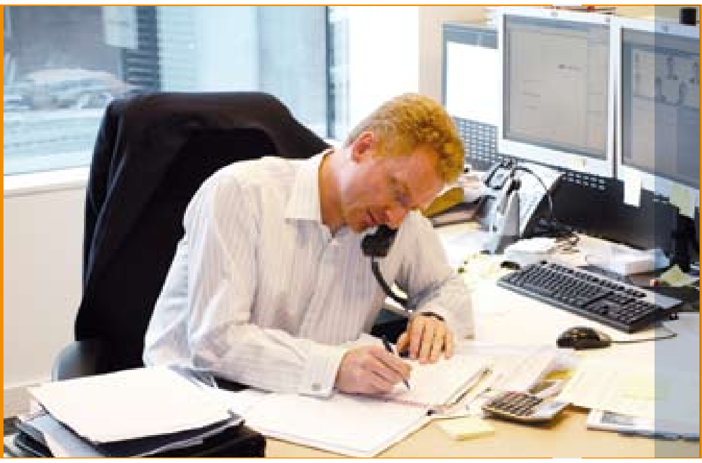


Intermediate Capital Group PLC

Annual Report and Accounts 2008

About ICG

ICG is a listed investment firm and institutional fund manager, serving financial sponsors, management teams, and investors in mid-market companies. With offices in Europe, Asia Pacific and North America, our experienced investment professionals are committed to delivering tailored, flexible and intelligent capital solutions for our clients.

It is our aim to be amongst the world's most innovative and successful investors, doubling in size every five years by employing and motivating great people.

Overview

Operating Review

Financial Accounts

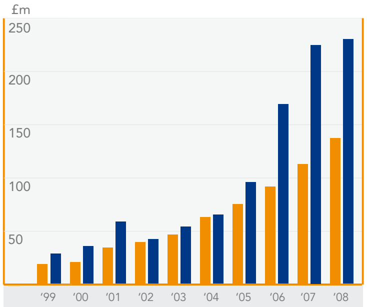
Overview
Highlights

- Core income increased by 22% to £136m
- Gains on investments of £135m, down from record gains of £197m last year, reflecting much lower levels of early repayments
- Profit before tax up 2% to £230m, £36m of which relates to fair value movements on derivatives held for hedging purposes
- Proposed final dividend of 45.5p net per share (65.0p for the full year, up 18% adjusted for Rights Issue)
- Balance sheet investments up 32% to £2.3bn
- Strong balance sheet; recent Rights Issue and a new £500m debt facility to fund growth
- Third party funds under management increased by 25% to £7.3bn (6% adjusted for foreign exchange movements)
- New office opened in New York

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m	Change
Core income*	**136.4**	112.0	22%
Profit before tax	**229.5**	224.0	2%
Balance sheet investments	**2,306.0**	1,749.9	32%
Dividend per share	**65.0p****	55.0p***	18%

* The defintion of core income can be found on Page 24 under Income Statement.
** Proposed.
*** Adjusted for the Rights Issue.

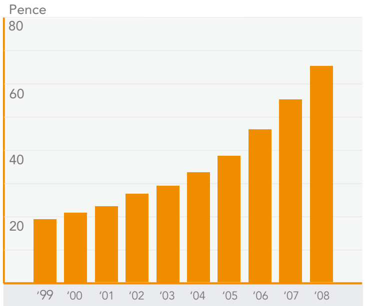
Core income and profit before tax



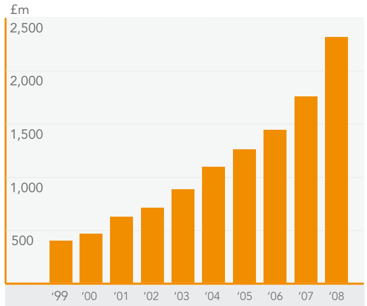
Source: ICG

Core income   Profit before tax

Dividend per share



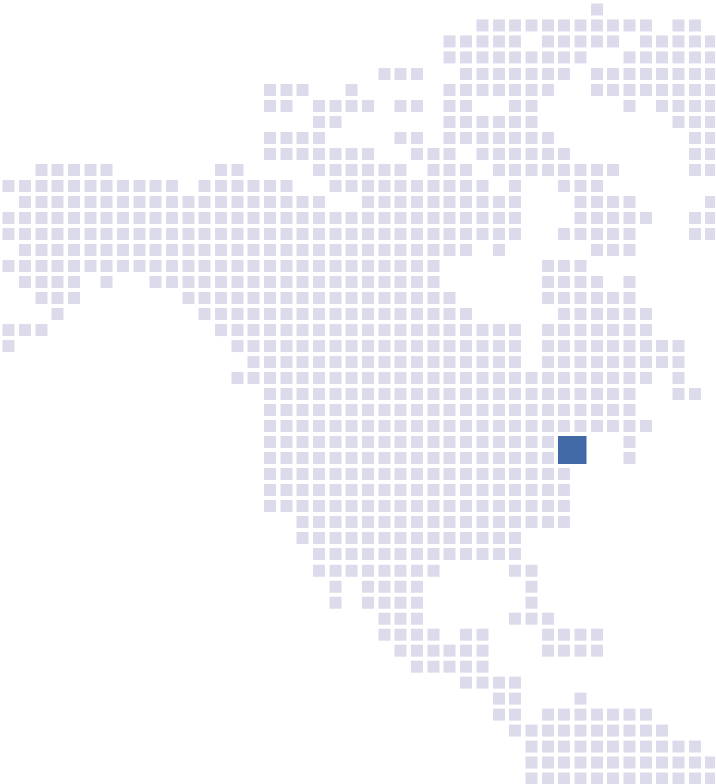
Balance sheet investments



Overview

Global Reach

ICG's success is based on our international network of offices managed by our experienced investment professionals. Our local expertise and relationships help us to source and manage attractive investments, whilst our global coverage and experience offers world class methodologies and insights. We have a presence in all the key markets for mezzanine investment.



London

20 Old Broad Street
London EC2N 1DP
United Kingdom
Telephone 0044 20 7628 9898
Facsimile 0044 20 7628 2268

Paris

38, avenue Hoche
75008 Paris
France
Telephone 0033 1 4495 8686
Facsimile 0033 1 4495 8687

Madrid

Serrano, 30 - 3°
28001 Madrid
Spain
Telephone 0034 91 310 7200
Facsimile 0034 91 310 7201

Frankfurt

12th floor An der Welle 5
60322 Frankfurt
Germany
Telephone 0049 69 254 976 50
Facsimile 0049 69 254 976 99

Stockholm

Birger Jarlsgatan 13, 1tr
111 45 Stockholm
Sweden
Telephone 0046 8 545 04 150
Facsimile 0046 8 545 04 151

4 Continents

9 Offices

New York
250 Park Avenue
Suite 810
New York, NY 10177
USA
Telephone 001 212 710 9650
Facsimile 001 212 710 9651

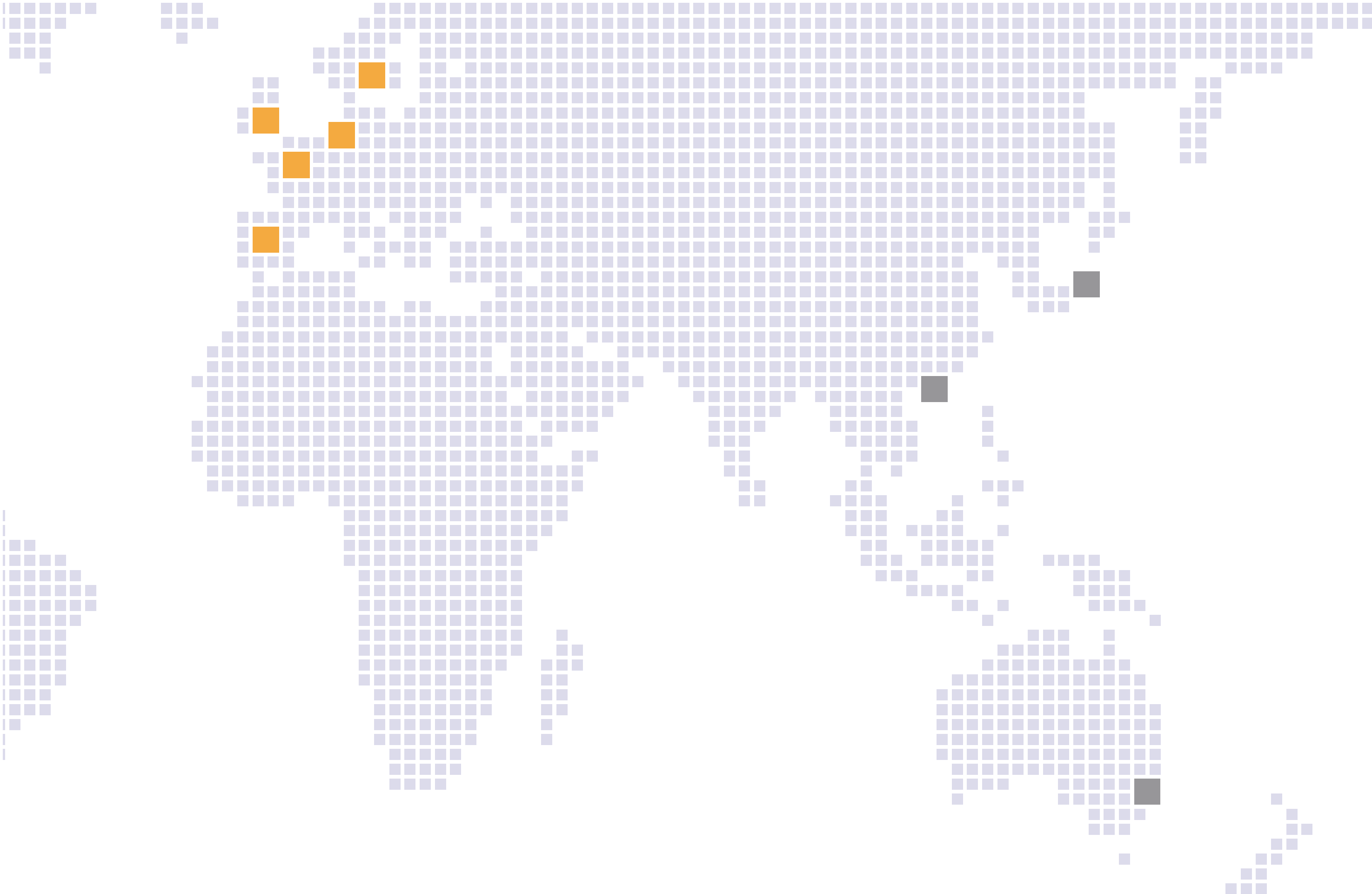
Hong Kong
Rms 3603-4, 36/Fl.
Edinburgh Tower
15 Queen's Road Central
Hong Kong
Telephone 00852 2297 3080
Facsimile 00852 2297 3081

