Intermediate Capital Group PLC
Annual Report and Accounts
2006

About ICG

Our objective is to deliver value to our shareholders over a long period of time. We do this by pursuing a long term and disciplined approach to investment for both ICG and our investment clients throughout Europe and lately Asia.

In the first decade of our life as a public company we were able to grow shareholder dividends consistently at more than 10% per annum, fuelled by growth in our core income, net interest income and fee income less expenses. We intend to do at least as much in this our second decade.

We have consistently achieved superior returns because of the quality and hard work of our team and our strong investment culture. Unlike a number of other financial institutions, our staff are encouraged to think like owners of the business, with a performance based bonus regime that pays out only after profits on investments are received in cash.

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Highlights

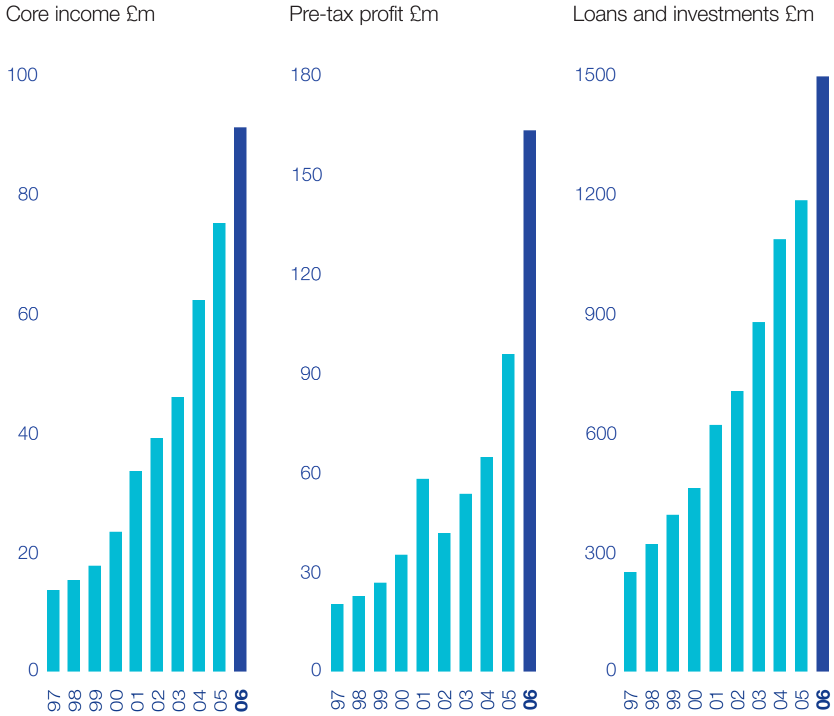
- Core income up 22% on an annualised basis to £106m
- Gains on investments reach a record level of £145m
- Pre-tax profits up 72% on an annualised basis to £190m
- Proposed final dividend of 42.0p net per share making 56.0p per share for the period, an annualised 20% increase
- The loan book increased, on a like for like basis, by 21% to £1.5bn
- Funds under management rise to £3.0bn

These results are for a fourteen month period and have been prepared under IFRS for the first time. In commenting on trends in performance throughout we have calculated the annualised percentages to make comparisons more meaningful.

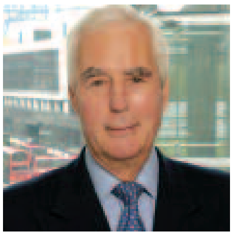
	Fourteen months to 31 March 2006 £m	Year ended 31 January 2005 £m
Net interest income	**124.5**	75.1
Core income†	**106.3**	74.6
Profit before tax	**190.1**	95.0
Loans and investments	**1,493.9**	1,182.8

† The detailed definition of core income can be found on page 13 under results for the period.

Ten year record (2006 has been annualised)

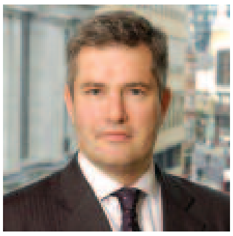


The board of directors



John Manser CBE DL, Non-Executive Chairman, age 66, is a Fellow of the Institute of Chartered Accountants in England and Wales. He was formerly Chairman of Robert Fleming Holdings Limited and is currently Chairman of Shaftesbury PLC, Hiscox Investment Management Ltd and deputy Chairman of Colliers CRE plc and a non-executive director of SAB Miller PLC.

Tom Attwood, Managing Director, age 53. Prior to joining ICG in April 1996, he was a director of James Capel & Co where he worked for eight years. He chairs the executive committee and is responsible for ICG's fund management business.



Christophe Evain, Managing Director, age 44. Prior to joining ICG in 1994, he worked for Banque de Gestion Privee in Paris. He is responsible for ICG's mezzanine business in Germany, Benelux, Iberia and the Asia Pacific Region.

Francois de Mitry, Managing Director, age 40. Prior to joining ICG in 1997, he worked for Societe Generale. He is responsible for ICG's French and Italian mezzanine business.

Andrew Phillips, Managing Director, age 43. Prior to joining ICG in 1989, at its formation, he worked for Chemical Bank. He is responsible for ICG's UK and Nordic mezzanine business.

Paul Piper, Managing Director, age 48. Prior to joining ICG in 1989, at its formation, he worked for Chemical Bank. He is responsible for finance and operations and is chairman of the Investment Committee.

Tom Bartlam, Non-Executive Director, age 58, is a qualified Chartered Accountant. In 1989 he co-founded ICG, of which he was a Managing Director until his retirement in April 2005, when he was appointed a non-executive director. He is Chairman of Pantheon International Participations PLC, Deputy Chairman of Homebuy Group PLC and a non-executive director of Numis Corporation PLC.

Justin Dowley, Non-Executive Director, age 51, is a qualified Chartered Accountant. He is currently a Partner of Tricorn Partners LLP, the independent advisory firm, which he co-founded in 2003 and a non-executive director of Bridgewell Group plc and Wyevale Garden Centres plc. He was previously head of investment banking at Merrill Lynch Europe.

Eric Licoys, Non-Executive Director, age 67, was formerly Director General of Vivendi Universal, the media and communications group, having previously been President of the venture capital arm of Lazard Freres in France. He is a past chairman of AFIC.

James Nelson, Non-Executive Director, age 58, is a non-executive partner in Graphite Capital, Chairman of PIFC Group Limited and a non-executive director of American Opportunity Trust PLC and Henderson Smaller Companies Investment Trust Plc. He is a past Chairman of the BVCA.

Peter Stone, Non-Executive Director, age 59, a qualified solicitor. He is a non-executive director of DTZ Holdings PLC as well as a number of other businesses and was previously a director of Close Brothers Group plc.

Management

London
Chief Financial Officer and Company Secretary


John Curtis

London
Finance Executives


Mark Hallala, Clare Reilly, Chris Connelly


Tony Payne, Kim Rennie

London
High Yield and Leverage Loan Executives


Gregoire Libert, Claire Campbell, Graham Villiers


Sara Halbard, Frederic Jourdren, David Ford

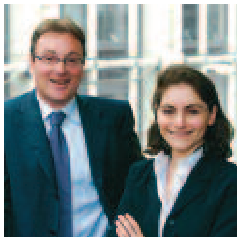

John Barker, Robin Jenner, Harry Sugiarto

International
Mezzanine Executives


United Kingdom
Simon Morrell, Katharine Belsham, Tim Johnston


United Kingdom
Mark Crowther, Matthew Robinson, James Davis, Mike Anderson


France
Hadj Djemai, Laurent Bouvier, Mathieu Pinson


France
Benoit Durteste, Rosine Vitman


Germany
Marika Osterloff, Mark Brenke, Carola Babcock


Pan European
Jaime Prieto, Damien Scaillierez, Pearse Pan


Italy
Luigi Bartone, Matteo Perale

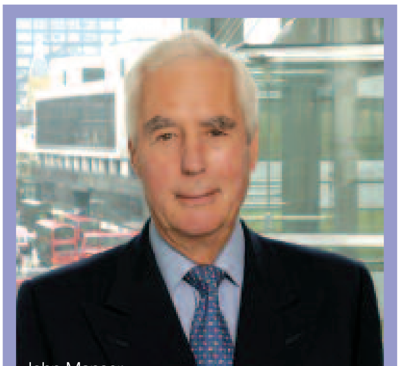

Nordic
Timo Larjomaa, Martin Eriksson


Benelux
Rolf Nuijens, Derk van der Erve


Iberia
Enrique Ibáñez, Jose-María Vegas-Cordobés


Asia Pacific
Max Mitchell, Christopher Han, Vincent So, Piers Millar, Jin Tan

Chairman's statement



John Manser

I take great pleasure in reporting an outstanding performance for the fourteen months to 31 March 2006. Pre-tax profits have increased by 72% annualised to £190m as a result of record gains on investments and another period of strong growth in core income.

As a result of the considerable growth in the mezzanine market last year we were able to grow the loan book despite a more selective approach to investment. The loan book increased by 21% in the period to £1.5bn. We are particularly pleased with this achievement when considered against the high levels of repayments and refinancings at 55%. We have maintained our leadership in an increasingly competitive market. This performance has resulted from our extensive local network of experienced professional investors throughout Europe generating unprecedented deal flow. Our long-term approach, flexible financing solutions, permanent capital and the quality of our people have together combined to deliver this performance.

We continue to make advances in the fund management business with two new funds, a €400m Eurocredit Opportunities I Fund and a $500m Asia Pacific Mezzanine Fund, being raised during the financial period. Funds under management total €4.4bn (£3.0bn).

These accounts have been prepared under IFRS for the first time and are for a fourteen month period. Accordingly, all references to increases over last year have been annualised to make comparisons more meaningful.

However, the company took advantage under IFRS of restating last year's numbers excluding the effects of IAS 32 and 39. So comparisons to last year are not on a like for like basis.

Results

Core income, which is defined as net interest and fee income less related operating expenses, grew to £106m, an increase of 22%.

We achieved record gains on investments for the period of £145m which were more than double last year. £138m of these gains were received in cash with the balance being the change in the market value of certain unrealised warrants.

After provisions, derivatives and the Medium Term Incentive Scheme, pre-tax profits increased to £190m, an increase of 72%.

Dividends

The Board is recommending a final dividend of 42p net per share to be paid on 28 July 2006 which, with the interim dividend of 14p net per share, brings the total for the period to 56p net per share, an annualised increase of 20% over last year's dividend reflecting the strength of performance of both core income and net gains on investments. Dividend cover is 3.2 times post tax earnings.

Our objective remains to provide double digit dividend growth following continued growth in core income.

The dividend will be paid to shareholders on the register on the 7 July 2006.

The portfolio

We had another strong period of new lending which resulted in our loan book growing by 21% over the period to £1.5bn, a new record. During the period we arranged or provided a total of £899m in 37 new loans and investments. £535m was invested on our balance sheet (£409m in 2005) and £287m taken by fund management clients (£283m in 2005) with the balance being syndicated to third parties.

Included in these figures is £88m which we invested in the equity of 22 companies, increasing this portfolio to £221m.

Core income, which is net interest and fee income less operating expenses, grew to £106.3m, an annualised increase of 22%.

We had another strong period of new lending which resulted in our loan book growing by 21% to £1.5 bn, a new record.

The UK and France continue to be the most active markets for new investments although this year there were encouraging signs of greater activity in other parts of Continental Europe, most notably Scandinavia and Benelux. We also made our first investment in central Europe in the leading Polish cable TV operator.

Loan repayment levels were particularly high at £335m, 27% of the opening loan book, as private equity sponsors sought to realise investments in a buoyant market for exits. These sponsors also took advantage of strong debt markets to re-leverage existing companies at a lower cost and to realise equity value. Consequently, a further £358m of ICG's portfolio was refinanced with ICG broadly maintaining its exposure. These transactions have had the effect of raising the risk profile of our portfolio by replacing lower geared and, generally, higher margin deals with higher geared, lower margin deals. These refinancings have tended to be from our better performing and highest quality borrowers.

Our portfolio performed well during the period leading to net provisions of £27m which equates to less than 2% of the loan book. We also took advantage of the developing secondary market for mezzanine assets to sell a number of our underperforming loans; this has had the effect of considerably improving the quality of our portfolio.

At the end of March, the mezzanine portfolio comprised loans to 88 companies. It continues to be well-diversified and is spread over 25 industries and 15 countries. The top 20 companies measured by original cost amounted to £667m of the loan book and are performing satisfactorily.

Funding

In April 2005, we took advantage of the attractive borrowing conditions in the debt markets and raised a new £845m revolving credit facility, replacing all existing bank facilities and providing an additional £473m of facilities to enable ICG to benefit from future opportunities in the mezzanine market. At 31 March 2006, we had unutilised facilities of £470m available for future investment.

The gearing ratio remains prudent at 2:1, with outstanding borrowings at the end of the financial period of £981m.

Fund management

The Mezzanine Fund 2003 has now invested approximately 70% of the available €1.5bn. We are pleased with the quality of the investment portfolio in terms of geography, sector diversity and credit quality. Our Mezzanine Fund 1998 achieved its hurdle rate for investors and has started to make carried interest distributions. Mezzanine Fund 2000 is also performing well.

We are also pleased to have raised the first dedicated mezzanine fund for the Asia Pacific market at $500m, of which ICG will co-invest 40%.

In November, we raised Eurocredit Opportunities I Plc, a fund which invests in a diversified portfolio of sub-investment grade loans and bonds with an initial size of €400m. This fund has a flexible financing structure to enable it to take advantage of the volatility in European credit markets and maximise returns across the credit cycle. The fund is open-ended and a further €275m has been raised since the end of March.

The CDOs and Leveraged Loan funds continue to perform well although, in this benign economic environment, and with default levels at record lows, differentiation between good and poor fund manager performance can be difficult.

The European mezzanine market

2005 was a buoyant year for the European mezzanine market with investment levels reaching €9bn, a 75% increase on 2004. This mezzanine market growth has been driven by the strong leveraged buyout market in which private equity sponsors raised record funds of €72bn during the year.

As default rates remained low, competition for mezzanine loans intensified with a significant number of hedge funds and CDOs entering the market attracted by the high yielding nature of mezzanine investment. This competitive activity led to increases in leverage and therefore risk. We now see an imbalance between risk and reward with little margin for safety in a number of transactions. The pressure on borrowers, however, has been reducing, in part due to the trend to replace amortising loans with loans with a fixed repayment date, thus deferring the repayment requirements and improving cash flows. In these market conditions, ICG has continued to be highly selective in its investment and has therefore experienced a reduced share of what has become a much bigger market.

The Asia Pacific mezzanine market

The Asia Pacific buyout market continues to develop with increased deal opportunities being generated both in the mid-cap and larger buyout markets. A number of European and American private equity sponsors are moving into the region and local equity funds have been actively fundraising. We are therefore in a strong position to capitalise on these existing ICG relationships notwithstanding the emergence of new mezzanine and hedge funds.

We remain optimistic about the growth potential of the buyout market and consequently the opportunities for mezzanine investment.

Offices, management and staff

In November 2005, we announced the creation of a management committee comprising the most senior executives of the firm. The management committee is responsible for formulating strategy and product and pricing policies.

As part of our commitment to the wider community, we have introduced a corporate and social responsibility programme. This programme has centred around employees being involved in various activities for the benefit of local charitable organisations.

Chairman's statement
Continued

Portfolio by country

Europe	
1 Belgium	£11m
2 Denmark	£27m
3 Finland	£10m
4 France	£518m
5 Germany	£136m
6 Luxembourg	£21m
7 Italy	£32m
8 Netherlands	£118m
9 Poland	£21m
10 Spain	£20m
11 Sweden	£110m
12 Switzerland	£33m
13 UK	£418m

Asia Pacific	
Singapore	£1m
South Korea	£18m

ICG's success depends on the quality of its people and I would like to take this opportunity, on your behalf, to thank all of the team for their outstanding contribution to this period's performance.

The Board
In February 2006, we were pleased to announce the appointment of Justin Dowley as a non-executive director of the company and he was appointed independent Chairman of the Audit Committee in May 2006. Justin is a Partner in Tricorn Partners LLP and was formerly Head of Investment Banking and M&A at Merrill Lynch Europe. The Board will benefit from his extensive senior management expertise and his breadth of knowledge of financial services.

We are also pleased to announce the appointment of Philip Keller as Finance Director. He is currently the Finance Director of ERM, a leading environmental consultancy firm and qualified as a chartered accountant in 1990. He will join the Board in September.

John Curtis, our Chief Financial Officer and Company Secretary, will retire later this year. I would like to thank John for his hard work and enormous contribution to ICG since its foundation in 1989.

Corporate identity
During the period, we commissioned international research among our clients. The detailed findings have helped us focus even closer on the issues and qualities that count. We have now developed a new website which will incorporate a secure extranet for fund investors and have also redesigned our logo.

Prospects
In the short-term we anticipate further growth in the leveraged loan and mezzanine markets, as private equity houses focus on investing the newly raised funds. Competition amongst private equity sponsors is unlikely to abate and so prices will continue to be high, leading investors to optimise financing structures in order to protect returns. We expect mezzanine, available in increasingly large amounts, to remain the most flexible and preferred form of subordinated debt.

Despite competitive conditions, we expect to see good investment opportunities both for the balance sheet and the fund management businesses due to our advantages of having skilled executives with long-term relationships in local markets and a long-term approach to investment. Our strong credit culture will ensure that, in a market of increased risk, investment will be focused on quality business opportunities that offer a reasonable balance of risk and return. We will not forego credit quality and longer-term returns for the sake of increasing the loan book. In the current year we have to date invested £116m on our balance sheet in six transactions.

