First Half Results
for the 6 months ended 30 September 2013

Embargoed until 7.00am on 21 November 2013

Intermediate Capital Group plc (ICG) announces its first half results for the six months ended 30 September 2013.

Operational Highlights

- Strong fundraising momentum across products, with €2.4bn committed to date, and we anticipate another record fundraising year for third party AUM
- Fundraising achievements to date include; ICG Longbow's third fund closing at £700m, Senior Debt Partners strategy on target to close in excess of €1.5bn and two European CLOs totalling €950m raised
- Strong period of balance sheet realisations consolidating our track record. As a consequence, third party AUM down 1% to €9.8bn and total AUM down 6% to €12.1bn since 31 March 2013
- New funds investing on target, with ICG Europe Fund V currently 41% invested, ICG Longbow III 29% invested and a strong pipeline of investment opportunities
- Investment portfolio remains broadly resilient but a reducing number of weaker assets continue to underperform
- Agreement signed with Nomura Holdings Inc, enabling the Group to access the Japanese market with a highly respected partner and facilitate the launch of dedicated domestic mezzanine products

Financial Highlights

- Group profit before tax of £155.3m compared to £39.6m in the first half of last year (H1 13) and includes £110.1m (H1 13: £5.6m) recycled to profit from reserves. Adjusted Group profit before tax[1] was £162.1m (H1 13: £41.1m)
- Fund Management Company profit of £16.7m compared to £17.2m in H1 13
- Investment Company profit[1] of £145.4m compared to £23.9m in H1 13, with net impairments[2] of £59.0m compared to £64.8m in H1 13, and includes £110.1m (H1 13: £5.6m) recycled to profit from reserves
- Strong balance sheet with unutilised cash and debt facilities of approximately £753.0m. This follows a period of strong realisations and enables the FMC to seed new products and growth initiatives strengthening its long term profitability
- Interim dividend of 6.6p per share compared to 6.3p in H1 13

	Unaudited **6 months to 30 September 2013**	Unaudited 6 months to 30 September 2012	Audited 12 months to 31 March 2013
Fund Management Company profit before tax	**£16.7m**	£17.2m	£40.4m
Adjusted Investment Company profit before tax[1]	**£145.4m**	£23.9m	£107.9m
Adjusted Group profit before tax[1]	**£162.1m**	£41.1m	£148.3m
Group profit before tax	**£155.3m**	£39.6m	£142.6m
Group profit after tax	**£122.9m**	£39.5m	£123.8m
Adjusted earnings per share[1]	**33.7p**	10.7p	33.6p
Earnings per share	**32.0p**	10.3p	32.1p
Cash core income	**£169.2m**	£15.2m	£39.9m
Interim dividend per share	**6.6p**	6.3p	20.0p
Investment portfolio	**£2,029m**	£2,462m	£2,696m
Third party assets under management	**€9,834m**	€9,127m	€9,900m

[1] Excluding the impact of fair value movements on derivatives (H1 14: £6.8m; FY13: £5.7m; H1 13: £1.5m)

[2] Net impairments in H1 14 exclude a provision of £17.3m on a restructured asset with a corresponding uplift in unrealised capital gains

The definitions for Fund Management Company (FMC), Investment Company (IC), Cash core income, Assets under management (AUM) are available in the Financial Review

Commenting on the results, Christophe Evain, CEO, said:

"This is a strong set of results for ICG. We have shown excellent fundraising momentum during the period. We are approaching the final close of our Senior Debt Partners strategy which, when reached, will be the third successive product to achieve its maximum size. Our funds are also investing on schedule and we have a solid pipeline across all of our markets. We have also seen €2.7bn in realisations across our portfolio during the first half of the year, as stronger liquidity for larger companies has facilitated refinancing, which is sharply up this year. We have generated strong returns from these realised assets and this proves our ability to generate returns through cycles and reinforces the strength of our business model.

"We fully expect the level of fundraising seen in the period to continue under current market conditions. Longer term the global credit space offers significant opportunity to broaden our product range. We are well positioned to provide flexible financing to mid-market companies and deliver the returns investors need to meet their funding obligations as liquidity remains scarce."

Analyst / Investor enquiries:

Christophe Evain, CEO, ICG	+44 (0) 20 3201 7700
Philip Keller, CFO, ICG	+44 (0) 20 3201 7700
Ian Stanlake, Investor Relations, ICG	+44 (0) 20 3201 7880

Media enquiries:

Neil Bennett, Tom Eckersley, Maitland	+44 (0) 20 7379 5151
Helen Barnes, Communications, ICG	+44 (0) 20 3201 7760

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

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About ICG

ICG is a specialist asset manager providing mezzanine finance, private debt, leveraged credit and minority equity, managing €12.1bn of assets in third party funds and proprietary capital. ICG has a large and experienced investment team operating from its head office in London with a strong local network of offices in Paris, Madrid, Stockholm, Frankfurt, Amsterdam, Hong Kong, Sydney, New York, Tokyo and Singapore. Its stock (ticker symbol: ICP) is listed on the London Stock Exchange. ICG is regulated in the UK by the Financial Conduct Authority (FCA). Further information is available at: www.icgplc.com.

Business Review

Overview

Adjusted Group profit before tax was £162.1m compared with £41.1m in the first half of last year, which includes £110.1m (H1 13: £5.6m) recycled to profit from reserves.

Our fundraising momentum has continued and we are on track to make this another record year in raising third party money.

During the first half of the financial year we successfully closed our third ICG Longbow mezzanine fund at its £700m maximum potential size, including £50m from ICG, and issued a €400m European CLO (collateralised loan obligation). We are also delighted with the success of Senior Debt Partners, our direct lending strategy, which to date has commitments of €885m, including €50m from ICG, and we expect it to have final close in the near future in excess of €1.5bn, well above our original €1bn target. This is an outstanding achievement and, after ICG Europe Fund V and ICG Longbow's third mezzanine fund, it would be the third successive fund to reach the milestone of achieving its maximum size.

The increased availability of debt, particularly in the high yield bond and syndicated loan markets, has provided the opportunity for companies to refinance their existing debt facilities. This has driven a period of high realisations after a prolonged period of low realisations and capital gains. We have seen the full or partial repayment of nine of the Group's top 20 assets during the first half of the financial year, although we have retained our minority equity positions in many of these assets.

As such, our continued progress in fundraising has been offset by a period of significant realisations. The strong period of realisations has consolidated our track record, further demonstrating our ability to generate good returns from our portfolio. However, a consequence of this is that AUM is down 6% to €12.1bn since 31 March 2013. As expected, the realisation of our older assets has had a significant impact on the balance sheet portfolio. These investments were made prior to the announcement of our strategy to grow the fund management company, when the balance sheet invested more than third party funds in any given deal. As a consequence third party AUM only fell 1% to €9.8bn in the period. We expect the fundraising momentum to continue into the second half driving AUM progression.

The European M&A market has seen a low volume of new transactions, but despite this we are still able to generate attractive investment opportunities. During the first half of the year, we have invested £208m on behalf of our mezzanine funds, £157m on behalf of our Senior Debt Partners strategy and £177m on behalf of our real estate funds. In addition, ICG co-invested £95m alongside our mezzanine funds and committed £36m of seed capital to our credit and real estate funds.

The performance of our investment portfolio has been broadly resilient, although a small number of weaker assets continue to underperform. We took specific provisions against a number of these weaker assets in the first half which resulted in net impairments above our long term average. Based on the current performance of the portfolio we expect provisions to be first half weighted.

In line with our commitment to launch new products in new markets, today we have announced a 50:50 partnership with Nomura that will facilitate the future structuring and distribution of new domestic mezzanine investments and funds in Japan. As the market in Japan benefits from the current governments economic initiatives the demand for mezzanine is anticipated to rise. Offering mezzanine investment within a fund structure opens up new investment opportunities to institutional investors. Any future funds structured as a result of the agreement will be jointly seeded, distributed and co-managed between ICG and Nomura.

Dividend

The Board continues to review the Group's cash core income over a rolling three year period when considering the dividend leading the Board to recommend an interim dividend of 6.6p, an increase of 5% on the prior year interim dividend. As announced at the time of the full year results shareholders will be offered a dividend reinvestment plan (DRIP) for the interim dividend and future dividends. The dividend will be paid on 10 January 2014 to shareholders on the register on 6 December 2013.