Tokyo
14th Fl., Hibiya Central Bldg
1-2-9Nishi-Shimbashi Minato-ku
Tokyo 105-0003
Japan
Telephone 0081 3 5532 7840
Facsimile 0081 3 5532 7843

Sydney
Level 18, 88 Phillip Street
Sydney
NSW 2000
Australia
Telephone 0061 2 9241 5525
Facsimile 0061 2 9241 5526







Our Business

ICG is a leading investment firm and fund manager specialising in providing debt finance and equity to mid-market leveraged buyouts in Europe, Asia Pacific and North America. We are a long term, committed investor, consistent and proactive in our approach, with a track record of delivering premium returns to our shareholders and fund investors across market cycles. Our performance is driven by the quality of our investment executives, who live in the communities in which we invest, and on our unwavering credit discipline.

Mezzanine Investment

ICG invests alongside private equity sponsors and management teams, providing the necessary financial flexibility in a company's capital structure for it to grow. We look for well managed companies, with strong cash generation and leading positions in their local markets, in countries which offer robust financial and regulatory frameworks. Our local office network provides a competitive advantage in sourcing, monitoring and managing investments. Over the past 19 years ICG has reviewed thousands of transactions, investing in 327 to date, reflecting the Company's highly selective nature.

£2.3bn
Balance sheet investments

£7.3bn
Third party funds under management

Mezzanine Funds

We offer institutional investors the opportunity to invest alongside ICG via a range of Mezzanine funds. Since 1998 we have raised a number of funds focusing on opportunities in Europe and Asia Pacific. Funds under management at 31 March 2008 totalled £3bn. Our investors include some of the world's most respected insurance companies, pension funds, sovereign investors and endowments.

Credit Fund Management

ICG was one of the first managers of Collateralised Debt Obligations (CDOs) in Europe, launching Eurocredit I in 1999. The Credit Fund Management (CFM) team now manages 10 CDO funds, three institutional mandates and one Unit Trust Fund totalling £4.3bn, attracting institutional investors from the US, Europe, the Middle East and Asia Pacific. The CFM team specialises in investments in primary and secondary senior and subordinated debt in leveraged buyouts, often investing alongside the mezzanine investment team.

Overview

Chairman's Statement

"ICG's strong performance is an endorsement of our rigorous credit culture, the high quality of our employees, and the strength of mezzanine as an asset class."

Dear Shareholder

The past year has been another one of considerable achievement for ICG. Despite volatile markets, I am pleased to report core income up 22 per cent to £136m (2007: £112m), and profit before tax of £230m (2007: £224m) up two per cent on last year's record level. This £230m includes a £36m positive adjustment of the fair value of the financial instruments we hold for hedging purposes. The Board has proposed a final dividend of 45.5p, making a total of 65.0p for the year, an increase of 18 per cent compared to last year's dividend of 55p (adjusted for the Rights Issue). The dividend will be paid on 4 July 2008 to shareholders on the register on 6 June 2008.

ICG has an excellent track record of creating significant value for shareholders. Over the past five years we have more than doubled core income, profit before tax, earnings per share and dividend per share. Since we listed in 1994, total return for our shareholders – as measured by the increase in the value of a share including reinvested dividends – has been top quartile within the FTSE 250. ICG's strong performance is an endorsement of our rigorous credit culture, the high quality of our employees, and the strength of mezzanine as an asset class.

£230m
Profit before tax

65.0p
Full year dividend

Looking forward, we believe that there is considerable scope for further increasing shareholder value over the longer term. The changes in the credit markets have considerably improved the balance of risk and reward. Whilst the pace of early repayments has fallen sharply, reducing our capital gains, we welcome the opportunity to invest in better structures for longer periods, creating the potential to deliver strong core income well into the future.

We have further expanded our investment teams in local offices across Europe and Asia Pacific, and opened an office in North America. Our team of investment professionals is supported by the strength of our balance sheet and our infrastructure team. With a diversified, high quality portfolio which is performing satisfactorily, and a well financed balance sheet, we are in a good position to take advantage of the increasingly attractive investment opportunities that are emerging as a consequence of the changes in credit markets.

We do believe that companies in the US and some European countries may be negatively affected by the deteriorating economic environment, leading to greater risks for mezzanine investors. In this context we will be particularly vigilant in monitoring and managing our existing portfolio, and highly selective in choosing new investments. ICG has a strong track record for delivering value throughout many economic and debt cycles, due to its proven and rigorous investment discipline.

We are a people business. Indeed, the high calibre and dedication of our employees is one of our key strengths. I am particularly pleased with the results of a recent employee survey which showed high levels of commitment and pride in our business amongst our employees as well as confidence in our leadership.

In March, Andrew Phillips announced his decision to retire from the main Board. On behalf of ICG, I wish to thank Andrew for the many contributions he made as a Director. We are delighted that he has agreed to continue to assist ICG as Chairman of Intermediate Capital Managers Limited, our wholly owned fund management subsidiary.

I would also like to thank our management and staff, as well as business associates and investors, for their continued confidence in ICG and for helping us to scale new heights. I would particularly like to thank our shareholders who demonstrated their belief in ICG and its prospects for growth by supporting our recent £175m Rights Issue, and our bank lenders who have arranged our new £500m debt facility. These were accomplished in difficult markets, and we take seriously the stewardship responsibilities entrusted to us.

I am confident that together we can continue to grow our business profitably and to deliver value to our shareholders.

John Manser
Chairman
2 June 2008

Overview
Managing Directors' Review

"ICG, which is at its best in difficult markets, has the cash and the experience to thrive in the new investment climate."

In the last 12 months there have been a number of profound changes in the credit markets in which we operate.

After several years of asset price inflation and almost zero defaults, it did not take unrivalled genius for a private equity investor or credit manager to deliver great results. In the future it is not going to be so easy. We believe that ICG will prove to be successful in this period, as it has in previous cycles, given our disciplined approach to investment, the calibre of our people, our high quality and diverse portfolio, and the strength of mezzanine as an asset class.

In our view, subprime was merely a catalyst to bursting the credit bubble last year. It was going to happen anyway, as credit discipline across almost all markets was bypassed in favour of loan book growth at almost any cost. We believe the problem (and the solution) was the way people were paid. Bankers were paid to lend money, fuelled by record levels of liquidity. CDO and credit hedge fund managers were paid to manage bigger and bigger portfolios, and a whole industry was built up and paid increasing sums to serve a larger and larger credit market. People were paid to lend more and more money, so they did.

The growth in the ABS (Asset Backed Securities) market has fuelled the availability of cheap credit for both the consumer and the corporate borrower, in the form of mortgages, credit cards and other loans. Although margins were slim, the debt was syndicated into the ABS market and thus very efficient for lenders' balance sheets. Now the ABS market is closed, balance sheets are

124
Portfolio companies

20
Countries

more inefficient and with little prospect of repackaging and selling the debt, banks must charge higher premiums for lending. This not only impacts companies who are now less able to access cheap debt, but also consumer spending. Initiatives led by the US Federal Bank, the Bank of England and the European Central Bank are helping provide liquidity to this market but it is unclear whether these are long term solutions.

In this context, credit hedge funds are suffering. It is now almost impossible to believe CDO managers will raise new funds in any quantity at any time in the near future. The layers of leverage that make up a CDO are no longer available in the required amounts or, even when they are available, the pricing is at extremely high levels compared to previous years. Banks who provided substantial liquidity to this market are no longer so accommodating, not least because of the remaining overhang of "hung" deals priced and structured before the liquidity crisis. Their appetite is also restricted by the syndication market which is all but closed. This means that the cash flowing into the European leveraged loan market has essentially dried up.

This gives rise to an enormous opportunity for cash investors like ICG. According to Fitch Ratings: "...notwithstanding the severe contraction in all leveraged credit issuance since summer 2007, the mezzanine product has emerged as the one primary market unreservedly open for business, and remains poised for long term expansion". *(Mezzanine Reigns in Europe*, 21 April 2008). They are right but not at any price.

We see three opportunities in European credit markets:

- Primary mid-market deals where the market is still active. Gearing is lower and structures are stronger in these deals, and mezzanine has rapidly regained its place in the capital structure;
- Buying hung deals from banks at a discount. ICG has invested £130m in such deals in the past six months. Investment opportunities are increasing daily as banks recognise their losses and begin to accept discounted prices for their hung assets; and
- Buying discounted senior debt in the secondary markets.

In the year or so before the crisis, we made clear our increasingly careful approach to credit markets, particularly in Europe. This caution led to a significant decline in our European balance sheet portfolio – for the first time ever – in the first half of the financial year, as repayments exceeded new mezzanine investments by £178m. Following the change in the markets we were able to invest on what we believe were much better terms, in quality companies. In the second half we were once more able to increase our European mezzanine portfolio, which grew by 28 per cent to £1.8bn. This significant increase was driven by a combintion of a sharp reduction in repayments which fell from £445m in the first half to £108m in the second, and an increase in the Euro in relation to Sterling.