With regard to repayments and refinancings, we anticipate that these will experience some slowdown as the majority of private equity investors have already taken advantage of the aggressive debt markets to re-leverage portfolio companies. Future recapitalisations will therefore depend more upon strong financial performance by companies rather than a further increase in leverage levels. Repayments so far this year amount to £39m.

Notwithstanding the increased level of leverage and risk in the mezzanine market we are very pleased with the overall quality and performance of our portfolio.

Gains on investments in the last two years have reached record levels as a consequence of the companies that deferred exits in 2002 and 2003. Although we expect continued strong gains from the portfolio, we do not anticipate that future gains will reach these exceptional levels.

Fund management income is also expected to demonstrate good growth on the basis of both funds raised during the last period and the opportunity to raise further funds this year. We are currently in discussions to manage sub-investment grade loan and bond portfolios on behalf of a number of third parties and anticipate that there will continue to be similar opportunities to capitalise on our experience and to diversify our product range and client base.

Debt markets, like most other capital markets, have historically been cyclical and we believe they will continue to be so. In the medium-term we anticipate that the coincidence of higher default rates, driven by high levels of LBO leverage with limited cushion for error, and the short-term time horizons of some of the new entrants to the market will, at some stage, take the heat out of the mezzanine market. Given the trading mentality of some of the new market participants we expect a reversal in the market conditions to lead to increased volatility. This volatility should provide interesting opportunities for long-term investors such as ICG.

In the mean time, we expect buyout markets to continue to grow, fed by record levels of private equity funding and fuelled by high levels of liquidity in the current debt markets. This is likely to lead to further growth in demand for mezzanine and opportunities for ICG which, along with continued momentum from last year, leads us to be confident for prospects in our core income and the future of our business.

John Manser
Chairman
14 June 2006

Business and financial review

Business and financial review

In 2005 the European buyout market reached a ten-year high with nearly 600 deals completed at a value of €117bn.

Leveraged buyout market review

The European private equity market, which we serve, is now at the heart of the European economy employing six million people in its investee companies (3% of the EU active population) and generating an annual employment growth rate of 5.4% compared with 0.75% for all companies.

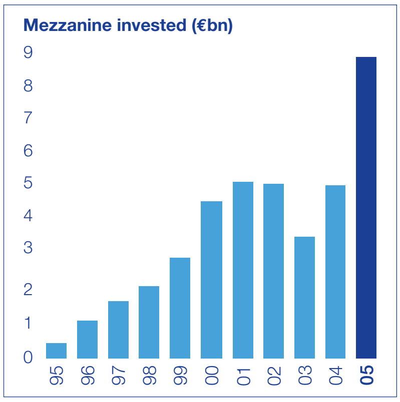
This private equity market is the principal driver of developments in the mezzanine market. In 2005 the European buyout market reached a ten-year high with nearly 600 deals completed at a value of €117bn including the €12.2bn acquisition of Wind, an Italian Telecoms company. This compares with the €81bn invested in 2004, another buoyant year. This growth results from the active M&A market and last year's unprecedented level of fundraising at €72bn for European private equity funds.

Although the record level of funds raised by the private equity community is generating increasing competition it is the availability of debt, of all sorts, that is driving acquisition multiples upwards. This trend in acquisition multiples and leverage has permeated the whole market with small to medium sized businesses attracting similar multiples as the larger buyouts.

Last year was a fabulous year for private equity investors. Buoyant exit markets have led to record gains on investments stimulated by sharp increases in secondary buyouts. Higher levels of leverage and accommodating bankers led to an increase in refinancings, which allowed private equity investors to take some of their money off the table derisking their investments at the expense of the lenders. Most private equity sponsors took advantage of this opportunity, thus, in 2005, 51 recapitalisations returned €13.2bn of equity, more than double the value in 2004.

Secondary buyouts were also a popular route for realising value and, in 2005, accounted for nearly 50% of all transactions in terms of value including the first quartenary buyouts: Gala and Frans Bonhomme. The recapitalisations and the secondary buyouts provided an opportunity to re-lend to known companies, albeit usually at higher than historical leverage multiples.

European mezzanine market



Source: Standard & Poors

The growth in the European buyout market together with the requirement for private equity houses to pay higher prices, whilst preserving returns, drove demand for subordinated financing solutions. Consequently the European mezzanine market experienced record growth with €9bn of mezzanine loans arranged, a 75% increase on 2004. Mezzanine loans became the preferred financing option for the private equity sponsors, for all but the very largest deals, due to their added flexibility over high yield bonds. Accordingly, the average mezzanine loan continued to increase in size culminating in the arrangement of the largest ever European mezzanine loan of £460m for the Gala acquisition of Coral where we were the lead mezzanine investor.

The European mezzanine market is now polarising into three distinct markets: large commodity transactions, local mid-market transactions and sponsorless transactions where there is no private equity investor. Whilst participating in the larger commodity transactions, ICG's focus remains on the local mid-market and sponsorless opportunities. The competitive

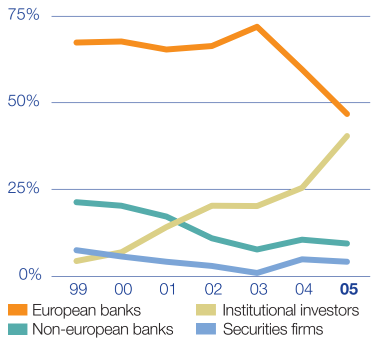
Since 1999 institutional investors in, for example, leveraged loans have come to represent almost 50% of the market demand, a tenfold increase.

environment is more intense for larger transactions, generally underwritten in the London market by investment and arranging banks, whereas there continue to be a considerable number of good opportunities available across the other market sectors.

The growth in interest not only for mezzanine but for all leveraged debt instruments has wrought a profound change on the market, not least greater liquidity, competition for assets and greater volatility in asset prices.

Since 1999 institutional investors in, for example, leveraged loans have come to represent almost 50% of the market demand, a tenfold increase. Banks, meanwhile, now represent less than half of the demand: a dramatic fall in the last two years.

European leveraged loan market by investor type (S&P)

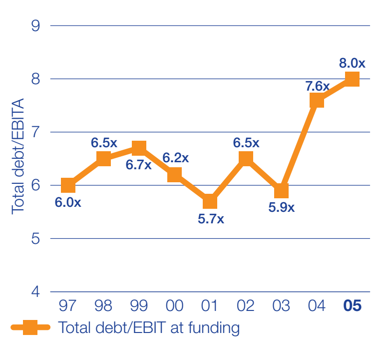


Source: Standard & Poors

In line with the overall European leveraged loan market, competition for mezzanine loans intensified in 2005, with institutional investors, particularly the hedge funds and CDOs, attracted by the opportunity to invest in an asset class with high cash yields and low default rates.

This competitive pressure led to a significant rise in accepted leverage multiples, as banks offered more debt to the private equity houses, in order to secure lead arranger fees, confident in the knowledge that they could syndicate the debt to new entrants eager to build up mezzanine portfolios. While the conservative bank base case has been confined to history the increase in leverage has been offset by a trend to less onerous repayment schedules. The LBO market has, we estimate, risen from 6x EBITA to 8x EBITA in the last two years.

Leverage at funding 1997-2005



Source: ICG estimates

Second-lien loans and other lending solutions became a frequent feature of leveraged loan structures in either partial or full substitution of the mezzanine loans with €5.4bn of second-lien loans invested up from €1.5bn in 2004. Second-lien loans are non-amortising second secured loans with higher cash yields but lower overall returns than mezzanine. As a consequence of their subordinated position in the capital structure, these loans are often mis-priced and add complexity by introducing a further set of lenders.

Pricing, perhaps unsurprisingly, has in the increasingly liquid market come under some pressure. As in 2004, in the mezzanine market as a whole, there was an increasing replacement of warrants with a combination of current yield and deferred interest. Only 18 percent of the mezzanine loans in the market were structured with warrants, about half of the previous year's level. ICG continues to maintain a higher level of equity and/or warrant exposure than the average for the market due to our focus on the mid-market. Furthermore, in the current market, with high prices being paid for companies, it can be preferable, on occasion, to structure a loan with a contractual return rather than being dependent on achieving a high price multiple at exit in three to five years time.

European mezzanine market prospects

We anticipate that the mezzanine market will continue to experience significant growth as the private equity sponsors seek to invest the recent funds raised. The wealth of capital will also ensure that competitive tension is maintained. Private equity investors will therefore continue to optimise financing structures to enhance returns and will seek flexible solutions, most likely to the continued benefit of the mezzanine market. The trend in recapitalisations is likely to slow and be driven by the performance of the companies as most recent investments have already benefited from additional leverage.

The mezzanine market will remain competitive as new funds focus on the increased number of opportunities; in the short-term this is likely to lead to continued pressure on leverage and pricing. We expect to be able to continue to benefit from this overall market growth whilst maintaining our position as a selective investor.

Debt markets have, over several decades, been cyclical and we expect this cycle to be similar to previous ones. Default rates have, historically, been closely correlated inversely with economic growth and it is default rates that have been correlated with and determined debt pricing. In due course we expect a rise in default rates to temper some of the exuberance of the European debt markets. The institutional investors have, in many cases, a short investment horizon; indeed they borrow on a short-term basis to invest in long-term mezzanine loans. Thus, as companies fail to achieve the growth required by highly leveraged financing structures and repayment schedules, default rates will rise and many of these new investors will have to sell loans to protect short-term returns and to meet their funds own covenants.

As the leverage loan market depends primarily on the buyout market, the outlook for 2006 is for continued growth.

This should provide significant opportunities for long-term mezzanine investors such as ICG.

Leveraged loan and high yield bond market review

The principal driver of loans and high yield bonds for our fund management business is the European leveraged loan market. This market, which includes refinanced loans, soared to €124bn in 2005 from €65bn in 2004 beating the record high set in telecoms-driven 2001.

Competition strengthened during 2005 with the institutional investors, hedge funds and CDOs, accounting for almost 50% of the primary market up from 25% in 2004 and 4% in 1999, when ICG launched the first European CDO, Eurocredit I. Hedge funds, in particular, made inroads into the market quadrupling their market share to 9%. Bank demand for leveraged debt also remained strong as investment-grade loan returns were low. As a consequence of the liquidity in the market, competition for loans was severe in 2005. ICG's managed funds were able to secure positions, in selected transactions, by emphasising the size of our appetite for good credits, leveraging the relationships with the private equity sponsors developed in the mezzanine business and by capitalising on our relatively long track record in the market.

As institutional investors continue to grow their share of the leverage loan market, transaction structures are altering to reflect this new demand. We are seeing longer dated fixed repayment tranches increasing as a proportion of the overall transaction against the more traditional amortising tranche, now representing over 50% of the structure, compared with less than 25% in 1999. The significant increase in the issuance of second lien is also correlated with this rise in institutional lending, with funds preferring high cash yields rather than equity investment, in return for subordinated risk.

The European high yield bond market saw increased levels of issuance at US$22.5bn, the second highest year since 1998, and returns steady at 6.5%. The downgrades of Ford and General Motors accompanied by concerns regarding economic growth and high oil prices led to lower new issuance levels in the middle of the year; nevertheless, the market recovered swiftly resulting in a number of successful, large, high profile bond issues. 2006 has started strongly with €4.8bn of issuance in the first quarter and positive returns.

As the leverage loan market depends primarily on the buyout market, the outlook for 2006 is for continued growth, as detailed in our review of the mezzanine market, thus there will continue to be investment opportunities for the managed funds. However, as in 2005, we expect competition for assets to be fierce but we will continue to be selective in our choice of investments and asset class to protect the long-term returns of these funds.

Strategic review

Our strategic objective is to continue to build a global investment firm focused on sub investment grade debt, intermediate finance of all sorts and selected associated private equity investments. This objective is founded on the strengths of ICG namely:

- Skilled executives based in local markets
- Permanent equity capital
- Long-term approach
- A strong investment culture

With our existing European and Asian mezzanine investment businesses, the focus is on investing on a selective basis to maintain our portfolio quality. In the short-term this could lead, as we have seen, to lower market share as we choose to decline investment opportunities. We should, however, continue to benefit from the overall growth in the mezzanine market. In the medium-term we anticipate that the market will become more volatile and that, as a consequence, competition will lessen providing ICG, as a long-term investor, with increased opportunities.

We will also look at opportunities to expand into new markets and new product areas where we can gain competitive advantage.

Within the fund management business, the strategy is to continue to develop our fundraising and investment capabilities to ensure that we remain amongst the top performing sub-investment grade investors, with an emphasis on quality and performance rather than volume. Our new Eurocredit Opportunities Fund also provides us with a more flexible vehicle to invest across the capital structure as appropriate. This will enable us to raise further funds and generate incremental fee income.

In addition, we will also market our fund management skills with a view to managing funds on a bi-lateral basis.

Principal risks and uncertainties

ICG operates primarily in the European private equity market at the riskier end of the credit spectrum. The key risks to ICG as a business are firstly the inability to win new business, secondly incurring significant losses on the existing portfolio and thirdly, in the case of the fund management business, regulatory risk.

New business

The inability to win new mezzanine business or raise new funds could occur for a number of reasons:

Loss of staff ICG is a people business and therefore susceptible to the loss of key executives or teams of executives. The company has in place a number of incentive schemes designed to attract and retain high calibre executives and is committed to provide competitive remuneration packages for such people.

Competition ICG operates in a market where there are always new entrants who are attracted by the yields and security package of mezzanine.

During periods when the supply of credit is readily available, competition increases, not only for mezzanine

At the end of the period our portfolio was spread across 25 sectors and 13 countries in Europe and two in Asia.

assets but also for all sub-investment grade debt. During these periods ICG will be selective as to new business and seek to maintain its credit discipline in spite of the risk of losing market share.

Lack of funding ICG currently funds its operations by way of equity and debt, with a maximum ratio of one part equity to four parts debt. ICG recognises that there may be times when the credit markets are closed and it would not be possible to raise finance for what might be attractive investment opportunities. It is therefore the company's policy to maintain diverse sources of medium-term finance and to ensure that it always has sufficient committed but unutilised debt facilities.

Loss of reputation Were the company to behave in an unprofessional manner when either dealing with its fund management clients or the private equity market, it could jeopardise future business opportunities. To minimise this possibility, the company employs high calibre staff who are trained to behave in a professional manner and deal with third parties accordingly.

Existing business
Significant losses on the existing portfolio could arise from:

An economic downturn A severe economic recession could have an adverse effect on the portfolio quality, which would impact interest income, gains on investments and the level of impairment provisions. In order to minimise the effects of any such downturn, ICG has a policy 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.

Specific company factors There will be occasions when the company incurs a loss for specific reasons. Such reasons may be industry specific, country specific or be due to fraud and/or poor management. In these cases, ICG relies on its investment procedures to minimise occurrences of such losses and also upon its long experience of dealing with such situations in the past.

Regulatory risk
The part of the business that would suffer most from regulatory risk would be the fund management business. ICG is authorised and regulated by the Financial Services Authority ("FSA") and withdrawal of its approvals could result in the loss of its fund management activity. ICG has a full time Compliance Officer whose role it is to ensure that the company complies with all current FSA regulations and who ensures the quality of internal and external training. The company also has in place thorough money laundering and know-your-customer procedures to comply with current legislation.

The portfolio
It has always been our policy to diversify risk by spreading our portfolio by size, geography, sector and equity sponsor. At the end of the period our portfolio was spread across 25 sectors and 13 countries in Europe and two in Asia. A full breakdown of both geographical and industry sectors is shown on page 18.

Our strongest markets continue to be France and the UK, with 35% and 28% respectively of the portfolio.

During the period, we continued our practice of taking small to medium-sized equity participations in order to enhance our overall returns. We invested £88m in such equity. At the end of the period, the total amount of such equity amounted to £221m.

The majority of our portfolio is denominated in Euros, although we do hold loans in other currencies. During the period, the Sterling/Euro exchange rate moved within a fairly narrow range and thus the impact of currency movements during the financial period was relatively small. Our portfolio increased in sterling terms by £9m. As we are fully hedged, this is offset by an increase in our debt and forward exchange contracts.

The average size of each of the 88 mezzanine loans in ICG's portfolio is £17m. This is an increase over the previous period of £3m. ICG's 20 largest companies total £667m which account for 45% of the portfolio.

Details of our portfolio, including all new loans, equity and repayments, may be found on pages 15 to 20 of this report.

New loans and investments
The financial period was a record for new investments, both in terms of number and value of deals. ICG underwrote or provided a total of £899m of loans and investments in 37 new deals of which £535m was taken for our own balance sheet. A number of these transactions were with companies where the business and management were already known to us.

In addition, we reinvested £372m in the refinancing of 11 existing loans and investments, increasing our net exposure by £14m.

We invested steadily throughout the period, primarily in small to medium sized deals which is the heart of our business. The majority of these were in the UK and France, with six and 15 respectively. However investments were completed throughout Europe, with five in the Nordic region, two in Germany, five in the Benelux countries and one in each of Italy, Spain and Poland. In Asia, we completed one transaction in South Korea.

ICG was the lead investor in 17 of these transactions and is agent on 25 of them. All but one of these deals were in respect of buyouts, with the other financing an acquisition.

Repayments
Excluding the refinancing of existing deals, during the period £335m was repaid in respect of 26 companies. Of these repayments, 18 were as a

During the period, we raised a new fund of €400m, bringing to seven the number of sub-investment grade structured funds.

result of exits, through either flotation or a trade sale, and eight were as a result of refinancing of the mezzanine loans with cheaper debt. Importantly, today's buoyant debt market enabled the repayment of a number of loans that, in previous years, may not have been able to be repaid. In addition, a nascent secondary market in mezzanine also gave us the occasional opportunity to sell underperforming assets.