Market Update

Credit Market

We are increasingly covering a wider number of markets as we expand our product suite and geographical reach. Although these markets each have their own characteristics there are some common features that provide a broad context to the markets in which we operate.

In Europe, there are signs that the financing market is recovering although at present there remains a considerable imbalance in supply and demand for medium sized companies. There has been a nascent return of the European CLO market, although thus far the CLOs that have been issued have principally refinanced existing vehicles. Further, increased regulation in the form of the 'skin in the game rules', requiring an issuer to have 5% of the value at risk, is likely to act as a barrier to entry in favour of established players with capital, like us, and prohibit some issuers returning to the market. In addition, banks are continuing to focus on their domestic markets. These two factors combined means that there remains an insufficient supply of financing to meet the demand arising from the ever closer expiration periods of the older CLOs.

Whilst Leveraged Buyout (LBO) financing activity has picked up this year, access to this debt remains out of reach of many small and mid-sized companies. Banks, who are a traditional lender to the mid-market, continue to have limited appetite to underwrite deals, resulting in potentially attractive returns in the direct lending space. However, traditional mezzanine transactions have been scarcer as sponsors are attracted by the simplicity of senior only deals using unitranche debt or issuing high yield bonds or are able to finance deals themselves with the equity they have available. Our team have therefore been working to unearth opportunities outside of this traditional mezzanine space, including sponsorless and refinancing transactions.

The new European CLOs and other loan asset management vehicles that have been raised this year have been sufficient to meet the demands of the slow M&A market. Starved of new buyout financing activity, the availability of financing has led to a wave of older assets being refinanced in new transactions. Economic uncertainty has dampened the M&A market for some time, but with better economic news we expect confidence and transaction volumes to increase. With this renewed level of activity, more buyout opportunities will emerge for both our senior and mezzanine funds.

The UK real estate market is showing increasing activity levels with greater availability of debt increasing competition. However, this liquidity is only coming back for blue chip opportunities, focused on the prime, long let, central London locations. Elsewhere, and for the mid-market, there remains a shortfall in available financing to meet existing demand.

The US has seen significant volume of new CLO issuance in recent months. This has fuelled a highly competitive syndicated loan market and has helped the revival of a strong buyout market. Competition, whilst still very high, is not as fierce in the mid-market where companies have minimal access to capital markets. As the buyout market in this segment remains strong, we do see a large number of opportunities, but we remain extremely focused on the highest quality transactions.

The Asia Pacific market has seen ample liquidity both from domestic markets and, for the appropriate companies, in the US. This, combined with sponsors focussing on refinancing existing transactions, means there have been a low number of buyout transactions. The competition for the limited number of new deals is high and, as in Europe, there have been a lower volume of traditional mezzanine deals. However, as with our European team, our Asia Pacific team has been able to focus on deals where our ability to offer and structure flexible solutions is a competitive advantage.

Fundraising market

The fundraising environment continues to show signs of improvement with increasing liquidity and the on-going search for yield. We have also seen a renewed interest from large US pension fund managers into the European credit arena. As at the end of September there were more than 2,000 private equity funds in the market targeting an aggregate of $750bn in commitments, of which 25% is targeted towards mezzanine and real estate strategies. The increasing number of funds being raised in part reflects the fact that some of the less successful fund managers continue to raise funds that they are unable to close. Against this background, our long term track record, specific investment propositions and higher yield strategies resonate well with investors.

We continue to see the desire from larger institutions to provide bigger cheques to a smaller number of global providers. The breadth of our product range and the investment in our marketing and distribution team is enabling us to target our fundraising and build the longer term relationships necessary to win these multi-product mandates.

Strategic Priorities

Our strategy remains:

1. Grow our Fund Management Company
2. Invest selectively
3. Manage our portfolio to maximise value

1. Grow our Fund Management Company

A key measure of the growth of the FMC is the increase in AUM. In the first half of the year we have raised €1.7bn of new money across multiple products and have raised a further €0.7bn since the end of September.

We are on track to exceed last year's record fundraising achievements of €2.3bn. This is further evidence of the benefit from the investment made in our marketing and distribution team.

After a sustained period of low realisations, the first half of the current financial year saw a significant increase in the number of realisations, including many of the top 20 assets. The cash generated from these realisations further strengthens the balance sheet which enables the FMC to access seed capital for new products and growth initiatives.

The high level of realisations has had a downward influence on total AUM, resulting in a 6% decrease in AUM in the period to €12.1bn at 30 September 2013. As expected, the impact of realising the older, pre 2010, assets has been felt principally by the balance sheet portfolio as the balance sheet had contributed more than third party funds to each investment. Third party funds of €9.8bn, whilst impacted by the realisations, have only decreased 1% since 31 March 2013.

Mezzanine and equity funds

Third party mezzanine and equity funds under management have decreased by 11% to €3.9bn in the period resulting from the realisation of assets in the older European and Asia Pacific Funds. We are generating good returns from our realised assets with European Fund 2006 realising €300m for investors in the period resulting in a 1.8x money multiple total realised return. This currently makes the fund a top quartile performer of its vintage.

We continue to make progress towards launching dedicated US products.

Our older funds continue to deliver solid performance, benefitting from the strong period of realisations, and ICG Europe Fund V is performing strongly.

ICG Longbow

Our UK real estate business continues to perform ahead of expectations, and is well positioned to take advantage of the lack of available financing for non-prime central London real estate deals, where we see value.

In the last twelve months ICG Longbow has raised £745m of new third party funds, taking total third party AUM to £0.9bn (€1.1bn).

During the first half of the year we closed the third ICG Longbow mezzanine fund at its maximum permitted size of £700m, including £50m from ICG. This was well above our original target of £500m and considerably more than the predecessor fund which raised £242m. This third Fund is already 29% invested and has a strong pipeline of further investments.

ICG Longbow's second mezzanine fund is fully invested and its listed senior debt fund is 49% invested. Both are performing well.

Credit funds

AUM for our Credit funds has decreased by 4% to €4.8bn since year end, with the run off of our older CLO Funds and a reduction in private mandates outstripping the €1.1bn of new AUM raised in the period.

The new AUM is primarily due to Senior Debt Partners, our direct lending strategy, which added €629m in H1, including €191m of Business Finance Partnership funds from HM Treasury, which will be invested in mid-market companies across the UK. In total, Senior Debt Partners has raised over €700m, including a total of €50m from ICG, and we expect this positive momentum to continue into H2. This would result in Senior Debt Partners getting close to its maximum permitted size, and well in excess of its €1bn target. Furthermore, after ICG Europe Fund V and ICG Longbow's third mezzanine fund, it would be the third successive fund to reach that milestone.

The nascent return of the European CLO market has enabled us to issue St Paul's II, a €400m European CLO, which at the time was the largest post crisis CLO of its kind. In accordance with Article 122(a) of the European Capital Requirements Directive, the so called 'skin in the game' rules, ICG contributed 5% or €21m to the fund. This CLO acquired the majority of the assets from the redeemed Eurocredit Opportunities Parallel Fund on an enhanced fee structure. We have followed up on this issuance with a second European CLO, St Pauls III, which we have priced in H2 and expect to close before Christmas. This €550m vehicle will acquire the majority of the assets from the redeemed ICG Eos Loan Fund I Limited.

Our multi-asset credit strategies fund 'Total Credit' continues to build on its strong track record since inception, providing a platform for our distribution team to raise third party funds. The Fund has seen a 19% increase in NAV since it was launched in July 2012, and returned 17.8% in its first full year. The strong first year performance is reflective of a more stable Eurozone compared to when the fund was launched, combined with low interest rates and low levels of growth across the region. This has pushed money into credit markets such as high yield and leveraged loans benefitting the funds' performance.

2. Invest Selectively

In the first half of the financial year we invested £339.4m, including £95.2m of balance sheet co-investment alongside our mezzanine funds and £35.9m of seed capital invested into our credit funds. In addition, we have committed a further £96m of seed capital that will be drawn by our existing credit funds as required.

The European transactions market continues to witness low volumes, with few standard mezzanine deals. However, our local network of experienced investment professionals are able to generate proprietary transactions, with two European deals in the first half of the financial year, as the demand for senior debt continues to outstrip availability.

During the period, we supported a management led buyout of Euro Cater A/S, the largest food distributor in Denmark, and backed Virtruvian's acquisition of Inenco, a UK headquartered energy procurement and risk management service provider. Following these transactions, ICG Europe Fund V was 38% invested.