Our Asia Pacific and newer Minority Partners activities have grown strongly from a small base. In these two businesses, mezzanine has equity characteristics, representing a different balance of risk and reward than in the more mature European mezzanine market. Both businesses are doing well and their portfolios are performing strongly. Our new North American office has also made a good start.

We have also undertaken a number of initiatives to build a scalable platform to support future growth.

We remain convinced of the significant benefits of the private equity model to all stakeholders. It delivers better returns to investors, improved productivity and more jobs. After the bursting of the asset bubble, there are increasingly attractive opportunities for private equity and credit investors alike.

However, these opportunities are not without risk. When we are making new investments we assume that there will be a recession in the US, the UK and Spain and a slowdown elsewhere. The problems in the credit markets will not be solved soon and we expect further and considerable volatility. We will approach the resulting opportunities selectively and be patient.

ICG, which is at its best in difficult markets, has the cash and the experience to thrive in the new investment climate.

Overview
Managing Directors' Review continued

Strategy

Given the changes in the credit climate, we have two vital short term priorities:

- To ensure that our balance sheet is properly and prudently financed to take advantage of the opportunities before us; and
- To maintain the tightest control possible over the credit process, both in making new investments and in monitoring existing ones.

Nevertheless, our long term strategy remains the same. We aim to be amongst the world's most innovative and successful investors, doubling in size every five years by employing and motivating great people. We invest for the long term, in our people, in our regional offices and in our portfolio. We reward our investment executives for successful cash realisations and not for simply lending money.

Geographic expansion

ICG has consistently benefited by expanding its office network, hiring great local talent and ensuring they have the means and support to secure the best transactions.

Consolidating Europe

Over the past five years, we have built a broad network of offices across Western Europe to complement our historically strong UK and French operations. We now employ 47 European investment executives, and will continue to expand this number as and when appropriate. We are opening an office in Amsterdam, and will continue to keep a close eye on increasing our presence in other countries where we believe there are long term opportunities.

Accelerating Asia Pacific growth

ICG is the clear mid-market leader in the Asia Pacific region. It continues to grow rapidly in the favourable market conditions there and we have an expert 10-strong local investment team. Our balance sheet investment capacity is being supplemented by our second fund in the region which held a first close in April 2008. This region is expected to represent an increasing part of ICG's portfolio over the medium term.

Building a strong North American franchise

Last year we opened an office in New York. We expect our investment activities in North America to grow, driven by the six experienced investment executives we recruited there. Having worked with ICG on investment opportunities over many years, the team was an immediate and welcome fit into the ICG culture. They have already completed or assisted with five transactions in the US and have developed a good pipeline into the new financial year.

Product expansion

We have carefully expanded the breadth of financing products which we offer our clients. In the coming year we expect to continue to develop our Minority Partners business and offer a range of new funds to our investors.

Minority Partners

Our Minority Partners business supports management led buyouts in Europe, by providing a tailored combination of mezzanine and minority equity to experienced managers. ICG has invested in many such transactions since its inception and, as the markets mature, the opportunities for these types of investment are increasing. Last year we established a dedicated Minority Partners team of six investment professionals to focus on this growing market. We believe we are well positioned to be a leading player, with excellent sourcing from our local investment professionals and our existing portfolio, combined with the experience of the dedicated Minority Partners executives and the appeal of our long term partnership approach to management teams. We have launched our first Minority Partners fund and achieved a first close in May 2008.

Recovery investments

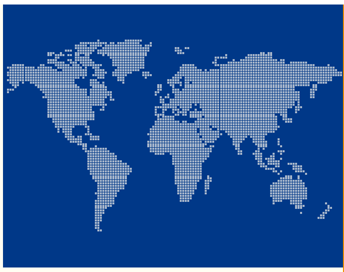
The extreme and inefficient market conditions since the summer of 2007 have created a number of attractive investment opportunities in those asset classes we know well. These include: hung assets which are stuck on bank books despite, in many cases, performing well. With our expertise throughout a number of market cycles and our strong relationships with private equity sponsors, we are well positioned to seize these opportunities. We believe that these "recovery" investments will provide excellent returns to our investors.

Credit Fund Management

ICG is one of the premier European brands in Credit Fund Management, and one of the few able to raise a new CDO after the summer of 2007. Over the year we added more talent to this team of 14, including a new Head of Credit Fund Management and two experienced portfolio managers. Whilst we think it is unlikely that we will be able to raise a new CDO this year in light of current market conditions, we have launched a new Unit Trust fund targeting institutional investors seeking the opportunity to invest in credit markets at the current discounted levels. We have the full complement of skills and capacity to take advantage of mispricing in the

134 Employees

16 Languages



current market and are well positioned for the long term.

Outlook

The shortage of liquidity has led to enormous volatility in all credit markets. As a result, these markets are inefficient, creating excellent opportunities for long term, well capitalised investors such as ICG.

The opportunities are not without risk; indeed we think the credit crisis has more time to run. What was a liquidity crisis is likely to lead to a credit crisis. Leveraged buyouts (LBO's) structured in the benign credit climate prior to August 2007 were often over geared with no margin for safety. This is likely to lead to an increase in default rates over the next year or two.

We are particularly concerned about the performance of the US, UK and Spanish economies where asset price inflation was arguably the highest and where any correction is likely to be hardest felt. There is no sign of a return of liquidity in debt markets and therefore raising new funds will become increasingly difficult for the whole industry.

Summary

It has been another good year for ICG. Our local network of experienced credit professionals has done a great job this year and we are confident they will continue to do so. In this context, we are building an infrastructure capable of extending our recent growth into the future.

The current market is providing us with an increasing number of opportunities to invest at a more attractive balance of risk and reward. Covenant "lite" – and even due diligence "lite" – are thankfully a thing of the past. There is a limited supply of senior debt and no second lien available to borrowers, which is leading to increased deal flow for mezzanine investors, at much better prices than before the crash.

As a consequence of the economic uncertainty that surrounds us, our priorities for this year are: to ensure the appropriate level of liquidity in our balance sheet; to maintain our credit discipline; and to persevere with our long term approach to investing.

Given where mezzanine stands in the risk spectrum, it is inconceivable that our existing portfolio will not suffer some impairments in the coming year, and we are increasing our monitoring and provisioning accordingly. Over almost 20 years and several economic and debt cycles, we have an excellent record of low defaults and high recovery rates. We will be working very hard to maintain this record.

Meanwhile we have resources available to invest. With our successful Rights Issue of £175m and increased bank line of £500m, we had £1bn of available capacity on our balance sheet at the end of March. Our Mezzanine Funds had a further £1.3bn of investment capacity. We will continue to manage our capital structure to take advantage of the opportunities we see before us. The next two or three years represent a time of great risk and great reward for lenders of all sorts, including ICG. We will therefore be patient and invest our resources as the credit cycle unwinds.

Tom Attwood

Tom Attwood
On behalf of the Managing Directors
2 June 2008

Overview
Sustainability and Corporate Social Responsibility

We are committed to ensuring that we meet our corporate social responsibility and transact business in a sustainable way.

Personal and corporate integrity are at the heart of ICG's activities, in the way we work as a team and how we interact with clients and the wider community. We are committed to ensuring that we meet our corporate social responsibility and transact business in a sustainable way.

The Board is responsible for ensuring that we meet high standards of corporate social responsibility. The approach we take is simple. We focus on:

- our people;
- our investors and financial partners; and
- our environment and local community.

Our people

ICG recognises that the continued attraction and retention of exceptional staff is essential to the continued success of the business. ICG strives to provide and engender a positive and uplifting working environment so that our employees maintain high levels of engagement and motivation. We also ensure they are treated with fairness and respect. We aim to ensure that the talents of all our employees are fully developed and utilised and that no one receives less favourable treatment on the grounds of their gender, race, sexual orientation, religion, ethnic or national origin, disability, age or marital status. We also understand that our employees must be allowed to raise concerns about wrongdoing in the workplace in a safe and constructive way. Our whistleblowing policy, reviewed annually by the Audit Committee, provides such a mechanism and ensures employees will not be detrimentally affected by disclosures which are in the public interest.

During the last year the total number of staff increased by approximately one third over the previous year to 134. All of these employees, who are of the highest calibre in their chosen field, have been attracted by the sense of cultural belonging and purpose at work which ICG offers. We enjoy high levels of employee retention and achieve this by providing a positive working environment, and competitive salary and benefits. We help all our employees participate in our success by the operation of a Save as You Earn Share Scheme. The benefits offered to employees are reviewed regularly. In the last year we commissioned an independent consultant to undertake a review of our existing compensation schemes and structures to ensure that they remain market competitive and continue to appropriately align the interests of both employees and shareholders.

We value and listen to our employees' views. Our employee survey undertaken in November 2007 had a response rate of 91 per cent, highlighting their level of engagement with the business. We were pleased to note that the vast majority of our employees are proud to work for ICG and would recommend it as a good place to work. Most concerns were raised over access to information internally. With the appointment of a new IT Director we are working to address these concerns.

ICG believes that well trained employees are integral to our success, not only to arm them with the necessary skills, but also to involve them in the Company's future. Our commitment to development is set out in our Employee Handbook and ensured through our annual staff appraisal process, with staff encouraged to participate in a wide range of courses. Our employees receive training from our Compliance department so that they and the Company can meet legal and regulatory obligations, including the completion of annual anti money laundering training.

Although all our employees operate in an office environment, 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 year no reportable accidents or incidents occurred either under UK Health and Safety regulations or similar regulations outside the UK.