Impairment
It is our policy to make a charge to impairment against any loan where, in the judgement of the Board, there is evidence of a fall in value as a result of an event that has had an impact on the estimated future cash flows. Such evidence will depend upon the specific investment, its country, its sector and other factors although there are some more generic impairment events, such as a payment default.

Each quarter, we review every company in which ICG invests in order to keep a close watch on under performing loans and to determine the overall quality of the portfolio. As part of this exercise, we assess the future cash flows of all investments (except for warrants) on which there has been an impairment event and the carrying value of those loans is adjusted accordingly.

During the period, a small number of companies in the portfolio continued to suffer from depressed trading conditions and, as a result, we made provisions against three of them, totalling £24m. In addition, incremental net provisions were made against the carrying value of a further seven loans and investments.

During the period, an asset against which a substantial impairment provision had been taken in previous years, repaid the majority of its loan enabling a writeback to be taken of £8m.

The net charge of specific provisions to the income statement amounted to £27m compared to a net charge of £28m last year.

Shares and warrants
As a result of our mezzanine lending, ICG holds unquoted shares and warrants in companies to which it lends. Where the value of these instruments can be reliably measured, for example, by reference to a substantial or forthcoming transaction in a similar instrument, the value is recognised in the balance sheet, with any movement in value being accounted for through either the income statement in the case of warrants and through reserves for the remaining assets. At the end of March, there was £28m of such unrealised value included in the balance sheet, of which £21m had been taken through the profit and loss account.

In respect of shares and warrants whose value cannot be reliably measured, the directors estimate the value of such instruments over their cost was within the range of £50m – £125m.

Fund management

Mezzanine
During the period, the Mezzanine Fund 2003, which takes 40% of all mezzanine opportunities where the amount available to ICG exceeds €18.75m, invested €471m in new loans and investments. Further debt of €300m had been raised as part of securitising its portfolio which, with the initial €450m of debt, amounted to total debt facilities of €750m.

At the end of the period, the amount invested by the Mezzanine Fund 2003 was €1,002m and it had been repaid €97m during the period. The amount invested in our other mature mezzanine funds decreased by €185m during the period due to the high level of exits and repayments. As a result, the amount invested on behalf of all our third party mezzanine fund increased during the period from €931m to €1,119m.

During the period, our Mezzanine Fund 1998 achieved its target return to investors, thereby triggering the payment of carry to ICG and its executives.

High yield and leveraged loan fund management
During the period, we raised a new fund of €400m, bringing to seven the number of sub-investment grade structured funds that we manage. This new fund, the Eurocredit Opportunities I Fund, invests in a diversified portfolio of sub-investment grade debt and has a very flexible structure, including the ability for tap issues, that has been well received by fund investors.

The total amount under management in these seven funds was in excess of €2.5bn at the end of the period, with all funds being fully invested with the exception of the most recent fund where a tap issue after the period end in May gave it further capacity.

ICG continues to utilise its balance sheet to warehouse assets for these and future funds, accruing income but also taking any capital profits or losses. At the end of the period, £30m warehoused assets were held on ICG's balance sheet.

Borrowings and debt facilities

At the end of the financial period, our borrowings stood at £981m compared to £848m at the beginning of the period. The increase in debt was lower than the growth in the loan portfolio due to the high level of retained profits during the period. Gearing stood at the comparatively low level of 2 times, compared to 2.3 times at the beginning of the period.

In April 2005, we consolidated and increased all our banking facilities into one large committed revolving facility of £845m. The banks leading the facility included Barclays, Commerzbank, Dresdner, HBoS, Lloyds and Royal Bank of Scotland.

We continue to have substantial amounts of private placement debt raised in the US (£338m at the period end) as well as £268m (€384m) raised by securitising part of our portfolio in 2003. During the period, £42m (US$73.3m) of private placement debt

At the end of the period, our shareholders' funds had increased by £113m to £493m.

matured. As a result, at the end of the financial period we had unutilised facilities of £470m, compared to £155m at the beginning of the period.

Shareholders funds

At the end of the period, our shareholders' funds had increased by £113m to £493m primarily as a result of retained profits of £96m, £2m from the exercise of share options during the period, £5m from the fair value of equity investments and the remaining £10m being net transition adjustments from UK GAAP to IFRS.

Note 20 shows the movements in shareholders' funds during the period.

Included in shareholders' funds for the first time is £28m of certain unrealised shares and warrants whose value is measurable.

Results for the period

Our results for the period are summarised on page 1 of these statements, with the income statement being on page 39. This period, for the first time, the results are prepared under IFRS including IAS 32 and IAS 39. The results for this period are not directly comparable to those of last year as we took advantage of the exemption from applying these two standards retrospectively. Extracts of the transitional statement are set out on pages 65 to 72 of these accounts.

Although the financial statements have been prepared under different standards, we have decided to maintain the existing presentation by splitting out core income, net gains on investments, impairment provisions and, for the first time, movements on derivatives. The analysis of income, split between core income and other income, is shown in note 4 to these accounts.

The group has changed its year end from 31 January to 31 March and therefore, for these financial statements only, the results are prepared for a fourteen month period. All percentage increases, however, are shown on an annualised basis, taking twelve-fourteenths of this period's profits as a base there being no seasonal aspect to our business.

Pre-tax profits increased substantially by 72% to £190m and, although core income rose strongly by 22%, the main driver this period was the record level of gains on investments which doubled last year's number and which had, in turn, more than doubled from the previous year.

The pre-tax return on average shareholder funds amounted to 37%. Profit after tax amounted to £125m compared to £62m the previous year. Undiluted earnings per share amounted to 179p, compared to 89p last year.

The constituent parts of ICG's profits are:

Core income

Core income is the key component of ICG's profitability and consists of net interest income, plus fees, less related administrative expenses. This increased by 22% to £106m for this financial period. The impact of derivatives, excluding any interest accruals and spot F/X translation movements, are shown as a separate component of the income statement.

Net interest income

Interest income and expense on loans and debt held at amortised cost are measured using the effective interest rate ("EIR") method, which allocates the interest income or interest expense over the relevant period. The EIR is the rate that discounts estimated future cash payments or receipts through the expected life of the loan or debt and includes underwriting and agency fees received or paid.

Net interest income increased by 42% from £75m to £125m excluding derivatives. This increase reflects the growth of our loan book over the past two years, the continuing use of rolled-up interest in deal structures and the effect of retained earnings due to the high level of profits this period.

Fee income

Total fee income fell by 13% to £28m for the period. This was in part due to the inclusion of underwriting and agency fees as part of the EIR calculation rather than in fee income but also to a lower level of arrangement fees.

Fund management fees rose from £17m last year to £23m. Fees from managing mezzanine funds increased from £11m to £13m, including £2m (2005 – £2m) of carried interest fees. This increase reflects both the fee structure on the Mezzanine Fund 2003, where fees are charged on amounts committed rather than invested, and on the increased level of investments. This was offset, however, by the decrease in fees earned on older mezzanine funds which suffered heavy repayments during the period.

Fees from the management of non-mezzanine funds increased from £7m to £10m as more funds came under management.

Expenses

Total administrative and operating expenses increased by £18m to £46m for the period. The most significant part of this expense relates to salaries and short-term bonuses, which together rose from £13m to £20m, reflecting the continuing growth in staff numbers and the need to ensure that staff receive the appropriate rewards across the group.

Costs of the medium-term incentive scheme included in core income rose to £13m from a restated £6m for last year. The increase reflects rolled-up interest accrued in the period, on which an accrual is made for the incentive scheme, although the actual payment is dependent upon the amount of rolled-up interest received in cash.

Non-payroll costs increased by £8m to £13m, as a result of increases in a number of areas of professional expenses and the extended accounting period. Overall, total expenses excluding bonuses represent 24% of core income, compared to 23% in the prior year.

Gains on investments
The gross level of gains on investments for the period increased from a record £63m to a new record of £145m, reflecting the continuing good market for exits. £138m of this was received in cash, while the balance represented the movement in the value of reliably measurable warrants taken to profit. The gains on which cash was received were in respect of 29 investments of which one was a flotation, five were sales of quoted shares from previous flotations and 23 were trade sales or secondary buy-outs. 14 of these gains arose in the UK, six in France, four in Scandinavia and one in each of Ireland, Germany, South Korea, Switzerland and Spain. Included in this figure is £26m in respect of listed shares acquired in past years from flotations of portfolio companies.

The costs of the Medium Term Incentive Scheme increased from £14m to £27m as a result of the record level of gains on investments.

Impairments
The charge for the period fell from £28m (net of write backs of £2m) to £27m (net of write-backs of £8m). This was as a result of a benign credit environment, a sound investment policy and the sale of an impaired asset.

Derivatives
All of our derivatives are fair valued, with any changes going through the income statement. Hedge accounting is not available to us, despite our being completely economically hedged. As a result, the derivatives were fair valued against current interest rates for the first time, which has given an additional decrease in the value of such derivatives of £7m in the period.

The portfolio

The portfolio

In the 14 months ended 31 March 2006 ICG and its mezzanine funds invested in the following companies.

Aviapartner

Acteon is the leading French manufacturer of small dental equipment and consumables. In December 2005 ICG arranged and provided mezzanine finance of €16m to assist in financing the secondary buyout. ICG also invested €8m in the equity.

A-Katsastus is a Finnish company that provides vehicle inspection services. In March 2006 ICG took a participation of €22m in the mezzanine loan provided to assist in the buyout.

Aster is a company that provides cable television and broadband internet and telephony services in Poland. In March 2006 ICG took a participation of €26m in the mezzanine facility provided to assist in the secondary buyout. ICG also took a participation of €4m in the equity.

Aviagen is the world's leading breeder of poultry stock for meat production. In June 2005 ICG took a participation of US$36m in the mezzanine finance arranged to assist in the acquisition by The Wesjohann Group, a German company.

Aviapartner, a company based in Belgium, is one of the leading providers of airport ground handling services. In September 2005 ICG arranged mezzanine finance of €22m to assist in the buyout.

AVR is the largest waste management business in The Netherlands. In March 2006 ICG arranged senior shareholder loans of €149m to assist in the buyout. ICG also invested €25m in the equity.

Caradon, a UK company, is a manufacturer of boilers and radiators. In July 2005 ICG took a participation of £15m in the mezzanine facilities arranged to assist the secondary buyout.

Carema, a Swedish company, provides healthcare and care services in the Nordic region. In July 2005 ICG arranged mezzanine facilities of SEK150m to assist in the buyout. ICG arranged an additional SEK14m facility in January 2006 to assist with an acquisition.

Courtepaille is a leading chain of grill restaurants based in France. In June 2005 ICG took a participation of €16m in the mezzanine financing arranged to assist in the secondary buyout.

Dometic, a Swedish company, is a supplier of appliances for recreational vehicles. In June 2005 ICG took a participation of US$ 123m in the mezzanine loan arranged to support the secondary buyout.

Famosa is the largest toy manufacturer and distributor in Spain. In September 2005 ICG arranged and provided a mezzanine loan of €20m to assist in the secondary buyout. ICG also invested €1m in the equity.

Fitness First is the leading health club operator in the UK. In December 2005 ICG took a participation of £18m in the mezzanine facility provided to support the buyout. ICG also made an equity investment of €3m.

Geoservices, a French company, is a service provider in the upstream oil industry. In July 2005 ICG arranged and provided mezzanine finance of €30m to assist in the buyout.

Geoxia, a French company, is a leading house builder. In March 2006 ICG arranged and provided a mezzanine facility of €16m to assist in the secondary buyout.

Himart is South Korea's largest chain of electronic speciality stores. In March 2005 ICG arranged and provided mezzanine facilities of Won 80bn to assist in the buyout.

HMY, a French company, is a provider of shelving equipment, checkout counters and point of purchase items. In March 2005 ICG took a participation of €20m in the mezzanine finance arranged to assist the secondary buyout.

Lariviere, a French company, is a distributor of roofing materials. In April 2005 ICG arranged and provided mezzanine finance of €27m to assist in the buyout. ICG also invested €3m in the equity.

LWB Refractories, a German company, is the world's leading manufacturer of dolomite-based refractories, principally for use in stainless steel and carbon steel production. In April 2005 ICG took a participation of €7m in the high yield bond.

Mach, a company based in Luxembourg, is the leading global clearing house of roaming billing records for mobile network operators. In August 2005 ICG took a participation of €70m in the mezzanine facility arranged to finance the secondary buyout. ICG made an equity investment of €10m in February 2006 to assist in financing an acquisition.

Marken is a UK company that provides specialist global logistic services for clinical drug trials. In March 2006 ICG arranged and provided mezzanine financing to assist in the buyout.

Medi-Partenaires is a leading French hospital group in specialised acute care. In May 2005 ICG arranged and provided mezzanine facilities of €57m to assist in the buyout.

Menissez is a leading industrial bread producer based in France. In March 2006 ICG arranged and provided mezzanine financing of €35m together with equity finance of €25m to assist in the re-organisation of the share capital of the company.

Meyn, a Dutch company, is a manufacturer of poultry processing equipment. In March 2005 ICG arranged and provided a mezzanine loan of €14m to assist in the secondary buyout. ICG made an additional €1m investment in March 2006 to assist with an acquisition.

Menissez


Meyn

Molnlycke, a Swedish company, is a global surgical supplies and wound care products business. In August 2005 ICG took a participation of €18m in the mezzanine finance provided to assist in the secondary buyout.

Nocibe is a French retailer of perfumes and cosmetics. In March 2006 ICG arranged and provided mezzanine facilities of €44m to assist in the secondary buyout. ICG also invested €10m in the equity.

NW Vending, based in Italy, is the leading European manufacturer of food and beverage vending machines. In November 2005 ICG took a participation of €40m in the mezzanine finance arranged to assist in the buyout. ICG also invested €6m in the equity.

Petroplus, a Dutch company, is a midstream oil company involved in the refining, storage and wholesale distribution of petroleum products. ICG took a €1m equity investment in the public to private.

PHS, a UK company, provides washroom cleaning and maintenance services and office services. In December 2005 ICG took a participation of £35m in the mezzanine finance used to assist in the public to private acquisition.

Protection One, a French company, provides electronic surveillance services. In July 2005 ICG arranged and provided a mezzanine loan of €13m to assist in the secondary buyout. ICG also invested €9m in the equity.

Sia is a French company that designs, sources and distributes household products. In July 2005 ICG arranged a mezzanine facility of €20m to assist in the secondary buyout. ICG also invested €3m in the equity.

Sogetrel, a French company, is a specialist in the design, installation and maintenance of communication networks. In March 2006 ICG took a participation of €10m in the mezzanine finance provided to assist in the secondary buyout.

Souriau is a French company which designs, manufactures and sells connectors to the commercial aircraft market. In March 2006 ICG took a participation of €24m in the mezzanine loan provided to assist in the secondary buyout. ICG also invested €5m in the equity.

Svenson is the leading "specialised haircare" group in Spain. In March 2006 ICG arranged and provided mezzanine facilities of €13m to assist in the buyout. ICG also invested €3m in the equity.

TDF Towers, an existing borrower, is a French company that operates broadcasting towers. In March 2005 ICG made an additional investment of €5m in the equity of the company.

Terreal is a French company that produces clay roofing tiles and bricks. In November 2005 ICG took a participation of €30m in the mezzanine finance provided to assist in the secondary buyout. ICG also invested €5m in the equity.

TSL is a UK publisher in the education market. In February 2006 ICG took a participation of £16m in the mezzanine finance provided to assist in the buyout.

Tunstall, a UK company, manufactures and maintains social alarm systems. In October 2005 ICG took a participation of £13m in the mezzanine facility arranged to assist in the secondary buyout.

In the same period ICG arranged or participated in the refinancings of 11 companies, all existing borrowers:

AA refinanced in March 2006, in which ICG reduced its exposure by £5m.

Allflex refinanced in June 2005 and ICG increased it's exposure by €12m.

Codere refinanced in June 2005. ICG had its mezzanine loan fully repaid but invested €15m in a high yield bond.

Edscha refinanced in May 2005. ICG invested €26m in the new mezzanine loan.

Elis refinanced in July 2005. ICG reduced its exposure by €5m.

Gala Coral Group refinanced a number of times during the period. ICG invested an additional net £31m.

Gerflor refinanced in July 2005. ICG retained its mezzanine exposure and reduced its equity exposure by €6m.

Leisurelink was refinanced in February 2005. ICG retained its existing commitment.

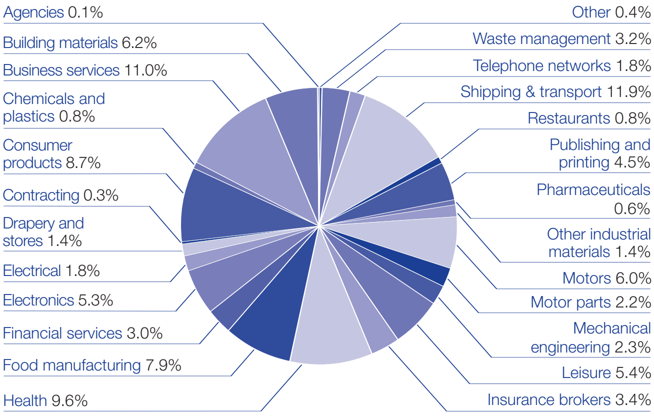
Medica was refinanced in July 2005. ICG retained it's existing commitment.