Our investment momentum has continued into the second half of the financial year with the completion of a new deal with Westbury Street, a UK food and consumer products business. In addition, we are in exclusivity on two further European deals and, with our current strong pipeline, we expect this rate of investment to continue.

Whilst there were no deals in Asia Pacific during the first half of the financial year, we have since signed, subject to conditions, a deal to increase our investment in Link Group. ICG has been invested in Link Group, an Australian pension administration and share registry company, since 2007. This transaction will result in ICAP 08 being 66% invested, with a good pipeline of deals and six months remaining of the investment period.

Our European credit funds business continues to see a strong pipeline of investment opportunities, aided by the insufficient availability of bank financing. This permits us to remain extremely selective and maintain our historic disciplined investment approach. Senior Debt Partners have already invested a third of its total expected fund size and expect this investment rate to continue. In doing so, the team have completed ten deals from the 200 transactions they have considered.

3. Manage our portfolio to maximise value

In the first half of the year we realised £528.0m of principal repayments and £154.6m of PIK for our Investment Company.

During the period the increased availability of debt, particularly in the high yield bond market, provided the opportunity for certain companies to refinance their existing debt facilities. This has driven the high level of realisations in the period and has resulted in the full or partial repayment of nine of the Group's top 20 assets during the first half of the financial year. In most cases we have retained our minority equity positions in these assets.

Net realised capital gains in the period of £101.0m are primarily due to the exit from Allflex, a company the balance sheet had been invested in since 1998. Elsewhere there has been a low level of realised capital gains as companies have refinanced rather than undergone a full exit process. However, with the pressure growing on current sponsors to return cash to their investors and therefore realise assets, combined with improving debt availability and early signs of the return of the IPO market, it is likely there will be an increased number of full exits over the medium term.

The performance of our investment portfolio is broadly resilient. 59% of our portfolio companies by number (75% on a weighted average basis) are performing above or at the same level as the previous year. The companies where our investment teams have actively been involved in restructurings during the period are showing early signs of stabilised and improving performance. There remains a small number of weaker companies within the portfolio who show no sign of recovery, although no new names have been added to this list during the period.

During the first half of the year we took asset specific impairments against our weaker assets, resulting in gross provisions of £79.8m compared to £86.1m in the first half of the last financial year. This includes a provision of £17.3m taken on the restructuring of an asset with a corresponding uplift in unrealised capital gains at the period end. After write backs of £3.5m during the period, and excluding the provision against the restructured asset, net impairments were £59.0m compared to £64.8m in the comparative period. Based on the current performance of the portfolio we expect provisions to be first half weighted.

Our 20 largest assets, which account for 48% of our portfolio by value, are performing well, as are our new investments. The continued realisation of older assets, in which the Investment Company contributed 60% of the total investment, will reduce the significance of the value of individual assets within the overall portfolio. As a result, from here on, we will only present our top 10 largest assets which currently represent 30% of our portfolio.

Outlook

We remain committed to extracting value from our existing portfolio and are actively engaged in our more challenging and weaker assets. We have a strong pipeline of new investments and products across all our markets, but will continue to maintain our investment discipline and be selective.

We continue to make progress towards launching dedicated US products with marketing underway for a US debt fund and the launch of our first US CLO.

We believe we are in a unique position as a mid-market credit specialist to grow our fund management franchise, capitalising on the current market dynamics and longer term structural opportunities. The success of the Senior Debt Partners fundraising on the back of ICG Europe Fund V and ICG Longbow's third mezzanine fund, and the launch of our first CLOs since the European CLO market reopened, underpins our belief that we are on track to achieve this strategic goal.

Financial Review

This review provides an overview of the Group's financial performance, position and cashflow for the half year and as at the half year to 30 September 2013.

Unless stated otherwise, financial information provided in relation to income, expenses, cashflows and profit and losses is for the six month period to 30 September 2013 (comparative information is for the six month period to 30 September 2012). Balance sheet and AUM information provided is as at 30 September 2013 (comparatives as at 31 March 2013).

Definitions

ICG has two business segments, the Fund Management Company (FMC) and Investment Company (IC).

The FMC is the Group's operating vehicle, which sources and manages investments on behalf of the IC and third party funds. It incurs the costs associated with the investment executives, office network and infrastructure departments. Infrastructure principally consists of the marketing and information technology teams.

The IC is the investment unit of the Group. It co-invests alongside third party funds, primarily in mezzanine and equity assets. The IC is charged 1% of the carrying value of the investment portfolio as a fee by the FMC for managing the portfolio and incurs all costs associated with being a listed entity.

The Group defines its assets under management (AUM) as the total cost of assets invested, managed and advised plus commitments to its managed and advised funds, from third parties and the balance sheet.

Return on equity (ROE) is defined as profit after tax divided by average shareholders' funds for the half year ended September 2013.

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

Pre-incentive cash profit is defined as profit before tax adjusted for non-cash items, fair value movement on derivatives, unrealised capital gains and unrealised rolled up interest.

Overview

The Group's profit before tax for the period was £155.3m (H1 2013: £39.6m). This comprises profit before tax of the FMC of £16.7m (H1 2013: £17.2m) and profit before tax of the IC of £138.6m (H1 2013: £22.4m). Included in the profit of the IC and Group are the impact of the fair value movements on hedging derivatives of £6.8m (H1 2013: £1.5m).

Excluding the impact of the fair value movements on hedging derivatives the Group's profit before tax for the period was £162.1m (H1 2013: £41.1m) and the profit before tax of the IC was £145.4m (H1 2013: £23.9m).

Throughout this review all numbers are presented excluding this adjusting item, unless otherwise stated.

The increase in Group and IC profit before tax for the period is driven by gains on investments in the period of £157.4m (H1 2013: £32.0m).

Taxation charge for the period was £32.4m (H1 2013: £0.1m). The tax charge for the first half of 2013 included a £9.0m credit relating to termination payments made in the period under the Medium Term Incentive Scheme. The effective tax rate for the period is 21% (H1 2013: 23% excluding the £9m credit).

The Group generated an adjusted ROE of 16.8% (2013: 5.7%), an increase on prior year reflecting higher profit after tax driven by higher capital gains and dividend income in the period. Adjusted earnings per share for the period were 33.7p (2013: 10.7p). Cash core income for period was £169.2m (2013: £15.2m) due to the higher level of realisations.

AUM as at 30 September 2013 decreased to €12,099m (£10,117m) from €12,930m (£10,911m) as at 31 March 2013 due to a strong period of realisations.

As at 30 September 2013, the balance sheet had unutilised cash and debt facilities of £753.0m. In June 2013, the Group's syndicated bank facilities matured and bilateral bank facilities previously established in 2012 became effective. In addition, we have raised a further $150m from US private placements and signed £100m of new facilities that mature in 2016, which includes a £67m roll over of an existing facility.

The Group had net current assets of £109.4m at the end of the period (H2 2013: net current liabilities £409.4m). The increase in net assets is driven by a strong period of realisations with net repayments of £655.0m.

The Board has declared an interim dividend of 6.6p per share (2013: 6.3p).

Profit and loss account

Fund Management Company

Assets under management

AUM as at 30 September 2013 decreased by 6% to €12,099m (£10,117m) (H2 2013: €12,930m (£10,911m)). The overall reduction in AUM is driven by the IC investment portfolio reducing 25% to £2,029m (H2 2013: £2,696m). The IC portfolio includes £213.7m (H2 2013: £183.0m) of seed equity and debt in ICG's Credit funds, which has increased following the investment in St. Pauls CLO II and Senior Debt Partners.

Third party AUM decreased by 1% to €9,834m (H2 2013: €9,900m). During the period €1,692m of new funds were raised which was offset by €1,794m of realisations. These new funds have a stronger fee base to the funds in realisation and will underpin the future growth of fee income. In addition, the increase in NAV of the credit funds contributed a €27m to AUM and there was a €9m positive impact of foreign exchange on the value of the Group's non Euro denominated funds.

Third party AUM includes €3,938m (H2 2013: €4,395m) in relation to Mezzanine funds, €1,102m (H2 2013: €533m) in relation to ICG Longbow funds and €4,794m (H2 2013: €4,972m) in relation to Credit funds.

Mezzanine funds AUM have decreased by 10% driven by realisations of €451m.

ICG Longbow AUM increased by 107% driven by new funds raised of £485m through ICG Longbow Fund III which closed at its maximum permitted size of £700m, including £50m from ICG.