Our investors and financial partners

We are committed to ensuring we are as transparent as possible with all our investors. This includes financial and governance transparency. To further enhance our transparency we have established an investor relations team whose main aim is to develop a more proactive dialogue with investors. In this way we believe we will be able to cultivate mutual understanding and appreciation, in turn reinforcing our positive reputation and brand sustainability.

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

ICG works closely with a number of financial partners, including private equity firms, commercial banks and other financial institutions. In forming these relationships, we seek partners who operate in a responsible and sustainable way. We also recognise that we must offer a supportive, solutions based approach which allows us to serve our partners' specific needs better. We therefore actively promote high ethical standards in all our business relationships, and undertake to be open, honest and consistent in every transaction.

Our environment and local community

Climate change is an enormously important subject that will affect us individually and in the way we run our businesses. ICG is seeking to address the impact of climate change on the Company and to influence others in our industry to consider the issues in their business decisions.

As a financial services company with 134 employees, our direct impact on the environment is relatively small. However, we have relationships and sometimes influence over a number of other companies, including suppliers, financial partners and portfolio companies. We are seeking to drive debate and responsible investing through a number of educational initiatives for our financial partners and portfolio companies.

In May 2008 we initiated the ICG Climate Change Project by inviting Vice President Al Gore, Nobel prize winner and author of "An Inconvenient Truth", to address over 250 people including employees, investors, financial partners and suppliers. This event is the first of a number, whose objectives are to reach the goal of understanding and action. At the Al Gore lecture we launched the ICG symposium at Oxford, where industry leaders will be invited to debate the issues and consider how best to take action to halt the relentless advance of climate change.

Further on the theme of climate change, we are pleased to be sponsoring the ERM Foundation's Low Carbon Enterprise Fund, a registered charity which supports low carbon enterprises across the developing world.

As a multi cultural organisation with strong ties in the local communities in which we operate, we are keen to support the charitable interests of our staff and the communities in which we live. While many of our charitable initiatives centre on addressing climate change issues, such as our recent support for the charity Trees for Cities, we are equally supportive of a number of other charities in which our staff have direct involvement.

Our employees are encouraged to identify, promote and be actively involved in local charities. ICG operates a corporate Give as You Earn scheme, and also manages a separate scheme for its staff. The Company believes it is important for staff to not only give financial support but also their time and allows each employee to take two paid days a year for direct charity involvement.

Key Performance Indicators

We have identified a number of key financial and non financial performance indicators (KPIs) for our business. These KPIs and our performance in the year against them is summarised below, and discussed in greater detail in the Overview and Operating reviews.

Non financial KPI

Staff retention and training

In the last year we have added 32 employees to our organisation. We are delighted at the calibre of the new joiners that ICG is able to attract. Staff turnover has always been low by the industry standard and this year was a record low at 8 per cent.

ICG strives to provide a positive and uplifting working environment. A formal survey confirmed that a high percentage of our employees are proud to work for ICG, would recommend ICG as a good place to work, and are willing to go beyond the requirements of their jobs to help ICG succeed.

We offer development programmes which encourage and facilitate continuous learning and promote ICG's values. An average of 1.9 days of training per employee was achieved in the last financial year.

Our remuneration policy is designed to reward achievement and encourage long term staff retention. Investment executives receive performance related bonuses when capital gains are realised, while non investment staff share in the success of the company via the bonus scheme.

Financial KPIs

Interest rate spreads on mezzanine loans

Interest rate spreads on mezzanine investments have improved in the second half of the year. ICG has benefited as the excess of liquidity in the market, which had adversely affected margins in the past three years, disappeared with the change in credit climate.

Investments in warrants and equity

We continued to obtain warrants on a high number of deals. During the year, 42 per cent of our new loan investments benefited from warrants, well above the average of 11 per cent achieved by the sector, in calendar year 2007 as noted by S&P. We invested a further £201m in equity, bringing our equity portfolio to £404m at 31 March 2008 after sales/exits in the year. These figures exclude equity investments in ICG managed CDOs.

Gearing level of portfolio

Leverage in new transactions, at 8.8 times EBIT, was lower than in the previous year (2007: 9.7 times EBIT), reversing the trend of the past four years. Average gearing, however, is still high by historical standards and we continue to be selective in our investment decisions, with a strong bias towards companies with demonstrably resilient business models.

New lending and repayments

The contrast between the first and second half of the year was striking. In the first half we invested £468m from our balance sheet and were repaid £458m as financial sponsors took advantage of buoyant market conditions for exits or cheaper sources of capital. In the second half we invested £472m and were repaid only £151m, due to the changes in the credit climate.

Default and loss rates

There were no defaults during the year. Our default rate at 2 per cent over our 19 year history has been consistently lower than the industry average due to early identification and active management of underperforming assets.

Our recovery rate on defaults is close to 60 per cent, which we believe is well above the industry average. Our board representation and corresponding early information flow on the majority of our investments plays a significant part in this outperformance.

Business Review

ICG is a listed investment firm, included in the FTSE 250 index. It manages £7.3bn assets in 19 funds for over 250 institutional investors and a further £2.3bn of assets on its own balance sheet.

Our principal activities include:

- the provision of mezzanine and equity to finance leveraged buyouts; and
- the management of 19 institutional funds investing in leveraged buyout assets. Two additional funds were closed post the year end.

We aim to achieve premium returns for our investors and shareholders while exemplifying the highest standards of business integrity in all our operations.

We are also committed to enhancing our positive impact on society and in particular our industry through corporate social responsibility and sustainability.

Operational structure

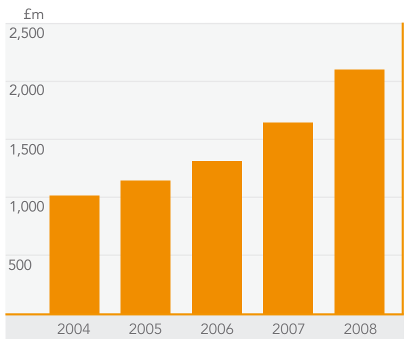
ICG has three primary lines of business:

- **Mezzanine Investment** operates across all our chosen regions, working closely with financial sponsors and/or management teams to identify and invest in leveraged buyout opportunities. We seek leading mid-market companies with outstanding management teams, operating in stable sectors and developed countries with robust legal and regulatory frameworks.
- Our **Mezzanine Funds** invest alongside the balance sheet on a co-investment basis, sharing the benefits of our local knowledge, sourcing expertise, investment discipline and management of the assets.
- The **Credit Fund Management** team manages 10 CDOs, three institutional mandates and one Unit Trust on behalf of over 150 institutions. The CFM team specialises in senior loan, and to a lesser extent, second lien, high yield bond and mezzanine investments in European leveraged buyouts.

We have offices in nine countries spread through Europe, Asia Pacific and North America, and are currently opening an office in Amsterdam. The Company is run by an Executive Committee comprising five Managing Directors, who combined have 50 years of working for ICG.

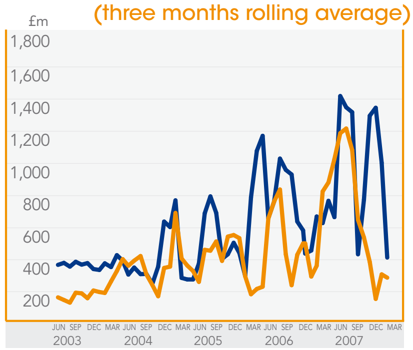
ICG's business activities are also guided by ICG's eight member Investment Committee, Intermediate Capital Managers Limited (ICG's fund management company), and an Operating Board which comprise heads of ICG's regional and functional business activities. The Board of Directors ensures that management meets the long term objectives of our shareholders and other stakeholders.

Chart 1: ICG's portfolio



Source: ICG

Chart 2: New lending versus repayment (three months rolling average)



Source: ICG

New Lending (LHS) Repayments (RHS)

65
Investment executives

36
New deals

Introduction

The past year has been one of two very different halves. Prior to the onset of the market correction in the summer of 2007, ICG's European portfolio contracted. This was due to a shortage of appropriate investments which met our rigorous evaluation criteria and also due to the high level of early repayments in our existing portfolio. The second half of the year was very different, with a significant increase in attractive investment opportunities across all of our businesses.

All of our product groups performed well, with the exception of our Credit Fund Management business, which was affected by the unprecedented decline in the senior loan market (more information can be found on page 21). Overall, ICG continued to grow strongly, investing in new products, regions and infrastructure.

Highlights include:

- Balance sheet investment portfolio exceeded £2bn for the first time;
- Opening an office in New York with an experienced investment team, who are already contributing to our investment portfolio;
- Investing in 36 new deals and arranging a total new investment of £1.7bn, on behalf of our balance sheet, Mezzanine Funds and third parties; and
- Welcoming a number of new institutional investors to our funds and, despite the difficult conditions in the leveraged loan market in the second half of the year, raised a new CDO, Eurocredit VIII, and launched two new funds, Intermediate Capital Asia Pacific Fund 2008 and ICG Minority Partners Fund 2008.

Mezzanine Investment

The Company experienced strong growth in its balance sheet investment portfolio primarily in the second half of the financial year (see Chart 1). This was due to a reduction in early repayments and improved investment opportunities.

In the first half we saw little growth with new investments of £468m offset by early repayments of £458m (see Chart 2). By contrast, in the second half we invested £472m and experienced fewer repayments of £151m. In the 12 months overall, new balance sheet investments amounted to £940m in a record 36 new deals. The growth of the portfolio was also impacted by the appreciation of the Euro (as described in the Financial Review on page 23).

ICG has yet again outperformed the industry in terms of securing warrants (see Chart 3). Where warrants are unavailable we have continued to acquire equity on a selective basis in order to benefit from the equity upside of the transaction.

