executives based in nine countries provides us with a powerful advantage based on local insights, knowledge and relationships. Our local network enables us to:

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

Our investment culture continued

Acquisition of Quorn from Premier Foods

ICG, together with Exponent Private Equity, acquired Premier Foods' meat free division Marlow Foods for £205 million.

Mezzanine investment philosophy

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

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

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

By controlling each instrument in which we invest, we provide certainty and stability in a capital structure. If syndication is required this is typically to one of our limited partners or financing partners but ICG is always the primary contact point for management and shareholders.

We are "take and hold" investors with the intention to hold our investments to maturity, investing in the business and its management team for the medium to long term. By investing for longer periods and by having board representation, either as an observer or director, a deeper mutual understanding is generated between ICG, management and shareholders. We are often a repeat investor in a business as businesses are sold in secondary transactions. We represent continuity and stability to those management teams and businesses.

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

Mezzanine investment strategy

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

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

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

When reviewing investments we utilise not only the market intelligence and company-specific information provided by our large network of investment executives and the current investment portfolio, but also our 22 years' accumulated direct investment experience.

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

Credit Fund Management (CFM) investment philosophy

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

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

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

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

CFM investment approach

We believe in fundamental analysis and in depth information. This is the key to unlocking the inefficiencies caused by lack of transparency and persistent mispricings. We have the largest team of dedicated leveraged finance professionals in Europe providing fundamental analysis; six local European offices accessing local intelligence; and 22 years of relationships with financial partners providing extensive access to management teams and company information.

Funds overview

9%
Growth of third party funds

September 2010

ICG Mezzanine Fund III 2003 realised a 2.3 times money multiple and 24% IRR on a 2006 investment in Visma.

Mezzanine and equity funds

Longbow Real Estate Capital

ICG plc has established a partnership with Longbow Real Estate Capital LLP in order to provide its investors with access to real estate debt investment funds.

Longbow was established in 2006 and its founders have a long track record in the UK commercial property finance sector. Longbow's funds under management now exceed £150 million and invest in the full range of credit opportunities secured on UK commercial properties.

ICG Minority Partners Fund 2008

- ICG's first dedicated minority equity fund.
- The fund raised €132 million of limited partner equity commitments.
- The fund has made four investments and is 84% invested as of 31 March 2011.

ICG Recovery Fund 2008

- ICG's first recovery fund.
- The fund closed with a total size of €843 million.
- The fund seeks to exploit market dislocation in European buyout debt by investing in secondary credit opportunities at discounted prices and support the restructuring of private equity backed companies that may benefit from a change in their capital structure.
- The fund has made six investments and is 75% at 31 March 2011.

Intermediate Capital Asia Pacific Fund II 2008

- The fund is the largest dedicated Asia Pacific mezzanine fund.
- The fund and ICG have committed US$800 million to investing in mezzanine and minority equity in this vintage.
- The fund is 26% invested in three portfolio companies as of 31 March 2011.

ICG European Fund IV 2006

- Europe's largest independent mezzanine and related junior capital fund.
- The fund is 92% invested in 47 portfolio companies as of 31 March 2011.

Intermediate Capital Asia Pacific Mezzanine Fund 2005

- The fund was the largest dedicated Asia Pacific mezzanine fund.
- The fund and ICG committed over US$500 million to investing in mezzanine and minority equity in this vintage.
- The fund invested in eight portfolio companies.
- The fund has realised four of its investments.

ICG Mezzanine Fund III 2003

- The fund invested in 80 portfolio companies.
- The fund has realised 57 of its investments as of 31 March 2011.

ICG Mezzanine Fund II 2000

- The fund invested in 50 portfolio companies.
- The fund is nearly fully realised with a single asset outstanding as of 31 March 2011.

ICG Mezzanine Fund 1998

- ICG's first mezzanine fund.
- The fund invested in 25 portfolio companies.
- The fund is fully realised.

Credit funds

High yield funds

ICG European High Yield Bond Fund I

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

Senior loan funds

ICG European Loan Fund

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

St Paul's CLO I B.V. 2010

This €300 million fund is the previously named Resource Europe CLO I B.V. fund that ICG acquired from Resource Europe in December 2010. The original transaction was closed in May 2007, with a 2014 reinvestment period, and invests predominantly in senior loans, with some exposure to mezzanine and high yield bonds. St Paul's CLO I B.V. is rated by S&P and Moody's.

Eos Loan Fund I

ICG Eos Loan Fund I ("Eos") is a €1.4 billion portfolio of senior secured loans of Western Europe based companies, backed by leveraged buyouts selected and purchased from the Royal Bank of Scotland Group's loan portfolio.

- Eos is a fully invested low levered fund that closed in August 2010.
- ICG negotiated and purchased 100% of the preferred and subordinated notes – the equity – and privately placed a significant part of the equity to select institutional clients.
- Intermediate Capital Managers Limited, (ICML), a wholly-owned subsidiary of ICG, analysed and selected the initial portfolio and is retained as the investment manager. ICG will actively manage the portfolio over the two year non-call, reinvestment period.

Eurocredit CDO VIII PLC 2007

This €636 million fund invested predominantly in senior loans, with some exposure to mezzanine. The reinvestment period for this fund expired in January 2011. Eurocredit CDO VIII is rated by S&P and Moody's.

Eurocredit CDO VII 2007

This €585 million fund invested predominantly in senior loans, with some exposure to mezzanine and high yield bonds. Eurocredit CDO VII is rated by S&P and Moody's.

Eurocredit CDO VI PLC 2006

This €500 million fund invested predominantly in senior loans, with some exposure to mezzanine and high yield bonds. Eurocredit CDO VI is rated by S&P and Moody's.

Eurocredit CDO V PLC 2006

This transaction is the successor vehicle to Promus I BV. This €600 million fund invested predominantly in senior loans, with some exposure to mezzanine and high yield bonds. Eurocredit CDO V is rated by S&P and Moody's.

Eurocredit CDO IV 2004

This €355 million fund invested predominantly in senior loans, with some exposure to mezzanine and high yield bonds. Eurocredit CDO IV is rated by S&P and Moody's.

Eurocredit CDO III 2003

This €250 million fund invested predominantly in senior loans, with a small basket for mezzanine investments. The reinvestment period for this fund expired in February 2010 and the transaction is now amortising. Eurocredit CDO III is rated by S&P and Moody's.

Eurocredit CDO II B.V. 2000

This €370 million cash flow CDO had a mix of high yield bonds, senior leveraged loans and mezzanine. The reinvestment period for this fund expired in October 2005 and the transaction is now amortising. Eurocredit CDO II is rated by Moody's.

Eurocredit CDO I B.V. 1999

This €417 million fund was the first cash flow CDO to be based on European loan, bond and mezzanine collateral. The fund is a mix of high yield bonds and leveraged loans with a small mezzanine component. The reinvestment period for this fund expired in September 2004 and the transaction is now amortising. Eurocredit CDO I is rated by Moody's.

Eurocredit Opportunities Fund I PLC 2005

Originally a market value fund, Eurocredit Opportunities converted to a cash flow based fund holding a combination of senior loans, mezzanine investments and high yield bonds. Eurocredit Opportunities Fund I is rated by S&P and Moody's.

Eurocredit Opportunities Parallel Funding I

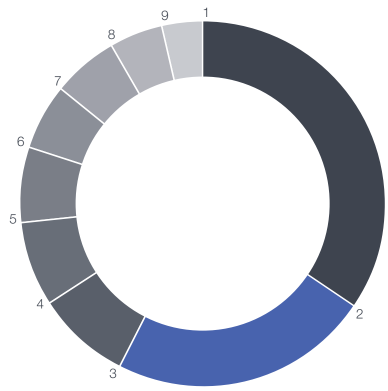
This €450 million fund invested in leveraged loans. The reinvestment period for this fund expired in February 2010. Eurocredit Opportunities Parallel Funding I is rated by S&P and Moody's.

Investment portfolio

Portfolio by geography

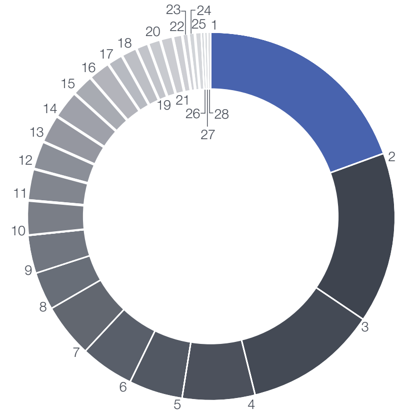
	Region	%
1	France	34.5
2	UK	23.2
3	Germany	8.3
4	Asia Pacific	7.4
5	Benelux	6.8
6	Spain	5.8
7	Nordic	5.7
8	Other Europe	4.8
9	North America	3.5

Source: ICG.



Portfolio by sector

	Region	%
1	Business services	19.7
2	Financial services	14.9
3	Healthcare	11.7
4	Shipping & transport	6.2
5	Building materials	4.9
6	Publishing & printing	4.8
7	Electronics	4.6
8	Food retailing	3.3
9	Waste management	3.3
10	Leisure & entertainment	3.1
11	Telephone networks	2.7
12	Utilities	2.6
13	Food manufacturing	2.5
14	Restaurants	2.5
15	Drapery & stores	2.0
16	Pharmaceuticals	1.8
17	Motors	1.6
18	Packaging & paper	1.3
19	Consumer products	1.2
20	Entertainment	1.1
21	Chemicals & plastics	1.0
22	Mechanical engineering	0.9
23	Insurance	0.5
24	Metal forming	0.5
25	Metal manufacturing	0.5
26	Hotels & caterers	0.4
27	Advertising	0.2
28	Real estate	0.2



Top 20 assets

	Company	Sector	Year	Country	£m*
1	Médi-Partenaires	Healthcare	2007	France	**107.5**
2	Bureau van Dijk	Publishing & printing	2007	Belgium	**99.2**
3	Elis	Business services	2007	France	**93.9**
4	BAA	Shipping & transport	2006	UK	**91.3**
5	Applus+	Business services	2007	Spain	**81.5**
6	Attendo	Healthcare	2007	Sweden	**76.1**
7	Biffa	Waste management	2008	UK	**76.0**
8	Materis	Building materials	2006	France	**65.5**
9	Veda Advantage	Financial services	2008	Australia	**59.6**
10	CPA Global	Business services	2010	UK	**52.8**
11	Link Market Services	Financial services	2007	Australia	**51.0**
12	Minimax	Electronics	2006	Germany	**50.6**
13	Gerflor	Building materials	2011	France	**49.1**
14	Ethypharm	Pharmaceuticals	2007	France	**46.5**
15	SAG	Utilities	2008	Germany	**45.8**
16	Eos Loan Fund I	n/a	2010		**45.0**
17	Feu Vert	Motors	2007	France	**41.1**
18	Orizonia	Leisure & entertainment	2006	Spain	**40.8**
19	Eismann	Food retailing	2007	Germany	**40.5**
20	TeamSystem	Business services	2010	Italy	**36.7**

* Carrying value on ICG balance sheet at 31 March 2011. Includes equity stake listed below where relevant.

Top 10 equity assets

	Company	Sector	£m*
1	CPA Global	Business services	**44.3**
2	Gerflor	Building materials	**32.1**
3	Intelsat	Telephone networks	**31.8**
4	Eismann	Food retailing	**24.5**
5	Allflex	Business services	**23.5**
6	Acromas Holdings Ltd	Financial services	**23.2**
7	TeamSystem	Business services	**20.2**
8	Applus+	Business services	**19.1**
9	Menissez	Food manufacturing	**15.3**
10	Link Market Services	Financial services	**14.6**

* Carrying value on ICG balance sheet at 31 March 2011.

Top 10 PIK (payment-in-kind) assets

	Company	Sector
1	BAA	Shipping & transport
2	Médi-Partenaires	Healthcare
3	Veda Advantage	Financial services
4	Link Market Services	Financial services
5	Sicurglobal	Business services
6	Bureau van Dijk	Publishing & printing
7	Hoyts	Leisure and entertainment
8	WSH Baxter	Hotels & catering
9	Ethypharm	Pharmaceuticals
10	Attendo	Healthcare

Investment portfolio continued

Company	Description	Sector	Year	Country	ICG fund
1st Credit www.1stcreditltd.com	1st Credit provides outsourcing services to financial institutions. The company purchases third party debtor books and collects third party debts on a commission basis. Bridgepoint Capital acquired the business in a secondary buyout from Gresham.	Financial services	2004	UK	ICG Mezzanine Fund 2003
AA/Saga www.theaa.com; www.saga.co.uk	AA is the leading provider of roadside investment assistance and personal insurance in the UK. Saga provides insurance and travel services exclusively for the over 50s. ICG provided mezzanine finance to the buyouts of both the AA and Saga in 2004. It also provided equity to the buyout of the AA. When the companies merged in 2007, the mezzanine loans were repaid and ICG retained an equity position in the combined entity.	Financial services	2004, 2007	UK	ICG Mezzanine Fund 2003
Acteon www.acteongroup.com	Acteon is a world leader in small equipment and consumables for dentists. Acteon is positioned in a growing market with an increased demand for cosmetic dental care and oral hygiene. ICG provided mezzanine finance and equity to support the secondary leveraged buyout led by Edmond de Rothschild Capital.	Healthcare	2005	France	ICG Mezzanine Fund 2003
A-Katsastus www.a-katsastus.fi	A-Katsastus is one of the leading European vehicle inspection, registration and driver examination companies. ICG provided mezzanine finance to support the leveraged buyout led by Bridgepoint Capital.	Automobile	2006	Finland	ICG Mezzanine Fund 2003
Albingia www.albingia.fr	Albingia is a leading niche insurance company. The company provides specialised insurance products to SMEs in France. ICG provided mezzanine finance and equity to support the leveraged buyout led by Chevrillon & Associés and Groupe IDI.	Insurance	2005	France	ICG Mezzanine Fund 2003
Allflex www.allflex.co.uk	Allflex is the world's leading designer, producer and distributor of animal identification tags. The company enjoys a leading position in each of its markets. ICG provided a mezzanine loan and equity to support the management buyout led by Electra Fleming.	Business services	1998	France	–
Alma www.almacg.com	Alma is a French consulting company specialising in cost reduction consultancy. The company is a leader in a fast growing market. ICG provided mezzanine finance and equity in support of Candover's buyout.	Business services	1998, 2007	France	ICG European Fund 2006
American Stock Transfer & Trust Company www.amstock.com	American Stock Transfer & Trust Company (AST) is the largest independent share registry and corporate administration service provider in the United States by issuer number. ICG provided mezzanine finance and equity to support the buyout by Pacific Equity Partners.	Financial services	2008	US	Intermediate Capital Asia Pacific Mezzanine Fund 2005 and 2008
Apem www.apem.fr	Apem is one of the world's largest manufacturers of professional switches and keyboards. The company designs, develops, manufactures and sells professional interface components dedicated to niche markets such as transportation, defence, security, interactive terminals and healthcare appliances. ICG provided a warranted mezzanine finance and also invested in equity to support Barclays Private Equity.	Electronics	2007	France	–
Applus+ www.applus.com	Applus+ is a leading inspection, certification and technological services company in both the automotive and non-destructive testing and inspection markets. ICG provided mezzanine finance and equity to support the Carlyle Group in the leveraged buyout.	Business services	2007	Spain	ICG European Fund 2006
Aster www.aster.pl	Aster City Cable is a leading provider of cable television internet and fixed line telephone services in Poland. It benefits from a very stable core customer base to whom it is broadening its product range. ICG provided mezzanine finance and equity to support the secondary buyout led by Mid Europa Partners. In 2007 ICG participated in the recapitalisation.	Telecommunications	2006, 2007	Poland	–
Attendo www.attendo.se	Attendo is a leading Nordic care and healthcare provider. Attendo Care provides elderly, disabled and specialist care in the Scandinavian market. Attendo MedOne operates outsourced primary, specialist and dental healthcare units, healthcare staffing services and elderly care units in Finland. ICG provided mezzanine finance and equity to support IK Investment Partners.	Healthcare	2007	Sweden	ICG European Fund 2006