Credit funds AUM has decreased 4% due to realisations on the older CLO funds of €739m and reduction in private mandates of €581m. This has been partially offset by the successful fundraising of Senior Debt Partners and St Pauls II, resulting in €1,115m of new AUM. In addition, the NAV of the credit funds increased adding €27m to AUM.

Fee income

Fee income increased by 9% in the period to £48.7m (H1 2013: £44.8m). This comprises fee income from third parties of £38.0m (H1 2013: £33.6m), up 13%, and the IC management fee of £10.7m (H1 2013: £11.2m), down 4%.

Mezzanine and equity funds third party fee income totalled £26.0m (H1 2013: £23.4m). This included £4.8m of carried interest (H1 2013: £0.3m) and £1.0m of ICG Europe Fund V catch up fees received in respect of prior periods (£3.2m in H1 2013). Excluding carried interest and catch up fees, fee income from mezzanine and equity funds has increased from £19.9m to £20.2m.

ICG Longbow third party fee income has increased 117% from £1.2m to £2.6m with the investment of the ICG Longbow Fund III and Senior Debt Fund.

Credit funds third party fee income was £9.4m (H1 2013: £9.0m). Fee income on the older credit funds continues to decrease as they are in realisation. This is offset by increased fee income on more recently launched funds such as Senior Debt Partners strategy and Total Credit.

Operating expenses

Operating expenses of the FMC were £32.1m (H1 2013: £27.9m), including salaries and incentive scheme costs. Salaries were £11.7m (H1 2013: £9.9m) following the investment in the business with average headcount increasing from 157 to 184. Other administrative costs of £13.7m (H1 2013: £10.8m) have increased 27% year on year as the placement fees incurred on raising ICG Europe Fund V have begun amortising. The cash cost of placement fees will reduce for future fundraisings as our in house distribution team undertakes more of these activities. Excluding placement fees, other administrative costs have increased 15%.

Investment Company

Adjusted profit before tax for the IC in the period was £145.4m (H1 2013: £23.9m).

Balance sheet investments

The balance sheet investment portfolio at 30 September 2013 of £2,029m is 25% down on last year's £2,696m. This includes £213.7m (H1 2013: £183.0m) of seed capital in ICG's Credit funds.

During the period the balance sheet received net repayments of £655.0m, which included total repayments of £786.1m and £131.1m new and follow on investments. There were repayments of 16 investments, including nine top 20 assets. Total rolled up interest received on all repayments was £154.6m.

Investments in the period of £131.1m comprise £35.9m of seed capital and £95.2m co-investment alongside our mezzanine funds for new and follow on investments. New investments in the period include Euro Cater A/S and Inenco.

In addition, the sterling value of the portfolio decreased by £50.5m due to foreign exchange movements. The portfolio is 69% euro denominated and 8% US dollar denominated. Sterling denominated assets only account for 13% of the portfolio.

The investment portfolio comprises £792m (39%) of senior mezzanine and senior debt, £178m of junior mezzanine investments (9%) and £845m of equity investments (42%). It excludes £214m (H1 2013: £183m) invested in ICG's credit funds mentioned above. The equity comprises £417m of non-interest bearing equity and £428m of interest bearing equity.

Net interest income

Net interest income of £71.4m (H1 2013: £80.0m) comprises interest income of £96.6m (H1 2013: £107.9m), less interest expense of £25.2m (H1 2013: £27.9m). Interest income was below the prior year due to a significant number of realisations in the current period and a resulting decrease in the average IC portfolio. Interest income includes cash interest income of £30.2m (H1 2013: £39.2m) and rolled up interest income of £66.4m (H1 2013: £68.7m).

Dividend income

Dividend income amounted to £18.1m (H1 2013: £0.1m) relating primarily to distributions from two equity investments following refinancing of their debt in the period.

Other income

Other income, principally arrangement and agency fees, amounted to £2.1m (H1 2013: £0.7m).

Operating expenses

Operating expenses amount to £27.3m (H1 2013: £24.1m), of which incentive scheme costs of £11.2m (H1 2013: £9.4m) are the largest component. Other staff and administrative costs were £16.1m compared to £14.7m in the first half of last year.

The management fee on IC investments managed by the FMC reduced to £10.7m (H1 2013: £11.2m) as a result of the reduction in the average size of the loan book.

Capital gains

Capital gains in the period totalled £157.4m (H1 2013: £32.0m) of which £101.0m were realised (H1 2013: £10.7m), principally Allflex, and £56.4m unrealised (H1 2013: £21.3m). Unrealised capital gains include the corresponding uplift to the £17.3m provision taken on a restructured asset.

The Group added £61.1m (H1 2013: £51.6m) to the portfolio by fair valuing equity and warrants. Of this, £56.4m (H1 2013: £30.3m) is recognised as an income statement movement and £4.7m (H1 2013: £21.3m) as a movement in reserves.

Impairments

Net impairments for the period were £59.0m (H1 2013: £64.8m), which excludes a provision of £17.3m taken on a restructured asset with a corresponding uplift in unrealised capital gains. Gross impairments amounted to £79.8m (H1 2013: £86.1m), of which £65.9m is in relation to four assets. There were recoveries of £3.5m (H1 2013: £21.3m) in the period.

Group cash flow, debt and capital position

Cashflow

Operating cash inflow for the period was £587.9m (H1 2013: £146.9m outflow). The increase in the cash inflows is largely as a result of increased repayment activity compared to the first half of last year.

Interest income received during the period was £184.9m (H1 2013: £46.7m). During the period, cash received from rolled up interest increased to £154.6m (H1 2013: £10.0m) due to the increased level of realisations. Interest expense paid was £19.0m (H1 2013: £30.6m), including £0.6m (H1 2013: £9.9m) of fees paid on arranging and maintaining bank facilities. Dividend income was £18.4m (H1 2013: £0.6m).

Third party fee income received in the period amounted to £27.9m (H1 2013: £36.1m). Operating expenses were £43.5m (H1 2013: £79.4m). Included in the prior period were the final payments of £39.0m in respect of legacy incentive schemes.

Repayments, syndication proceeds and recoveries totalled £550.3m (H1 2013: £76.7m). The increase is largely as a result of higher levels of exits during the period. During the period the Group invested £132.9m, compared to £197.7m in the first half of last year. This further contributed to the increase in cash inflow during the period.

Capital and debt position

Shareholders' funds decreased by 3% to £1,522.2m (H2 2013: £1,563.2m) due principally to the £52.8m dividend payment in the period. The capital gain on Allflex was recycled from AFS reserves to the income statement on realisation and consequently has had minimal impact on shareholders' funds in the period.

Total debt was £740m (H2 2013: £1,155m). Total debt to shareholders' funds as at 30 September 2013 decreased to 49% from 74% at 31 March 2013, as a result of cash received from realisations utilised to repay debt.

Financial outlook

For the FMC, fundraising momentum is expected to continue with the final close of Senior Debt Partners, a second European CLO closing shortly and further product launches planned. This is expected to result in a significant increase in third party AUM over the second half and continue to improve the quality of the Group's fee base.

For the IC, we continue to focus on our reducing number of weaker assets, but based on the current performance of the portfolio we expect provisions to be first half weighted. After the strong level of realisations in the first half, we expect the pace of realisations to slow in the second half. As previously indicated, the increased number of realisations places a downward pressure on net interest income which tracks the average interest bearing loan book. The realisations to date will have an annualised downward impact of £25m on net interest income. There is a strong pipeline of new investment opportunities.

We expect to continue to strengthen the Group's long term profitability with further balance sheet 'seed capital' investment in new and existing products and growth initiatives.

Principal risks and uncertainties

Details of the principal risks and uncertainties facing the Group were set out in the risk review on pages 31 to 35 of the 2013 Annual Report and Accounts, a copy of which is available on our website (www.icgplc.com).

The principal risks and uncertainties identified in the 2013 Annual Report and Accounts, and the policies and procedures for minimising these risks and uncertainties remain unchanged and each of them has the potential to affect the Group's results during the remainder of the year ending 31 March 2014. These risks remain as: credit risk, fundraising risk, liquidity and funding risk, general market conditions, interest rate risk, foreign exchange risk, concentration risk, loss of staff and regulatory risk.