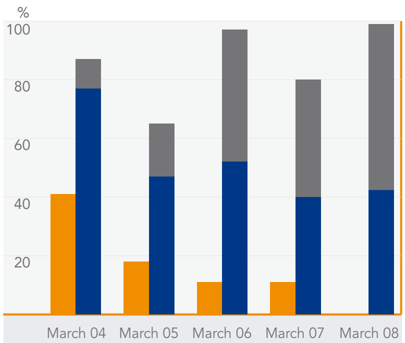
In line with our focus on the mid-market, the average enterprise value of our portfolio investments was £465m while the average size of new mezzanine loans retained on our balance sheet was £21m.

Over the past few years we experienced an increase in the level of gearing on our new investments as a result of unprecedented liquidity in the debt markets as well as, to some extent, rising valuations in the leveraged buyout market.

This trend has now reversed, with average gearing dropping from 9.7 times EBIT in 2007 to 8.8 times in 2008 (see Chart 4). The level of gearing remains high by historical standards. We continue to be selective in our investments, with a strong bias towards companies with demonstrably resilient business models. We are seeing evidence of leverage gradually reducing, especially in European transactions. New transactions also benefit from better terms (including higher prepayment penalties, increased use of warrants and higer front end fees), stronger covenants and higher pricing.

We have benefited from a modest improvement in pricing on our investments of, on average, 30 basis points (see Chart 5). This, along with the lower level of gearing and better terms achieved, has substantially improved reward per unit of risk. Pricing is continuing to improve, reflecting both the increased underlying cost of funding and, more importantly, greater demand for mezzanine in all our markets.

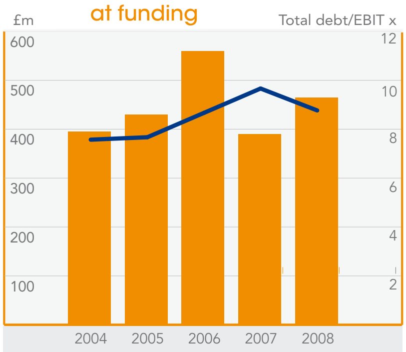
Chart 3: Warranted mezzanine



Source: ICG and S&P

S&P market sample ICG ICG equity co invest

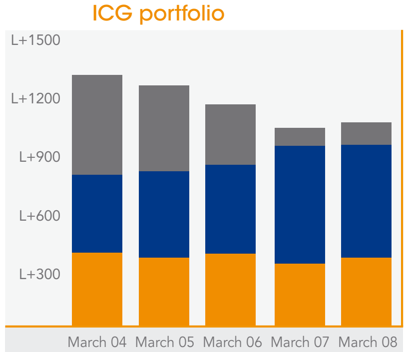
Chart 4: Average deal size and leverage at funding



Source: ICG

Average deal size (LHS) Leverage (RHS)

Chart 5: Blended mezzanine spread – ICG portfolio



Source: ICG

Cash spread PIK spread Equity kicker

Business Review continued

Our existing portfolio is performing well and so we welcome the reduction in early repayments and the opportunity to increase our investment activity in a mezzanine friendly environment.

At 31 March 2008 our portfolio comprised 124 companies spread across 23 sectors (see Chart 6). Over the course of the past two years we have deliberately favoured investments in non cyclical industries. The highest industry concentration is in Business Services at 16.2 per cent of our total portfolio. We seek to invest in companies which have leading positions in their sector, high barriers to entry and strong cash flow generation, with proven, quality management teams and strong financial sponsorship.

Our 20 largest investments, listed on page 28, together account for £996m or 43 per cent of our portfolio. They are spread over eight countries and 11 sectors.

Our largest investment is Marken, a leading global supplier of logistics support services to the biopharmaceutical industry, which accounts for three per cent of our total portfolio. ICG provided mezzanine and minority equity alongside management in a secondary buyout.

The Company's rigorous investment process and active monitoring methodology have enabled us to achieve low default rates and high recovery rates to date. Over our history of nearly 20 years, ICG has experienced a two per cent default rate with a 60 per cent recovery rate on defaulted mezzanine loans, better than the market for our peer group (see Chart 7). Investment executives, who often have Board representation at portfolio companies, are responsible for regular monitoring and quarterly reporting of their regional investments to our Investment Committee. Investment Committee reports include a detailed analysis of expected performance and risk factors. On the basis of these reports, each asset is assigned an internal rating. Assets which show a material risk of future underperformance are put on a "watch list".

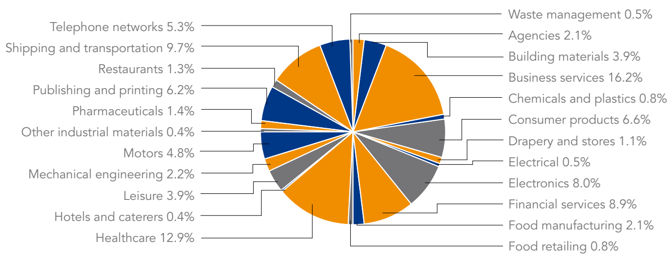
Over the past year we have expanded our Investment Committee from six to eight members to respond to the broader geographic reach of our business and the increased pipeline of attractive investment opportunities.

At 31 March 2008, ICG's watch list included 13 assets accounting for seven per cent of our portfolio, which is consistent with recent years. Our portfolio will not be immune to deterioration in the global economy. However, at present, the majority of our portfolio is continuing to perform well. Indeed, in the last quarter of our financial year our portfolio experienced more upgrades than downgrades, due to a small number of expected repayments and in some cases improved debt to EBITDA performance.

The challenge in the current market is to identify robust and attractive investment opportunities which can withstand uncertainty and extreme volatility. We expect to draw fully upon our credit selection and monitoring expertise, our strong local relationships and unique portfolio of existing assets to drive value into the future.

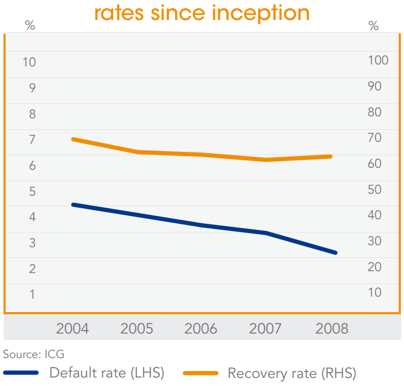
Although our portfolio is still largely comprised of European investments (78 per cent), we experienced strong growth from our other regions and activities (see Chart 11, Page 20). Asia Pacific now accounts for five per cent of the portfolio up from three per cent last year and North America for three per cent, up from zero per cent last year. Minority Partners investments represent 14% of the total portfolio.

Chart 6: ICG portfolio – sector split



Source: ICG

Chart 7: Average default and recovery rates since inception



Source: ICG

23
Sectors

19
Years of experience

Europe

In the 12 months to 31 March 2008, we invested £539m from our balance sheet in 24 new European transactions.

Our European performance was strongly influenced by changes in the credit environment. In the first half of the year, our European investment executives rejected an unprecedented number of investment opportunities as overly leveraged, poorly priced and "covenant lite". At the same time, ICG's existing portfolio experienced a very high level of repayments as sponsors sought to capitalise on cheaper financing alternatives and high multiples for exits. As a result, our European portfolio declined by 12 per cent in the six months to 30 September 2007 (see Chart 8).

By contrast, following the onset of the change in the credit climate, ICG increased the pace of its investments in response to structure and pricing improvements. Investment opportunities in the second half have typically offered more conservative leverage, healthier risk/reward ratios, and stronger covenants and prepayment penalties.

Overall, the disappearance of excess market liquidity has had a positive impact on ICG's European mezzanine activities. Even though the volume of LBOs has decreased significantly since the summer of 2007. With lenders unwilling or unable to provide financing and the disappearance of second lien, target companies have rapidly expanded the use of mezzanine in their capital structures (see Chart 9). In the first quarter of 2008, 73 per cent of European leveraged buyouts were financed through equity, senior debt and mezzanine only, the highest ever.

In the second half we took advantage of opportunities to purchase high quality assets, "hung" on bank balance sheets or trading at discounts in the secondary market. These transactions accounted for 17 per cent of new investments in the year.

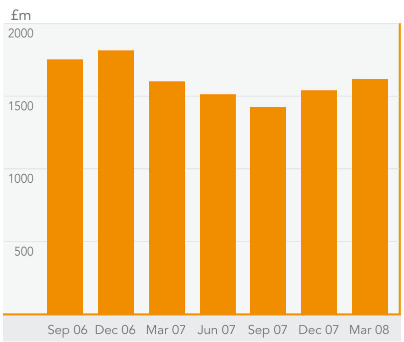
Overall, France accounts for the largest share of our European portfolio with close to half of the assets. The UK continued to decline, reflecting our negative outlook for the UK economy and the impact of foreign exchange movements against Sterling. Germany, Spain and the Nordic countries comprise close to 10 per cent each of our European portfolio, while Benelux comprises six per cent (see Chart 10).

We already have a presence in five European countries, and are opening an office in Amsterdam this year. We continue to build our team of highly experienced mezzanine executives as appropriate.

We believe there has been a fundamental shift in the European mezzanine market and therefore expect to enjoy favourable conditions in the medium term. In the short term, this favourable outlook may be tempered by the current deceleration in the LBO market and continuing high asset prices. However, we expect LBO volumes to rebound over the medium term, as private equity sponsors seek to deploy their substantial cash reserves once sellers have adjusted their price expectations. We estimate that funds raised in the last three years and yet unspent by European private equity investors are close to £100bn. With the application of leverage there is therefore considerable scope for growth within the LBO market when market conditions improve.

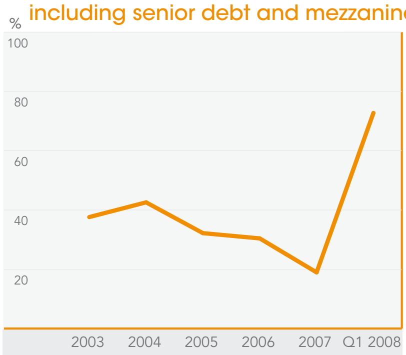
With the considerable liquidity available from both our balance sheet and our European Mezzanine Fund 2006, we are well positioned to benefit from the improved investment climate.