Company	Description	Sector	Year	Country	ICG fund
Au Bon Pain www.aubonpain.com	Au Bon Pain is a fast casual restaurant chain founded in 1978. The company is based on a marketplace concept and targets high-traffic locations such as urban locations, hospitals, universities, high-end shopping malls and transportation centres. ICG provided mezzanine finance and equity to support LNK Partners and management in their buyout of the business.	Hotels and catering	2008	US	–
Aviapartner www.aviapartner.aero	Aviapartner is a leading European ground handling business for cargo and passenger aircraft. The company serves airlines in over 30 European airports. ICG provided mezzanine finance to support the leveraged buyout by 3i.	Shipping and transport	2005	Belgium	ICG Mezzanine Fund 2003
BAA www.baa.com	BAA operates and owns six airports in the UK, including London Heathrow, and has interests in a number of other airports overseas. ICG participated in the subordinated debt arranged when BAA was acquired by Ferrovial.	Shipping and transport	2006	UK	–
Biffa www.biffa.co.uk	Biffa is a leading UK waste management business with a principal focus on waste collection, recycling, treatment and disposal. ICG provided mezzanine finance and equity to support the leveraged buyout of Biffa led by Montagu and Global Infrastructure Partners.	Waste management	2008	UK	ICG European Fund 2006
Bureau van Dijk www.bvdep.com	Bureau van Dijk is a leading provider of customised business information. The company provides detailed company executive and industry intelligence on over 50 million companies worldwide. ICG provided mezzanine finance to support the secondary buyout. ICG also invested in the senior debt.	Printing and publishing	2007, 2008	Belgium	ICG European Fund 2006 and ICG Recovery Fund 2008
Casa Reha www.casa-reha.de	Casa Reha is the leading provider of elderly and inpatient care in Germany. ICG provided mezzanine finance and equity to support the secondary buyout led by Hg Capital.	Healthcare	2008	Germany	ICG European Fund 2006
CEPL	Compagnie Européenne de Prestations Logistiques (CEPL) is a contract logistics company. The company specialises in the high growth, detailed picking segment of the warehouse logistics industry with a focus on high-end consumer product segments. ICG provided mezzanine finance to support the secondary buyout led by Arcapita.	Business services	2008	France	ICG European Fund 2006
CoActive www.coactive-tech.com	CoActive is a leading global manufacturer of industrial switches. These are typically used in the automotive, medical and mobilecom markets. ICG provided a second lien facility and equity to support the buyout led by Littlejohn & Company.	Electronics	2007	US	ICG European Fund 2006
Courtepaille www.courtepaille.com	Courtepaille is a chain of grill restaurants across France that follow a uniform concept. ICG provided mezzanine finance to support the secondary LBO led by ING Parcom in 2005. In 2010 ICG financed the €160 million debt for the acquisition of Courtepaille by private equity group Fondations Capital.	Hotels and catering	2005, 2010	France	ICG European Fund 2006 and ICG Recovery Fund 2008
CPA Global www.cpaglobal.com	CPA Global is a leader in the fast-growing market for outsourced legal services. The company employs more than 1,300 people in ten countries around the world. In early 2010 ICG acquired a significant minority stake in the business alongside the company's senior management team and the founding shareholders.	Business services	2010	UK	ICG European Fund 2006 and ICG Minority Partners Fund 2008
Dako www.dako.com	Dako is a global leader in tissue based cancer diagnostics. Dako provides reagents, instruments and software for high-quality cancer diagnosis and efficient laboratory processes. ICG provided mezzanine finance and equity to support EQT in the buyout.	Healthcare	2007	Denmark	ICG European Fund 2006
Eismann www.eismann.de	Eismann is a leading European frozen food home delivery company. Over the last few years the management team has successfully expanded its model into France, Spain and Italy. ICG provided minority equity and mezzanine finance to support the management led buyout from ECM and Parcom.	Food retailing	2007	Germany	ICG European Fund 2006 and ICG Minority Partners Fund 2008
Elior www.elior.com	Elior is a leading European contract and concession catering and facilities management group. In 2006 ICG provided mezzanine and equity to support the acquisition of the group by its management alongside Charterhouse.	Hotels and catering	1997, 1999, 2006	France	ICG European Fund 2003

Investment portfolio continued

Company	Description	Sector	Year	Country	ICG fund
Elis www.elis.com	Elis is the European leader in the rental services and cleaning of textiles hygiene services. The company serves a wide range of customers, including corporates, hotels, restaurants and healthcare facilities. Following a tertiary buyout in 2007, ICG supported Eurazeo in a restructuring by taking a majority stake in the resulting senior mezzanine tranche.	Business services	1997, 2007	France	ICG European Fund 2006
Ethypharm www.ethypharm.com	Ethypharm is a leading Drug Delivery System (DDS) company. The company develops and manufactures medicinal products specialising in controlled release products. ICG provided mezzanine finance and equity in support of Astorg's acquisition of Ethypharm.	Pharmaceuticals	2007	France	ICG European Fund 2006
Eurodatacar www.eurodatacar.fr	Eurodatacar provides services that complement traditional vehicle theft insurance. In 2005 ICG supported management in the acquisition of the company with mezzanine finance.	Insurance	2002, 2005	France	–
Feu Vert www.feuvert.fr	Feu Vert is the largest auto centre operator in France and in Spain. The company is also a European leader in the design and distribution of car and cycling products to mass and specialised retailers. ICG provided mezzanine finance and equity to support CDC Capital Investment.	Automobile	2007	France	ICG European Fund 2006
Firth Rixson www.firthrixson.com	Firth Rixson is a leading manufacturer of complex metal components. The company serves the aerospace, power generation and commercial automotive markets. ICG provided mezzanine finance and equity in the secondary buyout led by Oak Hill Capital Partners.	Metal manufacture	2007	UK	ICG European Fund 2006
Fitness First www.fitnessfirst.com	Fitness First is the leading global health and fitness group. It operates in four regions: UK, Europe, Australia and Asia. ICG provided a mezzanine loan and equity for a secondary buyout to support BC Partners.	Leisure and entertainment	2005	UK	ICG Mezzanine Fund 2003
FlaktWoods www.flaktwoods.com	FlaktWoods is a global company providing energy-efficient indoor air solutions. ICG provided mezzanine finance and equity to support the acquisition led by Sagard and Barclays Private Equity in 2007.	Electronics	2007	France	ICG European Fund 2006
Fort Dearborn Company www.fortdearborn.com	Fort Dearborn Company is a leading supplier of decorative product labels for the North American prime label market. The company supplies a blue chip list of consumer packaged goods companies, as well as regionally branded and private label companies, operating in food, beverage, household products, personal care products, pharmaceutical and paint industries. The company provides a "one-stop shop" product offering that consists of cut & stack, shrink sleeve, pressure sensitive and roll-fed labels.	Business services	2010	US	–
Fraikin www.fraikin.co.uk	Fraikin is one of the largest commercial vehicle fleet service providers in Europe. ICG provided mezzanine finance and equity to support the secondary management buyout led by CVC Capital Partners.	Shipping and transport	2007	France	ICG European Fund 2006
Franklin Offshore www.franklin.com.sg	Franklin is the leading provider of rigging, lifting and mooring services to the offshore and marine industries in South East Asia. The company is increasingly involved in high value deepwater drilling and mooring operations and has developed a strong, blue chip customer base. ICG provided mezzanine and equity finance to support 3i.	Oil and gas	2007	Singapore	Intermediate Capital Asia Pacific Mezzanine Fund 2005
Gaucho www.gauchorestaurants.co.uk	Gaucho is the leading UK based operator of Argentine restaurants. ICG provided minority equity to support the management led buyout from Phoenix Equity Partners in 2007.	Hotels and catering	2007	UK	ICG European Fund 2006 and ICG Minority Partners Fund 2008
Gerflor www.gerflor.com	Gerflor is the third largest manufacturer of PVC flooring in the world and the second largest manufacturer in Europe with around 15% of the market share. Their positioning is in the "mid to high-end PVC flooring market". In 2011 ICG agreed to acquire Gerflor from AXA Private Equity, with the support of Gerflor's existing management team, headed by its CEO Bertrand Chammas.	Building materials	1992, 1998, 2006, 2011	France	European Fund 2006 and ICG Recovery Fund 2008
HMY www.hmy.fr	HMY is the leading French and Spanish manufacturer of retail shelving and checkouts. In 2005 ICG provided mezzanine finance to support the quaternary buyout led by Sagard.	Drapery and stores	2000, 2005	France	ICG Mezzanine Fund 2003

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

Investment portfolio continued

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

Company	Description	Sector	Year	Country	ICG fund
Quorn www.quorn.com	Marlow Foods, a former division of Premier Foods, is the UK market leader in the meat alternative segment selling chilled and frozen food products under the Quorn and Cauldron brands. The Quorn product is unique globally with significant barriers to entry. Both brands are targeted at vegetarians and weight/health managing consumers. The business also operates in a number of international markets where it commands similar market leading positions. ICG financed the acquisition of Marlow Foods providing junior debt and equity of £80 million from its balance sheet and third party funds.	Food retailing	2011	UK	ICG European Fund 2006
Raet www.raet.nl	Raet is the leading HR and payroll IT services company in the Netherlands. It also offers a range of related consultancy services. In 2003 ICG provided mezzanine finance for the management buyout to support AlpInvest and Advent International. In 2007 a refinancing took place in which ICG rolled over its mezzanine loan.	Business services	2003, 2007	The Netherlands	ICG Mezzanine Fund 2000 and ICG Mezzanine Fund 2003
SAG www.sag.de	SAG is a leading technical solutions provider for utilities in Europe. In 2008 ICG provided mezzanine finance and equity to support the secondary buyout.	Utilities	2008	Germany	ICG European Fund 2006
Sicurglobal www.sicurglobal.it	Sicurglobal is the leading Italian provider of integrated security services, including guarding, patrolling and alarm monitoring, cash handling, and satellite control. Following the acquisition of Mega Italia in 2009 the group also designs and installs highly technological and customised security systems for its clients. ICG provided mezzanine finance and equity to support the secondary buyout led by Stirling Square Capital.	Business services	2008	Italy	ICG European Fund 2006
Sogetrel www.sogetrel.com	Sogetrel specialises in communication networks for cable, mobile, fixed and proprietary operators throughout France. Sogetrel has a well-diversified portfolio of activities and holds a strong competitive position. ICG provided mezzanine finance and equity to support the acquisition by Barclays Private Equity.	Telecommunications	2006	France	–
Souriau www.souriau.com	Souriau is a world electronics leader in the design, manufacture and marketing of interconnection solutions to the industrial, military and aerospace markets. In 2006 ICG provided mezzanine finance and equity to support the secondary management buyout led by Sagard Private Equity.	Electronics	2003, 2006	France	ICG Mezzanine Fund 2003
Swets www.swets.com	Swets is a leading global subscription services company. The company acts as an intermediary between publishers and institutional subscribers, by providing products and services to simplify the management of print and electronic subscriptions. In October 2007 ICG supported Gilde in the acquisition of the company with mezzanine finance and equity.	Printing and publishing	2007	The Netherlands	ICG European Fund 2006
TDF www.tdf.fr	TDF operates radio utilities relay networks and shared infrastructures. The company provides services across the entire value chain of audiovisual and telecommunications networks. ICG provided equity for the management buyout to support TPG and Axa Private Equity. ICG also invested in the senior debt.	Telecommunications	2002, 2007	France	–
TeamSystem www.teamsystem.com	TeamSystem provides software solutions for payroll, tax, accounting, customer and human resources management. ICG invested in a mezzanine loan and equity to support the secondary buyout led by Bain Capital. In 2006 ICG supported Bain Capital in the add on acquisition of Lince, a leading business information company. In August 2010 ICG reinvested in TeamSystem to support Hg Capital with Mezzanine, PIK and equity.	Business services	2004, 2006, 2010	Italy	ICG European Fund 2006
Tegel Foods Ltd www.tegal.co.nz	Tegel is the leading poultry producer in New Zealand. The company offers a broad range of poultry products from fresh and frozen whole birds and portions to value added main meal items. In 2006 ICG provided senior and junior mezzanine loans in addition to equity to support Pacific Equity Partners' acquisition from Heinz.	Food manufacturing	2006	New Zealand	Intermediate Capital Asia Pacific Mezzanine Fund 2005
Tractel www.tractel.com	Tractel is the world leader in lifting and access-related products. This includes lifting, material handling, measurement of tension and loads, suspended working platforms, building maintenance installations and fall arrest safety equipment. ICG provided mezzanine and equity to support the management buyout led by LBO France.	Machinery	2007	France	ICG European Fund 2006

Investment portfolio continued

Company	Description	Sector	Year	Country	ICG fund
V Ships www.vships.com	V Ships is the world's largest ship manager. The company provides technical and crewing services to more than 1,000 ships from the largest oil tankers and containerships to specialty exploration vessels. ICG provided equity to support the Exponent led buyout.	Shipping and transport	2007	UK	–
Van Gansewinkel (formerly AVR) www.vangansewinkel.com	Van Gansewinkel is the leading waste management and lands environmental company in the Netherlands. ICG provided a senior shareholder loan and equity for the leveraged buyout to support CVC and KKR. As a result of the financing of the add-on acquisition of Van Gansewinkel in 2007, ICG invested in additional equity while the senior shareholder loan was repaid.	Waste management	2006, 2007	The Netherlands	ICG Mezzanine Fund 2003
Veda Advantage www.vedaadvantage.com	Veda Advantage is Australia and New Zealand's leading credit bureau and provides credit checks and references on individuals and corporations. In September 2008 ICG facilitated the restructuring of Veda's balance sheet by providing mezzanine finance to refinance senior debt and to provide additional working capital. ICG also acquired Veda's subordinated debt in the secondary market.	Financial services	2008	Australia	Intermediate Capital Asia Pacific Mezzanine Fund 2008
Veinsur www.veinsurtrucks.com	Veinsur is the largest Spanish truck distributor that also provides maintenance, repair and after-sales services. ICG provided mezzanine finance in the buyout supporting Ibersuizas and the founding family that remained as the management of the business.	Shipping and transport	2008	Spain	ICG European Fund 2006
Via Location www.vialocation.fr	Via Location is France's second largest independent truck rental company. In 2007 ICG provided mezzanine bonds and equity to support the management buyout led by Weinberg Capital Partners.	Shipping and transport	2004, 2007	France	ICG European Fund 2006
Viadom www.viadom-services.com	Viadom is the leading French provider of household, gardening, beauty and well being services in the home environment. ICG provided mezzanine and equity finance to support the management buyout led by Edmond de Rothschild Capital Partners.	Consumer products	2006	France	ICG Mezzanine Fund 2003
Vivarte www.vivarte.fr	Vivarte is a leading French apparel and footwear retail specialist. The company has a well-established and diversified portfolio of stores and brands in Europe. ICG provided equity to support the management buyout led by Charterhouse. ICG also invested in the senior debt.	Drapery and stores	2007	France	ICG European Fund 2006
Westbury Street Holdings www.baxterstorey.com	Westbury Street Holdings is a contract catering business predominantly based in the UK. Its largest UK brand is Baxter Storey, a leading food service provider covering business and industry. ICG invested in Westbury as a minority partner backing the incumbent management team with a mix of junior debt and equity financing.	Hotels and catering	2011	UK	ICG European Fund 2006

In addition we still hold a residual interest in the following companies or funds: Anacap, Asco, Astorg, Care Management Group, Cobalt, Dometic, DSV Miljo, Dynea, Edscha, Electra, Geoxia, Ideal Stelrad, IPT Group, Labco, Lecta, NZ Yellow Pages, Petroplus, Retif, Sia, SSP, Terreal.

Governance

Board of directors and company secretary

Christophe Evain
Managing Director and CEO

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

Chairman of Investment Committee
Joined: 1994

Tom Attwood
Managing Director

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

Chairman of Executive Committee and member of Investment Committees. Responsible for marketing and fundraising. Joined: 1996

François de Mitry
Managing Director

Previously worked at HSBC and Société Générale in the Corporate Finance and Leverage Finance divisions. He is currently the Chairman of Eismann and Gerflor, and a Non Executive Director of Wendel, Nocibe and Parkeon. François was also a Non Executive Director of Sébia and Marken, which were both successfully sold in 2010. He is a graduate of Institut d'Etudes Politiques and has a MBA from Paris Dauphine University.

Member of Investment and Executive Committees. Responsible for mezzanine and minority equity business. Joined: 1997

Philip Keller
Managing Director and CFO

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

Member of Investment and Executive Committees. Responsible for finance, human resources and operations. Joined: 2006

Aneta Polk
Company Secretary and General Counsel

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

Joined: 2009

Justin Dowley
Chairman

Vice Chairman of Nomura International plc which acquired Tricorn Partners LLP, the independent advisory firm which he co founded in 2003. Non Executive Director of Ascot Authority (Holdings) Ltd. Previously Head of Investment Banking at Merrill Lynch Europe and Director of Morgan Grenfell. Chartered Accountant.

Joined: 2006

Jean-Daniel Camus
Non Executive Director

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

Joined: 2007

Peter Gibbs
Non Executive Director

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

Joined: 2010

James Nelson
Non Executive Director

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

Chairman of ICG's Remuneration Committee
Joined: 2002

Kevin Parry
Non Executive Director

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

Chairs ICG's Audit and Risk Committee and is the Senior Independent Director. Joined: 2009

Directors' report

The directors present their annual report and the audited financial statements for the 12 months ended 31 March 2011.

Principal activities and business review

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

The Group's profit before taxation was £186.3 million (2010: £105.8 million). The directors consider the state of the Company's affairs to be satisfactory.

The review of the Group's business (as required by section 417 of the Companies Act 2006) including its likely future development is contained in "Our business", the "Business review" and on pages 43 to 56, which are incorporated into this report by reference, together with this report itself. The Corporate Governance Statement, set out on pages 65 to 69, forms part of this report. The Pillar 3 disclosure is available on the shareholders section of the Company's website www.icgplc.com.

Investment process

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

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

In order to effectively manage potential conflicts of interests between both ICG's businesses, namely mezzanine investment and credit fund management, two separate and independent Investment Committees have been set up: the consideration of new mezzanine loans or equity investments for approval and monitoring of performance of existing mezzanine loans and equity investments has been delegated to the Mezzanine and Minority Equity Investment Committee. The Committee is chaired by Christophe Evain, CEO and Chief Investment Officer.

The consideration of new senior debt, second lien debt and high yield investments has been delegated to the Credit Funds Investment Committee. This Committee is chaired by Christopher Evain, CEO and Chief Investment Officer ("CIO"). All investments are reviewed by the corresponding Investment Committee.

The approving Committees, comprise up to seven additional members for mezzanine investment and five additional members for credit fund management. The CIO selects the members among two predefined lists of people including managing directors and senior investment executives. One of these members will be nominated as Sponsor member, depending on the specificities of the investment (geography, size, nature of the transaction). By chairing both Investment Committees, the CIO ensures consistency in the Global Investment Strategy of the firm.

Key performance indicators ("KPIs")

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

Risk management

The principal risks affecting the Group together with risk management disclosures, objectives and policies are included in note 31 to the accounts and in the Business review on page 33.

Directors

The present membership of the Board is as set out in the table below.

John Manser also served as a director until his retirement on 13 July 2010.

Key matters regarding the membership of the Board are as follows:

- All the directors shown below served throughout the year.
- The Company's Articles of Association contain provisions for the periodic retirement of directors. However, in accordance with emerging best practice and provisions of the UK Corporate Governance Code the Board has decided it would be appropriate for all directors to submit to re-appointment every year. Accordingly all current directors will retire from office and stand for re-election at this year's Annual General Meeting ("AGM").
- John Manser, who retired at the conclusion of the 2010 AGM on 13 July 2010, was replaced as Chairman of the Board by Justin Dowley on that day.
- Justin Dowley's position as Senior Independent Director was assumed by Kevin Parry.