Springer refinanced in June 2005 and ICG increased its exposure by €10.3m.

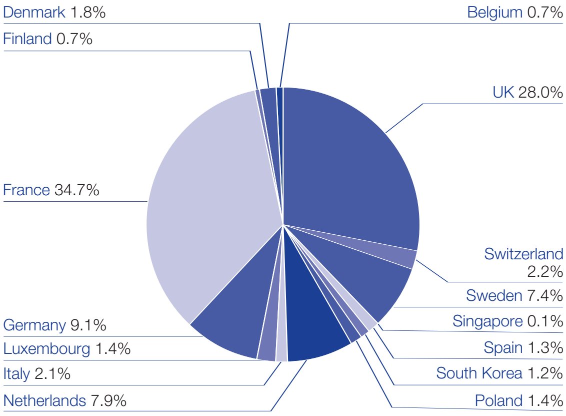
SR Technics refinanced in September 2005. ICG increased its exposure by US$20m.

The portfolio
Continued

Sector analysis of ICG's portfolio



Geographical analysis of ICG's portfolio



Repayments

During the period, repayments of loans and investments amounted to £335m. Loans to 26 companies were repaid or prepaid in full. These companies were:

Name	Country	Form of realisation
Codere	Spain	Secondary trade
Courtepaille	France	Secondary LBO
Electrokoppar	Sweden	Refinance
Elmville	UK	Trade sale
ERM	UK	Refinance
IG Group	UK	Flotation
IMO Carwash	UK	Secondary LBO
Jallatte	France	Secondary trade
Jane Norman	UK	Trade sale
Kiekert	Germany	Secondary trade
Leisurelink	UK	Secondary trade
Moliflor	France	Secondary LBO
Nocibe/Darnival	France	Refinance
Regent Medical	France	Trade sale
Sebia	France	Refinance
Sericol	UK	Trade sale
Servicetec	UK	Refinance
Sia	France	Secondary LBO
Societe Jarnysienne	France	Trade sale
Souriau	France	Secondary LBO
Swissport	Switzerland	Trade sale
Symrise	Germany	Refinance
Takko	Germany	Refinance
TDF Towers	France	Refinance
Tunstall	UK	Secondary LBO
Viatris	Germany	Trade sale

Red Funnel

DSV

Current loan portfolio

At 31 March 2006, in addition to the new loans and investments listed previously, ICG's mezzanine portfolio consisted of the following companies:

Name	Country	Business
1st Credit	UK	Provides debt purchase and outsourced debt collection services
AA	UK	Provider of roadside breakdown services and insurance
Accantia	UK	Health and beauty
Accord	UK	Outsourcing for local authorities
Allflex	France	Animal identification tags
Asco	UK	Provider of logistic services for the oil industry
Cardfair	UK	Specialist greeting card retailer
Ceva Sante	France	Developer and distributor of animal health products
Coal Products	UK	Producer of smokeless solid fuels
Comptage Immobilier Services	France	Water and heat metering services
Condor Ferries	UK	Operates ferry services to the Channel Islands
DV Holding	France	Leading operator in the nursing homes and elderly care market
DSV	Denmark	Transportation and logistics
Duni	Sweden	Supplier of tabletop products
Edscha	Germany	Global automotive supplier
Eliokem	France	Manufacturer of specialty chemicals
Elis	France	Leader in textile rental and hygiene
Eurodatacar	France	Provides services to complement traditional insurance policies covering theft of vehicles
Eurofarad	France	Manufacturer of passive components
Gala Coral Group	UK	Leading bingo, casino and licenced betting office operator
Gealan	Germany	Manufacturer of PVC window systems
Gerflor	France	Manufacturer of PVC flooring
Global Garden Products	Sweden	Garden equipment
Grand Vins de Gironde	France	Wine trading company
Groupe Moniteur	France	Magazine group
HLF Insurance	UK	Insurance broking
Homann	German	Produces chilled food and delicacies
Keolis	France	Leading private passenger transport company
Materis	France	Group of businesses in aluminates, mortars and paint
Medica	France	Nursing homes and elderly care
Motip Dupli	Netherlands	Manufacturer of aerosol paints
Orefi	France	Wholesaler of industrial components
Pasteur Cerba	France	Performer of clinical laboratory tests
Porcelain and Fine China	UK	Manufacturer of china and porcelain
Picard	France	Frozen food distributor and retailer
Raet	Netherlands	Provider of payroll services
Remeha	Netherlands	Boiler manufacturer
Retif	France	Wholesaler and retailer of display units
Saga	UK	Provides products and services to people aged 50 and over
Score	France	Contract catering
Spring	UK	IT Recruitment agency
Springer	Germany	Academic publishing company

The portfolio
Continued


Carema

Souriau

Name	Country	Business
SR Technics	Switzerland	Global aircraft maintenance provider
Steiner Industries	Austria	Plastic packaging and garden furniture producer
Talbot	UK	Underwriter of insurance at Lloyds
Target	UK	Express delivery services
Team System	Italy	Provides software packages and related maintenance
Thornbury	UK	Provider of relief nursing staff
Thule	Sweden	Global sports utility transportation company
Vetco	UK	Supplier to upstream oil and gas companies
Via Location	France	Independent truck rental company
Viterra	Germany	Service provider in the metering industry
WZG Group	Netherlands	Distributor of mobility aids

The top twenty companies measured by original investment are as follows:

Name	£m	Name	£m
Gala Coral Group	61.2	Viterra	25.3
AVR	48.6	DV Holding	25.1
Picard	46.5	Menissez	24.7
Keolis	42.7	Materis	23.5
AA	42.2	Allflex	23.4
Dometic	40.8	Condor Ferries	23.3
Saga	38.5	Undisclosed	21.0
Springer	37.1	Nocibe	20.8
Elis	35.8	Duni	20.1
Mach	33.2		
SR Technics	33.0	**Total**	**666.8**

The portfolio of warrants, unquoted shares and other investments

At 31 March 2006 ICG had unquoted shares and warrants in most of the companies in its loan portfolio, as well as in the following companies:

Name	Country	Business
Cartiere del Garda	Italy	Manufacturer of coated wood-free papers
Codere	Spain	Gaming company
DanishTimber	Denmark	Materials for building and home improvement
Focus	UK	DIY Stores
Janton	Finland	Publisher and distribution of free sheet newspapers
Norcros	UK	Manufacturer and distributor of showers and tiles
Portman	UK	Travel agent
Red Funnel	UK	Operates ferry services between Southampton and the Isle of Wight
Sound Holdings	Denmark	Hearing aid component supplier
Symrise	Germany	Manufacturer of flavours, fragrances and aromas
TDF Towers	France	Operator of broadcasting towers
Tensar	UK	Manufacturer of mesh products

Report and accounts

Directors' report

The directors present their annual report and the audited financial statements for the fourteen months ended 31 March 2006. The year end has been changed from 31 January to 31 March. The reason for the change was that we wanted to align ICG's year end with those of our fund clients to enable us to provide common information to both our shareholders and our fund investors. These results are therefore for the 14 months ended 31 March 2006.

Principal activities and business review The principal activities of the group are those of providing mezzanine capital to companies in Europe and the Asia Pacific Region, along with the management of third party funds. The group's profit before taxation was £190m (Year ended 31 January 2005 – £95m). The directors consider the state of the company's affairs to be satisfactory. The review of the group's business is contained in the business and financial review on pages 8 to 14.

Directors The present membership of the Board is as set out below except for Mr Kohlhaussen who resigned from the Board on 31 July 2005. All the directors shown below served throughout the period except for Mr Dowley who was appointed on 9 February 2006 and offers himself for re-election at the forthcoming AGM. In accordance with the articles of association, Messrs Attwood, Evain, Manser and Phillips retire by rotation and offer themselves for re-election. The interests of the directors of the company and their immediate families as defined by the Companies Act in the shares of the company as at 31 March 2006 are as follows:

	31 Mar 2006 Number of 20p ordinary shares	31 Jan 2005 Number of 20p ordinary shares
T R Attwood (Chief Executive Officer)	**161,197**	152,527
T H Bartlam	**311,065**	586,065
L J Dowley (appointed 9 February 2006)	**20,000**	–
C A Evain	**123,514**	108,514
M Kohlhaussen (resigned 31 July 2005)	**–**	–
E G Licoys	**2,076**	2,076
P J Manser (Chairman)	**25,151**	21,151
F de Mitry	**57,665**	37,639
J J Nelson	**7,306**	7,306
A C Phillips	**205,163**	175,394
P J Piper	**193,963**	184,894
P J Stone (Senior Independent Director)	**14,134**	14,134

No changes to the directors' interests in shares at 31 March 2006 as set out above had been notified up to 14 June 2006.

Directors' share options Details of directors' share options are provided in the Report of the Remuneration Committee on page 33. The directors had no interests in the shares of any subsidiary company. The company issued 445,866 shares under its Executive Share Option Schemes during the period raising £2.1m of new equity. The number of 20p ordinary shares in issue at the period end amounted to 69,949,392.

Financial and operational risk management The financial and operational risk management of the group is detailed in the corporate governance report on pages 24 to 27. Detailed financial risk management policies and disclosures are disclosed in note 28.

Substantial shareholdings The company has received notification from Fidelity Investment Services Limited that they are interested in more than 3% of the ordinary share capital of the company. According to the company's share register at 4 May 2006, they and the following investment managers (through separately managed funds) had interests in aggregate amounting to over 3%.

Fidelity	4,487,588	6.42%
Threadneedle Asset Management	4,418,661	6.32%
Baillie Gifford	3,756,962	5.37%
Schroder Investment Management	3,025,950	4.33%
Jupiter Asset Management	2,971,491	4.25%
AXA Framlington Investment Management	2,672,903	3.82%
UBS Global Asset Management	2,568,053	3.67%
Legal & General Investment Management	2,560,045	3.66%
Mirabaud Investment Management	2,401,876	3.43%
JP Morgan Asset Management	2,281,648	3.26%
Morley Fund Management	2,138,838	3.06%

Dividend The directors recommend a final net dividend payment in respect of the ordinary shares of the company at a rate of 42.0p per share (31 January 2005 – 28.2p), which when added to the interim net dividend of 14.0p per share (2005 – 11.8p) gives a total net dividend for the period of 56.0p per share (year ended 31 January 2005 – 40.0p). The amount of dividend paid in the period was £29.4m (year ended 31 January 2005 – £24.9m).

Trade creditors It is group policy to agree and clearly communicate terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms, based upon the timely receipt of an accurate invoice. The group does not follow any code regarding terms of payment, and the average number of creditor days throughout the period was 27 (2005 – 34).

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

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

Resolutions 7 and 8 will give the directors flexibility to allot unissued shares, although the directors have no present intention to issue any further shares save on the exercise of options granted under the Intermediate Capital Group Executive Share Option Scheme 1994, the Intermediate Capital Group Unapproved Executive Share Option Scheme 1997, the Intermediate Capital Group PLC 2001 Approved Executive Share Option Scheme and the Intermediate Capital Group PLC 2001 Unapproved Executive Share Option Scheme. Resolution 7 will, if passed, authorise the directors to allot ordinary shares up to an aggregate amount of £4,057,065, representing approximately 29% of the current issued share capital of the company. Resolution 8 will, if passed, authorise the directors to disapply pre-emption rights of existing shareholders on future issues of ordinary shares for cash in respect of up to a maximum nominal amount of £699,494, being 5% of the current issued share capital. These authorities will expire at the conclusion of the Annual General Meeting of the company in 2007 and in any event no later than 15 months after the passing of the resolutions. However, the directors have no present intention of exercising these authorities, except pursuant to any exercise of share options. It is intended to renew such authorities at successive Annual General Meetings.

Resolution 9 will, if passed, authorise the company to purchase its own shares up to a maximum of 14.99% of the current issued share capital. The price payable for shares purchased will not be more than 105% of the average of the market values for the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days before the day on which the purchase is made, nor less than 20p (the nominal value of the share). The authority will expire at the conclusion of the Annual General Meeting of the company to be held in 2007 and in any event no later than 15 months after the passing of the resolution. The authority will only be exercised if to do so would be in the best interests of shareholders generally. At the date of this report, there are outstanding 2,416,535 share options under the Intermediate Capital Group Executive Share Option Scheme 1994, the Intermediate Capital Group Unapproved Executive Share Option Scheme 1997, the Intermediate Capital Group PLC 2001 Approved Executive Share Option Scheme and the Intermediate Capital Group PLC 2001 Unapproved Executive Share Option Scheme, which represent 3.5% of the company's existing issued share capital and would represent 4.1% of the company's issued share capital if the authority to purchase the company's own shares being sought were fully utilised.

Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, which came into force on 1 December 2003, the company is allowed to hold its own shares in treasury following a buy-back as an alternative to cancelling them. Shares held in treasury may be subsequently sold for cash, but all rights attaching to them, including voting rights and the right to receive dividends, are suspended while they are held in treasury. It is the company's present intention to cancel any shares it buys back rather than hold them in treasury.

Charitable and political contributions During the period the group made charitable donations of £8,000 (2005 – nil) principally to local charities serving the communities in which the group operates. No contributions were made during the period (2005 – nil) for political purposes.

Directors indemnity The company has Directors and Officers Insurance for all directors and executives that covers all employment related activities.

By Order of the Board

J E Curtis
Secretary
14 June 2006

Corporate governance

The group recognises, and is committed to, high standards of corporate governance. The Board has kept its corporate governance practices under review throughout the period following the publication of the Higgs Report on the role and effectiveness of non-executive directors and the Smith Report on audit committees in January 2003 and the resultant revised Combined Code on Corporate Governance ("2003 FRC Code") published in July 2003. The 2003 FRC Code has been applicable to the company since 1 February 2004.

An explanation of how the principles of good governance, set out in Section 1 of the Combined Code, which is appended to the Listing Rules of the Financial Services Authority ("the Code"), have been applied is contained in this report and in the Report of the Remuneration Committee. Throughout the period ended 31 March 2006, the company has been compliant with the Code Provisions set out in Section 1 of the Code. In addition, the company has complied with the provisions set out in the 2003 FRC Code except in relation to Board composition. However, in view of the number of executive directors on the board, it is currently not considered appropriate to have a majority of independent non-executive directors as this would create a Board which is too large to be effective. The composition of the Board is kept under regular review by the Nomination Committee.

Statement of compliance with the principles of the combined code

Board of Directors The Board comprises five executive directors, an independent non-executive chairman and five non-executive directors of whom four are independent. Mr Attwood has been designated as chief executive since 6 April 2005. Each of the five executive directors has specific areas of responsibility and all collectively, along with the chief financial officer, form the executive committee, with no one director being able to significantly affect the running of the company without consulting his colleagues. P J Stone has been identified as the senior independent director. The non-executive directors are as follows:

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

T H Bartlam was appointed a non-executive director in April 2005.

L J Dowley was appointed a non-executive director in February 2006.

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

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

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

The company's board of directors meets at least six times a year to discuss the performance of the company and to discuss matters which it has reserved to itself for decision as well as any other matters that are referred to it. It is their responsibility to present a balanced and understandable assessment of the company's position and prospects and this is done through the chairman's statement, the business and financial review and the financial statements. The Board is supplied in a timely manner with the appropriate quality of information to enable it to discharge its duties. 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.

The annual performance evaluation of the Board and its committees is being undertaken in June 2006.

At least one-third of the directors retire by rotation each year in accordance with the Articles of Association and all directors are re-elected at least once every three years. Any director appointed during the year must offer himself or herself for re-election at the next Annual General Meeting. Details of directors up for re-election at the forthcoming Annual General Meeting are shown on page 74.

The Board recommends that Messrs Attwood, Evain, Manser and Phillips should be re-elected to the Board because their performances continue to be effective and they demonstrate commitment to the role. In accordance with the Articles of Association, Mr Dowley offers himself for re-election as he was appointed to the Board during the period.

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

Audit Committee The Audit Committee consists of five (2005 – five) independent non-executive directors, these being Messrs, Dowley, Licoys, Nelson and Stone under the chairmanship of Mr Manser. Mr Manser resigned as Chairman on 18 May 2006 and Mr Dowley was appointed in his place. One non-executive director, Mr Bartlam, is not a member of the Audit Committee but is invited to attend the meetings. The executive directors are not members of the Audit Committee but are invited to attend along with the Chief Financial Officer. Deloitte & Touche LLP, the company's auditors, are also invited to attend and have direct access to committee members.

The committee meets regularly, at least three times a year and is responsible for:

- Selecting and recommending the appointment of the external auditors to the Board, approving their terms of reference and fees and determining the scope and nature of their work.
- Reviewing the performance of the external auditors 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 auditors and the relationship between audit and non-audit work performed by the external auditors. Procedures are in place to ensure that all significant non-audit work performed by the auditors is approved in advance by the committee and they assess whether such appointments impair, or appear to impair the auditors' judgement or independence. The Audit Committee also undertakes an annual evaluation to assess the independence and objectivity of the external auditors and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. The results of the evaluation were reported to the Board in May 2006. An analysis of fees paid to Deloitte & Touche LLP is shown in note 10 on page 49.
- Reviewing the annual and interim accounts before being 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.
- Reviewing and approving the company's whistleblowing policy.

Remuneration Committee The committee consists of four (2005 – five) independent non-executive directors, these being Messrs Dowley, Licoys, Nelson and Stone under the chairmanship of Mr Nelson. It recommends the terms and conditions of employment of the executive directors. Levels of remuneration are considered sufficient, but not excessive, to attract and retain the directors needed to run the company successfully. A significant proportion of directors' remuneration is linked to corporate performance. All executive directors have one year rolling contracts. Further details regarding remuneration policy and payments made can be found in the Report of the Remuneration Committee.