Chart 8: ICG's European portfolio



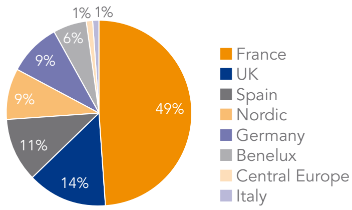
Source: ICG

Chart 9: Percentage of European LBOs including senior debt and mezzanine



Source: S&P

Chart 10: ICG's European portfolio – geographic split



Source: ICG

Business Review continued

Asia Pacific

Our Asia Pacific business serves mid-market companies and their investors in the more developed countries of the region including Australia, New Zealand, Taiwan, Singapore, Korea and Japan. We believe that the experienced management teams, combined with the clear legal, tax and financial frameworks found in these markets, provide the necessary conditions for success.

Our operations in the region gained significant momentum during the past year, closing four new deals and investing £103m to more than double the size of the portfolio. Two of these transactions came from Australia and New Zealand, where we benefited from the opening of our Sydney office in early 2007. Chart 12 shows the geographic split of our Asia Pacific portfolio.

Strong economic growth in the region will continue to attract increasing numbers of private equity sponsors, both local and international. We therefore expect demand for ICG's mezzanine expertise to grow, driven by LBO and related market activity. As with our other markets we expect to benefit from improved pricing, reduced leverage and greater demand for mezzanine in corporate capital structures, which are features of the new credit environment.

According to Asia Private Equity Review (APER), ICG is the market leader in the Asia Pacific mezzanine market (see Chart 13). Our strong franchise, established relationships with financial sponsors, banks and advisers, the recognition of the ICG brand, and our new Asia Pacific Fund means that we are well positioned to take advantage of these positive market trends.

North America

We opened our first office in North America in 2007, and recruited a team of experienced mezzanine investors based in New York. The team has already completed or assisted in closing five transactions, investing £81m from our balance sheet and has generated a strong transaction pipeline.

As in Europe, the North American mezzanine market has benefited from improved terms following the credit climate change, although this market did not reach the excess liquidity seen in Europe.

Mezzanine is a well established form of finance in the US, although we believe the mid- market is under served. Over the coming year we expect our operation to continue generating significant business from mid-market LBOs.

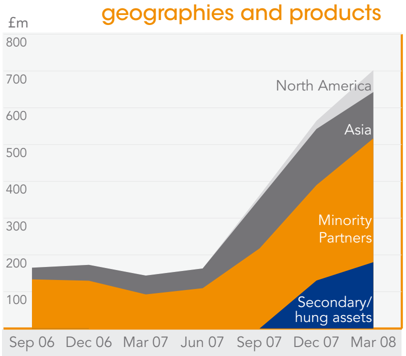
Minority Partners

In the past year we established a dedicated Minority Partners team, managed and staffed by six investment professionals. The team is investing in management led buyouts in Europe, with ICG providing a tailored combination of mezzanine and minority equity. Serial buyouts have proven management teams committed to success, with substantial personal stakes in the Minority Partners transaction. Deals are sourced, completed and managed alongside our local investment professionals, and together they have made a strong start. In the 12 months to 31 March 2008, we arranged a total of £274m in three new Minority Partners transactions. Of this, the ICG balance sheet and existing funds invested £218m. £56m is reserved for the ICG Minority Partners Fund 2008.

Although ICG has long invested in such Minority Partners transactions, the growing maturity of the European LBO market has led to a rapid increase in the number of these opportunities. According to Private Equity Insight data, the volume of mid-market serial buyouts, which are the source of management led opportunities, has increased 12 fold between 2002 and 2007, accounting for more than €34bn of investment in 135 transactions in 2007 alone.

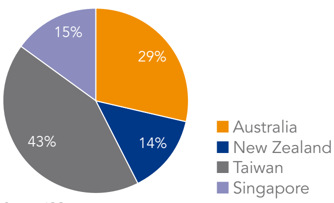
At present ICG is one of the few large pan-European firms in this growing market, giving us an early mover advantage. Over the past two decades we have developed investing experience and established relationships with many LBO companies and related management teams, providing us with a strong origination platform which is supported by permanent capital, a long term approach to investing and our new Minority Partners fund.

Chart 11: ICG's portfolio – growth of new geographies and products



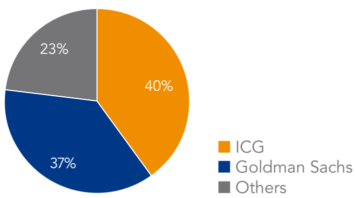
Source: ICG

Chart 12: ICG's Asia Pacific portfolio – geographic split



Source: ICG

Chart 13: ICG's position in Asia Pacific mezzanine market 2003 – September 2007



Source: APER

19
Funds under management

250+
Institutional investors

Mezzanine Funds

ICG's Mezzanine Funds provide investors with the ability to invest alongside ICG. At the same time they expand ICG's investment capacity and provide an attractive and increasing flow of fee income. Our Mezzanine Funds invest exclusively in the transactions originated for our balance sheet. New investment for the year amounted to €876m. At 31 March 2008 total funds under management amounted to €3.7bn and the available investment capacity of existing funds was €1.7bn.

ICG launched its first Mezzanine Fund in 1998. We have since closed a further three European funds and an Asia Pacific fund. In the past year we launched a Minority Partners fund, which had a first close in May 2008, and a second Asia Pacific fund which had its first close in April 2008. These new funds will supplement ICG's growing businesses in Minority Partners transactions in Europe and investment opportunities in Asia Pacific respectively.

Europe

- ICG Minority Partners Fund achieved its first close in May 2008.
- ICG European Fund 2006 is ICG's most recent European Mezzanine Fund, with a final close in March 2007. The fund invested €681m in 25 portfolio companies during the year and has, in total, invested €814m in 31 transactions.
- ICG Mezzanine Fund 2003 invested €1.65bn in 79 portfolio companies throughout the life of the fund. The fund has returned 88 per cent of investor commitments and remains invested in 48 transactions with a total cost of €752m.
- ICG Mezzanine Fund 2000 has returned cash in excess of investor commitments and remains invested in nine assets.
- ICG Mezzanine Fund 1998 has returned cash in excess of investor commitments and remains invested in three assets.

Asia Pacific

- Intermediate Capital Asia Pacific Fund 2008 achieved its first close in April 2008.
- Intermediate Capital Asia Pacific Mezzanine Fund 2005 is closed to new investment and is 90 per cent invested.

Credit Fund Management

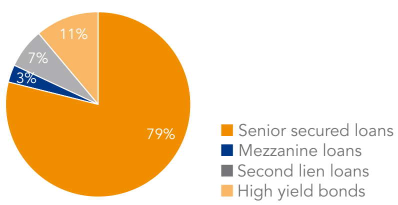
Our CFM business manages 14 vehicles: 10 CDOs (including a market value fund), three institutional mandates and one Unit Trust. ICG's Credit Funds invest in a range of senior, second lien, high yield and mezzanine finance in European LBOs (see Chart 14). Funds under management at 31 March 2008 were up 20 per cent at €5.4bn.

In the second half of 2007, the credit climate change caused severe volatility in the credit markets, creating unrealised losses for marked to market funds regardless of the financial performance of the underlying assets. The majority of ICG's Credit funds were unaffected by the market volatility and continue to perform satisfactorily, not having experienced any defaults in this, or indeed the previous year.

However our only market value fund, Eurocredit Opportunities, did suffer from the unprecedented market volatility despite the continued satisfactory performance of its portfolio companies. It was therefore restructured in order to insulate its performance, as far as possible, from secondary price movements which, in our view, did not reflect the underlying value of the assets. As part of this restructuring, ICG provided debt facilities of £68m in investment grade notes, of which £22m has been repaid since the year end. The balance is awaiting syndication. We are clearly disappointed by the short term performance of this fund and will continue to work hard to achieve satisfactory long term returns for our investors.

In light of the difficult market conditions, we are particularly proud to have closed a new fund in December 2007. Eurocredit VIII raised €636m, an increase from its initial target of €500m, and is one of only a handful of new CDOs raised in the past six months. The successful raising of this fund is a tribute to the strength of the ICG brand in this market.

Chart 14: CFM's assets under management by type



Source: ICG

Business Review continued

In the near term the volatility of the European leveraged loan market has significantly reduced investor appetite for CDOs and related funds as an asset class. However, we remain confident that the long term prospects of our CFM business are strong and we are continuing to build the team further.

As one of the largest, most experienced and well regarded Credit Fund managers in Europe, we are well positioned to take advantage of this market when it reopens.

Building a scalable platform and driving operational excellence

ICG has undertaken a number of initiatives to support the Company's expansion and further drive for operational excellence. We are investing in high calibre personnel across all our regions, focusing on information technology and infrastructure. The strong growth in our fund management activities has been enabled by adding to our marketing, portfolio management, trading and administration support teams. We will continue to invest in a scalable platform to support future growth while maximising operational efficiencies.

Recruiting and retaining top people

ICG makes it a priority to recruit and retain top talent across our business activities. As with our investments, we want our team to be part of ICG for the long term. In the last year the Company recruited 15 investment executives and 17 new infrastructure employees to support them. We believe it is particularly important to promote teamwork and continuous communication, nurturing the common culture which unites all 134 employees who represent ICG across the globe.

Focusing on operational excellence

We have started a programme to build a scalable platform including a firm wide information management system which will enable us to provide outstanding support to our investment teams. We believe that our business processes must be simple and efficient so that operational excellence will be a competitive advantage.