The interests of the directors of the Company and their connected persons, as defined by the Companies Act, in the shares of the Company as at 31 March 2011 are as follows:

	31 March 2011 Number of 20p ordinary shares	31 March 2010 Number of 20p ordinary shares
Tom Attwood	1,178,649	871,149
Jean-Daniel Camus	–	–
Justin Dowley (Chairman)	112,092	109,998
Christophe Evain (Chief Executive Officer)	775,650	409,350
Peter Gibbs	–	–
Philip Keller	69,500	39,500
François de Mitry	255,109	255,109
James Nelson	40,180	40,180
Kevin Parry	–	–

Since 31 March 2011 Philip Keller has acquired an additional 17,006 (net of UK personal tax) shares as a result of the vesting of an award made to him under the deferred share award scheme bringing his shareholding in the Company to a total of 86,506. Tom Attwood exercised his option over 119,984 shares on 1 June 2011 bringing his shareholding to 1,298,633. Other than this, there have been no changes to the directors' interests in shares at 31 March 2011 as set out above as at 3 June 2011.

Directors' share options

Details of directors' share options are provided in the Report of the Remuneration Committee on pages 79 and 80. During the financial year ending 31 March 2011, the directors had no interests in the shares of any subsidiary Company. No Company shares were issued under the Executive Share Option Schemes during the year.

Significant shareholdings

As at 10 May 2011 the Company had been notified or otherwise become aware of the following interests pursuant to the Disclosure Rules and the Transparency Rules representing 3% or more of the issued share capital of the Company:

Institution	Number of shares	Percentage of voting rights
Aviva Plc and its Subsidiaries	31,772,470	8.0
Baillie Gifford	28,037,597	7.0
F & C Asset Management Plc	27,547,322	6.9
BlackRock Inc	24,274,555	6.1
Legal & General Investment Mgmt Ltd	14,355,095	3.6

Dividend

The directors recommend a final net dividend payment in respect of the ordinary shares of the Company at a rate of 12p per share (2010: 11p), which when added to the interim net dividend of 6p per share (2010: 6p), gives a total net dividend for the year of 18p per share (2010: 17p). The amount of dividend paid in the year was £65.2 million (2010: £41.1 million). Under the terms of the scrip dividend scheme, that was introduced in 2009, shareholders will be offered the opportunity to elect to receive their cash dividends in shares. Further details will be announced on 20 July 2011.

Trade creditors

It is Group policy to agree and clearly communicate terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms, based upon the timely receipt of an accurate invoice. The Group does not follow any code regarding terms of payment. During the financial year our trade creditor days, based upon the ratio of amounts that were owed to trade creditors at the year end to the aggregate amounts invoiced by trade creditors during the year, were 27 days (2010: 33 days).

Auditor

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

Disclosure of information to auditor

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

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

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

Charitable and political contributions

During the year the Group made charitable donations of £97,000 (2010: £7,800) principally to local charities serving the communities in which the Group operates. £59,000 of donations (2010: nil) have been made to the Private Equity Foundation this year, a foundation backed by private equity firms and their advisers. Their mission is to empower young people, by investing both money and expertise from the private equity community, to help charities achieve a significant change in their impact. The Group also allows employees to take two days paid leave a year to devote to charitable causes supported by the Group under its Corporate Social Responsibility programme, further details of which are given on pages 40 and 41. No contributions were made during the year (2010: nil) for political purposes.

Directors' report continued

Directors' indemnity

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

Acquisition of shares by Employee Benefit Trust

During the year the Intermediate Capital Group Employee Benefit Trust 2002, funded in full by the Company, purchased 7,452,221 ordinary shares in the Company (having an aggregate nominal value of £1,490,444.20) for a consideration of £21.0 million. The shares were purchased in order to hedge the Company's future liabilities in relation to the vesting of awards under the Company's long term incentive plans.

This represented 1.9% of the Group's share capital at 31 March 2011.

Share capital and rights attaching to the Company's shares

As at 31 March 2011 the issued share capital of the Company was 399,206,490 ordinary shares of 20p each. Certain key matters regarding the Company' share capital are noted below:

- Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise as the Company may from time to time by ordinary resolution determine or, in the absence of any such determination, as the Board may determine. All shares currently in issue are ordinary shares of 20 pence each carrying equal rights.
- At a general meeting of the Company every member present in person and/or as a duly appointed proxy has one vote on a show of hands and on a poll one vote for each share held.
- The Intermediate Capital Group Employee Benefit Trust 2002 holds shares which may be used to satisfy options and awards granted under the Company's employee share schemes including its long term incentive plans. The voting rights of these shares are exercisable by the Trustees in accordance with their fiduciary duties.
- The notice of any general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.
- No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if:

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

  (b) he or any interested person has failed to supply the Company with the information requested within 14 days where the shares subject to the notice (the "default shares") represent at least 0.25% of their class or in any other case 28 days after delivery of the notice.
- Where the default shares represent 0.25% of their class the Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.
- The directors may refuse to register any transfer of any share which is not a fully paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.
- The Company is not aware of any other restrictions on the transfer of ordinary shares in the Company other than:
  - certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws or the UK Takeover Code); and
  - pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require approval of the Company to deal in the Company's shares.
- The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.
- At the 2010 Annual General Meeting the directors were given the power to allot new shares up to an aggregate nominal amount of £26,009,255 plus, in the case of a fully pre-emptive rights issue only, a further amount of up to £52,018,510. A resolution will be proposed to renew the Company's authority to allot further new shares at the forthcoming AGM. In accordance with the institutional guidelines issued by the Association of British Insurers (ABI), the proposed new authority will allow the directors to allot ordinary shares equal to an amount of up to one third of the Company's issued ordinary share capital as at 3 June 2011 plus, in the case of a fully pre-emptive rights issue only, a further amount of up to an additional one third of the Company's issued share capital as at 3 June 2011. Further details of the resolutions proposed at the forthcoming AGM are set out on pages 63 and 64.
- The director's authority to effect purchases of the Company's shares on the Company's behalf is conferred by resolution of shareholders. At the 2010 AGM the Company was granted authority to purchase its own shares up to an aggregate value of 10% of the issued ordinary share capital of the Company as at 26 May 2010. The authority to effect purchases of the Company's shares is renewed annually and approval will be sought at the forthcoming AGM for its renewal.

Powers of directors

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

The Company's Articles of Association give power to the Board to appoint directors. The Articles also require directors to submit themselves for election at the first AGM following their appointment and for one third of the Company's directors to retire by rotation at each AGM. Directors may resign or be removed by an ordinary resolution of shareholders.

Change of control agreements

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

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

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

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

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

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

5) The £450 million loan facility agreement dated 31 March 2008 where a change of control is an event of default and gives lenders the right, but not the obligation, to cancel their commitments to the facility and declare the loans repayable on demand.

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

7) The employee share schemes, details of which can be found in the Report of the Remuneration Committee on pages 71 to 83, Awards and options under the 2001 Approved and Unapproved Executive Share Option Schemes and SAYE Plan 2004 become exercisable for a limited period following a change of control whereas awards under the KERSP will only become exercisable if the Remuneration Committee so decides. Awards and options under the Omnibus Plan and the BSC Plan vest immediately on a change of control.

Annual General Meeting

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

Resolutions 16, 17 and 18 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions. To pass special resolutions 75% or more of the votes cast must be in favour. Voting on all resolutions will be by way of poll.

Resolutions

Financial Statements and Reports – Resolution 1

The directors are required to present to shareholders at the AGM the financial statements and reports for the year ended 31 March 2011.

Directors' Remuneration Report– Resolution 2

The directors are required to seek approval of the shareholders for the Directors' Remuneration Report for the year ended 31 March 2011. The resolution is an advisory vote, as permitted by law, and no entitlement to remuneration is made conditional on the resolution being passed. The Report of the Remuneration Committee is on pages 71 to 83.

Dividend – Resolution 3

The directors recommend a dividend of 12p per share. The final dividend cannot exceed the amount recommended by the directors. If approved by shareholders, the final dividend will be paid on 19 August 2011 to those shareholders on the register as at 15 July 2011.

The Auditor – Resolutions 4 and 5

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

Re-election of directors – Resolutions 6, 7, 8, 9, 10, 11, 12, 13 and 14

In accordance with the provisions of the UK Corporate Governance Code relating to the annual re-election of directors, James Nelson, Tom Attwood, Justin Dowley, Christophe Evain, Jean-Daniel Camus, Philip Keller, Peter Gibbs, François de Mitry, and Kevin Parry are retiring and will be standing for re-election at the AGM. The Chairman is satisfied that, following formal performance evaluation, each director continues to be effective and demonstrates commitment to his role. The Board considers that each of the directors brings experience and skills valuable to the Board's effective performance and that their re-appointment is in the best interest of the Company. Biographies of all the directors appear on pages 58 and 59.

Directors' report continued

Authority to allot shares – Resolutions 15

The directors may allot relevant securities only if authorised to do so by shareholders. The authority granted at the 2010 AGM is due to expire at this year's AGM. Resolution 15 seeks to renew this authority for a period until 30 September 2012, or the date of the 2012 AGM, whichever is the earlier.

Paragraph (a) of Resolution 15 will allow the directors to allot ordinary shares up to a maximum nominal amount of £26,621,764 representing approximately one third (33.33%) of the Company's existing issued share capital and calculated as at 3 June 2011 (being the latest practicable date prior to publication of the Notice of AGM). In accordance with the latest institutional guidelines issued by the ABI, paragraph (b) of Resolution 15 will also allow directors to allot, including the ordinary shares referred to in paragraph (a) of Resolution 15, further ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £53,243,529, representing approximately two thirds (66.67% of the Company's existing issued share capital calculated as at 3 June 2011. The directors have no present intention of exercising this authority. However, if they do exercise the authority, the directors intend to follow emerging best practice as regards its use (including, where appropriate, the directors standing for re-election) as recommended by the ABI.

Issue of Shares – Resolution 16

If the directors wish to allot equity securities or sell treasury shares for cash, the Companies Act 2006 requires that these shares are offered first to existing shareholders in proportion to their existing holdings. These requirements are known as shareholders' pre emption rights. There may be occasions, however, when, in order to act in the best interests of the Company, the directors need flexibility to finance business opportunities as they arise without offering securities on a pre emptive basis. Resolution 16 asks shareholders to renew the directors' authority to allot equity securities for cash up to an aggregate nominal value of £3,993,264 (being equivalent to approximately 5% of the ordinary issued share capital as at 3 June 2011) without the shares being offered first to existing shareholders. If given, this power will expire on 30 September 2012 or at the conclusion of the 2012 AGM, whichever is the earlier.

Repurchase of own Shares – Resolution 17

The Company may buy its own shares with the authority of shareholders. Resolution 17 seeks to renew the current authority given at the 2010 AGM. The resolution specifies the maximum number of shares that may be purchased in the markets up to a limit of 10% of the Company's issued ordinary share capital as at 3 June 2011 and the highest and lowest prices at which they may be bought. In the event that shares are purchased, they would be either cancelled (and the number of shares in issue would be reduced accordingly) or, in accordance with the Companies Act 2006, be retained as treasury shares for re-sale or transfer for use with the Company's employee share plans.

General Meetings – Resolution 18

Resolution 18 is required to meet the requirements of the Shareholder Rights Directive, which would otherwise require the notice period for General Meetings of the Company to be not less than 21 days.

The Shareholder Rights Directive provides that the Company must have shareholder approval to allow the Company to call General Meetings (other than an AGM) on 14 clear days' notice. The approval given at the 2010 AGM is due to expire at this year's AGM. If granted, the 2011 AGM approval will be effective until the 2012 AGM or 30 September 2012, whichever is the earlier. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

By Order of the Board

A. M. Polk

Aneta Maria Polk
Company Secretary

6 June 2011

Corporate governance

The Group recognises, and is committed to, the highest standards of corporate governance. Throughout the year ended 31 March 2011, the Group complied with the provisions of the Financial reporting Council ("FRC") Combined Code on Corporate Governance (the "Code"). In May 2010 the FRC issued a new edition of the Code, the UK Corporate Governance Code, which applies to financial years beginning on or after 29 June 2010 and therefore will begin to apply to the Company from the beginning of the 2012 financial year. A copy of the Code and the UK Corporate Governance Code is publicly available on the Financial Reporting Council's website (www.frc.org.uk).

The Board's responsibilities and processes

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

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

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

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

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

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

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

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

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

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

The Board has delegated the following responsibilities to the executive directors:

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

The roles of the Chairman and Chief Executive

The Chairman of the Board, Justin Dowley, leads the Board in the determination of its strategy and in achieving its objectives.

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

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

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

The Committee comprises the four executive directors and is chaired by Tom Attwood. The Committee meets on a regular basis to consider operational matters and the implementation of the Group's strategy with no one director being able to significantly affect the running of the Company without consulting his colleagues.

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

Corporate governance continued

Senior Independent Director

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

Board of directors

As at 31 March 2011, the Board comprised four executive directors, an independent non executive Chairman and four non executive directors of whom all four are independent. The non executive directors are as follows:

- Justin Dowley was appointed a non executive director in February 2006, and non executive Chairman in July 2010.
- James Nelson was appointed a non executive director in May 2001. He has been a non executive director of the Company for over nine-years and, following a rigorous review in accordance with the UK Corporate Governance Code, the directors have concluded that he continues to provide effective challenge both within and outside Board meetings. The Board considers him to be independent in character and judgement.
- Jean-Daniel Camus was appointed a non executive director in March 2007.
- Kevin Parry was appointed as a non executive director in June 2009.
- Peter Gibbs was appointed as a non executive director in March 2010.

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

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

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

Board and Committee meetings

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

* Attended these meetings but is not on the Committee.

Board performance

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

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

The Board does not consider it necessary to employ the services of an external third party to conduct the evaluation process. The employment of the services of such an external party will be kept under review annually. A review was performed during the year and the Board concluded that its performance and that of its Committees, Chairman and directors were satisfactory.

Election and re-election of directors

The Company's current Articles of Association provide that a director appointed by the Board shall retire at the Annual General Meeting following his appointment and that at each Annual General Meeting of the Company one-third of the directors must retire by rotation. Whilst the provisions of the UK Corporate Governance Code will only begin to apply to the Company from the beginning of the 2011 financial year, the Board has decided that in accordance with the UK Corporate Governance Code, each of the directors will retire and offer himself for re-election at this year's Annual General Meeting.

In relation to the directors who are standing for re-election the Chairman is satisfied that, following formal performance evaluation, each director continues to be effective and demonstrates commitment to his role. James Nelson has been a non executive director of the Company for over nine-years and, following a rigorous review in accordance with the UK Corporate Governance Code, the directors have concluded that he continues to provide effective challenge both within and outside Board meetings. The Board considers all of its non executive directors to be independent in character and judgement.

Conflicts of Interest

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

Board Committees

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

Audit and Risk Committee

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

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

– selecting and recommending the appointment of the external auditor to the Board, approving their terms of reference and fees;
– reviewing the performance of the external auditor and ensuring appropriate rotation of audit partner;
– acting as a forum for discussion of internal control issues and giving input to the Board's review of the Company's internal control and risk management systems and procedures;
– reviewing the independence of the external auditor and the relationship between audit and non audit work performed by the external auditor. Procedures are in place to ensure that all significant non audit work performed by the auditor is approved in advance by the Committee and they assess whether such appointments impair, or appear to impair, the auditor's judgement or independence. The Audit and Risk Committee also undertakes an annual evaluation to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. The results of the evaluation were last reported to the Board in September 2010. An analysis of fees paid to Deloitte LLP is shown in note 9 on page 98;
– reviewing the annual and interim accounts before they are presented to the Board, in particular any significant issues arising from the audit; accounting policies and clarity of disclosures; compliance with applicable accounting and legal standards; issues regarding a significant element of judgement; and the statements on internal controls and business risk assessment; and
– reviewing the provisioning policy for the investment portfolio on a six monthly basis; and reviewing and approving the Company's whistleblowing policy;
– reviewing the Company's procedures for detecting fraud and for handling, in confidence, allegations from whistleblowers and to ensure these procedures allow proportionate and independent investigation of such matters and appropriate follow up action;
– reviewing management's and the internal risk's reports on the effectiveness of systems for internal financial control, financial reporting and risk management, including non-financial risk management; and
– monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.

During the year the Audit and Risk Committee:

– reviewed and recommended to the Board the accounting disclosures comprised in the interim and annual financial statements of the Group and reviewed the scope of the external audit plan and audit findings;
– evaluated the independence and objectivity of the external auditor and the effectiveness of the audit process;
– met with the external auditor in the absence of management;
– Reviewed procedures for Anti-Money Laundering and the MLRO report;
– reviewed the effectiveness of the internal control environment of the Group;
– reviewed the Risk Management of and Operational Control over the Funds under Management;
– reviewed Treasury Committee activity; reviewed regulatory developments and their impact on the Group and
– reviewed and approved the updated ICAAP.

Remuneration Committee

The Remuneration Committee consists of five non executive directors, these being James Nelson (Chairman of the Committee), Jean-Daniel Camus, Justin Dowley, Peter Gibbs and Kevin Parry. Executive directors are not members of the Remuneration Committee but are normally invited to attend. The Committee supports the Board in determining the level of remuneration of the Chairman (in his absence) and reviews the remuneration policy applicable to senior management. Further details regarding remuneration policy and payments made can be found in the Report of the Remuneration Committee on pages 71 to 83.

Nominations Committee

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

The Committee is responsible for considering the composition of the Board to ensure that the balance of its membership as between Executive and non executive directors is appropriate. 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 and election or re-election at a general meeting of the shareholders.

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

Corporate governance continued

Executive Committee

The Executive Committee comprises the four Managing directors of ICG, each of whom has a specific area of responsibility. The Executive Committee has general responsibility for ICG's resources, determining strategy, financial and operational control and managing the business worldwide. Christophe Evain is Chief Executive Officer and in addition to his strategic and operational remit he chairs the Company's Investment Committees in his role as the Chief Investment Officer. Tom Attwood chairs the Executive Committee and focuses on credit funds, Philip Keller is Chief Financial Officer and is responsible for finance and infrastructure, and François De Mitry is responsible for the mezzanine and minority equity business.