Philip Keller
CFO
21 November 2013

Responsibility Statement

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Justin Dowley
Chairman

Philip Keller
CFO

21 November 2013

Condensed consolidated income statement

for the six months ended 30 September 2013

	Six months ended 30 September 2013 (unaudited) £m	Six months ended 30 September 2012 (unaudited) £m	Year ended 31 March 2013 (audited) £m
Finance income	**114.8**	108.3	218.6
Gains on investments	**157.4**	32.0	73.0
Fee and other operating income	**40.1**	34.3	78.8
Total revenue	**312.3**	174.6	370.4
Finance costs	**(32.0)**	(29.4)	(60.7)
Impairments	**(76.3)**	(64.8)	(80.0)
Administrative expenses	**(48.7)**	(40.8)	(87.1)
Profit before tax	**155.3**	39.6	142.6
Tax expense	**(32.4)**	(0.1)	(18.8)
Profit for the period	**122.9**	39.5	123.8
Attributable to:			
Equity holders of the parent	**123.0**	39.8	124.4
Non controlling interests	**(0.1)**	(0.3)	(0.6)
	122.9	39.5	123.8
Earnings per share	**32.0p**	10.3p	32.1p
Diluted earnings per share	**31.9p**	10.3p	32.1p

All activities represent continuing operations.

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2013

	Six months ended 30 September 2013 (unaudited) £m	Six months ended 30 September 2012 (unaudited) £m	Year ended 31 March 2013 (audited) £m
Profit for the period	**122.9**	39.5	123.8
Available for sale financial assets:			
(Loss)/gains arising in the period	**(0.5)**	27.4	67.1
Less: Reclassification adjustment for gains recycled to profit	**(110.1)**	(5.6)	(7.5)
Exchange differences on translation of foreign operations	**(0.9)**	(0.4)	1.2
	(111.5)	21.4	60.8
Tax on items taken directly to or transferred from equity	**26.8**	(3.4)	(11.0)
Other comprehensive income for the period	**(84.7)**	18.0	49.8
Total comprehensive income for the period	**38.2**	57.5	173.6

Attributable to:			
Equity holders of the parent	**38.3**	57.8	174.2
Non controlling interests	**(0.1)**	(0.3)	(0.6)
	38.2	57.5	173.6

Condensed consolidated statement of financial position

as at 30 September 2013

	30 September 2013 (unaudited) £m	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Non current assets			
Intangible assets	**5.9**	7.2	6.6
Property, plant and equipment	**5.3**	5.2	4.6
Financial assets: loans, investments and warrants	**2,028.7**	2,462.2	2,695.8
Derivative financial assets	**9.3**	23.0	14.7
	2,049.2	2,497.6	2,721.7
Current assets			
Trade and other receivables	**68.5**	43.2	53.9
Financial assets: loans and investments	**114.2**	37.3	30.4
Debtor for current tax	**0.6**	-	0.7
Derivative financial assets	**14.6**	8.7	40.2
Cash and cash equivalents	**184.1**	145.4	52.5
	382.0	234.6	177.7
Total assets	**2,431.2**	2,732.2	2,899.4
Equity and reserves			
Called up share capital	**80.4**	80.2	80.4
Share premium account	**672.1**	669.1	671.7
Capital redemption reserve	**1.4**	1.4	1.4
Own shares reserve	**(55.5)**	(36.4)	(45.7)
Other reserves	**110.5**	156.9	196.4
Retained earnings	**713.3**	596.0	659.0
Equity attributable to owners of the Company	**1,522.2**	1,467.2	1,563.2
Non controlling interest	**(0.4)**	-	(0.3)
Total equity	**1,521.8**	1,467.2	1,562.9
Non current liabilities			
Provisions	**3.3**	3.6	3.6
Financial liabilities	**596.4**	884.2	688.9
Derivative financial liabilities	**4.5**	1.3	3.8
Deferred tax liabilities	**32.6**	43.7	53.1
	636.8	932.8	749.4
Current liabilities			
Provisions	**0.5**	0.6	0.4
Trade and other payables	**93.8**	62.9	79.0
Financial liabilities	**135.2**	241.0	472.4
Current tax	**40.5**	26.7	28.4
Derivative financial liabilities	**2.6**	1.0	6.9
	272.6	332.2	587.1
Total liabilities	**909.4**	1,265.0	1,336.5
Total equity and liabilities	**2,431.2**	2,732.2	2,899.4

Condensed consolidated statement of cash flow

for the six months ended 30 September 2013

	Six months ended 30 September 2013 (unaudited) £m	Six months ended 30 September 2012 (unaudited) £m	Year ended 31 March 2013 (audited) £m
Operating activities			
Interest receipts	**184.9**	46.7	92.0
Fee receipts	**27.9**	36.1	77.9
Dividends received	**18.4**	0.6	4.3
Interest payments	**(19.0)**	(30.6)	(59.0)
Cash payments to suppliers and employees	**(43.5)**	(79.4)	(101.6)
(Purchase)/realisation of current financial assets	**(83.1)**	10.8	18.7
Purchase of loans and investments	**(131.1)**	(197.0)	(260.6)
Recoveries on previously impaired assets	**1.9**	0.1	0.8
Proceeds from sale of loans and investments	**631.5**	65.8	143.1
Cash generated from/(used in) operating activities	**587.9**	(146.9)	(84.4)
Taxes paid	**(14.7)**	(29.9)	(45.4)
Net cash generated from/(used in) operating activities	**573.2**	(176.8)	(129.8)
Investing activities			
Purchase of property, plant and equipment	**(1.8)**	(0.7)	(1.3)
Net cash used in investing activities	**(1.8)**	(0.7)	(1.3)
Financing activities			
Dividends paid	**(52.8)**	(50.5)	(74.9)
(Decrease)/increase in long term borrowings	**(403.5)**	169.5	163.9
Net cash in/(out) flow from derivative contracts	**58.9**	52.7	(53.8)
Purchase of own shares	**(27.1)**	(4.0)	(13.3)
Capital contributions from non controlling interest	**–**	0.1	0.1
Proceeds on issue of shares	**0.2**	1.3	2.3
Net cash (used in)/generated from financing activities	**(424.3)**	169.1	24.3
Net increase/(decrease) in cash	**147.1**	(8.4)	(106.8)
Cash and cash equivalents at beginning of period	**41.8**	149.8	149.8
Effect of foreign exchange rate changes	**(4.8)**	(5.5)	(1.2)
Net cash and cash equivalents at end of period	**184.1**	135.9	41.8
Presented on the statement of financial position as:			
Cash and cash equivalents	**184.1**	145.4	52.5
Bank overdraft	**–**	(9.5)	(10.7)
Net cash and cash equivalents	**184.1**	135.9	41.8

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2013

	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Share based payments reserve £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 2013	80.4	671.7	1.4	46.6	149.8	(45.7)	659.0	1,563.2	(0.3)	1,562.9
Profit for the period	–	–	–	–	–	–	123.0	123.0	(0.1)	122.9
Available for sale financial assets	–	–	–	–	(110.6)	–	–	(110.6)	–	(110.6)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Tax on items taken directly to or transferred from equity	–	–	–	–	26.8	–	–	26.8	–	26.8
Total comprehensive income for the period	–	–	–	–	(83.8)	–	122.1	38.3	(0.1)	38.2
Own shares acquired in period	–	–	–	–	–	(27.1)	–	(27.1)	–	(27.1)
Options / awards exercised	–	0.4	–	(10.6)	–	17.3	(15.0)	(7.9)	–	(7.9)
Credit for equity settled share schemes	–	–	–	8.5	–	–	–	8.5	–	8.5
Dividends paid	–	–	–	–	–	–	(52.8)	(52.8)	–	(52.8)
Balance at 30 September 2013 (unaudited)	**80.4**	**672.1**	**1.4**	**44.5**	**66.0**	**(55.5)**	**713.3**	**1,522.2**	**(0.4)**	**1,521.8**

Condensed consolidated statement of changes in equity continued

for the six months ended 30 September 2013

	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Share based payments reserve £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 2012	80.0	668.0	1.4	24.7	101.2	(33.0)	608.3	1,450.6	0.1	1,450.7
Profit for the period	–	–	–	–	–	–	39.8	39.8	(0.3)	39.5
Available for sale financial assets	–	–	–	–	21.8	–	–	21.8	–	21.8
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Tax on items taken directly to or transferred from equity	–	–	–	–	(3.4)	–	–	(3.4)	–	(3.4)
Total comprehensive income for the period	–	–	–	–	18.4	–	39.4	57.8	(0.3)	57.5
Own shares acquired in period	–	–	–	–	–	(4.0)	–	(4.0)	–	(4.0)
Options / awards exercised	0.2	1.1	–	0.2	–	0.6	(1.2)	0.9	–	0.9
Capital contribution	–	–	–	–	–	–	–	–	0.2	0.2
Credit for equity settled share schemes	–	–	–	12.4	–	–	–	12.4	–	12.4
Dividends paid	–	–	–	–	–	–	(50.5)	(50.5)	–	(50.5)
Balance at 30 September 2012 (unaudited)	80.2	669.1	1.4	37.3	119.6	(36.4)	596.0	1,467.2	–	1,467.2