The system will provide a single platform to originate, execute and monitor all our investments. It will provide our investment executives with immediate access to all the investment relationships and market knowledge we have accumulated over the past 19 years.

The programme commenced in September 2007 and is expected to be completed by June 2009. We believe this significant investment in ICG's future will give us a world class system and provide a firm foundation for growth.

Financial Review

£2.3bn Investment portfolio

£896m Shareholder funds

ICG performed strongly in the past year, particularly in the second half as credit conditions became more favourable for mezzanine investments.

Core income was up 22 per cent to £136m due to strong growth in net interest and fee income. Despite a lower level of capital gain realisations, profit before tax reached £230m, up two per cent from last year's record level. This includes an increase in fair value of the financial instruments we hold for hedging purposes (which is not included in core income) of £36m compared to a negative impact of £8m in the prior year.

Balance sheet

Investment portfolio

At the end of the year our investment portfolio totalled £2,306m, an increase of 32 per cent (£556m) from the prior year (£1,750m). New investments for the year amounted to £940m. After repayments of £609m, net new investments were £331m. The strong appreciation of the Euro in relation to Sterling lifted the portfolio by £244m. The balance of £19m is due to the impact of impairments, rolled up interest and transfers to short term assets.

As shown on Chart 15, the Euro is the dominant currency in our portfolio. 68 per cent of our assets are Euro denominated, reflecting the strength of our franchise in continental Europe.

Our investment portfolio includes mezzanine investments of £1,868m, accounting for 81 per cent of the portfolio (see Chart 16). This loan portfolio is well diversified with 89 investments of an average size of £21m. Our largest mezzanine loan accounts for three per cent of the overall investment portfolio.

Equity investments were £438m at 31 March 2008 or 18 per cent of the overall portfolio (2007: 15 per cent). This included £34m invested in the equity tranche of ICG managed CDOs (one per cent of the overall investment portfolio). Our equity portfolio comprises 94 investments with an average size of £5m. Our largest equity investment in a portfolio company accounts for only one per cent of our overall investment portfolio.

Capital position

In the second half of the year, we secured additional capital to continue growing our business and to take advantage of the more favourable investment climate. In February 2008, the Rights Issue raised £175m of new shareholder funds which, together with the £112m of retained earnings for the financial year, brought total shareholder funds to £896m on 31 March 2008.

In addition, we have successfully increased our investment capacity via the debt markets. In March, we secured a new three year, £500m banking facility, arranged by Lloyds TSB and the Royal Bank of Scotland.

This was in addition to the balance sheet securitisation, completed in July 2007 at favourable rates, which generated £399m. These facilities, together with the bank revolver of £1.1bn (renegotiated in December 2006) and £413m of private placements, brought our overall debt facilities to £2.4bn at 31 March 2008. At that date the average maturity of our existing facilities was 5.8 years, well in excess of the average expected life of our loan portfolio.

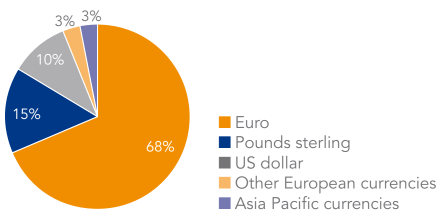
The cost of our new £500m banking facility is higher than our existing lines; however, we believe that this will be more than offset by the higher pricing obtained on new investments.

Gearing at 31 March 2008 was 148 per cent on a net debt to shareholder funds basis. We use a conservative gearing policy, determining our overall gearing by assessing the appropriate leverage on our underlying portfolio composition. Permanent capital and long dated debt funding underpins our long term approach to investing.

With net debt of £1.4bn at 31 March 2008, we had investment capacity of £1bn through our balance sheet at the year end, and £1.3bn through our Mezzanine Funds.

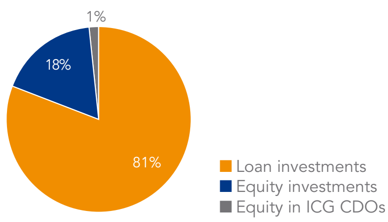
In January we achieved a BBB+ public rating from Fitch Ratings, which increases our financing options when the public bond markets reopen. We will continue to review our funding to enable the continued growth of our business.

Chart 15: Composition of portfolio by currency



Source: ICG

Chart 16: Portfolio composition by asset type



Source: ICG

Financial Review
continued

Income statement

Core income
Core income is the underlying profit derived from our Mezzanine Investment and fund management activities. It consists broadly of net interest income and fund management fees, less related operating expenses, and is therefore driven by pricing and the growth in our investment portfolio and third party assets under management. It does not include the impact of capital gains on investments, provisions for impairments, and other cyclical elements. In the 12 months to 31 March 2008, core income increased by 22 per cent to £136m (2007: £112m) due to strong growth in net interest and fee income (see Chart 17).

Net interest income
Net interest income increased by 17 per cent to £162m due to growth in our investment portfolio. Our average portfolio (based on month end values) was £1,878m, up from £1,610m in the previous year. As a result interest and dividend income was up 20 per cent to £237m. Interest expense, excluding the £36m positive adjustment to the fair value of financial instruments held for hedging purposes, was up 28 per cent to £75m. The LIBOR and EURIBOR rates were both around one per cent higher on average compared with the previous financial year. This resulted in a higher growth rate for interest expense compared to interest income, given the lower spreads we pay on our liabilities compared to those which we receive on our assets.

Fee income
Fee income comprises fees generated from arranging and underwriting mezzanine investments and those generated by managing our Mezzanine and Credit funds. Fee income grew by 71 per cent to £57m, driven by strong increases in funds under management in our Mezzanine and CFM activities (see Chart 18). This recurring income stream has been growing as a proportion of core income.

Fee income derived from our Mezzanine Funds was up 158 per cent to £31m, on the back of a 13 per cent growth in Funds under management (helped by the appreciation of the Euro). Our latest European Mezzanine Fund, which closed in March 2007 at €2.15bn (including leverage), contributed a full year of management fees to profit for this financial year for the first time. Fee income also included £8m in carried interest from our Mezzanine Fund 2000.

Fee income derived from Credit Fund Management was up 22 per cent to £18m. Credit Funds under management increased 20 per cent to €5.4bn up from €4.5bn at the end of last year largely due to Eurocredit VIII, which closed in December 2007.

Arrangement and underwriting fees were £7m for the year (2007: £6m).

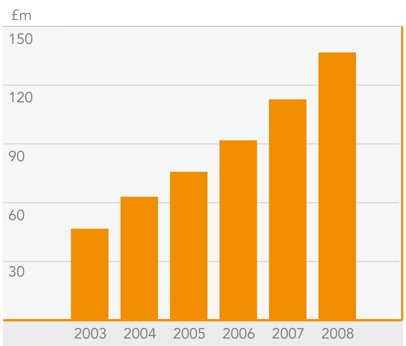
Expenses
Operating expenses before the cost of the Medium Term Incentive Scheme increased from £47m to £63m, as we continued to expand our network of offices and hire investment professionals to support our growth plans. This includes our first North American office, in New York, opened in the first half of this financial year.

We have also started an investment programme to build a scalable infrastructure platform, including a firm wide information management system which will enable us to provide outstanding support to our investment teams. Our finance, tax, investor relations, fund administration, human resources and loan administration teams have all been strengthened in the past 12 months. In the medium term this will result in improved efficiency across the firm.

As a result, headcount increased by 32 to 134 in the year contributing to the 31 per cent increase to £43m in salaries and benefits. This figure includes one off short term joining incentives. Non payroll expenses were up 38 per cent to £20m due to the costs of setting up and running the new offices and professional fees on deals that we chose not to pursue, reflecting our disciplined credit approach.

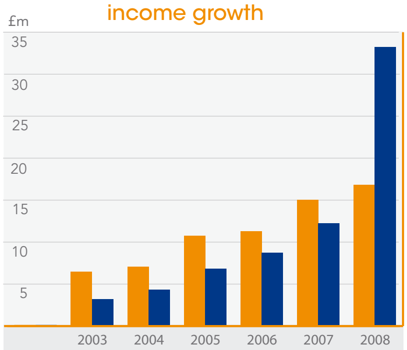
Accrued Medium Term Incentive Scheme costs on rolled up interest are included in core income. Rolled up interest accrues on loans, loan stock and preference shares, and is not paid until the loan is repaid. These incentive expenses accrue when returns on rolled up interest exceed a contractual hurdle rate, giving rise to

Chart 17: Core income growth



Source: ICG

Chart 18: Fund management fee income growth



Source: ICG

CFM Mezzanine Funds

bonuses for our investment executives. Medium term incentive costs on rolled up interest were £20m, up from £13m last year, reflecting the successful growth of our portfolio. These bonuses are only paid out when rolled up interest, as well as the principal, have been repaid.

Gains on investments

Gross gains on investments of £135m were below the record level of £197m achieved last year, as the credit crunch brought to an end the high level of exits experienced in the previous two years. As a result, the portion of the Medium Term Incentive Scheme costs generated by capital gains on investments was also lower, at £32m compared to £42m in the prior year.

Impairments

ICG provides against any investment, including rolled up interest, where, in our judgement, there is evidence of an impairment event that has had an impact on the estimated future cash flows. This evidence depends upon the specific investment, its country, sector and other factors. ICG has a successful track record of early intervention and subsequent recovery from impaired assets.

Whilst none of our investments defaulted during the year, we have provided £61m against possible future losses. Recoveries amounted to £15m in the 12 months to 31 March 2008 (2007: £3m), illustrating our successful history of recovering impaired assets. This led to £46m of net provisions for the year.

Net provisions relating to investments in portfolio companies were in line with last year's level of £35m and provided for potential losses on six investments. Gross provisions were £50m for the year up from £38m in the previous year.