Relationships with shareholders

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

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

Internal control

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

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

The Board annually considers and approves a strategic plan and budget. In addition there are established procedures and processes in place for the making and monitoring of investments and the planning and controlling of expenditure. The Board also receives regular reports from the Executive Committee on the Company's operational and financial performance, measured against the annual budget as well as regulatory and compliance matters. The Company has in place arrangements whereby employees may raise matters of concern in confidence about possible improprieties in matters of financial reporting or other matters. The Board has considered the need for an internal audit function, but has decided that because of the nature of the current internal control system and size of the Company it cannot be justified at present. The Board will review this decision next year. In addition to the regular Risk reports discussed at the Audit and Risk Committee's meetings, the Board undertook a formal annual assessment of the risk management and control arrangements in order to form a view on the overall effectiveness of the system of internal control. The Board also authorised the Executive Committee to undertake external reviews of the emerging risks, where required, with a view to assist the growth of the Company's business.

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

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

The key elements of this process are:

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

Going concern statement

The Financial review on pages 26 to 32 describes the financial position of the Group; its cash flows, liquidity position and borrowing facilities together with its objectives, factors likely to affect its future development and policies and processes for managing its capital. The Group's financial risk management objectives and its exposure to credit risk and liquidity risk are described in the Principal risks and uncertainties section on pages 33 to 37 and details of its financial instruments and hedging activities are described in note 31 on pages 111 to 117. The Group continually monitors its debt profile and looks to refinance senior facilities a substantial period before they mature. Having reviewed the Group's budget and business plan and, taking into account reasonable downside sensitivity, the directors believe that the Group has adequate financial resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Directors' responsibilities statement

Directors' responsibilities statement

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Christophe Evain
Chief Executive Officer

6 June 2011

Philip Keller
Chief Financial Officer

6 June 2011

Report of the Remuneration Committee

Contents of the FY11 Remuneration Report

Important changes were made to the Company's remuneration policy in 2010, with the adoption of the Omnibus Plan and the Balance Sheet Carry Plan, both of which were approved by the shareholders in July 2010. Accordingly, awards under these plans were made during FY11.

No major changes to the remuneration policy are anticipated in the future. This report provides the basis upon which awards have been made under the new plans and the transition arrangements for the wind up of the old schemes during FY11 and FY12.

We have structured the remuneration report in four parts:

1 Remuneration policy for FY12

This section explains the Remuneration policy that will be in operation in the current Financial Year, FY12. Following the approval of the Omnibus Plan and the Balance Sheet Carry Plan by shareholders in July 2010 and the subsequent adoption, awards will be made under these plans in FY12. FY12 is the second year of transition, therefore the level of awards in FY12 is based upon the benchmark approved by the Remuneration Committee which is based upon advice provided by PwC. The benchmark level of remuneration was arrived at by PwC following an extensive review across comparable organisations and available market data.

There are also a number of legacy remuneration schemes which are being wound down during the transition periods of FY11 and FY12. Details of these plans are set out in the "section 2 Remuneration for FY11 explained" section of this report. Under these schemes, deferred awards were made to executives in previous years which will generate remuneration to executives in FY12, if certain performance hurdles are met.

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

Carried interest is a share of the profits of a successful fund that is paid to the Company as a manager of the fund and certain employees who are involved in the management of the fund.

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

Remuneration principles

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

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

Report of the Remuneration Committee continued

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

	Principle				
Element of remuneration	Alignment	Support the long term corporate strategy	Promote staff share ownership	Transparent	Cash on cash
Salary	–	Sufficient to ensure that variable pay can be reduced to zero	–	All aspects of remuneration are clear and openly communicated to employees and shareholders	–
Annual Bonus (including Deferred Share Awards)	Portion awarded as Deferred Share Awards aligns with overall shareholders interests	Introducing performance metrics aligned with business strategy	Deferred Share Awards deliver ICG shares		Aggregate expected value of awards is subject to Annual Award Pool driven by cash profit
plc Equity	Rewards creation of overall shareholder value	Rewards creation of overall shareholder value	Delivers ICG shares		Subject to Annual Award Pool and payments only made in respect of realised gains
FMC Equity	Rewards creation of shareholder value in FMC	Rewards creation of shareholder value in FMC	Delivers ICG shares		
Balance Sheet Carry	Ensures management is exposed to outcome of investment decisions	Encourages staff to invest successfully and maximise returns and recoveries	–		Payments only made in respect of realised gains
Carried Interest on third party funds	Rewards creation of value for third party investors	Encourages staff to invest successfully and maximise returns and recoveries	–		

Remuneration for FY12 explained

Basic salary in FY12
The executive directors have elected not to receive any increase in their salaries from the 2010/11 level. Based upon objective research from a number of market sources and based upon the pay and conditions for all employees elsewhere in the ICG Group, the average basic salary for all other staff has increased by an average of 6.4% from 2010/11 levels, depending upon their role. Pension and other benefits will be held at 2008/09 levels (subject to salary increases).

Intermediate Capital Group plc Omnibus Plan
This plan is explained in detail on page 74. FY12 is the second transition year, therefore the awards made under this plan in June 2011 are based upon the benchmark approved by the Remuneration Committee, based upon advice provided by PwC.

Deferred share awards
This Omnibus Plan provides a vehicle for any deferred element of the Annual Bonus. The award is over shares in the Company.

Annual bonus
Annual bonus awards are allocated on the basis of individual performance. 50% of any bonus over £100,000 is awarded as Deferred Share Awards for executive directors and 40% of any bonus over £100,000 for other staff. The deferred element will vest in equal amounts after one, two and three years.

Intermediate Capital Group plc Balance Sheet Carry Plan
This plan is explained in detail on page 75. FY12 is the second transition year, therefore the awards made under this plan in June 2011 are based upon the benchmark approved by the Remuneration Committee, based upon advice provided by PwC.

Old remuneration schemes
Employees will continue to receive payments in cash or shares under the following schemes relating to awards made in previous years, if performance hurdles are met. No further awards will be made:

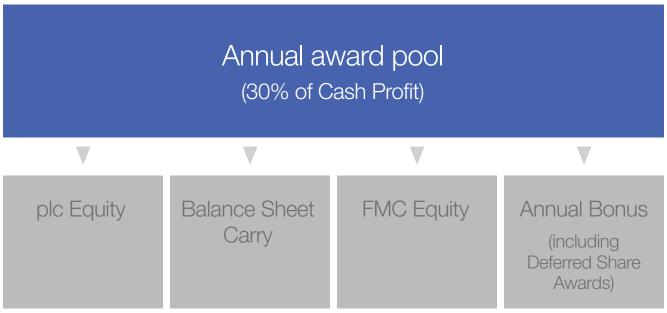
Medium Term Incentive Scheme ("MTIS")
No awards have been made since FY09. Payments will continue to be made to executives in respect of MTIS points awarded prior to FY10, in line with the relevant proportion of cash profit realised on investments in FY12, if the performance hurdle is achieved.

CDO Remuneration Plan
Payments will continue to be made until June 2012.

Employee share option schemes
No new options have been awarded since June 2009, vesting of options are subject to performance conditions.

Key Employee Retention Share Plan ("KERSP")
No new options have been awarded since June 2008, vesting of options are subject to performance conditions.

Annual award pool



The Annual Award Pool, which will be up to 30% of cash profit, will be used as a limit on the aggregate variable compensation that can be awarded over a five year rolling period beginning with the FY12 financial year i.e. the awards made under the Omnibus and Balance Sheet Carry Plans in June 2012 will be calculated based upon 30% of Cash Profit for FY12.

The Committee continues to consider 30% to be an appropriate limit for ICG having reviewed market data provided by PwC.

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

- Annual Award Pool is 30% of cash profits for the most recently ended financial year, it will be measured over a five year rolling period starting in FY12 and is a cap on the aggregate value of variable compensation awarded.
- The 30% may be exceeded in any year but must not be exceeded on an aggregate average basis over five years.
- In exceptional circumstances, it may be appropriate for the Committee to allocate a greater percentage than the envisaged 30% in order to maintain the retention value of an individual's remuneration package.

Carried Interest on third party funds is not regarded as variable compensation costs of ICG, and therefore does not form part of the Annual Award Pool.

Report of the Remuneration Committee continued

1 Remuneration policy for FY12 (continued)

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

31 March 2012 will be the end of the transition period. From this point onwards the Committee intends to include the following information in each year's remuneration report in order to ensure that the operation of the Annual Award Pool is transparent to shareholders:

- a statement that the Committee has:
  - (i) approved the calculation of the Annual Award Pool and the methodology and assumptions used to determine the value of awards for the relevant year; and
  - (ii) determined that the aggregate value of the Annual Bonus (including Deferred Share Awards), PLC Equity Awards, FMC Equity Awards and Balance Sheet Carry is within the stated parameters for the Annual Award Pool,
- the percentage of cash profit representing the value of aggregate variable compensation awarded for the relevant year;
- the cumulative average of the Annual Award Pool as a percentage of cash profit over the five-year period;
- the cumulative average of the aggregate value of compensation awarded over the five-year period as a percentage of cash profit; and
- any exercise of discretion to allow the aggregate value of awards over the five-year period to exceed the cumulative Annual Award Pool.

2 Remuneration for FY11 explained

The Omnibus Plan and Balance Sheet Carry Plan, as described on pages 74 and 75 were approved at the Annual General Meeting in July 2010.

Awards under these schemes were made in July 2010 based upon the benchmark approved by the Remuneration Committee which was based upon advice provided by PwC. The benchmark level of remuneration was arrived at by PwC following an extensive review across comparable organisations and available market data. (FY11 is a transition year during which awards are based upon benchmark instead of the awards being made based upon 30% Annual Award Pool). During FY11, for investments undertaken prior to FY10 that are realised for cash, MTIS payments were made subject to the relevant EPS criteria being met, while awards will be also be granted under the new schemes. At the end of the transition period (31 March 2012), the MTIS will be closed and any accrued MTIS will be released to the income statement. This release is expected to neutralise the cost of running the two schemes over the transition period. Over the longer term the new schemes are designed to award the same quantum to staff as the old schemes and to have a similar impact on the Income Statement.

Basic salary in FY11

Based upon objective research from a number of market sources and based upon the pay and conditions for all employees elsewhere in the ICG Group, the basic salary for executive directors was increased by 4% from 2009/10 levels to £328k each, and by an average of 7% from 2009/10 levels for all other staff, depending upon their role.

Intermediate Capital Group plc Omnibus Plan

The first awards under the Intermediate Capital Group plc Omnibus Plan (the "Omnibus Plan") were made in the FY11 financial year. The Omnibus Plan provides for three different award types to be made over Company shares: Deferred Share Awards, PLC Equity awards and FMC Equity awards.

Deferred Share Awards

This Omnibus Plan provides a vehicle for any deferred element of the Annual Bonus. The award is over shares in the Company.

Annual Bonus

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

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

There will be mandatory deferral into Company shares of 50% of any amount of an executive director's bonus that exceeds £100,000 (40% for all other staff). The deferred element will vest in equal amounts after one, two and three years.

Dividend Equivalents will accrue to participants during the vesting period.

The vesting of deferred shares will not be contingent upon a performance condition since these awards are subject to the overall "cash on cash" limit when they are awarded. Good Leaver treatment (automatic vesting) will apply in circumstances of death, disability and ill-health. The treatment of other leavers will be subject to Committee discretion.

PLC Equity Awards

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

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

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

Dividend Equivalents will accrue to participants during the vesting period.

The vesting of shares will not be contingent upon a performance condition since these awards are subject to the overall "cash on cash" limit when they are awarded. These awards will vest one third at the end of each of the third, fourth and fifth anniversaries of grant. Good Leaver treatment will apply in circumstances of death, disability and ill health (where vesting will be automatic) and redundancy (where vesting will occur at the normal vesting date). The treatment of other leavers will be subject to Committee discretion.

FMC Equity Awards

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

The shares will vest, one third at the end of each of the first, second and third anniversaries of grant. A holding period applies until the third anniversary of grant.

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

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

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

Intermediate Capital Group plc Balance Sheet Carry Plan

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

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

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

The hurdle rate will be fixed by the Committee prior to making the first awards in each vintage, calculated as the base rate plus 4% per annum, with a floor of 5% per annum. The hurdle for the FY11 vintage was 5% per annum. The hurdle rate for the FY12 vintage will be 5% per annum.

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

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

The elements of the variable remuneration split for executive directors for FY11

The split between elements of variable remuneration for executive directors for FY11 is estimated as:

1 PLC Equity	
PLC Equity maintains alignment between executive directors and overall shareholder value and comprises the majority of executive directors' remuneration	68%
2 Balance Sheet Carry	
Balance Sheet Carry links remuneration to the performance of ICG's balance sheet investments based upon an estimated value of award at time of grant	32%
3 Annual Bonus	
The allocation of annual bonus includes the element that will be delivered in Deferred Share Awards	0%

Carried Interest on third party funds

It is not possible to put a monetary value on Carried Interest at grant (and consequently it is not included in the target split) as the amounts paid out depend on the performance of investments in future years.

The value of the Annual Award Pool for the FY11 awards would have been £57 million based upon 30% of FY11 cash profit. The Remuneration Committee are awarding nearly 20% less than this amount in June 2011, as this is a transition year.

Report of the Remuneration Committee continued

2 Remuneration for FY11 explained (continued)

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 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. In respect of all other employees either: (a) an additional gross annual amount is paid to them which they use to contribute to any one or more pension plans of their choice; or (b) the Company makes contributions into a designated Group pension plan.

Executive directors' contracts

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

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

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

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

Non executive directors

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

Fees are reviewed every two years and the latest review took effect from 1 April 2010.

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

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

Non executive directors	Date appointed	Last re-elected
Kevin Parry	June 2009	July 2009
Jean-Daniel Camus	March 2007	July 2007
Justin Dowley	February 2006	July 2008
Peter Gibbs	March 2010	July 2010
James Nelson	May 2001	July 2010

The Intermediate Capital Group plc SAYE Plan 2004

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

Carried Interest on third party funds

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

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

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

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

The Company currently operates carried interest on the following funds:

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

Carried Interest on third party funds will continue unchanged and generally new allocations of interest will be made as new funds are raised.

Old Remuneration Schemes

Medium Term Incentive Scheme payments in respect of FY11

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

The payment from the MTIS this year is the maximum of 20%, since the full performance target has been achieved.

Share options in FY11

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

The schemes are:

- The ICG 2001 Approved Executive Share Option Scheme.

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

For awards made in the 2009/10 financial year to staff below the level of partner, no performance conditions applied.

- The ICG 2001 Unapproved Executive Share Option Scheme, the provisions of which are substantially similar to those of the ICG 2001 Approved Executive Share Option Scheme.
- The Key Executive Retention Share Plan (KERSP). This which was adopted on 23 May 2005, under which an amount (up to 15% of the value of the MTIS pool) could be distributed to key executives in the form of share options with an exercise price equal to nil, subject to achievement of a performance condition measured from the date of grant to the vesting date.

The Committee considers that performance conditions attaching to the options granted were appropriate. No value is delivered to participants if performance is below threshold performance.

Report of the Remuneration Committee continued

2 Remuneration for FY11 explained (continued)

Shareholder dilution

For all awards made during the 2010/11 financial year and subsequent financial years, ICG has and intends in the future to use market purchased shares to satisfy any equity settled incentive awards.

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

Employee Benefit Trust

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

Shareholding requirements

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

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

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

3 Remuneration in detail for FY11

Directors’ remuneration – audited

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

Executive directors	Basic salaries £000	Short and medium term scheme £000	Pension scheme allowances £000	Benefits in kind £000	Total for year ending 31 March 2011 £000	Total for year ending 31 March 2010 £000
Tom Attwood	328	4,000	49	6	4,383	*2,421
Christophe Evain	328	4,000	49	6	4,383	*2,421
Philip Keller	328	2,666	49	5	3,048	*1,736
François de Mitry	328	4,000	49	5	4,382	2,421
	1,312	14,666	196	22	16,196	8,999

* As detailed in the FY10 Annual Report a portion of this remuneration for 2009/10 was contributed by Intermediate Capital Group plc to Intermediate Capital Group Employee Benefit Trust.

The maximum performance hurdle for the MTIS has been achieved this year, therefore 100% of amounts awarded under MTIS for 2010/11 will be paid to participants. In 2009/10 only 97.5% of the performance hurdle was achieved and in 2008/09 the minimum performance hurdle was not achieved.

In accordance with the rules of the MTIS, once the threshold performance hurdle has been met in a subsequent year, catch up payments will be made for any prior years where a full payout has not been made. Accordingly the directors will be paid the remaining 2.5% of the MTIS portion of their bonus for 09/10 and 08/09 (The 97.5% of catch up of MTIS for 08/09 was paid in June 2010). These catch up payments total £71.5k each for Tom Attwood, Christophe Evain and François de Mitry and £28.8k for Philip Keller.

The emoluments paid to former executive directors in relation to MTIS for 2010/11 amounted to £7.8 million as follows:
Paul Piper £3,756,000 (2010: £1,865,000), Andrew Phillips £3,360,000 (2010: £1,861,000), Tom Bartlam £582,000 (2010: £376,000), Andrew Jackson £56,000 (2010: £226,000) and Jean Loup de Gersigny £56,000 (2010: £226,000). The catch up payments for Paul Piper are £68k, for Andrew Phillips £60.2k, for Tom Bartlam £18k, £9k for Andrew Jackson and £14k for Jean Loup de Gersigny.