Condensed consolidated statement of changes in equity continued

for the six months ended 30 September 2013

	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Share based payments reserve £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 2012	80.0	668.0	1.4	24.7	101.2	(33.0)	608.3	1,450.6	0.1	1,450.7
Profit for the year	–	–	–	–	–	–	124.4	124.4	(0.6)	123.8
Available for sale financial assets	–	–	–	–	59.6	–	–	59.6	–	59.6
Exchange differences on translation of foreign operations	–	–	–	–	–	–	1.2	1.2	–	1.2
Tax on items taken directly to or transferred from equity	–	–	–	–	(11.0)	–	–	(11.0)	–	(11.0)
Total comprehensive income for the year	–	–	–	–	48.6	–	125.6	174.2	(0.6)	173.6
Own shares acquired in the year	–	–	–	–	–	(13.3)	–	(13.3)	–	(13.3)
Options/awards exercised	0.4	3.7	–	(0.9)	–	0.6	–	3.8	–	3.8
Capital contribution	–	–	–	–	–	–	–	–	0.2	0.2
Credit for equity settled share schemes	–	–	–	22.8	–	–	–	22.8	–	22.8
Dividends paid	–	–	–	–	–	–	(74.9)	(74.9)	–	(74.9)
Balance at 31 March 2013	80.4	671.7	1.4	46.6	149.8	(45.7)	659.0	1,563.2	(0.3)	1,562.9

Notes to the Half Year Report

for the six months ended 30 September 2013

1 Basis of preparation and significant accounting policies

(i) Basis of preparation

The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as adopted by the European Union, and on the basis of the accounting policies and methods of computation set out in the consolidated financial statement of the Group for the year ended 31 March 2013.

The comparative figures for the financial year ended 31 March 2013 are not the Group's statutory accounts for the financial year. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group as at and for the year ended 31 March 2013 which were prepared under International Financial Reporting Standards as adopted by the EU are available on the Group's website, www.icgplc.com.

(ii) Basis of consolidation

During the period two portfolio assets were restructured and became investments in joint ventures. As a venture capital organisation, these investments have been designated upon initial recognition as fair value through profit or loss.

(iii) Significant estimates and uncertainties

AFS financial assets and financial assets at FVTPL

The fair value of equity investments and warrants are based on quoted prices, where available. Where quoted prices are not available, the fair value is based on recent significant transactions on an earnings based valuation technique.

Earnings multiples are applied to the maintainable earnings of the private company being valued to determine the enterprise value. From this, the value attributable to the Group is calculated based on its holding in the company after making deductions for higher ranking instruments in the capital structure.

For each company being valued, the earnings multiple is derived from a set of comparable listed companies or relevant market transaction multiples that have been approved by the Investment Committee. A premium or discount is applied to the earnings multiple to adjust for points of difference relating to risk and earnings growth prospects between the comparable company set and the private company being valued. Across the portfolio being valued, the discount applied is generally in a range of 5% to 30% and exceptionally as high as 64%. The adjusted multiple is the key valuation input which could change fair values significantly if a reasonably possible alternative assumption was made. The sensitivity analysis of this input is disclosed in note 2.

Other derivatives

The fair value of the derivatives used for hedging purposes is derived from pricing models which take account of the contract terms, 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.

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.

Notes to the Half Year Report continued

for the six months ended 30 September 2013

1 Basis of preparation and significant accounting policies *continued*

(iv) Going concern

The Directors have prepared the consolidated interim financial statements on a going concern basis which requires the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors made this assessment in light of the £753.0m cash and unutilised debt facilities following a period of high realisations, no significant bank facilities maturing until 2016, and after reviewing the Group's latest forecasts for a period of 18 months from the period end.

(v) Related party transactions

There have been no material changes to the nature or size of related party transactions since 31 March 2013.

2 Financial risk management

The Group has adopted IFRS 13 'Fair value measurement' in the current financial year. Consequently, there is a requirement to provide fair value disclosures at the half year and to disclose the geographical mix of each asset category. In the first year of adoption there is no requirement to provide comparative information.

The following table provides the breakdown of financial assets which includes loans and receivables held at amortised cost and financial assets held at fair value through profit and loss.

Financial assets – non current	30 September 2013 (unaudited) £m
Loans and receivables held at amortised cost	1,310.1
Financial assets designated as FVTPL	443.6
Derivative financial instruments held at fair value	29.5
AFS financial assets held at fair value	245.5
	2,028.7
Other derivative financial instruments held at fair value	9.3
	2,038.0

Included with 'financial assets designated as FVTPL' at 30 September 2013 are two portfolio assets which were restructured during the period. Following the restructuring these assets are held as investments in joint ventures having previously been classified as 'loans and receivables held at amortised cost'.

(a) 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).

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 (i.e. unobservable inputs).

Notes to the Half Year Report continued

for the six months ended 30 September 2013

2 Financial risk management *continued*

(a) Fair value measurements recognised in the statement of financial position *continued*

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL				
Designated as FVTPL				
- UK	106.5	–	159.6	266.1
- France	–	–	93.1	93.1
- Denmark	–	–	33.6	33.6
- Australia	–	–	23.8	23.8
- Other	–	–	27.0	27.0
	106.5	–	337.1	443.6
Derivative financial instruments – warrants				
- France	–	–	11.5	11.5
- UK	–	–	7.7	7.7
- Germany	–	–	6.5	6.5
- Denmark	–	–	3.8	3.8
	–	–	29.5	29.5
AFS financial assets held at fair value				
- France	–	–	62.6	62.6
- US	42.0	–	14.2	56.2
- UK	–	–	52.2	52.2
- Australia	–	–	46.4	46.4
- Other	–	–	28.1	28.1
	42.0	–	203.5	245.5
Other derivative financial instruments	–	23.9	–	23.9
	148.5	23.9	570.1	742.5
Financial liabilities at FVTPL				
Derivative financial liabilities	–	7.1	–	7.1

The only transfers between levels in the current year arose on one asset which listed a proportion of their shares on the New York Stock Exchange providing an external basis for valuing the Group's instruments. As a result the instruments were transferred from Level 3 to Level 1.

Notes to the Half Year Report continued

for the six months ended 30 September 2013

2 Financial risk management *continued*

(a) Fair value measurements recognised in the statement of financial position *continued*

The tables detail the movements in financial assets valued using the level 3 basis of measurement in aggregate and geographically by asset category.

Within the income statement, realised gains and fair value movements are included within gains on investments and foreign exchange is included within finance costs. Within other comprehensive income fair value movements and foreign exchange are included within fair value movements.

	Financial assets at FVTPL £m	Derivative financial instruments - warrants £m	AFS assets £m	Total £m
At 1 April 2013	190.7	40.2	350.5	581.4
Total gains or losses in the income statement				
- Impairments	–	–	0.3	0.3
- Realised gains	–	2.5	(110.1)	(107.6)
- Fair value movements	49.5	3.2	–	52.7
- Foreign exchange	(9.8)	2.6	–	(7.2)
Total gains or losses in other comprehensive income				
- Fair value movements	–	–	(1.7)	(1.7)
- Foreign exchange	–	–	(13.4)	(13.4)
Purchases	94.9	–	9.9	104.8
Realisations	(9.9)	–	(13.1)	(23.0)
Transfer from loans and receivables	21.7	–	–	21.7
Exercise of options	–	(19.0)	19.0	–
Transfer to Level 1	–	–	(37.9)	(37.9)
At 30 September 2013	**337.1**	**29.5**	**203.5**	**570.1**