Corporate governance

Continued

Nomination Committee The committee consists of five (2005 – five) independent non-executive directors, these being Messrs Dowley, Manser, Licoys, Nelson and Stone under the chairmanship of Mr Manser. 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. This process was followed for the appointments of Mr Bartlam and Mr Dowley to the Board during 2005/6.

Attendance at Board/committee meetings The table below shows the number of Board and committee meetings held during the period and the attendance record of individual directors.

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
T R Attwood	7	–	–	–
T H Bartlam	7	–	–	–
L J Dowley	1	–	–	–
C A Evain	7	–	–	–
M Kohlhaussen	2	1	1	–
E G Licoys	7	4	3	2
P J Manser	7	5	3*	2
F de Mitry	7	–	–	–
J J Nelson	7	4	3	2
A C Phillips	7	–	–	–
P J Piper	7	–	–	–
P J Stone	6	4	3	1

*Mr Manser attended these meetings but he is not on the committee.

Mr Dowley was appointed to the Board on 9 February 2006, following research by recruitment consultants.

Mr Kohlhaussen resigned from the Board and all committees on 31 July 2005.

Mr Bartlam was appointed to the Board as a non-executive director on 30 April 2005, having previously served in the capacity of an executive director of the company from its flotation until his retirement on 30 April 2005. Mr Bartlam is not considered to be independent in certain aspects of his duties and therefore does not sit on the Audit Committee, the Remuneration Committee or the Nomination Committee.

Relationships with shareholders The company recognises the importance of communication with its shareholders, which it achieves through regular interim and annual reports and the Annual General Meeting. The company is always willing to enter into dialogue with shareholders, based on mutual understanding of objectives, and meetings are regularly held with major shareholders. Investors are encouraged to attend the Annual General Meeting.

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

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

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

- Strategic risks are considered by both the Board and the Executive Committee in the context of an agreed strategic framework. A strategy paper and plan are produced annually to address the strategic challenges of the group and these are approved by the Board. A detailed financial plan is developed for the year ahead and monthly reports covering actual and planned performance are provided to the Board by the group's finance function.

- Financial risks (primarily loan losses and associated risks) are considered on behalf of the Board by the Executive Committee. The minutes of the Executive Committee are reviewed by the Board on a regular basis. These controls concentrate on the procedures for making and monitoring loans and investments and for the safeguarding of assets against unauthorised disposition.

- Operational risks (including compliance with the Financial Services and Markets Act 2000) are considered on behalf of the Board by the Executive Committee.

The Board has established practices for reviewing the system of internal controls by way of reports it receives from the Executive Committee. The Board has considered the need for an internal audit function, but has decided that because of the nature of the current internal control system and size of the company it cannot be justified at present. The Board will review this decision next year. The Board undertook a formal annual assessment of the risk management and control arrangements in May 2005 in order to form a view on the overall effectiveness of the system of internal control.

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

Corporate social responsibility

ICG is an international business operating in six countries, with investments in a further nine countries. It employs over 80 people of whom 60 are located at its main office in London and aims to conduct its business in a socially responsible manner. ICG believes that it needs to act in a commercial and professional manner, while at the same time respecting the requirements of the companies and individuals with which it deals. This includes shareholders, staff, suppliers and the businesses in which it invests.

Offices Although ICG is not a significant contributor to pollution since most of its activities are office based, it is acknowledged that there is some impact that its activities have on the environment. It is ICG's aim to minimise this impact and to comply with the relevant legislation and regulations placed upon it. Areas where the company seeks to minimise its environmental impact are in the use of energy sources within its office, the recycling of paper and other waste and the use of recycled paper within its offices.

People ICG recognises that its employees are fundamental to the success of its business. The company therefore promotes a business environment that is based on meritocracy in which all staff may develop to their full potential, irrespective of their race, gender, marital status, disability, religious belief or sexual orientation. The company encourages involvement through a process of employee communications, including briefings held by senior executives.

The company's employee handbook, which will be distributed within the next year, sets out, among other matters, the company's approach to the working environment and group policies for:

- Recruitment and training
- Reward and recognition
- Health and safety
- Personal development
- Equality and diversity
- Environmental protection

During the period, all staff received money laundering training in accordance with the legal and regulatory requirements. Refresher training is to be given at least once every two years.

The company has a whistleblowing policy, which allows staff to raise matters of concern in a confidential manner and for appropriate follow-up action to be taken if required. No matters were reported during the period under review.

Charity and community During the period, the company instigated a corporate Give As You Earn scheme and also manages a separate scheme for its staff. The company employs the part-time services of a Community Relations specialist and during the period has involved itself in a number of community projects. These have included a tree planting scheme in a deprived area of London, a building project at the London City Community Farm and a number of projects with the homeless. The company believes that it is important for staff to not only give financial support to these projects but also their time and to this end allows each employee to dedicate two days a year to such schemes.

Health and safety The directors are committed to developing and maintaining a management culture that ensures the health, safety and welfare of employees and others while on company premises. During the period, no reportable accidents or incidents occurred either under UK Health and Safety regulations or similar regulations outside the UK. Additionally, during the period, the company commissioned a third party Health & Safety review by a firm of experts and have implemented any improvements suggested by them.

Investments The company currently invests in approximately 90 companies throughout Europe and Asia. The company recognises that the most significant risk to its long-term value and reputation arising from environmental, ethical and social matters arise from its investment business. Therefore, when making an investment decision on a new company, ICG takes account of social, environmental and ethical issues and aims to invest in companies that respect human rights and comply with industry standards and local regulations. Part of ICG's due diligence process includes, where appropriate, the production of an environmental report by third party experts.

Although ICG cannot influence the day-to-day operations of the companies in which it invests, wherever possible it seeks to enable senior executives to attend the board meetings of its investee companies, either as an observer or a board member. Through this attendance, it can try to influence the behaviour of these companies and encourage good corporate governance.

Report of the remuneration committee

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance relating to directors' remuneration. As required by the regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Regulations require the auditors to report to the company's members on the "auditable part" of the directors remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the regulations).

Remuneration Committee The committee consists solely of four non-executive directors, Messrs Dowley, Licoys, Nelson and Stone, under the chairmanship of Mr Nelson. Mr Nelson is a non-executive partner in Graphite Capital, one of whose funds has an investment in the ICG Mezzanine Fund 2000. Other than this, none of the committee members have any personal financial interests (other than as shareholders), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. Two non-executive directors, Mr Bartlam and Mr Manser, who are not members of the committee, attend the meeting by invitation. Two 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 committee meets at least twice a year and more frequently if necessary.

Remuneration policy on executive directors' remuneration Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre needed to maintain the company's position as a market leader and to reward them for enhancing value to shareholders. In arriving at the executive directors' remuneration packages, the committee relies on objective research from MM&K Limited and McLagan Partners, which contains up to date information from a comparative group of companies. The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the committee. This policy has been formulated having given full consideration to Schedule A annexed to the Code.

Whilst it is intended that the policy statement set out in this report should continue for future years, it is not certain that this policy will continue without amendment in subsequent financial years. This is because the committee considers that an effective remuneration policy needs to be sufficiently flexible to take into account changes in the group's business environment and remuneration practices.

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

- basic annual salary;
- bonus payments;
- share option incentives, including a Key Employee Retention Share Plan ("KERSP") scheme; and
- carried interest arrangements.

The company's policy is that a substantial proportion of the remuneration of the executive directors should be performance related. As described below, the majority of the expected value of their pay comes from bonus payments and carried interest arrangements, as well as from the benefits of participation in share option schemes.

Executive directors are entitled to accept appointments outside the company in connection with the company's activities and otherwise, providing the Chairman's permission is obtained. During the three month period that he was an executive director, Mr Bartlam was the non-executive chairman of Pantheon International Participations PLC for which he has received earnings of £6,000.

Basic salary An executive director's basic salary is determined by the committee at the beginning of each year. In deciding appropriate levels the committee can rely on objective research, which gives up to date information on a comparator group of companies (which comprises companies engaged in private equity investment). Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting. The company also provides all executive directors, along with all other employees, with healthcare and prolonged disability and life assurance cover.

Increases will be seen over the next two years to align the salaries of the new and recently appointed executive directors with those of the longer standing executive director.

Bonus payments In setting appropriate bonus parameters the committee refers to the objective research on comparator groups of companies as noted above. The committee believes that any incentive compensation awarded should be tied to the interests of the company's shareholders and that the principal measure of those interests is shareholder value. The key element is the Medium Term Incentive Scheme, implemented in 1994, the payout of which is related to the cumulative growth in earnings per share and calculated by reference to the amount of realised gains and rolled-up interest. No payment currently is made if the cumulative growth in EPS is less than 5% per annum. The amounts payable rise on a straight line basis from 4% of realised gains to a maximum of 20% of realised gains when cumulative growth in earnings per share reaches 10% per annum. For the current financial period, which covers fourteen months, the EPS figure has been annualised by taking twelve-fourteenths of the EPS shown in the accounts; the resultant figure is then used for the MTIS calculation. The extension and appropriateness of the scheme is considered by the committee on an annual basis.

In the current period the amounts payable under the Medium Term Incentive Scheme were based on the maximum percentage of 20% of gains on investment and rolled-up interest.

The company also operates a short-term bonus scheme under which bonuses are paid to individuals whose share in the Medium Term Incentive Scheme is not, in management's opinion, sufficient to retain, reward or incentivise such individuals. These bonuses are normally paid to executives who are not participating fully in the Medium Term Incentive Scheme and may be paid to newly appointed directors at the discretion of the Committee.

Share options There are a number of share option schemes currently operated by the company; all schemes are, in so far as executive directors are concerned, administered by the committee. The schemes are:

- The ICG Executive Share Option Scheme 1994, which was adopted on 18 May 1994 and was approved by the Inland Revenue on 2 June 1994. Options may be exercised between three and ten years after the date of grant only if performance targets are met. The grant of options under this scheme ceased in 2001. Options are not exercisable unless, during any period of three consecutive financial years, the company's earnings per share increases by an average rate of at least the Retail Price Index.

- The ICG Unapproved Executive Share Option Scheme 1997 was adopted on 19 May 1997. The provisions of this scheme are substantially similar to those of the ICG Executive Share Option Scheme 1994, except that options may only be exercised between three and seven years from the date of grant. The grant of options under this scheme ceased in 2001.

- The ICG 2001 Approved Executive Share Option Scheme, which was adopted on 21 May 2001 and approved by the Inland Revenue on 22 May 2001 .The granting of options, the exercise price of which is based on the previous five days closing share price, are phased and may be exercised between three and ten years after the date of grant only if performance target are met. It is intended that options will not be exercisable unless, during a period of three consecutive years from the date of grant, the company's earnings per share (since 1 February 2005, core income) increases.

i) in the case of executives: – by an average of at least 4% per annum above the Retail Price Index
ii) in the case of directors: – by an average of at least 3% per annum above the Retail Price Index in which case one third of options may be exercised
– by an average of at least 4% per annum above the Retail Price Index in which case two thirds of the options may be exercised
– by an average of at least 5% per annum above the Retail Price Index in which case all options may be exercised.

The value of individual grants of options are restricted to an upper limit equivalent of 200% of salary (400% for the first grant to an individual) based upon the exercise price.

- The ICG 2001 Unapproved Executive Share Option Scheme which was adopted on 21 May 2001 and whose provisions are substantially similar to those of the ICG 2001 Approved Executive Share Option Scheme.

- The Key Employee Retention Share Plan which was adopted on 23 May 2005, under which an amount, up to 15% of the value of the MTIS pool, may be distributed to key executives in the form of share options with an exercise price equal to nil. In order to exercise these options, the company must achieve a growth in EPS of 5% per annum from the date of grant to the vesting date and the limit to any individual is 20% of the value of their monetary remuneration in the period.

Carried interest arrangements The company has established for its executives, including the executive directors, carried interest arrangements whereby between 60% and 75% 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 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 such funds over the next few years, and amounts will not be payable until the investors in the funds have had their capital returned, plus a minimum return. However, the allocation of carried interest entitlements as at 31 March 2006 was as follows:

	Mezzanine Fund 1998	Mezzanine Fund 2000	Mezzanine Fund 2003	Asia Pacific Mezzanine Fund
Executive directors	22.6%	17.2%	22.7%	30.0%
Former executive directors	18.3%	11.7%	2.3%	–
Other executives	19.1%	31.1%	50.0%	32.6%
ICG	40.0%	40.0%	25.0%	37.4%
Total	100.0%	100.0%	100.0%	100.0%

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 period 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 anyone 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.

Report of the remuneration committee

Continued

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 £400,000. The annual fee paid to the current non-executive chairman in the period was £85,000 and the annual fees paid to each other non-executive director was £35,000 except for the chairman of the Remuneration Committee who received £45,000. In arriving at these levels of fees, the committee relies upon objective research from KPMG and Deloitte & Touche LLP which contains up to date relevant information.

Included in these amounts are fees for additional work performed for the company in respect of time spent working on the Remuneration, Nomination and Audit Committees, which amounted to £5,000 for each non-executive director, with the exception of the chairman. Non-executive directors cannot participate in any of the company's share option schemes. Non-executive directors do not have a contract of service and are not eligible to join the designated group pension plan.

Details of non-executives letters of appointment are as follows:

Non-executive directors	Date appointed	Last re-elected	Next re-election
P J Manser	Jan 2001	May 2004	July 2006
T H Bartlam	April 2005	May 2005	July 2008
L J Dowley	Feb 2006	–	July 2006
E G Licoys	May 2001	May 2004	July 2007
J J Nelson	May 2001	May 2005	July 2007
P J Stone	Jan 1998	May 2004	July 2007

Re-election of directors Messrs Attwood, Evain, Manser and Phillips are due to retire by rotation and offer themselves for re-election. Mr Bartlam was appointed as a non-executive director on 30 April 2005 and was re-elected in May 2005. Mr Dowley was appointed to the Board on 9 February 2006 and offers himself for re-election in accordance with the Articles of Association.

Directors' remuneration Details of directors' remuneration for the fourteen month period are as follows:

Executive directors	Basic salaries £000	Employee benefit trust interests £000	Medium term scheme £000	Pension scheme contributions £000	Benefits in kind £000	**Total 2006 £000**	Total 2005 £000
T R Attwood	318	2,847	–	48	3	**3,216**	2,199
T H Bartlam	68	–	–	10	1	**79**	2,199
C A Evain	285	2,494	–	29	3	**2,811**	1,812
F de Mitry	285	–	2,494	29	3	**2,811**	1,769
A C Phillips	285	2,184	310	29	3	**2,811**	1,769
P J Piper	285	2,494	–	36	3	**2,818**	1,774

The emoluments paid to the executive directors include an amount of £10.0m which was contributed by Intermediate Capital Group PLC to the Intermediate Capital Group Employee Benefit Trust ("the Trust") with the recommendation that it was appointed for the benefit of the above directors and their families in the amounts shown. It is understood that the trustees of the Trust followed that recommendation.

The emoluments paid to former executive directors amounted to £6.8m and were contributed by Intermediate Capital Group PLC to the Intermediate Capital Group Employee Benefit Trust with the recommendation that it was appointed as follows: T H Bartlam £2,368,000 (2005 – nil), J-L de Gersigny £2,341,000 (2005 – £1,772,000) and A D Jackson £2,154,000 (2005 – £1,724,000).

Non-executive directors	**Total 2006 £000**	Total 2005 £000
P J Manser	**99**	85
T H Bartlam	**32**	–
L J Dowley	**6**	–
M Kohlhaussen	**24**	23
E Licoys	**41**	35
J J Nelson	**52**	35
P J Stone	**41**	35

Share option scheme At 31 March 2006, the following directors had share options in the company, which had not been exercised. The number of shares over which options are held is:

		Date granted	No. of shares	Exercise price	Earliest exercise date	Expiry date
T R Attwood	Unapproved	April 2001	47,099	733p	31 Jan 2005	April 2008
	Unapproved	April 2002	35,785	830p	31 Mar 2006	April 2009
	Unapproved	April 2003	43,429	846p	31 Mar 2007	April 2010
	Unapproved	April 2004	41,209	1205p	31 Mar 2008	April 2014
	Unapproved	April 2005	49,460	1092p	31 Mar 2009	April 2015
C A Evain	Unapproved	April 2001	30,205	733p	31 Jan 2005	April 2008
	Unapproved	April 2002	28,930	830p	31 Mar 2006	April 2009
	Unapproved	April 2003	30,134	846p	31 Mar 2007	April 2010
	Unapproved	April 2004	29,041	1205p	31 Mar 2008	April 2014
	Unapproved	April 2005	43,964	1092p	31 Mar 2009	April 2015
F E L de Mitry	Unapproved	April 2002	22,601	830p	31 Mar 2006	April 2009
	Unapproved	April 2003	33,089	846p	31 Mar 2007	April 2010
	Unapproved	April 2004	27,381	1205p	31 Mar 2008	April 2014
	Unapproved	April 2005	43,964	1092p	31 Mar 2009	April 2015
A C Phillips	Unapproved	April 2001	25,085	733p	31 Jan 2005	April 2008
	Unapproved	April 2002	23,355	830p	31 Mar 2006	April 2009
	Unapproved	April 2003	28,362	846p	31 Mar 2007	April 2010
	Unapproved	April 2004	41,209	1205p	31 Mar 2008	April 2014
	Unapproved	April 2005	43,964	1092p	31 Mar 2009	April 2015
P J Piper	Unapproved	April 2001	28,584	733p	31 Jan 2005	April 2008
	Unapproved	April 2002	26,368	830p	31 Mar 2006	April 2009
	Unapproved	April 2003	31,907	846p	31 Mar 2007	April 2010
	Unapproved	April 2004	31,530	1205p	31 Mar 2008	April 2014
	Unapproved	April 2005	43,964	1092p	31 Mar 2009	April 2015

The earliest exercise date is the announcement date of the results in respect of the period then ended. The market price of each share at 31 March 2006 was £14.27 per share.