Share option scheme – audited

At 31 March 2011, the following executive directors had share options in the Company, which had not been exercised. The number of shares over which options are held is:

Executive directors	At 1 April 2010	Granted during the year	Lapsed during the year	At 31 March 2011 or date of leaving	Exercise price*	Exercise periods From	To
Tom Attwood	119,984	–	–	119,984	£2.875	June 2004	June 2011
	91,161	–	–	91,161	£3.256	April 2005	April 2012
	110,635	–	–	110,635	£3.322	June 2006	April 2013
	106,745	–	–	106,745	£4.731	June 2007	April 2014
	125,999	–	–	125,999	£4.286	June 2008	April 2015
	111,478	–	–	111,478	£4.844	June 2009	June 2016
	101,751	–	101,751	–	£5.897	June 2011	June 2018
	282,472	–	–	282,472	£2.230	June 2012	June 2019
Christophe Evain	76,947	–	–	76,947	£2.875	June 2004	June 2011
	73,699	–	–	73,699	£3.256	April 2005	April 2012
	76,766	–	–	76,766	£3.322	June 2006	April 2013
	73,982	–	–	73,982	£4.731	June 2007	April 2014
	111,997	–	–	111,997	£4.286	June 2008	April 2015
	99,090	–	–	99,090	£4.844	June 2009	June 2016
	101,751	–	101,751	–	£5.897	June 2011	June 2018
	282,472	–	–	282,472	£2.230	June 2012	June 2019
Philip Keller	4,992	–	–	4,992	£6.008	Dec 2009	Dec 2016
	176,447	–	–	176,447	£6.008	Dec 2009	Dec 2016
	101,751	–	101,751	–	£5.897	June 2011	June 2018
	282,472	–	–	282,472	£2.230	June 2012	June 2019
François de Mitry	84,293	–	–	84,293	£3.322	June 2006	April 2013
	69,782	–	–	69,782	£4.729	June 2007	April 2014
	117,035	–	–	117,035	£4.101	June 2008	April 2015
	99,090	–	–	99,090	£4.844	June 2009	June 2016
	101,751	–	101,751	–	£5.897	June 2011	June 2018
	282,472	–	–	282,472	£2.230	June 2012	June 2019

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

The options awarded in June 2008 have lapsed as the performance condition relating to growth in core income per share has not been met. Options may only normally be exercised between three and 10 years after the date of grant if performance targets are met.

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

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

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

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

Report of the Remuneration Committee continued

3 Remuneration in detail for FY11 (continued)

KERSP option scheme – audited

At 31 March 2011, the following executive directors had nil cost options in the Company under the KERSP scheme, which had not been exercised. The number of shares over which options are held is:

Executive directors	At 1 April 2010 (or later date of appointment)	Lapsed during the year	At 31 March 2011 or date of leaving	Exercise price	Exercise periods From	Exercise periods To
Tom Attwood	61,071	12,214	48,857	Nil	May 2010	May 2018
	74,616	–	74,616	Nil	June 2011	June 2019
	118,855	–	118,855	Nil	June 2012	June 2020
Christophe Evain	53,570	10,714	42,856	Nil	May 2010	May 2018
	66,553	–	66,553	Nil	June 2011	June 2019
	118,855	–	118,855	Nil	June 2012	June 2020
Philip Keller	31,855	–	31,855	Nil	June 2011	June 2019
	54,024	–	54,024	Nil	June 2012	June 2020
François de Mitry	53,570	10,714	42,856	Nil	May 2010	May 2018
	66,553	–	66,553	Nil	June 2011	June 2019
	118,855	–	118,855	Nil	June 2012	June 2020

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

Directors' share options

There were no options exercised by directors during the year.

The market price of each share at 1 April 2010 and 31 March 2011 was £2.71 per share and £3.26 per share respectively. The highest and lowest share prices during the year were £3.60 and £2.40 respectively.

Omnibus Plan – audited

At 31 March 2011, the following executive directors held PLC Equity Awards over ICG plc shares under the Omnibus Plan, which was approved by the shareholders in July 2010:

Executive directors	As at 31 March 2010	Granted in July 2010 to Employee BenefitTrust	Granted in July 2010	At 31 March 2011	Award price
Tom Attwood	–	705,460	–	705,460	£2.58
Christophe Evain	–	705,460	–	705,460	£2.58
Philip Keller	–	235,153	235,154	470,307	£2.58
François de Mitry	–	–	705,460	705,460	£2.58

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

At 31 March 2011, the following executive director held Deferred Share Awards over ICG plc shares under the Omnibus Plan, which was approved by the shareholders in July 2010:

Executive director	As at 31 March 2010	Granted in July 2010	At 31 March 2011	Award price
Philip Keller	–	100,053	100,053	£2.58

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

Balance Sheet Carry Plan – audited

At 31 March 2011, the following directors held Balance Sheet Carry points under the Balance Sheet Carry Plan (for the FY11 vintage of investments) which was approved by shareholders in July 2010:

Executive directors	As at 31 March 2010	Points granted in July 2010	Points held at 31 March 2011
Tom Attwood	–	346	346
Christophe Evain	–	346	346
François de Mitry	–	346	346
Philip Keller	–	231	231

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

Fees paid to non executive directors were:

				Committee chairman/Membership			
Non executive directors	Board membership fees £000	Non Executive Chairman fee £000	Senior Independent director fee £000	Audit £000	Remuneration £000	Total fees £000	Total for year 2010 £'000
Justin Dowley (Chairman)	19.9	105.9	1.4	2.8	1.4	131.4	52.5
Jean-Daniel Camus	50.0	–	–	5.0	5.0	60.0	45.0
Peter Gibbs	50.0	–	–	5.0	5.0	60.0	0.8
James Nelson	50.0	–	–	5.0	20.0	75.0	52.5
Kevin Parry	50.0	–	3.6	8.6	5.0	67.2	33.3
John Manser*	–	44.1	–	–	–	44.1	127.5
	219.9	150.0	5.0	26.4	36.4	437.7	311.6

*John Manser retired from the Board on 13 July 2010. Justin Dowley was appointed Chairman.

Carried interest on third party funds

The Company has established for its executives, including the executive directors, carried interest arrangements under which between 60% and 80% of the carried interest negotiated by the Company in respect of managed funds raised since 21 January 1998 is available for allocation to its executives. Although these arrangements are not a long term incentive scheme (as the costs of these arrangements are borne by the investors in such funds) the Company sought, and obtained, approval from its shareholders for such arrangements at an Extraordinary General Meeting on 21 January 1998. Reconfirmation of the approval of the carried interest arrangements was obtained from shareholders at the Annual General Meeting held on 27 May 2003.

It is not possible to put a monetary value on these interests, as they are dependent upon the performance of the relevant funds in the future. No amounts will be payable until the third party investors in the funds have had all their capital returned, plus a minimum return.
The allocation of carried interest entitlements as at 31 March 2011 was as follows:

	ICG Mezzanine Fund 1998	ICG Mezzanine Fund 2000	ICG Mezzanine Fund 2003	Intermediate Capital Asia Pacific Mezzanine Fund 2005	ICG European Fund 2006	Intermediate Capital Asia Pacific Fund 2008	ICG Minority Partners Fund 2008	ICG Recovery Fund 2008
Executive directors	13.4%	12.9%	19.6%	22.1%	22.6%	21.7%	43.1%	23.8%
Former executive directors	27.5%	16.0%	9.6%	9.4%	2.8%	0.7%	1.2%	1.4%
Other executives	20.6%	27.9%	39.1%	43.5%	54.6%	57.6%	35.7%	54.8%
ICG	38.5%	43.2%	31.7%	25.0%	20.0%	20.0%	20.0%	20.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Report of the Remuneration Committee continued

4 Remuneration Committee

Composition and operation

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

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

The Committee comprises five independent non executive directors:

- Jean-Daniel Camus
- Justin Dowley
- Peter Gibbs
- James Nelson (Chairman)
- Kevin Parry

Non executive directors who are not members of the Committee are invited to attend the meetings. None of the Committee members have any personal financial interests (other than as shareholders or investors in ICG funds), conflicts of interest arising from cross directorships or day to day involvement in running the business. The Company therefore considers that it complies with the Code recommendations regarding the composition of the Committee.

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

A table showing the number of Committee meetings held during the year and the attendance record of individual directors can be found in the Corporate Governance section on page 66.

Advisors to the Committee

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

Mayer Brown and Ashurst advised the Committee on a broad range of legal issues for the Group during the year to 31 March 2011. These advisors were not appointed by the Committee.

The following topics were discussed and addressed as required:

Meetings	Topics addressed
May	Approval of Compensation recommendations for 2009/10 and Awards for 2010/11 Review of FMC valuation
September	Consideration of asset allocation for new compensation schemes
November	Approval of Addendum to BSC Rules for US taxpayers Review of compensation trends
January	Review of the FSA Remuneration Code and associated implementation steps Approval of ICG Remuneration Policy Approval of amendments to the Approved, Unapproved and French Addendum to the Executive Share Option Schemes Review of the Finance Bill 2011 and its impact on EBTs Review of risk management arrangements with a view to consolidation within the Remuneration policy
March	Approval of the establishment of an Employer Financed Retirement Benefit Scheme Review of the asset allocation for Balance Sheet Carry Review of EBT arrangements Reviewed the proposed incentive arrangements to assure that they did not encourage the taking of unacceptable level of risk for the business
May	Review and approval of compensation recommendations for 2010/11 and awards for 2011/12 taking into account advice from the Group's compliance function in relation to performance measurement Review of percentage of remuneration deferred Review of FMC valuation

Performance graph

The graph below shows a comparison between the Company's total shareholder return performance and the financial services companies in the FTSE All Share index. The graph compares the value, at 31 March 2011, of £100 invested in Intermediate Capital Group plc on 1 February 2002 with the value of £100 invested in the FTSE All Share Financials Index over the subsequent nine years. This index has been chosen to give a comparison with the average returns that shareholders could have received by investing in a range of other major financial services companies.

Performance graph

Intermediate Capital GP — FTSE All Share Financials

Source: Thomson Reuters Datastream

Audited information

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

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

This report was approved by the Board of directors on 6 June 2011.

Signed on behalf of the Board of directors by:

James Nelson

James Nelson
Chairman of the Remuneration Committee

6 June 2011

Independent auditor's report

To the members of Intermediate Capital Group plc

We have audited the financial statements of Intermediate Capital Group plc for the year ended 31 March 2011 which comprise the Group Income Statement, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement contained within the Corporate Governance Statement in relation to going concern; and
- the part of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

C. M. Thomson

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

6 June 2011

Accounts

Consolidated income statement

For the year ended 31 March 2011

	Notes	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Interest and dividend income	5	242.0	274.1
Gains on investments	7	133.4	98.8
Fee and other operating income		63.3	52.0
	4	438.7	424.9
Interest payable and other related financing costs	6	(59.2)	(62.4)
Provisions for impairment of assets	8	(70.9)	(161.8)
Administrative expenses	9	(122.3)	(94.9)
Profit before tax		186.3	105.8
Tax expense	10	(58.2)	(24.1)
Profit for the year		128.1	81.7
Attributable to:			
Equity holders of the parent		128.2	81.7
Non-controlling interests	16	(0.1)	–
		128.1	81.7
Earnings per share	13	32.6p	25.0p
Diluted earnings per share	13	32.5p	25.0p

All activities represent continuing operations.

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

Consolidated statement of comprehensive income

For the year ended 31 March 2011

Group	Notes	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Profit for the year		128.1	81.7
AFS financial assets:			
Gains arising in the year		110.1	87.4
Less: Reclassification adjustment for gains included in profit		(120.6)	(64.6)
Exchange differences on translation of foreign operations		(1.5)	(1.7)
		(12.0)	21.1
Tax on items taken directly to or transferred from equity	25	3.6	(6.3)
Other comprehensive (expense)/income for the year		(8.4)	14.8
Total comprehensive income for the year		119.7	96.5

Company	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Profit for the year	75.3	111.8
AFS financial assets:		
Gains arising in the year	34.9	2.0
Less: Reclassification adjustment for gains included in profit	(25.2)	(2.0)
	9.7	–
Tax on items taken directly to or transferred from equity	(2.5)	–
Other comprehensive income for the year	7.2	–
Total comprehensive income for the year	82.5	111.8

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

Consolidated statement of financial position

31 March 2011

	Notes	31 March 2011 Group £m	31 March 2011 Company £m	31 March 2010 Group £m	31 March 2010 Company £m
Non current assets					
Intangible assets	14	9.1	–	–	–
Property, plant and equipment	4,17	7.0	6.4	7.6	6.8
Financial assets: loans, investments and warrants	4,18	2,575.1	1,912.2	2,718.1	1,977.3
Derivative financial instruments	18	12.0	12.0	21.4	21.4
		2,603.2	1,930.6	2,747.1	2,005.5
Current assets					
Trade and other receivables	19	51.3	440.4	56.0	452.9
Financial assets: loans and investments	20	39.7	39.7	8.9	8.9
Derivative financial instruments		2.3	2.3	9.8	9.8
Cash and cash equivalents		140.9	–	83.7	4.4
		234.2	482.4	158.4	476.0
Total assets		2,837.4	2,413.0	2,905.5	2,481.5
Equity and reserves					
Called up share capital	21	79.8	79.8	78.0	78.0
Share premium account		665.7	665.7	642.5	642.5
Capital redemption reserve		1.4	1.4	1.4	1.4
Own shares reserve		(23.8)	–	(2.8)	–
Other reserves		36.8	19.5	35.2	4.3
Retained earnings		490.3	289.4	429.2	279.7
Equity attributable to owners of the Company		1,250.2	1,055.8	1,183.5	1,005.9
Non-controlling interest	16	0.2	–	–	–
Total equity		1,250.4	1,055.8	1,183.5	1,005.9
Non current liabilities					
Provisions	22	4.5	4.5	–	–
Financial liabilities	23	1,060.7	643.7	1,381.8	948.9
Derivative financial instruments	23	8.2	8.2	22.4	21.8
Deferred tax liabilities	25	12.7	7.4	32.3	19.0
		1,086.1	663.8	1,436.5	989.7
Current liabilities					
Trade and other payables	24	196.9	415.9	166.5	350.5
Financial liabilities	23	175.2	181.6	93.6	93.6
Liabilities for current tax	24	70.5	37.6	0.5	17.2
Derivative financial instruments	23	58.3	58.3	24.9	24.6
		500.9	693.4	285.5	485.9
Total liabilities		1,587.0	1,357.2	1,722.0	1,475.6
Total equity and liabilities		2,837.4	2,413.0	2,905.5	2,481.5

Company Registration Number: 2234775

These financial statements were approved and authorised for issue by the Board of directors on 6 June 2011.

Signed on behalf of the Board of directors by:

Justin Dowley
Director

Philip Keller
Director

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

Consolidated statement of cash flow

For the year ended 31 March 2011

	Notes	31 March 2011 Group £m	31 March 2011 Company £m	31 March 2010 Group £m	31 March 2010 Company £m
Operating activities					
Interest receipts		174.0	120.7	168.3	119.2
Fee receipts		77.9	5.8	52.4	7.6
Dividends received		5.7	12.7	1.9	56.6
Gain on disposals		146.6	40.2	79.3	3.6
Interest payments		(43.9)	(36.1)	(82.7)	(70.7)
Cash payments to suppliers and employees		(80.9)	(65.0)	(48.2)	(31.6)
Payment for purchase of current financial assets		(20.0)	(20.0)	(18.6)	(18.6)
Purchase of loans and investments		(305.7)	(234.2)	(96.7)	(53.2)
Proceeds from sale of loans and investments		388.6	281.5	235.9	205.8
Cash generated from operations		342.3	105.6	291.6	218.7
Taxes (paid)/received		(5.1)	0.1	(14.5)	8.8
Net cash generated from operating activities		337.2	105.7	277.1	227.5
Investing activities					
Proceeds from/(payments to) subsidiary undertakings		–	128.6	–	(17.9)
Purchase of property, plant and equipment	17	(2.5)	(2.3)	(1.5)	(1.5)
Purchase of intangible assets	14	(5.1)	–	–	–
Acquisition of subsidiary	15	(2.6)	–	–	–
Net cash (used in)/from investing activities		(10.2)	126.3	(1.5)	(19.4)
Financing activities					
Dividends paid	12	(40.6)	(40.6)	(37.8)	(37.8)
Decrease in long term borrowings		(223.8)	(211.8)	(502.7)	(498.7)
Net cash flow from derivative contracts		14.6	14.6	(25.4)	(25.4)
Purchase of own shares		(16.9)	–	(2.8)	–
Proceeds on issue of shares		–	–	351.4	351.4
Net cash used in financing activities		(266.7)	(237.8)	(217.3)	(210.5)
Net increase/(decrease) in cash		60.3	(5.8)	58.3	(2.4)
Cash and cash equivalents at beginning of year		83.7	4.4	23.7	5.3
Effect of foreign exchange rate changes		(3.1)	(5.0)	1.7	1.5
Cash and cash equivalents at end of year		140.9	(6.4)	83.7	4.4

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

Consolidated statement of changes in equity

For the year ended 31 March 2011

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

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

Group	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share based payments £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m
Balance at 31 March 2009	17.3	348.5	1.4	9.6	14.1	–	384.6	775.5
Profit for the year	–	–	–	–	–	–	81.7	81.7
AFS financial assets	–	–	–	–	22.8	–	–	22.8
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(1.7)	(1.7)
Tax relating to components of other comprehensive income	–	–	–	–	(6.3)	–	–	(6.3)
Total comprehensive income for the year	–	–	–	–	16.5	–	80.0	96.5
Proceeds from rights issue	60.4	291.0	–	–	–	–	–	351.4
Own shares acquired in the year	–	–	–	–	–	(2.8)	–	(2.8)
Scrip dividend	0.3	3.0	–	–	–	–	–	3.3
Credit for equity settled share schemes	–	–	–	0.7	–	–	–	0.7
Amortisation of lapsed options	–	–	–	(5.7)	–	–	5.7	–
Dividends paid	–	–	–	–	–	–	(41.1)	(41.1)
Balance at 31 March 2010	78.0	642.5	1.4	4.6	30.6	(2.8)	429.2	1,183.5

Company	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share based payments £m	Retained earnings £m	Total £m
Balance at 31 March 2009	17.3	348.5	1.4	8.9	203.8	579.9
Profit for the year	–	–	–	–	111.8	111.8
Total comprehensive income for the year	–	–	–	–	111.8	111.8
Proceeds from rights issue	60.4	291.0	–	–	–	351.4
Scrip dividend	0.3	3.0	–	–	–	3.3
Credit for equity settled share schemes	–	–	–	0.6	–	0.6
Amortisation of lapsed options	–	–	–	(5.2)	5.2	–
Dividends paid	–	–	–	–	(41.1)	(41.1)
Balance at 31 March 2010	78.0	642.5	1.4	4.3	279.7	1,005.9

Notes to the accounts

1. General information

Intermediate Capital Group plc is a company incorporated in the United Kingdom under the Companies Act with Companies registration number 2234775. The address of the registered office is on page 118. The nature of the Group's operations and its principal activities are set out in the directors' report on page 60.