Financial assets at FVTPL	UK £m	France £m	Denmark £m	Australia £m	Other £m	Total £m
At 1 April 2013	109.6	32.4	–	28.6	20.1	190.7
Total gains or losses in the income statement						
- Fair value movements	9.2	38.3	0.6	(0.3)	1.7	49.5
- Foreign exchange	(2.3)	(0.5)	(0.8)	(4.5)	(1.7)	(9.8)
Purchases	52.8	1.2	33.8	–	7.1	94.9
Realisations	(9.7)	–	–	–	(0.2)	(9.9)
Transfer from loans and receivables	–	21.7	–	–	–	21.7
At 30 September 2013	**159.6**	**93.1**	**33.6**	**23.8**	**27.0**	**337.1**

Notes to the Half Year Report continued

for the six months ended 30 September 2013

2 Financial risk management *continued*

(a) Fair value measurements recognised in the statement of financial position *continued*

Derivative financial instruments - warrants	France £m	UK £m	Germany £m	Denmark £m	Other £m	Total £m
At 1 April 2013	9.8	5.4	5.0	3.8	16.2	40.2
Total gains or losses in the income statement						
– Realised gains	–	–	2.5	–	–	2.5
– Fair value movements	1.8	2.3	(1.0)	–	0.1	3.2
– Foreign exchange	(0.1)	–	–	–	2.7	2.6
Exercise of options	–	–	–	–	(19.0)	(19.0)
At 30 September 2013	**11.5**	**7.7**	**6.5**	**3.8**	**–**	**29.5**

AFS assets	France £m	US £m	UK £m	Australia £m	Other £m	Total £m
At 1 April 2013	64.3	54.8	161.1	36.0	34.3	350.5
Total gains or losses in the income statement						
– Impairments	0.3	–	–	–	–	0.3
– Realised gains	–	–	(110.1)	–	–	(110.1)
Total gains or losses in other comprehensive income						
– Fair value movements	(1.4)	(1.7)	11.4	(4.2)	(5.8)	(1.7)
– Foreign exchange	(0.6)	(1.0)	(0.2)	(11.1)	(0.5)	(13.4)
Purchases	–	–	3.1	6.7	0.1	9.9
Realisations	–	–	(13.1)	–	–	(13.1)
Exercise of options	–	–	–	19.0	–	19.0
Transfer to Level 1	–	(37.9)	–	–	–	(37.9)
At 30 September 2013	**62.6**	**14.2**	**52.2**	**46.4**	**28.1**	**203.5**

(b) Fair value sensitivity analysis

The following table shows the sensitivity of fair values grouped in level 3 to adjusted earnings multiples in the valuation models, for a selection of the largest financial assets. It is assumed that the multiple was changed by 10% while all the other variables were held constant.

	Value in accounts £m	+10% £m	-10% £m
Financial assets designated as FVTPL	337.1	364.3	309.9
Derivative financial instruments held at fair value - warrants	29.5	36.1	22.9
AFS financial assets held at fair value	203.5	230.0	177.0
	570.1	**630.4**	**509.8**

Notes to the Half Year Report continued

for the six months ended 30 September 2013

2 Financial risk management *continued*

(c) Impairment losses

The movement in the provision for impairment losses during the period is as follows:

	Six months ended 30 September 2013 (unaudited) £m	Six months ended 30 September 2012 (unaudited) £m	Year ended 31 March 2013 (audited) £m
Balance at 1 April	**549.2**	517.0	517.0
Charged to income statement	**62.5**	86.1	141.1
Impairment arising through restructuring of assets	**17.3**	–	–
Recovery of previously impaired assets	**(3.5)**	(21.3)	(61.1)
Assets written off in period	**(224.2)**	–	(56.7)
Foreign exchange	**(4.3)**	3.4	8.9
Balance at 30 September / 31 March	**397.0**	585.2	549.2

3 Segment information

For management purposes, the Group is currently organised into two distinct business groups, the Fund Management Company (FMC) and the Investment Company (IC). Segment information about these businesses is presented below. This is as reviewed by the Executive Committee, with the exception of £6.4m relating to gains on the investment in ICG Europe Fund V, which is presented below in gains on investments. This is included within net interest income for internal reporting purposes.

The Group reports the profit of the FMC separately from the profits generated by the IC. The FMC is defined as the operating unit and as such incurs the majority 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, human resources and marketing.

The IC is charged a management fee of 1% of the carrying value of the investment portfolio by the FMC and this is shown below as Fee income. The costs of finance, treasury, and portfolio administration teams and the costs related to being a listed entity are allocated to the IC.

(i) Analysis of income and profit before tax

	Mezzanine Fund Management						
Six months ended 30 September 2013 (unaudited) (£m)	**Europe**	**Asia**	**US**	**Credit Fund Management**	**Total FMC**	**IC**	**Total**
External fee income	27.1	1.5	–	9.4	38.0	–	38.0
Inter segmental fee	8.9	0.9	0.5	0.4	10.7	(10.7)	–
Fund management fee income	36.0	2.4	0.5	9.8	48.7	(10.7)	38.0
Other operating income					–	2.1	2.1
Gains on investments					–	157.4	157.4
Net interest income					(0.2)	71.4	71.2
Dividend income					0.3	18.1	18.4
Net fair value loss on derivatives					–	(6.8)	(6.8)
					48.8	231.5	280.3
Impairments					–	(76.3)	(76.3)
Staff costs					(11.7)	(2.4)	(14.1)
Incentive scheme costs					(6.7)	(11.2)	(17.9)
Other administrative expenses					(13.7)	(3.0)	(16.7)
Profit before tax					16.7	138.6	155.3

Notes to the Half Year Report continued

for the six months ended 30 September 2013

3 Segment information *continued*

(i) Analysis of income and profit before tax *continued*

Six months ended 30 September 2012 (unaudited) (£m)	Mezzanine Fund Management Europe	Mezzanine Fund Management Asia	Mezzanine Fund Management US	Credit Fund Management	Total FMC	IC	Total
External fee income	21.2	3.4	–	9.0	33.6	–	33.6
Inter segmental fee	9.4	1.2	0.4	0.2	11.2	(11.2)	–
Fund management fee income	30.6	4.6	0.4	9.2	44.8	(11.2)	33.6
Other operating income					–	0.7	0.7
Gains on investments					–	32.0	32.0
Net interest income					(0.2)	80.0	79.8
Dividend income					0.5	0.1	0.6
Net fair value loss on derivatives					–	(1.5)	(1.5)
					45.1	100.1	145.2
Impairments					–	(64.8)	(64.8)
Staff costs					(9.9)	(1.5)	(11.4)
Incentive scheme costs					(7.2)	(9.4)	(16.6)
Other administrative expenses					(10.8)	(2.0)	(12.8)
Profit before tax					17.2	22.4	39.6

Year ended 31 March 2013 (audited) (£m)	Mezzanine Fund Management Europe	Mezzanine Fund Management Asia	Mezzanine Fund Management US	Credit Fund Management	Total FMC	IC	Total
External fee income	51.4	6.8	–	19.2	77.4	–	77.4
Inter segmental fee	19.3	2.6	0.9	0.5	23.3	(23.3)	–
Fund management fee income	70.7	9.4	0.9	19.7	100.7	(23.3)	77.4
Other operating income					–	1.4	1.4
Gains on investments					–	73.0	73.0
Net interest income					(0.4)	159.7	159.3
Dividend income					1.9	2.4	4.3
Net fair value loss on derivatives					–	(5.7)	(5.7)
					102.2	207.5	309.7
Impairment					–	(80.0)	(80.0)
Staff costs					(20.9)	(3.0)	(23.9)
Incentive scheme costs					(14.6)	(18.1)	(32.7)
Other administrative expenses					(26.3)	(4.2)	(30.5)
Profit before tax					40.4	102.2	142.6

Notes to the Half Year Report continued

for the six months ended 30 September 2013

3 Segment information *continued*

(ii) Analysis of non current financial assets by geography

	30 September 2013 (unaudited) £m	30 September 2012 (unaudited) £m	31 March 2013 (audited) £m
Europe	**1,553.4**	1,948.7	2,100.2
Asia	**129.8**	261.5	286.1
US	**131.6**	133.9	132.7
Credit Fund Management	**213.9**	118.1	176.8
	2,028.7	2,462.2	2,695.8

(iii) Group revenue by geography

	Six months ended 30 September 2013 (unaudited) £m	Six months ended 30 September 2012 (unaudited) £m	Year ended 31 March 2013 (audited) £m
Europe	**280.7**	146.4	313.4
Asia	**26.5**	25.6	50.2
US	**5.1**	2.6	6.8
	312.3	174.6	370.4

4 Dividends

The Board has approved an interim dividend of 6.6p per share (2012: 6.3p).