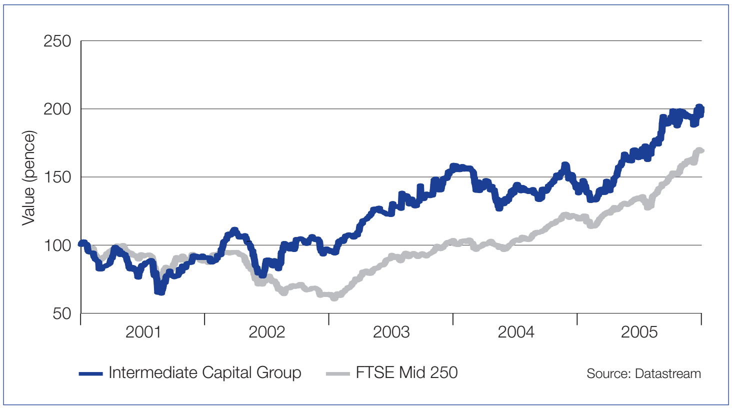
Report of the remuneration committee

Continued

Directors' share options Aggregate emoluments disclosed do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the executive directors. Details of options exercised during the period are as follows:

Name of director	Scheme	Number of options	Exercise price £	Market price at exercise date £	Gains on exercise £
A C Phillips	ICG Executive Share Option Scheme 1994	8,770	3.4207	10.34	60,682.26
A C Phillips	ICG Unapproved Executive Share Option Scheme 1997	55,069	5.2625	10.40	282,916.99
F E L de Mitry	ICG Unapproved Executive Share Option Scheme 1997	30,000	5.0950	10.40	159,150.00
F E L de Mitry	ICG Unapproved Executive Share Option Scheme 2001	22,526	7.3250	10.40	69,267.45
C A Evain	ICG Unapproved Executive Share Option Scheme 1997	40,000	5.0950	13.88	351,400.00
T R Attwood	ICG Executive Share Option Scheme 1994	8,670	3.4600	14.21	93,202.00
T H Bartlam	ICG Unapproved Executive Share Option Scheme 2001	43,249	8.4620	12.07	156,561.55
T H Bartlam	ICG Unapproved Executive Share Option Scheme 2001	35,785	8.2960	12.07	134,945.24
T H Bartlam	ICG Unapproved Executive Share Option Scheme 2001	47,099	7.3250	12.07	223,343.46
P J Piper	ICG Unapproved Executive Share Option Scheme 1997	30,069	5.2625	10.40	312,717.60

Performance graph The graph below shows a comparison between the company's total shareholder return performance and the companies in the FTSE 250 index. The graph compares the value, at 31 March 2006, of £100 invested in Intermediate Capital Group PLC on 1 February 2001 with the value of £100 invested in the FTSE 250 over the subsequent five years. The FTSE 250 group has been chosen to give a comparison with the average returns that shareholders could have received by investing in a range of other major UK companies.



Audited information The sections relating to directors' remuneration, pensions and directors' share option entitlements are required to be, and have been, audited by the company's auditors, Deloitte & Touche LLP.

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

J J Nelson
Chairman of the Remuneration Committee

14 June 2006

Financial statements
for the fourteen months ended
31 March 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company and the group in accordance with International Financial Reporting Standards (IFRS). Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulation. International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is 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 accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

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

Independent auditors' report

to the members of Intermediate Capital Group PLC

We have audited the group and individual company financial statements (the "financial statements") of Intermediate Capital Group PLC for the fourteen month period ended 31 March 2006 which comprise the consolidated income statement, the consolidated and individual company statements of recognised income and expenses, the consolidated and individual company balance sheets, the consolidated and individual company cash flow statements and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We also report to you if, in our opinion, the company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long-term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report including the unaudited part of the directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Independent auditors' report
Continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 March 2006 and of its profit for the period then ended;

- the individual company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the requirements of the Companies Act 1985, of the state of the individual company's affairs as at 31 March 2006; and

- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

14 June 2006

Consolidated income statement

for the fourteen months ended
31 March 2006

	Notes	Period ended 31 Mar 2006 £m	Year ended 31 Jan 2005 £m
Interest and dividend income	6	**170.7**	101.6
Gains on investments	8	**144.9**	62.9
Fee and other operating income		**27.8**	27.4
		343.4	191.9
Interest payable and other related financing costs	7	**(52.7)**	(26.5)
Provisions for impairment of assets	9	**(27.3)**	(28.2)
Administrative expenses	10	**(73.3)**	(42.2)
Profit before tax	4	**190.1**	95.0
Tax expense	11	**(65.0)**	(33.5)
Profit for the period attributable to the equity shareholders		**125.1**	61.5
Earnings per share	14	**179.3p**	88.6p
Diluted earnings per share	14	**178.3p**	88.0p

As permitted by the transitional rules on first-time adoption of IFRS, the 2005 statutory comparatives have not been prepared in accordance with IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”, but instead follow applicable UK GAAP requirements.

All activities represent continuing operations.

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

Consolidated statement of recognised income and expense

for the fourteen months ended 31 March 2006

	Period ended 31 Mar 2006 Group £m	**Period ended 31 Mar 2006 Company £m**	Year ended 31 Jan 2005 Group £m	Year ended 31 Jan 2005 Company £m
Available for sale investments:				
Valuation gains/(losses) taken to equity	**23.5**	**(1.5)**	–	–
Transferred to profit or loss for the period	**(31.3)**	**2.2**	–	–
Tax on items taken directly to or transferred from equity	**2.2**	**(0.2)**	–	–
Net income recognised directly in equity	**(5.6)**	**0.5**	–	–
Profit for the period	**125.1**	**98.2**	61.5	51.3
Total recognised income and expense for the period attributable to shareholders	**119.5**	**98.7**	61.5	51.3

Note: the effect of adoption of IAS 32/39 on shareholders' equity at 31 January 2005 was £20.3m.

Balance sheets
31 March 2006

	Notes	31 Mar 2006 Group £m	31 Mar 2006 Company £m	31 Jan 2005 Group £m	31 Jan 2005 Company £m
Non-current assets					
Property, plant and equipment	15	**1.1**	**0.9**	1.3	1.0
Financial assets: loans and investments	16	**1,493.9**	**1,009.0**	1,182.8	789.7
other derivatives	16	**20.8**	**20.8**	–	–
Deferred tax asset	23	**–**	**–**	0.8	0.8
		1,515.8	**1,030.7**	1,184.9	791.5
Current assets					
Trade and other receivables	17	**10.9**	**144.4**	20.2	111.1
Financial assets: loans and investments	18	**70.6**	**66.0**	40.9	40.9
Cash and cash equivalents		**52.4**	**24.1**	55.6	23.5
		133.9	**234.5**	116.7	175.5
Total assets		**1,649.7**	**1,265.2**	1,301.6	967.0
Equity and reserves					
Called up share capital	19	**14.0**	**14.0**	13.9	13.9
Share premium account	20	**174.5**	**174.5**	172.5	172.5
Capital redemption reserve	20	**1.4**	**1.4**	1.4	1.4
Other reserves	20	**6.4**	**1.4**	0.5	0.5
Retained earnings	20	**297.0**	**203.7**	191.6	114.0
Equity shareholders' funds		**493.3**	**395.0**	379.9	302.3
Non current liabilities					
Financial liabilities	21	**719.0**	**700.1**	711.4	446.9
Deferred tax liabilities	23	**16.8**	**6.7**	–	–
		735.8	**706.8**	711.4	446.9
Current liabilities					
Trade and other payables	22	**69.4**	**99.0**	58.9	77.4
Financial liabilities	21	**331.6**	**61.5**	131.5	131.3
Liabilities for current tax	22	**19.6**	**2.9**	19.9	9.1
		420.6	**163.4**	210.3	217.8
Total liabilities		**1,156.4**	**870.2**	921.7	664.7
Total equity and liabilities		**1,649.7**	**1,265.2**	1,301.6	967.0

As permitted by the transitional rules on first-time adoption of IFRS, the 2005 statutory comparatives have not been prepared in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement", but instead follow applicable UK GAAP requirements.

These financial statements were approved by the Board of Directors on 14 June 2006.

Signed on behalf of the Board of Directors by:

P J Manser Director

P J Piper Director

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

Consolidated cash flow statement

for the fourteen months ended 31 March 2006

		Group		Company	
	Notes	**Period ended 31 Mar 2006 £m**	Year ended 31 Jan 2005 £m	**Period ended 31 Mar 2006 £m**	Year ended 31 Jan 2005 £m
Net cash from operating activities					
Interest and fee receipts		**158.0**	116.9	**114.4**	74.1
Dividends received	6	**7.1**	0.9	**6.3**	4.0
Gain on disposals		**138.1**	62.9	**–**	–
Interest payments		**(40.6)**	(24.4)	**(30.6)**	(15.4)
Cash payments to suppliers and employees		**(48.8)**	(28.9)	**(44.4)**	(28.1)
Purchase of current financial assets		**(29.2)**	(14.2)	**(29.2)**	(14.2)
Purchase of loans and investments		**(657.3)**	(398.6)	**(456.2)**	(214.2)
Proceeds from sale of loans and investments		**407.9**	311.7	**271.2**	234.7
Cash (used in)/generated by operations		**(64.8)**	26.3	**(168.5)**	40.9
Taxes paid		**(60.2)**	(26.5)	**(17.1)**	(10.7)
Net cash (used in)/from operating activities		**(125.0)**	(0.2)	**(185.6)**	30.2
Investing activities					
Proceeds from subsidiary undertakings		**–**	–	**64.0**	12.6
Purchase of property, plant and equipment	15	**(0.6)**	(0.3)	**(0.6)**	(0.2)
Net cash (used in)/from investing activities		**(0.6)**	(0.3)	**63.4**	12.4
Financing activities					
Dividends paid	13	**(29.4)**	(24.9)	**(29.4)**	(24.9)
Increase/(decrease) in long-term borrowings		**147.2**	29.1	**147.6**	(31.6)
Increase in bank overdrafts		**2.5**	10.7	**2.5**	10.7
Proceeds on issue of shares		**2.1**	2.6	**2.1**	2.6
Net cash from/(used in) financing activities		**122.4**	17.5	**122.8**	(43.2)
Net (decrease)/increase in cash		**(3.2)**	17.0	**0.6**	(0.6)
Cash and cash equivalents at beginning of period		**55.6**	38.6	**23.5**	24.1
Cash and cash equivalents at end of period		**52.4**	55.6	**24.1**	23.5

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

Notes to the accounts

for the fourteen months ended
31 March 2006

1 General information

Intermediate Capital Group PLC is a company incorporated in the United Kingdom under the Companies Act 1985 with Companies registration number 2234775. The address of the registered office is on page 76. The nature of the group's operations and its principal activities are set out in the director's report on page 22.

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:

	Accounting periods commencing after
International Accounting Standards (IAS/IFRSs)	
IFRS 4 Insurance Contracts (Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts)	1 January 2006
IFRS 7 Financial Instruments: Disclosures	1 January 2007
IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 39 Fair Value Option	1 January 2006
IAS 39 Amendments to IAS 39 – Transition and Initial Recognition of Financial Assets and Financial Liabilities (day 1 Profits)	1 January 2006
IAS 39 Cash Flow Hedge Accounting	1 January 2006
IAS 39 Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts	1 January 2006
IAS 21 Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 January 2006
International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006

The directors do not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the group in the period of initial application.

2 Significant accounting policies

(a) Basis of accounting The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. 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 disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given on pages 65 to 72. As permitted by the transitional rules on first-time adoption of IFRS, the 2005 statutory comparatives have not been prepared in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement", but instead follow applicable UK GAAP requirements.

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

The principal accounting policies are set out below.

2 Significant accounting policies continued

(b) Basis of consolidation The consolidated financial statements incorporate the financial statements of the company and its principal 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) Investment in subsidiaries Investments in subsidiaries are recorded in the company balance sheet at cost less provisions for impairments.

(d) 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 is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

(e) Fee income and expense Fees and commissions are generally recognised on an accruals basis when the service has been provided and include fund management fees and arrangement 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 generally expensed as incurred.

(f) Dividend income Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(g) Share-based payments The group has applied the requirements of IFRS 2 Share-based payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unexercised at 1 February 2004.

The group issues 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.

(h) Pension costs Pension liabilities are provided 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.

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

(j) Foreign currencies The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates. 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.

Foreign currency monetary transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, foreign currency monetary assets and liabilities are re-translated at the rates prevailing on the balance sheet date. Exchange differences on the retranslation of monetary items are recognised in the income statement for the period.

In order to hedge its exposure to certain foreign exchange risks, the group enters into forward contracts. The management policies of the group are described in more detail in note 28.

(k) Taxation Provision is made for taxation at the current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate. Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

(l) 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% – 33% per annum
Leasehold Premises – 20% per annum

(m) 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, are categorised as ‘at fair value through profit or loss’ unless they are designated as hedges, see notes 2(o) and 2(q) below. There are no assets that have been designated as fair value through profit or loss.

(ii) *Loans and receivables*
Loans and receivables 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.

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

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.

Available-for-sale 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.

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(d) above.

2 Significant accounting policies continued

(n) Impairment of financial assets A financial asset 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 available for sale, the loss is removed from equity and recognised in the income statement.

(o) 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, applying the valuation policies of ICG.

(p) 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. Derivative liabilities are categorised as at fair value through profit or loss unless they are designated as hedges, see note 2(q) below.

(q) 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.

Derivatives can be designated as either cash flow or fair value hedges.

(i) *Cash flow hedges*
A cash flow hedge is used to hedge exposures to variability in cash flows, such as variable rate financial assets and liabilities. The effective portion of changes in the derivative fair value is recognised in equity, and recycled to the income statement in the periods when the hedged item will affect profit or loss. The fair value gain or loss relating to the ineffective portion is recognised immediately in the income statement.

(ii) *Fair value hedges*
A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate loans. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the period to maturity.

If derivatives are not designated as hedges then changes in fair values are recognised immediately in the income statement.

3 Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the income statement of the parent company is not presented as part of these financial statements. The parent company's retained profit for the financial period amounted to £98.2m (year ended 31 January 2005 – £26.4m).

4 Analysis of profit before tax	Period ended 31 Mar 2006 £m	Year ended 31 Jan 2005 £m
Income:		
Interest and dividend income	**170.7**	101.6
Fee and other operating income	**27.8**	27.4
	198.5	129.0
Less: related expenses		
Interest payable and other related financing costs	**(46.2)**	(26.5)
Administrative expenses – salaries and benefits	**(19.8)**	(13.3)
Operating expenses	**(13.0)**	(8.3)
Medium Term Incentive Scheme	**(13.2)**	(6.3)
Core income	**106.3**	74.6
Gains on investments	**144.9**	62.9
Medium Term Incentive Scheme	**(27.3)**	(14.3)
Net gains on investments	**117.6**	48.6
Provisions against loans and investments	**(27.3)**	(28.2)
Gains less losses on derivatives for hedging purposes*	**(6.5)**	–
Profit on ordinary activities before taxation	**190.1**	95.0

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

*This is included in interest payable in the statutory income statement. It is not considered part of core income as it relates to movement 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 the derivatives which remain within interest payable.

5 Business and geographical segments

For management purposes, the group is currently organised into two distinct business groups. One of these being the provision of mezzanine finance and the other being fund management.

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

(a) Business segments

For the fourteen months ended 31 March 2006	Mezzanine finance £m	Fund management £m	Consolidated £m
Total income – external	**320.8**	**22.6**	**343.4**
Segment result	**172.8**	**17.3**	**190.1**
Balance sheet as at 31 March 2006			
Segment assets	**1,616.2**	**33.5**	**1,649.7**
Segment liabilities	**1,117.5**	**2.5**	**1,120.0**

5 Business and geographical segments continued

(a) Business segments continued

Year ended 31 January 2005	Mezzanine finance £m	Fund management £m	Consolidated £m
Total income – external	173.6	18.3	191.9
Segment result	81.0	14.0	95.0
Balance sheet as at 31 January 2005			
Segment assets	1,284.7	16.9	1,301.6
Segment liabilities	900.7	1.1	901.8

(b) Geographical segments

For the fourteen months ended 31 March 2006	**Other £m**	**France £m**	**UK £m**	**Total £m**
Revenue	**105.9**	**95.0**	**142.5**	**343.4**
Segment assets	**713.7**	**518.4**	**417.6**	**1,649.7**

Year ended 31 January 2005	Other £m	France £m	UK £m	Total £m
Revenue	67.2	65.5	59.2	191.9
Segment assets	356.9	426.6	518.1	1,301.6

6 Interest and dividend income

	2006 £m	2005 £m
Interest income	**161.4**	99.7
Dividend income from equity investments	**7.1**	0.9
Interest on bank deposits	**2.2**	1.0
	170.7	101.6

Interest income includes £1.7m (2005 – n/a) accrued on impaired loans.