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

International Financial Reporting Standards (IAS/IFRS)		Accounting periods commencing on or after
IFRS 7 (Amendment)	Financial Instruments: Disclosures - Clarifications of disclosures	1 January 2011
IFRS 7 (Amendment)	Financial Instruments: Disclosures - Enhanced derecognition disclosure requirements	1 July 2011
IAS 34 (Amendment)	Interim Financial Reporting	1 January 2011
IFRS 9	Financial Instruments: Classification and measurement and additions to financial liability accounting	1 January 2013
IAS 24 (Amendment)	Related Party Disclosures	1 January 2011
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IAS 27 (Amendment)	Separate financial statements	1 January 2013
IAS 28 (Amendment)	Investments in Associate and Joint Ventures	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1 (Amendment)	Presentation of Financial Statements	1 January 2011

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

2. Significant accounting policies

(a) Basis of accounting

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

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

(ii) Going concern – The Financial review on pages 26 to 32 describes the financial position of the Group; its cash flows, liquidity position and borrowing facilities together with its objectives, factors likely to affect its future development and policies and processes for managing its capital. The Group's financial risk management objectives and its exposure to credit risk and liquidity risk are described in the Principal risks and uncertainties section on pages 33 to 37 and details of its financial instruments and hedging activities are described in note 31. The Group continually monitors its debt profile and looks to refinance senior facilities a substantial period before they mature. Having reviewed the Group's budget and business plan and, taking into account reasonable downside sensitivity, the directors believe that the Group has adequate financial resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The principal accounting policies are set out below:

(b) Basis of consolidation

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

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

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

(c) Goodwill

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

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

2. Significant accounting policies continued

(d) Intangible assets/Investment management contracts

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

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

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

(e) Investment in subsidiaries

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

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

(f) Investment in associates

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

(g) Employee benefit trust

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

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

(h) Interest income and expense

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

(i) Fee income and expense

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

(j) Operating leases

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

(k) Dividend income

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

(l) Dividend recognition

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

(m) Share based payments

The Group has applied the requirements of IFRS 2 Share Based Payment.

Prior to the introduction of the new remuneration schemes in 2010, the Group issued equity-settled share options to certain employees. These are measured at fair value at the date of grant using a Black Scholes option pricing model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest, with a corresponding adjustment to reserves for share based payments. Details regarding the determination of the fair value of equity-settled share options are set out in note 26 of the financial statements.

(n) Pension costs

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

(o) Own shares held

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

(p) Value added tax

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

Notes to the accounts continued

2. Significant accounting policies continued

(q) Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which they operate. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds Sterling which is the presentation currency for the consolidated financial statements. The assets and liabilities of the Group's foreign operations are translated using the exchange rates prevailing on the balance sheet date. The income and expense items are translated using the exchange rates at the date of the transactions. Exchange differences are recognised in other comprehensive income and accumulated in equity.

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. The treasury policies of the Group are described in more detail in note 31 of the financial statements.

(r) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

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

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

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

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

(s) Property, plant and equipment and depreciation

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

Furniture and equipment – 20% to 33% per annum

Short leasehold premises – 20% per annum

(t) Financial assets

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

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

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

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

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

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

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

2. Significant accounting policies continued

(u) Impairment of financial assets

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

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

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

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

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

(v) Shares and warrants

Shares and warrants are initially recognised at the fair value of the consideration given and held at this value until it is appropriate to measure fair value on a different basis. These instruments are held in private companies with no ready market. These assets cannot be reliably measured and are held at cost until such a reliable valuation can be obtained such as the approach to an exit by way of float or sale or the sale of shares to a third party.

(w) Financial liabilities

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

(x) Provisions

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

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

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

(y) Derivative financial instruments and hedge accounting

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

The Group does not apply hedge accounting per IAS 32 "Financial Instruments – Presentation".

(z) Significant estimates/uncertainties

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

The methodology for valuing impaired assets and for valuing warrants and equities is as detailed in note 18 on pages 103 and 104, for valuing share based payment is as detailed in note 26 on pages 108 to 109 and for deciding upon the maturity date for the effective interest rate on loans and investments in note 2(h) on page 93.

3. Profit of Parent Company

As permitted by section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's profit for the year amounted to £75.3 million (year ended 31 March 2010: £111.8 million).

4. Business and geographical segments

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

The Group reports the profit of the Fund Management Company ("FMC"), separately from the profits generated by the Investment Company ("IC"). The FMC is defined as the operating unit and as such carries the bulk of the Group's costs, including the cost of the investment network, i.e. the investment executives and the local offices, as well as the cost of most support functions, primarily Information technology and human resources and marketing. Previously only the direct costs of the Fund Management business were attributed to that sector.

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

Notes to the accounts continued

4. Business and geographical segments continued

(i) Analysis of income and profit before tax

Year ended 31 March 2011 (£m)	Mezzanine Fund Management Europe	Mezzanine Fund Management Asia	Mezzanine Fund Management US	Credit Fund Management	Total FMC	IC	Total
External fund management fee income	25.1	7.3	0.0	23.7	56.1	–	56.1
Fee income from Balance Sheet (inter segment)	20.7	2.3	1.3	1.4	25.7	–	25.7
Fund management fee income	45.8	9.6	1.3	25.1	81.8	–	81.8
Net interest income^						179.8	179.8
Dividend income					3.0	3.8	6.8
Other fee income						7.2	7.2
Staff costs					(30.8)	(9.1)	(39.9)
Medium Term Incentive Scheme						(22.8)	(22.8)
Balance Sheet fee income charge (inter segment expense)						(25.7)	(25.7)
Administrative costs					(19.2)	(9.4)	(28.6)
Net gains on investments					1.1	101.3	102.4
Impairments						(70.9)	(70.9)
Add back net fair value gain on derivatives held for hedging purposes^						(3.8)	(3.8)
Profit before tax					35.9	150.4	186.3

^ Net gain relating to movements in the fair value of derivatives used to hedge certain liabilities of the Group, excluding any interest accruals and spot F/X translation movements on these derivatives, are not considered part of net interest income for segmental reporting.

Year ended 31 March 2010 (£m)	Mezzanine Fund Management Europe	Mezzanine Fund Management Asia	Mezzanine Fund Management US	Credit Fund Management	Total FMC	IC	Total
External fund management fee income	26.6	8.0	–	14.0	48.6	–	48.6
Fee income from Balance Sheet (inter segment)	23.4	2.2	1.3	0.9	27.8	–	27.8
Fund management fee income	50.0	10.2	1.3	14.9	76.4	–	76.4
Net interest income^					–	209.7	209.7
Dividend income					1.9	–	1.9
Other fee income					–	3.4	3.4
Staff costs					(22.4)	(2.3)	(24.7)
Medium Term Incentive Scheme					–	(28.9)	(28.9)
Balance Sheet fee income charge (inter segment expense)					–	(27.8)	(27.8)
Administrative costs					(17.9)	(1.7)	(19.6)
Net gains on investments					–	77.1	77.1
Impairments					–	(161.8)	(161.8)
Add back net fair value gain on derivatives held for hedging purposes^					–	0.1	0.1
Profit before tax					38.0	67.8	105.8

^ Net gain relating to movements in the fair value of derivatives used to hedge certain liabilities of the Group, excluding any interest accruals and spot F/X translation movements on these derivatives, are not considered part of net interest income for segmental reporting.

4. Business and geographical segments continued

(ii) Loan book by sector

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Europe	2,153.1	2,215.1
Asia	190.6	266.5
US	89.6	135.1
Credit Fund Management	141.8	101.4
	2,575.1	2,718.1

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

(iii) Group revenue by geographical segment from external customers

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Europe	390.9	370.4
Asia	31.5	37.1
US	16.3	17.4
	438.7	424.9

(iv) Property, plant and equipment by geographical segment

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

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Europe	6.8	7.2
Asia	0.2	0.3
US	–	0.1
	7.0	7.6

5. Interest and dividend income

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Interest income on interest bearing loans and investments	234.4	272.1
Dividend income from equity investments	6.8	1.9
Interest on bank deposits	0.8	0.1
	242.0	274.1

Interest income on interest bearing loans and investments includes £8.2 million (2010: £30.7 million) accrued on impaired loans.

6. Interest payable and other related financing costs

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Interest expense recognised under the EIR method	37.0	56.1
Fair value movements on assets and liabilities held at fair value through profit or loss*	3.8	(0.1)
Other related financing costs	18.4	6.4
	59.2	62.4

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

Notes to the accounts continued

7. Gains on investments

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Fair value movements on warrants	23.6	28.1
Fair value movements on financial assets designated as FVTPL	4.8	(0.5)
Gains recycled from equity reserves on AFS financial assets	105.0	71.2
	133.4	98.8

8. Impairment of assets

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Impairment on loans and receivables:		
New and increased	62.6	169.9
Write off	–	4.0
Recoveries	(18.9)	(16.6)
Total impairment on loans and receivables	43.7	157.3
Impairment on AFS financial assets:		
New and increased	27.2	6.6
Total impairment on AFS financial assets	27.2	6.6
Reversal of impairment on fair value through profit or loss assets	–	(2.1)
	70.9	161.8

Reversals of impairments arose on assets in our Mezzanine Investment business.

9. Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Administrative expenses include:		
Staff costs	93.7	75.3
Depreciation	2.8	3.1
Loss on disposal of fixed assets	0.3	0.5
Auditor's remuneration	0.6	0.9

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

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

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Audit fees:		
Fees payable to the Company's auditor for the audit of the Group's annual accounts	0.3	0.3
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	0.1	0.1
Total audit fees	0.4	0.4
Non audit fees:		
– Tax services	0.1	0.1
– All other services	0.1	0.4
Total non audit fees	0.2	0.5
Total auditor's remuneration	0.6	0.9

10. Tax expense

Analysis of tax on ordinary activities	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Corporate tax	64.9	7.9
Prior year adjustment	9.3	(3.6)
	74.2	4.3
Deferred taxation:		
Current period	(9.7)	16.2
Prior year adjustment	(6.3)	3.6
Tax on profit on ordinary activities	58.2	24.1

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Profit on ordinary activities before tax	186.3	105.8
Profit before tax multiplied by the rate of corporation tax in the UK of 28% (2010: 28%)	52.2	29.6
Effects of:		
Adjustment in respect of other items including share based payments	–	(0.9)
Non deductible expenditure	1.5	11.0
Tax losses not recognised	2.3	–
Deferred tax asset written off	0.5	–
Changes in statutory tax rates	(0.4)	–
Overseas tax credit	(0.9)	(15.6)
Prior year adjustment	3.0	–
Current tax charge for the year	58.2	24.1

11. Information regarding directors and employees

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Directors' remuneration:		
Emoluments and benefits	16.6	9.3
	16.6	9.3
Employee costs during the year including directors:		
Wages and salaries	90.9	72.2
Social security costs	1.7	2.1
Pension costs	1.1	1.0
	93.7	75.3

The average number of employees (including Executive directors) employed by ICG was:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Investment Executives	66	68
Support staff	55	54
Directors	4	4
	125	126

The performance related element included in wages and salaries is £63.6 million (2010: £50.6 million), which is derived as a result of the Medium Term Incentive Scheme, the Omnibus Scheme and the Balance Sheet Carry Scheme.

Notes to the accounts continued

12. Dividends paid and proposed

	2011		2010	
	Per share pence	£m	Per share pence	£m
Ordinary dividend:				
Final dividend for the years ended 31 March 2010/09	11.0	42.2	20.5	17.7
Interim dividend for the periods to 30 September 2010/09	6.0	23.4	6.0	23.4
	17.0	65.6	26.5	41.1

The proposed final dividend for the year ended 31 March 2011 is 12.0p per share (2010: 11.0p per share) which will amount to £47.2 million (2010: £42.9 million).

In the year to 31 March 2011 £65.6 million (2010: £41.1 million) of dividends were paid. Of these £25.0 million (2010: £3.3 million) were taken as scrip dividends.

13. Earnings per share

Earnings	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	128.2	81.7

Number of shares	2011	2010
Weighted average number of ordinary shares for the purposes of basic earnings per share	393,785,735	326,563,481
Effect of dilutive potential ordinary shares share options	593,940	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	394,379,675	326,563,481

14. Intangible assets

Year ended 31 March 2011	Goodwill £m	Investment Management Contract £m	Total £m
Cost			
At 1 April 2010	–	–	–
Additions	–	5.1	5.1
Assets arising on business acquisition	4.3	–	4.3
At 31 March 2011	4.3	5.1	9.4
Amortisation and impairment losses			
At 1 April 2010	–	–	–
Amortisation charge during the year	–	0.3	0.3
At 31 March 2011	–	0.3	0.3
Net book value			
At 31 March 2011	4.3	4.8	9.1

The Company purchased an investment management contract from Resource Europe during December 2010 for €5.9 million (£5.1 million). The contract is expected to generate junior, senior and incentive fees over the four year term and therefore has been capitalised and will be amortised over the contract term on a straight line basis. Amortisation of investment management contracts is recorded in the income statement as an operating expense.

Goodwill arose from the acquisition of Longbow Real Estate Capital. Refer to note 15 for more information on the acquisition.

None of the Company's intangible assets are internally generated.

15. Acquisition of Longbow

During December 2010, the Company acquired a 51% equity share in Longbow Real Estate Capital ("Longbow"), a UK real estate debt specialist, to expand into real estate mezzanine finance in the UK. The consideration for Longbow included cash consideration of £2.8 million and contingent consideration of £1.5 million. The contingent consideration arrangement requires the Company to pay £1.5 million subject to raising £150.0 million of third party capital in a Mezzanine fund by August, 2011. Acquisition related costs (included within administrative expenses) amount to £0.5 million.

The assets and liabilities of Longbow at the date of acquisition were as below. The book value of assets and liabilities of Longbow on the acquisition date approximates the fair value, which represents the 51% acquisition holding of Longbow.

	As at acquisition date £m
Property, plant and equipment	–
Trade and other receivables	0.1
Prepayments and other assets	0.1
Cash and cash equivalents – unrestricted	0.1
Trade and other payables	(0.3)
Other liabilities	–
Net assets/(liabilities) acquired	–
Goodwill	4.3
Fair value of purchase consideration	4.3

Satisfied by:	
Cash consideration	2.8
Contingent consideration	1.5
	4.3

Net cash outflow arising on acquisition	
Cash consideration	2.8
Cash and cash equivalents acquired	(0.2)
	2.6

The goodwill recognised above is attributable to the expected synergies and other benefits from combining the activities of Longbow into the Group.

A non-controlling interest is recognised in the balance sheet which is negligible based on Longbow's book value of net assets on the date of acquisition. A loss of £0.1 million has been recognised in the income statement in the year ended 31 March 2011.

16. Non-Controlling Interests

The Group has consolidated the following company which has non-controlling interests.

	2011 % Non-controlling Interest	2011 £m	2010 % Non-controlling Interest	2010 £m
Longbow Real Estate Capital LLP	49%	0.2	–	–
At 31 March 2011		0.2		–

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Loss retained for the year	(0.1)	–
	(0.1)	–

Notes to the accounts continued

17. Property, plant and equipment

Year ended 31 March 2011	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group			
Cost			
At 31 March 2010	10.2	4.6	14.8
Additions	1.1	1.4	2.5
Disposals	(0.8)	(1.5)	(2.3)
At 31 March 2011	10.5	4.5	15.0
Depreciation			
At 31 March 2010	4.3	2.9	7.2
Charge for the year	2.0	0.8	2.8
Depreciation on disposals	(0.8)	(1.2)	(2.0)
At 31 March 2011	5.5	2.5	8.0
Net book value			
At 31 March 2011	5.0	2.0	7.0
At 31 March 2010	5.9	1.7	7.6
Company			
Cost			
At 31 March 2010	8.6	3.9	12.5
Additions	1.0	1.3	2.3
Disposals	(0.8)	(1.3)	(2.1)
At 31 March 2011	8.8	3.9	12.7
Depreciation			
At 31 March 2010	3.1	2.6	5.7
Charge for the year	1.8	0.7	2.5
Depreciation on disposals	(0.8)	(1.1)	(1.9)
At 31 March 2011	4.1	2.2	6.3
Net book value			
At 31 March 2011	4.7	1.7	6.4
At 31 March 2010	5.5	1.3	6.8

17. Property, plant and equipment continued

Year ended 31 March 2010	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group			
Cost			
At 31 March 2009	10.0	5.1	15.1
Additions	1.2	0.3	1.5
Disposals	(1.0)	(0.8)	(1.8)
At 31 March 2010	10.2	4.6	14.8
Depreciation			
At 31 March 2009	3.1	2.3	5.4
Charge for the year	2.0	1.1	3.1
Depreciation on disposals	(0.8)	(0.5)	(1.3)
At 31 March 2010	4.3	2.9	7.2
Net book value			
At 31 March 2010	5.9	1.7	7.6
At 31 March 2009	6.9	2.8	9.7
Company			
Cost			
At 31 March 2009	8.4	4.4	12.8
Additions	1.2	0.3	1.5
Disposals	(1.0)	(0.8)	(1.8)
At 31 March 2010	8.6	3.9	12.5
Depreciation			
At 31 March 2009	2.2	2.1	4.3
Charge for the year	1.7	1.0	2.7
Depreciation on disposals	(0.8)	(0.5)	(1.3)
At 31 March 2010	3.1	2.6	5.7
Net book value			
At 31 March 2010	5.5	1.3	6.8
At 31 March 2009	6.2	2.3	8.5

18. Financial assets – non current

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Loans and receivables held at amortised cost	**2,300.7**	2,436.6	**1,678.9**	1,784.2
Investment in subsidiaries	**–**	–	**128.6**	129.8
AFS financial assets held at fair value	**198.0**	238.3	**46.1**	37.1
Financial assets designated as FVTPL	**75.6**	22.7	**58.0**	17.0
Derivative financial instruments held at fair value – warrants	**0.8**	20.5	**0.6**	9.2
Other derivative financial instruments held at fair value	**12.0**	21.4	**12.0**	21.4
	2,587.1	2,739.5	**1,924.2**	1,998.7

The AFS financial assets include investments in unlisted equity securities that present the Group with the opportunity for return through dividend income and uplift in value on sale. As these instruments are all held in private companies with no ready market, the events to crystallise such a valuation include the sale of shares to a third party by a substantial shareholder or the approach of an exit to the transaction, either by way of a float or a sale. Therefore, the fair valuing of such unquoted shares has been restricted to those instruments whose value may be reliably measured, for example by one of the above events. These instruments are otherwise held at cost.