5 Earnings per share

Earnings (£m)	**Six months ended 30 September 2013 (unaudited)**	Six months ended 30 September 2012 (unaudited)	Year ended 31 March 2013 (audited)
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to the equity holders of the parent	**123.0**	39.8	124.4
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	**384,869,973**	387,709,686	387,528,665
Effect of dilutive potential ordinary shares	**155,726**	181,149	46,245
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**385,025,699**	387,890,835	387,574,910
Earnings per share (EPS)	**32.0p**	10.3p	32.1p
Diluted earnings per share	**31.9p**	10.3p	32.1p

As at 30 September 2013 the total number of shares allotted, called up and in issue was 402,242,770 (31 March 2013: 402,056,200), of which 17,455,342 (31 March 2013: 15,689,104) were held by the EBT in the own shares reserve.

Notes to the Half Year Report continued

for the six months ended 30 September 2013

6 Gains and losses arising on investments

(a) Gains and losses arising on AFS financial assets recognised in other comprehensive income

	Six months ended 30 September 2013 (unaudited) £m	Six months ended 30 September 2012 (unaudited) £m	Year ended 31 March 2013 (audited) £m
Realised gains on ordinary shares recycled to profit	**(110.1)**	(9.6)	(11.5)
Impairments of AFS financial assets recycled to profit	**–**	4.0	4.0
Net gains recycled to profit	**(110.1)**	(5.6)	(7.5)
Gains on AFS financial assets			
- Fair value movement on equity instruments	**2.0**	27.5	58.8
- Fair value movement on other assets	**2.7**	2.8	1.7
Foreign exchange	**(5.2)**	(2.9)	6.6
(Loss)/gains arising in the AFS reserve in the period	**(0.5)**	27.4	67.1

(b) Gains on investments recognised in the income statement

	Six months ended 30 September 2013 (unaudited) £m	Six months ended 30 September 2012 (unaudited) £m	Year ended 31 March 2013 (audited) £m
Realised gains on warrants	**2.5**	0.2	0.8
Realised gains on assets designated as FVTPL	**0.1**	0.9	1.8
Realised gains on AFS financial assets recycled from AFS reserves	**110.1**	9.6	11.5
	112.7	10.7	14.1
Unrealised gains on assets designated as FVTPL			
- Fair value movement on equity instruments	**49.6**	13.6	39.3
- Fair value movement on warrants	**3.2**	4.9	9.5
- Fair value movement on other assets	**3.6**	2.8	10.1
	56.4	21.3	58.9
Fair value movements on FVTPL financial assets	**169.1**	32.0	73.0
Realised losses on amortised cost assets	**(11.7)**	–	–
Gains arising in the income statement in the period	**157.4**	32.0	73.0

Non current financial assets have decreased by £667.1m in the period. This is driven by a strong period of realisations which has resulted in the balance sheet receiving net repayments of £655.0m including repayments of £786.1m and £131.1m of new and follow on investments.

Notes to the Half Year Report continued

for the six months ended 30 September 2013

7 Tax expense

Analysis of tax on ordinary activities	**Six months ended 30 September 2013 (unaudited) £m**	Six months ended 30 September 2012 (unaudited) £m	Year ended 31 March 2013 (audited) £m
Current tax:			
Corporate tax	**26.1**	5.0	30.9
Prior year adjustment	**–**	(2.2)	(10.9)
	26.1	2.8	20.0
Deferred tax:			
Current period	**7.4**	5.5	2.6
Prior year adjustment	**(1.1)**	(8.2)	(3.8)
	6.3	(2.7)	(1.2)
Tax on profit on ordinary activities	**32.4**	0.1	18.8

The tax charge for the first half of the prior year was lower than the standard rate of corporation tax of 24%. This was principally due to prior year adjustments of £9.0m credit relating to termination payments made under the Medium Term Incentive Scheme (MTIS).

Throughout the duration of the MTIS scheme, a partial deferred tax asset was recognised based on estimations of future tax relief on cash flows under the scheme. During the prior period, the final cash payments were made in respect of the termination of the Scheme, enabling the final tax position to be calculated. This gave rise to a one off £9.0m credit to the tax charge.

8 Financial liabilities

Non current and current financial liabilities have decreased by £429.7m in the period principally due to a strong period of realisations. The net cash inflow from investment activity has been partially used to repay debt borrowings.

During the period there were the following significant developments in our financing arrangements.

In May 2013, the Group signed £100m worth of bank facilities that mature in 2016, of which £67m relates to an extension of an existing facility that previously matured in 2014. In June 2013, the Group's syndicated bank facilities matured and bilateral bank facilities previously established in 2012 became effective.

A new dual tranche $150m US private placement transaction was closed in May 2013. Two notes were issued with maturities of five and 10 years and coupons of 5.15% and 6.25% respectively.

The carrying value of the loans and borrowings is £731.6m (30 September 2012: £1,125.2m, 31 March 2013: £1,161.3m). The Directors consider that the carrying value is a good approximation to fair value.

9 Post balance sheet events

Post the balance sheet date of 30 September 2013 the Group pledged its holding of ordinary shares in one portfolio company with a carrying value of £14.3m as collateral in the event of default over the bank debt of that company.

The Group has signed a 50:50 partnership agreement with Nomura Holdings Inc, enabling the Group to access the Japanese market with a respected partner to facilitate the launch of dedicated domestic mezzanine products.

Independent review report to Intermediate Capital Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

21 November 2013

Balance Sheet Investments

Unaudited

At 30 September 2013, the balance sheet investment portfolio amounted to £2,029m, including £845m of equity investments.

Top 20 assets at 30 September 2013

The top 20 assets account for 48% of the balance sheet investment portfolio and are listed below.

Company	Country	Industry	Investment year	£m*
Applus+	Spain	Business services	2007	108.0
Gerflor	France	Building Materials	2011	100.1
Materis	France	Building Materials	2006	81.1
Ethypharm	France	Pharmaceuticals	2007	51.4
Westbury Baxter	UK	Food and consumer products	2011	48.8
AAS Link	Australia	Financial services	2007	47.7
SAG	Germany	Utilities	2008	47.5
Eos Loan Fund 1	UK	Portfolio investment	2010	45.9
Lowenplay	Germany	Leisure	2008	43.6
Feu Vert	France	Automotive	2007	43.3
Intelsat	USA	Telecoms	2008	42.1
Fort Dearborn	USA	Packaging & Paper	2010	41.4
Nocibe	France	Retail	2006	40.2
Quorn	UK	Food manufacturing	2011	34.9
Euro Cater A/S	Denmark	Food distribution	2013	33.6
Fraikin	France	Shipping & Transport	2007	32.9
Inspecta	Finland	Business Services	2007	32.8
Veda Advantage	Australia	Financial services	2008	32.4
Riverland	UK	Portfolio investment	2012	31.3
Flaktwoods	France	Electronics	2007	30.3
Total				969.3

*carrying value on the balance sheet at 30 September 2013, including equity stake listed below when relevant.

Top 10 equity assets at 30 September 2013

The top 10 equity positions (included in the above table) account for 19% of the balance sheet investment portfolio and 45% of our equity portfolio and are listed below.

Company	Country	Industry	Investment year	£m
Gerflor	France	Building Materials	2011	80.0
AAS Link	Australia	Financial services	2007	47.7
Eos Loan Fund 1	UK	Portfolio investment	2010	45.9
Intelsat	USA	Telecoms	2008	42.1
Applus+	Spain	Business services	2007	37.6
Riverland	UK	Portfolio investment	2012	31.3
AVR	Netherlands	Waste management	2006/2007	26.2
Westbury Baxter	UK	Food and consumer products	2011	25.0
Menissez	France	Food and consumer products	2006	23.8
Minimax	Germany	Electronics	2006	23.6
Total				383.2

Company Information

Timetable

The major timetable dates are as follows:

Ex-dividend date	4 December 2013
Record date for interim dividend	6 December 2013
Last date for dividend reinvestment election	20 December 2013
Payment of interim dividend	10 January 2014
Interim management statement	21 January 2014
Full year results announcement for the year to 31 March 2014	20 May 2014

Stockbrokers

JPMorgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

Jefferies Hoare Govett Limited
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Bankers

Lloyds TSB plc
25 Gresham Street
London
EC2V 7HN

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

Registered office

Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

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.

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ

Registrars

Computershare Investor
Services PLC
PO Box 92
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Company Registration Number

02234775