7 Interest payable and other related financing costs include:

	2006 £m
Interest expense recognised under EIR	**47.1**
Fair value movements on derivatives	**11.4**

8 Gains on investments

	2006 £m	2005 £m
Fair value movements in warrants	**106.3**	n/a
Gains recycled from equity reserves on available for sale assets	**38.6**	n/a
Capital gains	**n/a**	62.9
	144.9	62.9

9 Provisions for impairment of assets

	2006 £m	2005 £m
Impairment on loans and receivables:		
New and increased	**23.8**	30.0
Recoveries	**(8.0)**	(1.8)
Total impairment on loans and receivables	**15.8**	28.2
Impairment on available for sale investments	**11.5**	n/a
	27.3	28.2

10 Administrative expenses

	2006 £m	2005 £m
Administrative expenses include:		
Amounts due under Medium Term Incentive Scheme	**40.5**	20.6
Directors' remuneration	**14.6**	11.5
Depreciation	**0.8**	0.4
Auditors' remuneration:		
Audit (£0.2m of this relates to the holding company)	**0.3**	0.3
Other services:		
Taxation	**0.3**	0.2
Employee related	**0.1**	0.1
Other	**0.2**	0.1

11 Tax expense

(a) Analysis of tax on ordinary activities

	2006 £m	2005 £m
United Kingdom corporate tax at 30% (2005 – 30%) based on the profit for the period	**61.3**	33.5
Prior year adjustment	**0.6**	(2.3)
	61.9	31.2
Deferred taxation:		
Current period	**3.1**	2.3
Prior year adjustment	**–**	–
Tax on profit on ordinary activities	**65.0**	33.5

(b) Factors affecting tax charge for the current period

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 30% (2005 – 30%).

The differences are explained below:

	2006 £m	2005 £m
Profit on ordinary activities before tax	**190.1**	95.0
Tax at 30% thereon	**57.0**	28.5
Effects of:		
Utilisation of prior year losses	**(1.8)**	–
Tax on options exercised	**(1.0)**	–
Non-deductible expenditure	**10.8**	7.8
Overseas tax	**–**	(2.8)
Current tax charge for the period	**65.0**	33.5

12 Information regarding directors and employees

	2006 £m	2005 £m
Directors' remuneration:		
Emoluments and benefits	**14.6**	11.5
	14.6	11.5
Employee costs during the period, including directors:		
Wages and salaries	**57.7**	32.2
Social security costs	**2.0**	1.2
Pension costs	**0.6**	0.5
	60.3	33.9

	No.	No.
Average number of employees (including executive directors)	**76**	66

The performance related element included in wages and salaries is £40.5m (2005 – £20.6m), which is derived as a result of the management incentive scheme and contributions to the company's Employee Benefit Trust.

13 Dividends paid and proposed

	2006		2005	
	Per share pence	£m	Per share pence	£m
Ordinary dividend:				
Final dividend for the year ended 31 January 2005/2004	**28.2**	**19.6**	24.0	16.6
Interim dividend for the period to 31 March 2006/ year to 31 January 2005	**14.0**	**9.8**	11.8	8.3
	42.2	**29.4**	35.8	24.9

Proposed final dividend for the period ended 31 March 2006 of 42p per share (2005 – 28.2p per share) which will amount to £29.4m.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14 Earnings per share

Earnings	2006 £m	2005 £m
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**125.1**	61.5

Number of shares	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	**69,757,796**	69,388,260
Effect of dilutive potential ordinary shares		
Share options	**403,632**	511,065
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**70,161,428**	69,899,325

15 Property, plant and equipment

Year ended 31 January 2005

	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group			
Cost			
At 31 January 2004	1.0	1.2	2.2
Additions	0.2	0.1	0.3
At 31 January 2005	1.2	1.3	2.5
Depreciation			
At 31 January 2004	0.6	0.2	0.8
Charge for the year	0.2	0.2	0.4
At 31 January 2005	0.8	0.4	1.2
Net book value			
At 31 January 2005	0.4	0.9	1.3
At 31 January 2004	0.4	1.0	1.4
Company			
Cost			
At 31 January 2004	0.7	1.0	1.7
Additions	0.1	0.1	0.2
At 31 January 2005	0.8	1.1	1.9
Depreciation			
At 31 January 2004	0.4	0.2	0.6
Charge for the year	0.2	0.1	0.3
At 31 January 2005	0.6	0.3	0.9
Net book value			
At 31 January 2005	0.2	0.8	1.0
At 31 January 2004	0.3	0.8	1.1

15 Property, plant and equipment continued

Fourteen months ended 31 March 2006

	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group			
Cost			
At 31 January 2005	1.2	1.3	2.5
Additions	0.6	–	0.6
At 31 March 2006	**1.8**	**1.3**	**3.1**
Depreciation			
At 31 January 2005	0.8	0.4	1.2
Charge for the period	0.2	0.6	0.8
At 31 March 2006	**1.0**	**1.0**	**2.0**
Net book value			
At 31 March 2006	**0.8**	**0.3**	**1.1**
At 31 January 2005	0.4	0.9	1.3

	Furniture and equipment £m	Short leasehold premises £m	Total £m
Company			
Cost			
At 31 January 2005	0.8	1.1	1.9
Additions	0.6	–	0.6
At 31 March 2006	**1.4**	**1.1**	**2.5**
Depreciation			
At 31 January 2005	0.6	0.3	0.9
Charge for the period	0.1	0.6	0.7
At 31 March 2006	**0.7**	**0.9**	**1.6**
Net book value			
At 31 March 2006	**0.7**	**0.2**	**0.9**
At 31 January 2005	0.2	0.8	1.0

16 Financial assets	Group 2006 £m	Group 2005 £m	Company 2006 £m	Company 2005 £m
Loans and receivables	**n/a**	1,182.8	**n/a**	789.7
Loans and receivables – non current	**1,372.1**	n/a	**980.4**	n/a
Available for sale assets	**100.7**	n/a	**28.6**	n/a
Derivatives – warrants	**21.1**	n/a	**–**	n/a
other derivatives	**20.8**	n/a	**20.8**	n/a
	1,514.7	1,182.8	**1,029.8**	789.7

The available for sale investments included above represent investments in unlisted equity securities that present the Group with 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 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 by one of the above events. These instruments are otherwise held at cost.

Other derivatives include interest rate swaps and forward foreign exchange contracts used to economically hedge the net exposure of the group.

Available for sale assets	Group £m	Company £m
Additional information in respect of movements during the period is as follows:		
Balance at 1 February 2005	**90.6**	**23.0**
Net additions	**55.3**	**7.7**
Realisations	**(34.6)**	**–**
Written off	**(11.5)**	**(3.3)**
Currency movement on non sterling denominated loans	**0.9**	**1.2**
Balance at 31 March 2006	**100.7**	**28.6**

Impairment	Group £m	Company £m
As at 1 February 2005	**64.2**	**48.3**
Impact of adopting IAS 32/IAS 39	**0.5**	**0.1**
Charged to income statement	**27.3**	**15.9**
Amounts written-off	**(28.0)**	**(19.2)**
Currency translation and other adjustments	**0.9**	**0.5**
Balance at 31 March 2006	**64.9**	**45.6**

Impairment losses are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimates of future cash proceeds. These estimates take into account the level and quality of the customers earnings, the amount and sources of cash flows, the industry in which the customer 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 they are received may differ from these estimates and consequently actual losses incurred may differ from those recognised in the financial statements.

17 Trade and other receivables	Group		Company	
	2006 £m	2005 £m	**2006 £m**	2005 £m
Other receivables	**9.7**	11.3	**9.5**	19.2
Amount owed by group companies	**–**	–	**134.1**	85.4
Prepayments	**1.2**	8.9	**0.8**	6.5
	10.9	20.2	**144.4**	111.1

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

18 Loans and investments held as current assets	Group		Company	
	2006 £m	2005 £m	**2006 £m**	2005 £m
Loans and investments	**70.6**	40.9	**66.0**	40.9

19 Called up share capital	**2006 £m**	2005 £m
Authorised: 90,000,000 (2005 – 90,000,000) ordinary shares of 20p	**18.0**	18.0
Allotted, called up and fully paid: 69,949,392 (2005 – 69,503,526) ordinary shares of 20p	**14.0**	13.9

During the period, the company allotted 445,866 shares under its Unapproved Executive Share Option Scheme 1997, its Executive Share Option Scheme 1994, and its Approved and Unapproved Executive Share Option Schemes 2001, realising a total consideration of £2.1m.

20 Equity shareholders' funds

Year ending 31 January 2005	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share based payments £m	Retained earnings £m	Total £m
Group						
Balance at 31 January 2004	13.8	170.0	1.4	0.2	155.0	340.4
Exercise of option	0.1	2.5	–	–	–	2.6
Credit to equity for share based payments	–	–	–	0.3	–	0.3
Profit for the period	–	–	–	–	61.5	61.5
Dividends paid and proposed	–	–	–	–	(24.9)	(24.9)
Balance at 31 January 2005	13.9	172.5	1.4	0.5	191.6	379.9
Company						
Balance at 31 January 2004	13.8	170.0	1.4	0.2	87.6	273.0
Exercise of options	0.1	2.5	–	–	–	2.6
Credit to equity for share based payments	–	–	–	0.3	–	0.3
Profit for the period	–	–	–	–	51.3	51.3
Dividends paid and proposed	–	–	–	–	(24.9)	(24.9)
Balance at 31 January 2005	13.9	172.5	1.4	0.5	114.0	302.3

Fourteen months to 31 March 2006	Share capital £m	Share premium £m	Capital redemption reserve fund £m	Reserve for share based payments £m	Available for sale or reserve £m	Retained earnings £m	Total £m
Group							
Balance at 31 January 2005	13.9	172.5	1.4	0.5	–	191.6	379.9
Adoption of IAS 32 and 39	–	–	–	–	10.6	9.7	20.3
Exercise of share options	0.1	2.0	–	–	–	–	2.1
Credit for share based payments	–	–	–	0.9	–	–	0.9
Revaluation of available for sale investments	–	–	–	–	(5.6)	–	(5.6)
Profit for the period	–	–	–	–	–	125.1	125.1
Dividends paid	–	–	–	–	–	(29.4)	(29.4)
Balance at 31 March 2006	**14.0**	**174.5**	**1.4**	**1.4**	**5.0**	**297.0**	**493.3**
Company							
Balance at 31 January 2005	13.9	172.5	1.4	0.5	–	114.0	302.3
Adoption of IAS 32 and 39	–	–	–	–	(0.5)	20.9	20.4
Exercise of share options	0.1	2.0	–	–	–	–	2.1
Credit for share based payments	–	–	–	0.9	–	–	0.9
Revaluation of available for sale investments	–	–	–	–	0.5	–	0.5
Profit for the period	–	–	–	–	–	98.2	98.2
Dividends paid	–	–	–	–	–	(29.4)	(29.4)
Balance at 31 March 2006	**14.0**	**174.5**	**1.4**	**1.4**	**–**	**203.7**	**395.0**

21 Financial liabilities

Group	2006 Current £m	2006 Non-current £m	2005 Current £m	2005 Non-current £m
Liabilities held at amortised cost				
Private placement	**48.3**	**289.5**	38.9	308.8
Revolving credit facility	**–**	**368.9**	62.2	90.0
Bank overdraft	**–**	**20.3**	17.8	–
Floating rate secured notes	**268.1**	**–**	–	265.3
Derivatives	**15.2**	**40.3**	12.6	47.3
	331.6	**719.0**	131.5	711.4

In the prior year the derivatives were accounted for under the accruals methodology. In the current period, these derivatives are classified as held for trading and accounted for at fair value.

Company	2006 Current £m	2006 Non-current £m	2005 Current £m	2005 Non-current £m
Amortised cost				
Private placement	**48.3**	**289.5**	38.9	308.8
Revolving credit facility	**–**	**368.9**	62.2	90.4
Bank overdraft	**–**	**20.3**	17.8	–
Derivatives	**13.2**	**21.4**	12.4	47.7
	61.5	**700.1**	131.3	446.9

The key terms of the funding liabilities are shown below:

	Contractual maturity analysis				
	Less than one year	One to two years	Two to five years	More than five years	Total
$75m private placement	14.7	30.0	–	–	44.7
$95m private placement	2.0	2.0	26.4	–	30.4
£25m private placement	–	–	27.2	–	27.2
$110m private placement	26.5	–	15.2	24.7	66.4
£25m private placement	5.1	–	–	21.3	26.4
$200m private placement	–	2.2	69.5	41.0	112.7
£30m private placement	–	–	20.0	10.0	30.0
€228m class A secured notes	158.9	–	–	–	158.9
€73.5m class B secured notes	51.2	–	–	–	51.2
€73.5m class C secured notes	51.3	–	–	–	51.3
€9.5m class D secured notes	6.7	–	–	–	6.7
£825m Senior debt facility	–	–	368.9	–	368.9
£20m overdraft facility	–	–	20.3	–	20.3
	316.4	34.2	547.5	97.0	995.1

The secured notes are issued by Intermediate Finance PLC, a wholly owned subsidiary of Intermediate Capital Group PLC, and are publicly rated and secured on the assets owned by that company only.

22 Trade and other payables	Group		Company	
	2006 £m	2005 £m	**2006 £m**	2005 £m
Trade payables	**0.8**	0.5	**0.8**	0.5
Accruals	**67.8**	58.1	**63.1**	56.4
Amounts owed to group companies	**–**	–	**34.3**	20.2
Taxation – corporation tax	**19.6**	19.9	**2.9**	9.1
Taxation – social security	**0.8**	0.3	**0.8**	0.3
	89.0	78.8	**101.9**	86.5

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

23 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 period.

	Share based payment £m	Other derivatives £m	Warrants and investments £m	Other temporary differences £m	Total £m
At 31 January 2004	(0.9)	–	–	–	(0.9)
Charge to equity	0.1	–	–	–	0.1
At 31 January 2005	(0.8)	–	–	–	(0.8)
Adoption of IAS 32/39	–	6.9	9.5	0.4	16.8
At 1 February 2005	(0.8)	6.9	9.5	0.4	16.0
Charge to income	–	(0.7)	2.8	1.0	3.1
Charge to equity	(0.1)	–	(2.2)	–	(2.3)
At 31 March 2006	**(0.9)**	**6.2**	**10.1**	**1.4**	**16.8**

24 Share based payments

Equity settled share option scheme

The Company has three share option schemes for certain employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of the grant. The vesting period is three years. If the options issued under the Intermediate Capital Group Executive Share Option Scheme 1994, the Intermediate Capital Group PLC 2001 Approved Executive Share Option Scheme and the Intermediate Capital Group PLC 2001 Unapproved Executive Share Option Scheme remain unexercised after a period of 10 years from the date of grant, the options expire. If the options issued under the Intermediate Capital Group Unapproved Executive Share Option Scheme 1997, remain unexercised after a period of 7 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest, except in cases of retirement.

Options are not exercisable unless, during any period of three consecutive financial years, the company's earnings per share increases by an average rate of at least 4% per annum above the Retail Price Index.

24 Share based payments continued

Analysis of movements in the number and weighted average exercise price of options is set out below:

	Number		Weighted average exercise price (£)	
	2006	2005	**2006**	2005
Outstanding at 1 February	**2,398,966**	2,339,357	**8.6**	7.2
Granted	**795,332**	613,735	**10.9**	12.1
Forfeited	**(213,571)**	(93,039)	**10.6**	7.9
Exercised*	**(564,192)**	(461,087)	**5.9**	5.6
Outstanding at 31 March/31 January	**2,416,535**	2,398,966	**10.0**	8.6
Of which are exercisable:	**668,090**	805,962		

*118,326 were issued on a net basis.

The weighted average share price at the date of exercise for share options exercised in the period was £11.7. The options outstanding at 31 March 2006 have a range of exercise prices between £4.8 and £12.1 as detailed below, and a weighted average remaining contractual life of 7.36 years.

Exercise price	Number
£10.9	713,173
£12.1	530,576
£8.5	504,696
£8.3	325,988
£7.3	260,904
£5.1	75,000
£4.8	6,198

In the period to 31 March 2006, options were granted on 30 April 2005 (year to 31 January 2005 – 30 April 2004). The aggregate of estimated fair values of the options granted on this date is £1.4m (2005 – £1.2m).

The inputs into the Black Scholes model are as follows:

	2006	2005
Exercise price	**10.918p**	12.052p
Expected volatility	**19.42%**	19.74%
Expected life	**5.27 years**	5.27 years
Risk free rate	**4.43%**	4.43%
Dividend yield	**3.6%**	3.6%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous two years. The expected life used in the model has been calculated using actual exercise periods over the previous five years.

The Group recognised total expenses of £0.7m and £0.5m related to equity-settled share based payment transactions in 2006 and 2005 respectively.

25 Financial commitments

At 31 March 2006, the group estimated that it had no contractual obligations to provide further funding apart from an obligation to lend a further £19.5m (2005 – £3.6m) on three exiting investments.

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

26 Related party transactions

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 17 and 22. Aggregated significant transactions with subsidiary undertakings are as follows:

	Period ended 31 March 2006 £m	Year ended 31 January 2005 £m
Management fees received	**1.2**	1.2
Service charges paid	**4.7**	3.7
Dividends received	**100.0**	40.5

27 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 PLC	100%	United Kingdom	England and Wales	Provider of mezzanine finance
Mezzanine Finance (Guernsey) Ltd	100%	Guernsey	Guernsey	Holding company for loans and investments
Intermediate Capital Asia Pacific Ltd	100%	Hong Kong	Hong Kong	Provider of mezzanine finance to companies in the Asia Pacific Region
Intermediate Capital Ltd	100%	United Kingdom	England and Wales	General Partner in a number of Partnerships
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 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
JOG Partners Limited	100%	United Kingdom	England and Wales	Investment company

All these companies have a reporting date of 31 March.