Notes to the accounts continued

18. Financial assets – non current continued

AFS financial assets	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Additional information in respect of movements during the year is as follows:				
Balance at 31 March 2010/09	238.3	220.6	37.1	35.9
Additions*	13.9	22.7	4.3	2.6
Change in fair value	3.8	72.5	5.7	–
Realisations	(56.8)	(69.7)	(0.8)	–
Currency movement on non Sterling denominated loans	(1.2)	(7.8)	(0.2)	(1.4)
Balance at 31 March 2011/10	198.0	238.3	46.1	37.1

* £5.8 million of the additions relate to the conversion of existing Loan and Receivables to AFS financial assets during 2011 (2010: £15.7 million).

Impairment	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Additional information in respect of movements during the year is as follows:				
Balance at 31 March 2010/09	515.0	407.3	329.9	275.9
Charged to income statement	89.8	180.3	67.7	120.7
Recovery of written off assets	(18.9)	(18.5)	(10.7)	(15.4)
Assets written off in year	–	(45.2)	–	(45.8)
Impairments recovered on extinguishment of assets	–	(60.1)	–	(40.1)
Impairments arising through restructuring of assets	–	60.1	–	40.1
Currency translation and other adjustments	(4.8)	(8.9)	(2.6)	(5.5)
Balance at 31 March 2011/10	581.1	515.0	384.3	329.9

Impairment losses are recognised as the difference between the carrying value of the investment and the discounted value of management's best estimates of future cash proceeds. These estimates take into account the level and quality of the investee's earnings, the amount and sources of cash flows, the industry in which the investee operates and the likelihood of cash recovery. Estimating the quantum and timing of these future proceeds involves significant judgement. The actual amount of future cash flows and the date that they are received may differ from these estimates and consequently actual losses incurred may differ from those recognised in the financial statements.

19. Trade and other receivables

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Other receivables	49.6	54.6	39.4	37.3
Amount owed by Group companies	–	–	399.7	414.7
Prepayments	1.7	1.4	1.3	0.9
	51.3	56.0	440.4	452.9

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

20. Financial assets – current

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Loans and investments	39.7	8.9	39.7	8.9

The directors consider that the carrying amount of loans and investments approximates their fair value.

21. Called up share capital and own shares reserve

Group and Company	2011 £m	2010 £m
Authorised:		
450,000,000 (2010: 450,000,000) ordinary shares of 20p	90.0	90.0
Allotted, called up and fully paid:		
399,206,490 (2010: 390,138,826) ordinary shares of 20p	79.8	78.0

No shares were issued under the Company's Approved and Unapproved Executive Share Option Schemes 2001 during the year.

The own shares reserve represents the cost of shares in ICG purchased in the market and held by the ICG Employee Benefit Trust ("EBT"). The EBT purchased 7,452,221 (2010: 1,028,575) shares of 20p each, for consideration of £21.0 million, to hedge future liabilities arising under long term incentive plans (2010: £2.8 million). This represented 1.87% (2010: 0.26%) of the Group's share capital at 31 March 2011.

22. Provisions

Group and Company	Onerous Lease £m	Total £m
At 1 April 2010	–	–
Additional provision in the year	5.7	5.7
Utilisation of provision	(0.8)	(0.8)
Unwinding of discount	0.1	0.1
As at 31 March 2011	5.0	5.0
Current – 2011	0.5	0.5
Non Current – 2011	4.5	4.5

The provisions are expected to mature in the following time periods:

Group and Company	2011 £m	2010 £m
Less than one year	0.5	–
One to five years	2.1	–
Greater than five years	3.3	–
Effect of discounting	(0.9)	–
Total greater than one year	4.5	–
	5.0	–

Onerous Lease Provision

The Group holds provisions of £5.0 million (2010: nil) against certain leaseholds in connection with surplus space. The provision for these onerous lease contracts has been made taking into account residual lease commitments, other outgoings and sub-letting arrangements. In arriving at the provisions, the cash flows have been discounted at rates representing an estimate of the interest rates relevant to the period of provision. The discount rate used is 2.97% (2010: not applicable). It is envisaged that the provisions will be utilised on an even basis until 2021.

The calculation of the surplus space provisions involves two principal assumptions: an estimation of the time value of money to the Group, and the mitigating effects of sub-letting income receivable. Cash outflows and inflows are predominantly contractually agreed fixed amounts. The effect on the provisions of an increase/decrease of 1% in the discount rate used in the calculation would be approximately £0.3 million (2010: not applicable). The sensitivity of the carrying amounts of surplus space provisions to the methods and assumptions used in their estimation is therefore not considered to be significant.

Notes to the accounts continued

23. Financial liabilities

Group	2011 Current £m	2011 Non current £m	Restated 2010 Current £m	Restated 2010 Non current £m
Liabilities held at amortised cost				
Private placement	102.4	247.2	66.4	363.9
£1,032m Revolving credit facility	72.8	254.3	27.2	432.3
£450m Loan facility agreement	–	142.2	–	152.7
Floating rate secured notes	–	417.0	–	432.9
Derivative financial instruments held at FVTPL	58.3	8.2	24.9	22.4
	233.5	1,068.9	118.5	1,404.2

The floating rate secured notes are secured on the debt portfolio of a subsidiary company Intermediate Finance II plc. The carrying value of the portfolio is £453.0 million (2010: £504.7 million).

The Group and Company statement of financial position for 2010 has been restated to include a reclassification of financial liabilities of £27.2 million from non-current to current.

The current liability on the revolving credit facility has arisen as commitments provided by certain lenders, within the syndicate of banks providing that facility, are scheduled to mature in the next year. When these commitments mature, the portion of the facility shown above as current financial liabilities will be funded by the remaining lenders in the syndicate.

Company	2011 Current £m	2011 Non current £m	Restated 2010 Current £m	Restated 2010 Non current £m
Liabilities held at amortised cost				
Private placement	102.4	247.2	66.4	363.9
£1,032m Revolving credit facility	72.8	254.3	27.2	432.3
£450m Loan facility agreement	–	142.2	–	152.7
Bank overdraft	6.4	–	–	–
Derivative financial instruments held at FVTPL	58.3	8.2	24.6	21.8
	239.9	651.9	118.2	970.7

The maturity of the funding liabilities on an amortised cost basis is shown below:

	Contractual maturity analysis				
As at 31 March 2011 (£m)	Less than one year	One to two years	Two to five years	More than five years	Total
$110m private placement	25.5	–	–	–	25.5
£25m private placement	20.5	–	–	–	20.5
$200m private placement	–	–	44.7	–	44.7
£30m private placement	–	–	10.0	–	10.0
$240m private placement	21.9	–	81.3	46.9	150.1
€39m private placement	34.5	–	–	–	34.5
£30m private placement	–	–	–	30.1	30.1
£20m private placement	–	–	–	20.3	20.3
$22m private placement	–	–	13.9	–	13.9
£1,032m revolving credit facility	72.8	147.6	106.7	–	327.1
£450m loan facility agreement	–	–	142.2	–	142.2
€325m class A secured notes	–	–	–	245.9	245.9
€78m class B secured notes	–	–	–	68.5	68.5
€78m class C secured notes	–	–	–	68.4	68.4
€39m class D secured notes	–	–	–	34.2	34.2
	175.2	147.6	398.8	514.3	1,235.9

23. Financial liabilities continued

Restated As at 31 March 2010 (£m)	Contractual maturity analysis Less than one year	One to two years	Two to five years	More than five years	Total
$95m private placement	13.7	–	–	–	13.7
£25m private placement	25.8	–	–	–	25.8
$110m private placement	–	27.3	–	–	27.3
£25m private placement	–	20.6	–	–	20.6
$200m private placement	26.9	–	47.1	0.7	74.7
£30m private placement	–	–	10.0	–	10.0
$240m private placement	–	23.1	85.8	49.5	158.4
€39m private placement	–	34.8	–	–	34.8
£30m private placement	–	–	–	30.0	30.0
£20m private placement	–	–	–	20.3	20.3
$22m private placement	–	–	–	14.7	14.7
£1,032m revolving credit facility	27.2	96.2	336.1	–	459.5
£450m loan facility agreement	–	–	152.7	–	152.7
€325m class A secured notes	–	–	–	259.2	259.2
€78m class B secured notes	–	–	–	69.5	69.5
€78m class C secured notes	–	–	–	69.5	69.5
€39m class D secured notes	–	–	–	34.7	34.7
	93.6	202.0	631.7	548.1	1,475.4

The maturity profile of the Company is the same as that of the Group, except for the class A, B, C, D secured notes which are issued by a subsidiary.

24. Trade, other payables and liabilities for current tax

	Group 2011 £m	2010 £m	Company 2011 £m	2010 £m
Trade payables	8.5	7.1	0.3	4.8
Accruals	187.1	154.7	174.5	137.7
Amounts owed to Group companies	–	–	240.0	203.3
Taxation – corporation tax	70.5	0.5	37.6	17.2
Taxation – social security	0.8	4.7	0.6	4.7
Provisions (see note 22)	0.5	–	0.5	–
	267.4	167.0	453.5	367.7

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

25. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

	Share based payment £m	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2009	–	16.9	5.5	–	(16.2)	6.2
Prior year adjustment	–	–	–	–	3.6	3.6
Charge/(credit) to income	(0.5)	2.2	2.0	–	12.5	16.2
Charge to equity	–	–	6.3	–	–	6.3
At 31 March 2010	(0.5)	19.1	13.8	–	(0.1)	32.3
Prior year adjustment	–	–	–	(5.0)	(1.3)	(6.3)
Charge/(credit) to income	0.5	(2.6)	(2.0)	(6.8)	1.2	(9.7)
Credit to equity	–	–	(3.6)	–	–	(3.6)
At 31 March 2011	–	16.5	8.2	(11.8)	(0.2)	12.7

Notes to the accounts continued

25. Deferred tax continued

Deferred tax has been accounted for at the substantively enacted corporation tax rate of 26% (2010: 28%). A progressive reduction to the main rate of UK corporation tax was announced in the June 2010 Budget Statement. A reduction from 28% to 26% effective 1 April 2011 had been substantively enacted at the balance sheet date. Further reductions to the main rate have been proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further reductions in the tax rate had not been substantively enacted at the balance sheet date and, therefore, are not reflected in these financial statements.

As at 31 March 2011 the Group has tax losses carried forward of £10.4 million. It is not probable that these will be utilised and therefore no deferred tax asset has been recognised. No deferred tax liability has been recognised in respect of temporary differences arising from the undistributed profits of overseas subsidiaries of £16.5 million, because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Additionally, any tax consequences of distribution of those profits are expected to be insignificant.

26. Share based payments

All share based payment transactions are equity settled. The total charge to the income statement for the year was £8.5 million (2010: £0.7 million) and this was credited to the reserve in equity for share based payments.

Intermediate Capital Group plc 2001 Approved and Unapproved Executive Share Option Scheme

The Company has a number of share option schemes for certain employees of the Group. The terms of the Intermediate Capital Group plc 2001 Approved Executive Share Option Scheme and the Intermediate Capital Group plc 2001 Unapproved Executive Share Option Scheme are shown on pages 77 and 79.

Analysis of movements in the number and weighted average exercise price of options is set out below:

	Number		Weighted average exercise price (£)	
	2011	2010	2011	2010
Outstanding at 1 April	9,973,435	4,378,099	4.37	12.87
Granted	–	1,050,728	–	5.39
Forfeited	(3,537,962)	(3,100,578)	5.80	5.45
Exercised	–	–	–	–
Adjustment following rights issue**	–	7,645,186	–	4.74
Outstanding at 31 March	6,435,473	9,973,435	3.57	4.37
Of which are currently exercisable:	3,961,161	4,163,056	4.41	4.43

** In July 2009 ICG completed a seven for two rights issue at 121.0p per share. In accordance with the terms of the ICG plc 2001 Approved Executive Share Option Scheme and the ICG plc 2001 Unapproved Executive Share Option Scheme all outstanding option exercise prices were adjusted by a factor of 0.414 and the number of all outstanding options were adjusted by a factor of 2.41493. The purpose of these adjustments was to preserve the rights of the holders after such a capital change.

In the year to 31 March 2011 there were no share options exercised (2010: nil). The options outstanding at 31 March 2011 have a range of exercise prices between £2.230 and £6.008 (2010: £2.230 and £6.008) as follows, and a weighted average remaining contractual life of 5.45 years (2010: 6.56 years).

Exercise price	2011 Number	2010 Number
£2.230	2,448,711	2,475,611
£2.947	25,601	25,601
£5.897	–	3,211,657
£5.902	–	97,510
£6.008	314,604	314,604
£4.844	1,055,078	1,290,484
£5.048	136,762	68,922
£4.286	822,273	963,808
£4.101	205,506	88,471
£4.731	465,838	475,667
£4.729	93,033	93,033
£3.322	390,255	390,255
£3.256	243,930	243,930
£2.875	233,882	233,882

In the year to 31 March 2011 no new share options were granted (2010: 1,050,728 were granted on 11 June 2009). The aggregate of estimated fair values of the options granted in 2010 is £2.2 million.

26. Share based payments continued

The inputs into the Black-Scholes model are as follows:

For options granted	11 June 2009
Exercise price	£5.39
Expected volatility	78.58%
Expected life	4.63 years
Risk free rate	2.17%
Dividend yield	7.27%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year. The expected life used in the model has been calculated using actual exercise periods over the previous five years.

Key Employee Retention Share Plan ("KERSP")

In the year to 31 March 2011, no new shares were granted under the KERSP scheme (2010: nil).

Intermediate Capital Group plc Omnibus Plan

In July 2010 the shareholders approved the ICG plc Omnibus Plan which provides for three different award types to be made over Company shares. These awards are the Deferred Share Awards, the PLC Equity Awards and FMC Equity Awards and vest as set out below subject to vesting conditions in the individual scheme rules.

Deferred Share Awards

In the year to 31 March 2011, 560,802 awards of this type over ICG plc shares were granted at a price of £2.58, the market price at the date of grant. These awards vest equally over three years starting on the first anniversary of the date of grant.

PLC Equity Awards

In the year to 31 March 2011, 2,854,131 awards of this type over ICG plc shares were granted at a price of £2.58, the market price at the date of grant. These awards vest equally over three years starting on the third anniversary of the date of grant.

FMC Equity Awards

In the year to 31 March 2011, 42,333 awards of this type over ICG FMC Limited shares were granted at a price of £190, an independent third party valuation. These awards vest equally over three years starting on the first anniversary of the date of grant.

27. Financial commitments

At 31 March 2011, the Group estimated that it had no contractual obligations to provide further funding apart from an obligation to lend a further £51.3 million (2010: £36.5 million) on five existing investments and one new investment, and one co-investment agreement with Intermediate Capital Asia Pacific Fund 2008.

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.

28. Operating leases

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Minimum lease payments recognised under operating leases	3.0	2.5

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Within one year	3.2	2.4
In the second to fifth years inclusive	9.2	7.3
After five years	10.4	8.0

At the balance sheet date, the Group had contracted sub leases with tenants in respect of 20 Old Broad Street, our previous location which is recognised within the onerous lease provision. Details are included in note 22.

Notes to the accounts continued

29. Related party transactions

All transactions between the Parent Company and its subsidiary undertakings are classified as related party transactions. All significant Company balances with subsidiary undertakings are disclosed in notes 15, 16, 19 and 24. Aggregated significant transactions with subsidiary undertakings are as follows:

	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Management fees received	–	13.5
Service charges paid	10.1	10.5
Dividends received	77.1	104.8

Management consider key management personnel to be the Board of directors and all related party transactions are disclosed in the Remuneration report.

30. Principal subsidiary companies

Principal subsidiary	Percentage owned	Country of incorporation	Registered in	Principal activity
Intermediate Capital Investments Ltd	100	United Kingdom	England and Wales	Investment company
Intermediate Capital Managers Ltd	100	United Kingdom	England and Wales	Advisory company
Intermediate Finance II PLC	100	United Kingdom	England and Wales	Provider of mezzanine
Mezzanine Finance (Guernsey) Ltd	100	Guernsey	Guernsey	Holding company for loans and investments
JOG Partners Limited	100	United Kingdom	England and Wales	Investment company
Intermediate Investments Jersey Ltd	100	Jersey	Jersey	Investment company
Intermediate Capital Asia Pacific Ltd	100	Hong Kong	Hong Kong	Advisory company
Intermediate Capital Group SAS	100	France	France	Advisory company
Intermediate Capital Group Espana SL	100	Spain	Spain	Advisory company
Intermediate Capital Nordic AB	100	Sweden	Sweden	Advisory company
Intermediate Capital Group Beratungsgesellschaft	100	Germany	Germany	Advisory company
Intermediate Capital Group Benelux B.V.	100	Amsterdam	Amsterdam	Advisory company
Intermediate Capital Australia Pty Ltd	100	Australia	Australia	Advisory company
Intermediate Capital Group Inc	100	USA	Delaware	Advisory company
Intermediate Capital Ltd	100	United Kingdom	England and Wales	General Partner in a number of partnerships
Intermediate Capital GP Ltd	100	Jersey	Jersey	General Partner in a number of partnerships
Intermediate Capital GP 2003 Ltd	100	Jersey	Jersey	General Partner in a number of partnerships
Intermediate Capital Asia Pacific Mezz GP 2005 Ltd	100	Jersey	Jersey	General Partner
Intermediate Capital Asia Pacific Mezz Opps GP 2005 Ltd	100	Jersey	Jersey	General Partner
Intermediate Capital European Fund GP 2006 Ltd	100	Jersey	Jersey	General Partner
Intermediate Capital Asia Pacific 2008 GP Limited	100	Jersey	Jersey	General Partner
ICG Recovery Fund 2008 GP Ltd	100	Jersey	Jersey	General Partner
ICG Minority Partners Fund 2008 GP Ltd	100	Jersey	Jersey	General Partner
ICG FMC Limited	100	United Kingdom	England and Wales	Holding company for funds management
Longbow Real Estate Capital LLP	51	United Kingdom	England and Wales	Advisory company
LREC Partners Investments No. 2 Ltd	100	United Kingdom	England and Wales	Investment company

All companies listed above have a reporting date of 31 March.