28 Financial assets and liabilities

(a) Treasury and hedging policies
The group's financial instruments include loans and investments and related trade receivables and payables that arise directly from its operations. In addition, the group's financial instruments include borrowings in the form of bank debt, securitisation notes and private placements. The main purpose of these financial instruments is to raise finance for the group's operations.

The group enters into derivatives transactions (principally interest rate swaps and forward foreign currency contracts) to manage the interest rate and currency risks arising from the group's operations and its sources of finance. The group has not adopted hedge accounting for these derivatives and gains and losses on these derivatives have been recognised in the income statement.

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

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

(b) Interest rate risk
The group's main activity is to provide mezzanine finance to its borrowers at both fixed and floating rates in any freely traded currency. The group finances its operations by a mixture of retained profits, bank borrowings, private placements and floating rate notes. The group borrows in currencies at both fixed and floating rates of interest and then uses interest rate swaps in order to match the interest profile of its assets and to manage the group's exposure to interest rate fluctuations. As a result, the group does not have material financial exposure to interest rate movements.

The following table provides a summary of the interest rate repricing profile of the Group and Company financial assets and financial liabilities as at 31 March 2006. Assets and liabilities have been allocated to time bands by reference to the earlier of the next interest reset date and the contractual maturity date. The table takes account of derivatives whose effect is to alter the interest basis of assets and liabilities.

28 Financial assets and liabilities continued

(b) Interest rate continued

Group	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Non-interest bearing	Total
Financial assets						
Loans and investments:						
Loans and receivables	998.5	344.1	29.5	–	–	1,372.1
Available for sale assets	–	–	–	–	100.7	100.7
Warrants	–	–	–	–	21.1	21.1
Other derivatives	20.8	–	–	–	–	20.8
Cash at bank	52.4	–	–	–	–	52.4
Other assets	53.0	14.1	3.5	4.5	6.4	81.5
Total assets	1,124.7	358.2	33.0	4.5	128.2	1,648.6
Financial liabilities						
Bank overdraft	20.3	–	–	–	–	20.3
Revolving credit facility	368.9	–	–	–	–	368.9
Private placements	192.5	145.3	–	–	–	337.8
Secured notes	–	268.1	–	–	–	268.1
Derivative liabilities	53.7	1.8	–	–	–	55.5
Other liabilities	–	–	–	–	69.4	69.4
Total liabilities	635.4	415.2	–	–	69.4	1,120.0
Interest rate sensitivity gap	489.3	57.0	33.0	4.5	58.8	528.6

The companies profile has not been included as it matches that of the group.

The comparative figures for 31 January 2005 are prior to the adoption of IAS 32 and so do not fall within its disclosure requirements.

28 Financial assets and liabilities continued

(c) Foreign exchange risk

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

	Financial assets			Financial liabilities		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Sterling	302	24	326	61	16	77
Euro	889	93	982	544	239	783
Other currencies	140	46	186	45	146	191
	1,331	163	1,494	650	401	1,051

(d) Liquidity risk

As regards liquidity, the group's policy has throughout the period been to ensure continuity of funding. Due to the long-term nature of the group's assets, the group's policy is that, wherever possible, the majority of its debt should mature in more than five years. This has been achieved by using a combination of private placements with maturities of between five and ten years, by short-term borrowings under a five year extendible, multi-currency bank facility and other further syndicated and bilateral facilities and by issuing floating rate notes with a maturity date in 2021.

The maturity profile of the group's financial liabilities is shown within note 21.

(e) Credit risk

ICG has a policy 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.

Additional information on the concentrations of credit risk are provided by industry and country on page 18.

28 Financial assets and liabilities continued

(f) Fair value

The carrying amount and estimated fair value of the Groups' and Company's financial instruments is set out below:

Group	2006 Carrying amount	2006 Fair value	2005 Carrying amount	2005 Fair value
Financial assets				
Loans and investments:				
Loans and receivables	**1,372.1**	**1,372.1**	1,182.8	1,182.8
Available for sale investments	**100.7**	**100.7**	–	–
Warrants	**21.1**	**21.1**	–	135.0
Other derivatives	**20.8**	**20.8**	–	–
Trade and other receivables	**10.9**	**10.9**	20.2	20.2
Cash at bank	**52.4**	**52.4**	55.6	55.6
Financial liabilities				
Senior debt and bank overdraft	**389.2**	**389.2**	179.5	179.5
Private placements	**337.8**	**337.8**	347.7	347.7
Secured notes	**268.1**	**268.1**	265.3	265.3
Derivatives	**55.5**	**55.5**	59.9	59.9
Trade and other payables	**89.0**	**89.0**	78.8	78.8

Company	2006 Carrying amount	2006 Fair value	2005 Carrying amount	2005 Fair value
Financial assets				
Loans and investments:				
Loans and receivables	**980.4**	**980.4**	789.7	789.7
Available for sale investments	**28.6**	**28.6**	–	–
Warrants	**–**	**–**	–	–
Other derivatives	**20.8**	**20.8**	–	–
Trade and other receivables	**144.4**	**144.4**	111.1	111.1
Cash at bank	**24.1**	**24.1**	23.5	23.5
Financial liabilities				
Senior debt and bank overdraft	**389.2**	**389.2**	170.4	170.4
Private placements	**337.8**	**337.8**	347.7	347.7
Derivatives	**34.6**	**34.6**	60.1	60.1
Trade and other payables	**101.9**	**101.9**	86.5	86.5

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. The total carrying amount of these instruments is £100.7m.

The fair value of these instruments cannot be reliably measured. The range of estimates within which the aggregate fair value is highly likely to lie is £50m – £125m.

28 Financial assets and liabilities continued

(f) Fair value continued
Apart from the unlisted shares and warrants, 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.

Available for sale investments and warrants Fair value is based on quoted prices, where available. Where quoted prices are not available, the fair value is based on the Directors valuation which takes into account latest information from the company otherwise held at cost.

Other derivatives The fair value of the over-the-counter derivatives 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.

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.

(g) Derivatives
The Group utilises the following derivatives instruments for hedging purposes:

	Group			**Company**		
	Contract or underlying principal amount	Fair values Asset £m	Fair values Liability £m	Contract or underlying principal amount	Fair values Asset £m	Fair values Liability £m
Foreign exchange derivatives:						
Forward foreign exchange contracts	130.0	–	0.5	130.0	–	0.5
Cross currency swaps	195.8	–	34.2	66.0	20.3	34.2
Total	325.8	–	34.7	196.0	20.3	34.7
Interest rate derivatives:						
Interest rate swaps	117.3	–	–	117.3	–	–
Total	117.3	–	–	117.3	–	–

Explanation of transition to IFRS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 January 2005 and the date of transition to IFRS was therefore 1 February 2005.

Statutory consolidated balance sheet

at 1 February 2005
(including IAS 32 and IAS 39)

	UK GAAP as at 31 Jan 05 (Audited) £m	Effect of transition to IFRS (excl IAS 32 and IAS 39) £m	Notes	Effects of implementing IAS 32 and IAS 39 £m	Notes	IFRS as at 1 Feb 05 (incl IAS 32 and 39) (Audited) £m
Non current assets						
Property, plant and equipment	1.3	–		–		1.3
Financial assets; loans and Investments	1,182.8	–		70.7	3,5,6,7	1,253.5
Current assets						
Trade and other receivables	20.2	–		(9.8)	3	10.4
Financial assets; loans and Investments	40.9	–		1.0	3	41.9
Cash and cash equivalents	55.6	–		–		55.6
	116.7	–		(8.8)		107.9
Total assets	1,300.8	–		61.9		1,362.7
Capital and reserves						
Called up share capital	13.9	–		–		13.9
Share premium account	172.5	–		–		172.5
Capital redemption reserve	1.4	–		–		1.4
Other reserves	–	0.5	1	10.6		11.1
Retained earnings	171.7	19.9	1,2	9.7	9	201.3
Equity shareholders' funds	359.5	20.4		20.3		400.2
Non current liabilities						
Financial liabilities	711.4	–		25.5	4,7	736.9
Deferred tax liabilities	–	(0.8)	1	16.8	8	16.0
	711.4	(0.8)		42.3		752.9
Current liabilities						
Trade and other payables	78.5	(19.6)	2	2.9	4	61.8
Financial liabilities	131.5	–		(3.6)	4,7	127.9
Liabilities for current tax	19.9	–		–		19.9
Total capital and liabilities	1,300.8	–		61.9		1,362.7

Statutory company balance sheet

at 1 February 2005
(including IAS 32 and IAS 39)

	Notes	UK GAAP as at 31 Jan 05 (Audited) £m	Effect of transition to IFRS (excl IAS 32 and IAS 39) £m	Effects implementing IAS 32 and IAS 39 £m	IFRS as at 1 Feb 05 (incl. IAS 32 and 39) £m
Non current assets					
Property, plant and equipment		1.0	–	–	1.0
Financial assets; loans and Investments	3,5,6,7	789.7	–	33.6	823.3
Current assets					
Trade and other receivables	3	111.1	–	2.8	113.9
Financial assets; loans and Investments	3	40.9	–	1.0	41.9
Cash and cash equivalents		23.5	–	–	23.5
		175.5	–	3.8	179.3
Total assets		966.2	–	37.4	1,003.6
Capital and reserves					
Called up share capital		13.9	–	–	13.9
Share premium account		172.5	–	–	172.5
Capital redemption reserve		1.4	–	–	1.4
Equity reserve	1	–	0.5	(0.6)	(0.1)
Retained earnings	1,2,9	94.1	19.9	21.0	135.0
Equity shareholders' funds		281.9	20.4	20.4	322.7
Non current liabilities					
Financial liabilities	4,7	446.9	–	10.0	456.9
Deferred tax liabilities	1,8	–	(0.8)	7.3	6.5
		446.9	(0.8)	17.3	463.4
Current liabilities					
Trade and other payables	2,4	97.0	(19.6)	4.9	82.3
Financial liabilities	4,7	131.3	–	(3.5)	127.8
Liabilities for current tax		9.1	–	(1.7)	7.4
Total capital and liabilities		966.2	–	37.4	1,003.6

Notes
to the statutory consolidated and company balance sheet

Non IAS 32 and 39 amendments

1 Under UK GAAP no charge has been made to profit for the cost of share options, as ICG grants all such options at the then ruling market price. IFRS 2 requires the fair value of share option awards to be expensed in the income statement over the vesting period of the options, with a corresponding amount recorded in the 'Reserve for share-based payments'. Deferred tax has been calculated on the taxable value of the share options.

2 Under UK GAAP, dividends are recorded in the year to which they relate. IAS 10 requires that dividends are recorded in the year that they are declared.

IAS 32 and 39 amendments

EIR calculation

3 Accrued cash interest receivable forms part of the EIR calculation under IFRS and, therefore, is now included in the value of loans and investments. EIR calculations have increased the value of mezzanine loans in comparison to the recognition of assets under UK GAAP.

4 Accrued cash interest payable forms part of the EIR calculation under IFRS and, therefore, is now included in the value of financial liabilities. Also includes the net impact of EIR calculations on borrowings and IFRS 1 fair value hedging adjustment relating to the hedging of borrowings for currency and interest rate risk.

Valuation of investments

5 Increase in fair value of warrants and the fair value of quoted and unquoted investments.

Impairment of assets

6 The difference between the effect of discounting the expected future cash flows on impaired assets under IFRS and provisions made under UK GAAP.

Derivatives

7 IFRS requires that derivatives are recorded at fair value rather than being accounted for in the same way as the underlying hedged item.

Taxation and reserves

8 Impact of IFRS on deferred tax provision.

9 The reconciliation of reserves as detailed on page 69.

Reconciliation of retained earnings

from UK GAAP to IFRS
including IAS 32 and 39

	Notes	Group 1 Feb 2005 £m	Company 1 Feb 2005 £m
Retained earnings under UK GAAP		171.7	94.1
Share based payments	9	(0.5)	(0.5)
Proposed dividend	10	19.6	19.6
Deferred taxation		0.8	0.8
Retained earnings under IFRS (excl IAS 32/39)		191.6	114.0
EIR effect on mezzanine loans	1	9.5	6.3
EIR effect on borrowings	2	(8.0)	(8.0)
MTIS on non-cash interest	3	(2.7)	(2.7)
Impairment of loans and investments	4	(0.5)	(0.5)
MTIS on increased value of warrants	5	(2.0)	(2.0)
Fair value and EIR effect on investments	6	18.7	2.5
Increased value of warrants	7	13.0	–
Fair value of derivatives	8	9.1	31.8
Tax effect of above adjustments	11	(16.8)	(6.5)
Retained earnings under IFRS		211.9	134.9

Notes
to the reconciliation of retained earnings

EIR calculation

1 The increase in value of mezzanine loans is due to the change in income recognition policy as part of the EIR calculation.

2 Net impact of EIR calculations on borrowings and IFRS 1 fair value hedging adjustment relating to the hedging of borrowings for currency and interest rate risk.

3 As the value of non-cash interest has increased under IFRS, an increase in the accrual for bonus on the non-cash interest is required.

Impairment of assets

4 The difference between the effect of discounting the expected future cash flows on impaired assets under IFRS and provisions made under UK GAAP.

Valuation of investments

5 The increased charge for the Medium Term Incentive Scheme due to increase in warrants in the period.

6 Investments are held at their fair value or on an amortised cost basis under IFRS rather than cost. This increase relates primarily to loan stock.

7 Under IFRS warrants (and warrants now held as shares) previously valued at cost are now fair valued where this can be reliably measured.

Derivatives

8 IFRS requires that derivatives are recorded at fair value rather than being accounted for in the same way as the underlying hedged item.

Non IAS 32/IAS 39 adjustments

9 IFRS 2 requires the fair value of share option awards to be expensed in the income statement over the vesting period of the options, with a corresponding amount recorded in the 'Reserve for share-based payments'.

10 Under UK GAAP, dividends are recorded in the year to which they relate. IAS 10 requires that dividends are recorded in the year that they are declared.

Taxation

11 The net impact on taxation of the above adjustments.

Statutory consolidated income statement

for the year ended 31 January 2005

	Notes	UK GAAP Year ended 31 Jan 05 (Audited) £m	Effect of transition to IFRS (excl IAS 32 and IAS 39) £m	IFRS Year ended 31 Jan 05 (Audited) £m
Interest and dividend income		101.6	–	101.6
Capital gains		62.9	–	62.9
Fee and other operating income		27.4	–	27.4
		191.9	–	191.9
Interest payable and similar charges		(26.5)	–	(26.5)
Provisions against loans and investments		(28.2)	–	(28.2)
Administrative expenses	1	(41.7)	(0.5)	(42.2)
Profit on ordinary activities before taxation		95.5	(0.5)	95.0
Tax on profit on ordinary activities		(33.5)	–	(33.5)
Profit on ordinary activities after taxation and attributable to shareholders		62.0	(0.5)	61.5
Earnings per share		89.4p		88.6p
Diluted earnings per share		88.7p		88.0p

Notes

1 IFRS 2 requires the fair value of share option awards to be expensed in the income statement over the vesting period of the options, with a corresponding amount recorded in the 'Reserve for share-based payments'.

Notice of meeting and company information

Notice of meeting

Notice is hereby given that the Annual General Meeting of Intermediate Capital Group PLC will be held at 20 Old Broad Street, London EC2N 1DP on 20 July 2006 at 12 noon to transact the following ordinary business:

1 To receive and adopt the financial statements for the period ended 31 March 2006 together with the reports of the directors and auditors thereon.

2 To declare a final dividend of 42.0p per ordinary share.

3 To reappoint Deloitte & Touche LLP as auditors.

4 To authorise the directors to set the remuneration of the auditors.

5 To re-elect as directors:
(a) T R Attwood
(b) L J Dowley
(c) C A Evain
(d) P J Manser
(e) A C Phillips

6 To approve the Report of the Remuneration Committee for the period ended 31 March 2006.

and as special business to consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as ordinary resolution and resolutions 8 and 9 will be passed as special resolutions.

Ordinary resolutions

7 THAT the directors be and they are hereby generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985, to exercise all the powers of the company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £4,057,065 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the company in 2007 or 20 October 2007, whichever is earlier, but so that this authority shall allow the company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities in pursuance of such offers or agreements.

Special resolutions

8 THAT, subject to the passing of resolution 7 above, the directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (as defined by section 94 of the Act) pursuant to the authority conferred on them by the said resolution 7 up to an aggregate nominal amount of £699,494 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall expire at the conclusion of the Annual General Meeting of the company in 2007 or 20 October 2007, whichever is earlier, save that this power shall enable the company before the expiry of this power to make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

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

(a) the maximum number of ordinary shares that may be purchased is 10,485,414;

(b) the minimum price that may be paid for an ordinary share is 20p;

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

(d) this authority shall expire at the conclusion of the next Annual General Meeting of the company in 2007 or 20 October 2007, whichever is earlier, unless previously renewed, varied or revoked by the company in general meeting; and

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

By Order of the Board

J E Curtis
Secretary

14 June 2006

Notes:

1 A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the company.

2 The register of directors’ interests in the share capital of the company, together with copies of directors’ service contracts and copies of the terms and conditions of appointment of non-executive directors are available for inspection during business hours at the company’s registered office at 20 Old Broad Street, London EC2N 1DP.

3 A form of proxy is enclosed for your use. To be valid the form of proxy, together with any power of attorney or other authority under which it is signed, must be lodged with the company’s registrars not later than 48 hours before the time fixed for the meeting.

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