31. Financial assets and liabilities

(a) Treasury and hedging policies

The Group's treasury policies seek to manage the following risks.

(i) Interest rate risk

The Group's assets include both fixed and floating rate loans and non interest bearing equity investments. The Group's operations are financed with a combination of shareholders' funds, bank borrowings, private placement notes and floating rate notes. The Group manages its exposure to market interest rate movements by matching, to the extent possible, the interest profiles of assets and liabilities and by using derivative instruments. As a result, the Group does not have material financial exposure to interest rate movements. The sensitivity of assets and liabilities to interest rate risk is disclosed in (d), page 116.

(ii) Foreign exchange risk

The Group is exposed to currency risk in relation to the translation of net assets, currency transactions and the translation of net asset, and profit and loss accounts of foreign subsidiaries. The Group's most significant exposures are to the euro and the US dollar.

The Group manages its exposure to market currency risk by matching assets with debt to the extent possible and through the use of derivative instruments.

The Group regards its interest in overseas subsidiaries as long term investments. Consequently it does not normally hedge the translation effect of exchange rate movements on the financial statements of these businesses.

The financial assets and liabilities by currency and the sensitivity of the assets and liabilities to foreign exchange rates are shown in (d) page 116. This is before the effect of derivative instruments.

(iii) Liquidity risk

The Group manages its liquidity risk by maintaining headroom on its financing facilities, particularly the bank facilities.

The table below shows the liquidity profile of the Group's financial liabilities, based on contractual repayment dates of principal and interest payments. Future interest and principal cash flows have been calculated based on exchange rates and floating rate interest rates as at 31 March 2011. It is assumed that borrowings under the Group's revolving credit facility remains at the level as at 31 March 2011 until contractual maturity.

	Contractual maturity analysis				
As at 31 March 2011 (£m)	Less than one year	One to two years	Two to five years	More than five years	Total
$110m private placement	26.0	–	–	–	26.0
£25m private placement	20.8	–	–	–	20.8
$200m private placement	2.7	2.7	47.6	–	53.0
£30m private placement	0.3	0.3	10.3	–	10.9
$240m private placement	31.6	8.4	95.6	49.9	185.5
€39m private placement	35.9	–	–	–	35.9
£30m private placement	2.0	2.0	5.9	32.0	41.9
£20m private placement	1.8	1.8	5.4	24.5	33.5
$22m private placement	1.1	1.1	16.5	–	18.7
£1,032m revolving credit facility	5.7	5.7	335.6	–	347.0
£450m loan facility agreement	4.8	4.8	151.6	–	161.2
€325m class A secured notes	4.5	4.5	13.4	301.7	324.1
€78m class B secured notes	1.7	1.7	5.2	74.6	83.2
€78m class C secured notes	1.5	1.5	4.5	73.8	81.3
€39m class D secured notes	1.0	1.0	3.1	37.9	43.0
Interest rate swaps	(8.5)	(6.2)	(10.7)	(3.6)	(29.0)
Cross currency swaps	8.6	(6.9)	(10.5)	10.6	1.8
Forward foreign exchange contracts	(41.7)	–	–	–	(41.7)
Total liabilities	99.8	22.4	673.5	601.4	1,397.1

Notes to the accounts continued

31. Financial assets and liabilities continued

As at 31 March 2010 (£m)	Contractual maturity analysis Less than one year	One to two years	Two to five years	More than five years	Total
$95m private placement	13.8	–	–	–	13.8
£25m private placement	26.0	–	–	–	26.0
$110m private placement	2.1	27.4	–	–	29.5
£25m private placement	1.5	20.8	–	–	22.3
$200m private placement	22.2	2.9	53.2	–	78.3
£30m private placement	0.3	0.3	10.5	–	11.1
$240m private placement	10.3	33.3	106.5	55.9	206.0
€39m private placement	1.4	36.1	–	–	37.5
£30m private placement	2.0	2.0	5.9	34.0	43.9
£20m private placement	1.8	1.8	5.4	26.3	35.3
$22m private placement	1.2	1.2	3.5	15.1	21.0
£1,032m revolving credit facility	6.5	6.5	477.6	–	490.6
£450m loan facility agreement	4.9	5.0	173.2	–	183.1
€325m class A secured notes	1.0	1.0	2.9	293.0	297.9
€78m class B secured notes	1.1	1.1	3.2	73.7	79.1
€78m class C secured notes	0.7	0.7	2.0	72.0	75.4
€39m class D secured notes	0.6	0.6	1.9	37.2	40.3
Interest rate swaps	(10.1)	(8.3)	(15.4)	(5.6)	(39.4)
Cross currency swaps	(5.6)	6.1	(16.2)	4.0	(11.7)
Forward foreign exchange contracts	11.7	–	–	–	11.7
Total liabilities	93.4	138.5	814.2	605.6	1,651.7

The Company's profile has not been included as it materially matches that of the Group.

(iv) Refinancing risk

The Group's policy is to maintain continuity of funding. Due to the long term nature of the Group's assets the Group seeks to ensure that the maturity of its debt instruments is matched to the expected maturity of its assets. This has been achieved by the ongoing private placement programme with notes maturing between two and 10 years, short term borrowings under bank facilities and by issuing floating rate notes.

(v) Credit risk

The Group's policy is to diversify its portfolio in terms of geography, sector and size and has in place disciplined credit procedures both before and during the period of investment to protect its portfolio.

The carrying amount of financial assets before any impairments best represents both the Group and Company's maximum credit risk exposure at the balance sheet date. The Group believes that all financial assets that are neither past due or impaired will be recovered in full. Details on impairments are included in note 18, which sets out the factors the Group considers when determining if a financial asset is impaired.

Additional information on the concentrations of credit risk is provided by industry and country on page 48.

31. Financial assets and liabilities continued

(b) Fair value

The carrying amount and estimated fair value of the Group's and Company's financial instruments is set out below:

Group	2011 Carrying amount £m	2011 Fair value £m	2010 Carrying amount £m	2010 Fair value £m
Financial assets				
Loans and receivables	2,340.4	2,340.4	2,445.5	2,445.5
AFS financial assets	198.0	198.0	238.3	238.3
FVTPL				
Designated as FVTPL	75.6	75.6	22.7	22.7
Derivative financial instruments – warrants	0.8	0.8	20.5	20.5
Other derivative financial instruments	14.3	14.3	31.2	31.2
Trade and other receivables	51.3	51.3	56.0	56.0
Cash and cash equivalents	140.9	140.9	83.7	83.7
Financial liabilities				
Amortised cost				
Senior debt and bank overdraft	469.3	469.3	612.2	612.2
Private placements	349.6	349.6	430.3	430.3
Secured notes	417.0	417.0	432.9	432.9
FVTPL				
Derivatives financial instruments	66.5	66.5	47.3	42.8
Trade and other payables	201.4	201.4	167.0	167.0

Company	2011 Carrying amount £m	2011 Fair value £m	2010 Carrying amount £m	2010 Fair value £m
Financial assets				
Investment in subsidiaries	128.6	128.6	129.8	129.8
Loans and receivables	1,718.5	1,718.5	1,793.1	1,793.1
AFS financial assets	46.2	46.2	37.1	37.1
FVTPL				
Designated as FVTPL	58.0	58.0	17.0	17.0
Derivative financial instruments – warrants	0.6	0.6	9.2	9.2
Other derivative financial instruments	14.3	14.3	31.2	31.2
Trade and other receivables	440.4	440.4	452.9	452.9
Cash at cash equivalents	–	–	4.4	4.4
Financial liabilities				
Amortised cost				
Senior debt	475.7	475.7	612.2	612.2
Private placements	349.6	349.6	430.3	430.3
FVTPL				
Derivatives financial instruments	66.5	66.5	46.4	46.4
Trade and other payables	420.4	420.4	350.5	350.5

The Group and Company hold a number of investments in unlisted shares and warrants which include some which are measured at cost because their fair value cannot be measured reliably for the reasons set out in note 18. The total carrying amount of these instruments which include AFS financial assets and FVTPL financial assets (Designated as FVTPL, Derivative financial instruments – warrants) is £274.4 million (2010: £281.5 million).

The range of estimates within which the aggregate fair value is likely to lie is £145.0 million to £165.0 million higher than the carrying value (2010: £60 million to £100 million). This range of estimates has been achieved by applying a valuation technique which makes use of market-based information and is generally consistent with models used by other private equity businesses. The estimation of fair value is based on the assumed value of the underlying business at the reporting date, with reference to the International Private Equity and Venture Capital Valuation Guidelines (August 2010).

Notes to the accounts continued

31. Financial assets and liabilities continued

Apart from the unlisted shares and warrants held at cost, the following methods and assumptions that were used to estimate the fair values are shown below:

Loans and receivables Floating rate loans are recorded in the balance sheet using the effective interest rate method, less provisions for impairment. This value is considered by the directors to be a good approximation for fair value.

AFS financial assets and warrants fair value is based on quoted prices, where available. Where quoted prices are not available, the fair value is based on recent significant transactions or an earning based valuation technique. Where a reliable fair value cannot be established, these are held at cost.

Financial assets designated as FVTPL The maximum exposure to credit risk of financial assets designated as FVTPL is £75.6 million (2010: £22.7 million). Of the change in fair value in the period £1.1 million (2010: £2.1 million) is due to changes in credit risk of the asset. £38.0 million (2010: £9.5 million) relates to an acquisition.

Other derivatives The fair value of the derivatives used for hedging purposes is derived from pricing models which take account of the contract terms, including maturity, as well as quoted market parameters such as interest rates and volatilities. The Group has loans and receivables with a conversion option embedded. Given the low probability of conversion by the Group, the value attributed to these embedded derivatives is nil.

Revolving credit facility, private placements and secured notes Floating rate loans are recorded in the balance sheet using the effective interest rate method. This value is considered by the directors to be a good approximation for fair value. The fair value of fixed rate loans is calculated by discounting expected future cash flows on these instruments at current market interest rates.

Other financial assets and liabilities Due to their short term nature, the directors consider the carrying value to be a good approximation of fair value.

(c) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2011	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Designated as FVTPL	51.8	–	23.8	75.6
Derivative financial instruments – warrants	–	–	0.8	0.8
Other derivative financial instruments	–	14.3	–	14.3
AFS financial assets				
Unquoted equities	–	–	198.0	198.0
	51.8	14.3	222.6	288.7
Financial liabilities at FVTPL				
Derivative financial liabilities	–	66.5	–	66.5

There were no transfers between Level 1 and 2 during the year.

2010	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Designated as FVTPL	12.7	–	10.0	22.7
Derivative financial instruments – warrants	–	–	20.5	20.5
Other derivative financial instruments	–	21.4	–	21.4
AFS financial assets				
Unquoted equities	–	–	238.3	238.3
	12.7	21.4	268.8	302.9
Financial liabilities at FVTPL				
Derivative financial liabilities	–	42.8	–	42.8

31. Financial assets and liabilities continued

(c) Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL		AFS	
	Financial assets at FVTPL £m	Derivative financial instruments – warrants £m	Unquoted equities £m	Total £m
At 31 March 2010	10.0	20.5	238.3	268.8
Transfers to Level 3 in the year	–	–	5.8	5.8
Total gains or losses in profit and loss				
– Capital gains	–	–	0.6	0.6
– Impairments	–	–	(6.5)	(6.5)
– Foreign exchange	(1.1)	(0.5)	(3.8)	(5.4)
Total gains or losses in other comprehensive income				
– Unrealised gains	–	–	9.7	9.7
– Realised gains	–	–	(22.1)	(22.1)
– Foreign exchange	–	–	2.6	2.6
Purchases	18.1	0.2	8.1	26.4
Realisations	(3.2)	(19.4)	(34.7)	(57.3)
At 31 March 2011	23.8	0.8	198.0	222.6

	Financial assets at FVTPL		AFS	
	Financial assets at FVTPL £m	Derivative financial instruments – warrants £m	Unquoted equities £m	Total £m
At 31 March 2009	0.3	–	220.6	220.9
Transfers to Level 3 in the year	–	–	15.7	15.7
Total gains or losses in profit and loss				
– Capital gains	–	20.5	67.7	88.2
– Impairments	2.2	–	(19.3)	(17.1)
– Foreign exchange	–	–	(6.5)	(6.5)
Total gains or losses in other comprehensive income				
– Unrealised gains	–	–	24.0	24.0
– Foreign exchange	–	–	(1.2)	(1.2)
Purchases	7.5	–	7.0	14.5
Realisations	–	–	(69.7)	(69.7)
At 31 March 2010	10.0	20.5	238.3	268.8

The table above includes financial assets. There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases.

All gains and losses included in other comprehensive income relate to unquoted equities held at the balance sheet date and are reported as changes in the AFS reserve in the consolidated statement of changes in equity.

Notes to the accounts continued

31. Financial assets and liabilities continued

(d) Sensitivity to foreign exchange risk and interest rate risk

	Financial assets 2011			Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	255.1	178.4	433.5	2.6	–	2.6
Euro	1,237.9	670.3	1,908.2	12.4	–	12.4
Other currencies	130.1	335.2	465.3	1.3	–	1.3
	1,623.1	1,183.9	2,807.0	16.3	–	16.3

	Financial liabilities 2011			Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	254.9	300.5	555.4	(2.5)	–	(2.5)
Euro	601.4	16.4	617.8	(6.0)	–	(6.0)
Other currencies	39.2	224.9	264.1	(0.4)	–	(0.4)
	895.5	541.8	1,437.3	(8.9)	–	(8.9)

	Financial assets 2010			Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	250.4	124.3	374.7	2.5	–	2.5
Euro	1,405.8	475.2	1,881.0	14.1	–	14.1
Other currencies	168.9	442.1	611.0	1.7	–	1.7
	1,825.1	1,041.6	2,866.7	18.3	–	18.3

	Financial liabilities 2010			Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	77.2	249.5	326.7	(0.8)	–	(0.8)
Euro	830.1	47.8	877.9	(8.3)	–	(8.3)
Other currencies	147.8	289.5	437.3	(1.5)	–	(1.5)
	1,055.1	586.8	1,641.9	(10.6)	–	(10.6)

Current and non current derivative financial assets and liabilities are excluded from the above analysis of financial assets and liabilities by currency and interest rate profile.

The Group sensitivity to movements in exchange rates is assumed by applying a measure, based on the volatility of the applicable currency, as defined in the Group's Treasury Policy, to the net currency asset or liability at the balance sheet date. The sensitivity was calculated at £16.3 million (2010: £13.0 million).

31. Financial assets and liabilities continued

(e) Derivatives

The Group utilises the following derivatives instruments for economic hedging purposes:

As at 31 March 2011	Group Contract or underlying principal amount £m	Group Fair values Asset £m	Group Fair values Liability £m	Company Contract or underlying principal amount £m	Company Fair values Asset £m	Company Fair values Liability £m
Foreign exchange derivatives:						
Forward foreign exchange contracts	1,264.6	0.2	(41.2)	1,264.6	0.2	(41.2)
Cross currency swaps	210.7	2.1	(24.9)	210.7	2.1	(24.9)
Total	1,475.3	2.3	(66.1)	1,475.3	2.3	(66.1)
Interest rate derivatives:						
Interest rate swaps	235.1	12.0	(0.4)	235.1	12.0	(0.4)
Total	235.1	12.0	(0.4)	235.1	12.0	(0.4)

As at 31 March 2010	Group Contract or underlying principal amount £m	Group Fair values Asset £m	Group Fair values Liability £m	Company Contract or underlying principal amount £m	Company Fair values Asset £m	Company Fair values Liability £m
Foreign exchange derivatives:						
Forward foreign exchange contracts	909.1	9.3	(19.1)	909.1	9.3	(19.1)
Cross currency swaps	247.8	7.8	(27.3)	247.8	7.8	(27.3)
Total	1,156.9	17.1	(46.4)	1,156.9	17.1	(46.4)
Interest rate derivatives:						
Interest rate swaps	431.3	14.1	(0.9)	351.2	14.1	–
Total	431.3	14.1	(0.9)	351.2	14.1	–

(f) Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with externally-imposed capital requirements by the Financial Services Authority and ensure that the Group maximises the return to shareholders through the optimisation of the debt and equity balance. The Group's strategy has remained unchanged from the year ending 31 March 2010.

The capital structure comprises debts, which includes the borrowings disclosed in note 23, cash and cash equivalents, and capital and reserves of the parent, comprising called-up share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

ICG has complied with the imposed minimum capital throughout the year. The full Pillar 3 disclosures are available the Company's website www.icgplc.com.

Shareholder information

Timetable

The major timetable dates are as follows:

Annual General Meeting	19 July 2011
Ex dividend date	13 July 2011
Record date for Financial Year 2011 final dividend	15 July 2011
Payment of final dividend	19 August 2011
Interim results announcement for the six months to 30 September 2011	22 November 2011 Available on ICG's website at 9.00 am

Website

The Company's website address is www.icgplc.com.
Copies of the Annual and Interim Reports and other information about the Company are available on this site.

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