We have also taken a provision of £11m against the value of the equity invested in ICG managed CDOs. We use market assumptions provided by third parties to determine the likely cash flows to be received from these assets. Market assumptions, principally default and return assumptions, have been revised across the asset class following the changes in the credit climate and the economic outlook, resulting in a lower valuation of our equity in CDOs. At 31 March 2008 the post provision value of the equity in the CDOs carried on the balance sheet was £34m, accounting for one per cent of the overall portfolio.

Profit before tax

Profit before tax for the 12 months to 31 March 2008 was £230m, an increase of two per cent over the prior year. This benefited from a £36m positive adjustment of the fair value of the financial instruments we hold for hedging purposes versus an £8m negative adjustment last year. Profit after tax of £155m was up eight per cent, due to the reduction in our effective tax rate from 36 per cent to 33 per cent and the two per cent increase in profit before tax.

Earnings and dividends per share

Earnings per share for the year were 213.4p, up 10 per cent on last year's earnings per share of 194.0p (adjusted for the Rights Issue). The Board has recommended a final dividend of 45.5p. This would result in a full year dividend of 65.0p per share, up 18 per cent on last year's dividend of 55.0p (adjusted for the Rights Issue).

Financial outlook

Capital gains are expected to decrease due to lower realisations in the current financial year. In addition, we expect provisions to be higher given the economic outlook. However, ICG is experienced at managing its portfolio through difficult markets, with an excellent track record on defaults and recoveries.

We expect net interest income to increase further due to the growth in our investment portfolio. Fee income will also continue to increase as we close the new Asia Pacific and Minority Partners funds, although their contribution this year will be limited due to offsetting fundraising costs. The rate of growth in our cost base should decline as the major investments in our network and infrastructure are well under way. Overall these factors should positively impact growth in core income.

We believe that ICG will be successful in this cycle, as it has in previous cycles, and we remain confident of achieving our objective to double in size every five years.

Operating Review

Principal Risks and Uncertainties

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

The Executive Committee is comprised of our five Managing Directors. It focuses on strategic issues including management of assets and liabilities, recruitment of senior staff and their remuneration.

The Investment Committee, which comprises our five Managing Directors and three of the senior executives. It is responsible for reviewing and approving all investment proposals presented by investment executives in accordance with the Investment Policy set by the Board. The approval of the Board is required for large investments. The Investment Committee also reviews the quarterly reports on our portfolio companies and coordinates management plans for individual assets as necessary.

The Global Operating Board is responsible for management policy and ensures the implementation and compliance with company standards with regard to management, regulation, marketing and HR. It includes our five Managing Directors and some of the heads of our business lines.

The Compliance Department is responsible for ensuring that business is conducted in accordance with relevant regulations.

Our key risks, and the ways in which we mitigate them, include:

Business risks

Risk area	Potential impact	Mitigation
IT failure, business interruption, human errors	The inability to conduct business normally could lead to losses and/or damage our reputation.	Internal policies set by the Board determine how operations should be executed. We have a business continuity plan in place which ensures that our systems can be rebuilt in the event our premises suffer a disaster. We employ high calibre staff who are trained to behave in a professional manner and deal with third parties accordingly. We follow FSA guidelines and aim at adopting best practise whenever possible. Internal checks and audits are designed to mitigate these risks. ICG considers the use of appropriate insurance to be a mitigant against a number of operational risks such as fraud and third party claims.
Loss of staff	The loss of key employees would be detrimental to our growth.	We have in place a number of incentive schemes designed to attract and retain high calibre executives. We are committed to providing competitive remuneration packages for our staff.
Regulatory risk	Our fund management business is the part of the business that is most exposed to regulatory risk. Enforcement action by the Financial Services Authority ("FSA") could result in significant damage to the Company's reputation, while withdrawal of FSA approvals could result in the loss of its fund management activity.	ICG has a full-time compliance officer who reports to the Board and whose role is to ensure that the business complies with all current FSA regulations. We also have thorough anti money laundering and know your customer procedures to comply with current legislation. Each employee is asked to endorse our compliance manual on an annual basis and undertake training on compliance matters.

Financial risks

Risk area	Potential impact	Mitigation
Credit risk	Credit risk is the risk that unexpected losses may arise as a result of ICG's borrowers or market counterparties failing to meet their obligations to pay.	ICG limits the extent of credit risk by diversifying its portfolio in terms of geography, sector and size. It has disciplined credit procedures both before and during the period of investment to protect its portfolio. Each investment receives an internal credit rating based on performance and risk to capital. Lower rated assets are reviewed on a weekly basis by the relevant investment executive and country head. Credit risk is limited by the Company's focus on high quality, third party relationships. All Credit Fund counterparties are approved and FSA regulated.
Funding and liquidity risk	Liquidity risk is the risk that ICG will be unable to meet its financial obligations as they fall due as assets held cannot be realised. ICG recognises that there may be times when the equity and/or credit markets are closed and it would not be possible to raise finance for what might be attractive investment opportunities.	ICG funds assets with a combination of permanent capital and medium and long term committed debt facilities. We have an active dialogue with our shareholders, bankers and other potential capital providers, and are committed to transparency in order to build a trust and long term relationships. We are committed to maintaining diverse sources of medium term finance and to ensure that we always have sufficient committed but unutilised debt facilities. A detailed review of our funding sources is available in the note of the accounts. We operate prudent gearing and hedging policies and maintain headroom on our facilities based on future cash flow requirements and refinancing commitments.

Market risks

Risk area	Potential impact	Mitigation
Competition	When the supply of credit is readily available, competition increases, not only for mezzanine assets but also for all sub investment grade debt, at times leading to a deterioration of the risk/reward ratio.	During these periods ICG will be selective when making new investments and seek to maintain its credit discipline. When credit is not readily available in the broader market, ICG aims to take advantage of new opportunities that emerge at a better risk/reward ratio.
Foreign exchange risk	ICG is exposed to movements in exchange rates for the translation of net assets/ liabilities,the most significant being the Euro and the US dollar.	ICG mitigates foreign exchange risk by financing its loans and investments by means of borrowings or synthetic borrowings in the respective currency invested. In addition, derivative instruments are used to hedge a proportion of unrealised income recognised on a fair value basis. Derivative instruments are used on a limited basis to reduce the Company's exposure to foreign currency movements on transactions.
Interest rate risk	Interest rate risk is defined as the risk of loss through adverse movements in interest rates.	The Company seeks to match the interest profiles of assets and liabilities in order to reduce interest rate risk. ICG uses financial derivatives to achieve this. As a result, the Company does not have material financial exposure to interest rate movements.

Operating Review

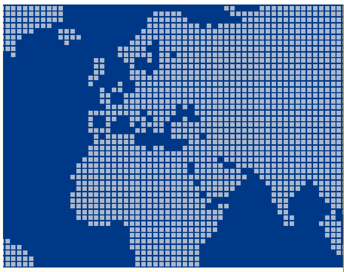
Portfolio: Top 20

Top 20 assets at 31 March 2008

Name	Country	Industry	Investment year	£m
Marken	UK	Shipping and transportation	2007	76.6
Elis	France	Business services	2007	73.5
Bureau van Dijk	Belgium	Publishing and printing	2007	73.5
Medi-Partenaires	France	Healthcare	2007	72.8
Applus+	Spain	Business services	2007	69.9
TBC	Taiwan	Telephone networks	2007	55.3
Attendo	Sweden	Healthcare	2007	52.5
Gala	UK	Leisure	2003	49.1
Sebia	France	Healthcare	2006	48.7
Orizonia	Spain	Agency	2006	47.6
Materis	France	Building materials	2006	46.0
BAA	UK	Shipping and transportation	2006	45.5
Dometic	Sweden	Motors	2005	38.5
Minimax	Germany	Electronics	2006	37.0
Hune	Spain	Business services	2006	36.6
Visma	Norway	Business services	2006	36.4
Medica	France	Healthcare	2006	34.9
SAG	Germany	Electronics	2008	34.2
Springer	Germany	Publishing and printing	2003	33.7
Ethypharm	France	Phamaceutical	2007	33.4
			Total	**995.7**

Operating Review

Portfolio: Europe



Investments made in FY2008. The amounts quoted are for ICG and Mezzanine Funds managed by ICG.

1st Credit (UK)
Provides debt purchase and outsourced debt collection services.

AA/SAGA (UK)
Provides roadside breakdown and insurance services. It also provides products and services to people aged 50 and over.

Accantia (UK)
Develops and distributes skincare, toiletries and soap products.

Acteon (France)
Manufactures small equipment and consumables for dentists.

A-Katsastus (Denmark)
Provides vehicle inspection services.

Albingia (France)
Provides insurance services.

Allflex (UK)
Manufactures livestock identification systems.

Alma (France)
Provides tax recovery and cost reduction services. In December 2007 ICG invested €45m in the mezzanine facility arranged to assist the buyout. ICG also invested €8m in the equity.

Anacap (UK)
Invests in financial sector companies.

Apem (France)
Manufactures professional switches and keyboards.

Applus+ (Spain)
An inspection, certification and technological services company. In November 2007 ICG arranged mezzanine and equity facilities of €180m to assist in the buyout.

Asco (UK)
Provider of logistic services for the oil industry.

Aster (Poland)
Provides cable television, broadband internet and telephony services.

Astorg IV (France)
Fund investment.

Attendo (Sweden)
An existing investee company, the leading elderly care provider in Sweden. In August 2007 ICG arranged and provided a mezzanine facility of €42m to assist in the acquisition of MedOne. ICG also invested an additional €3m in the equity.

Aviapartner (Belgium)
Provides airport ground handling services.

AVR (Netherlands)
Provides waste management services.

BAA (UK)
Operates airports.

Bodybell (Spain)
Retailer of cosmetics and perfumes.

Bureau van Dijk (Belgium)
An electronic publisher of comprehensive company information. In December 2007 ICG invested €166m in the mezzanine facilities arranged to help restructure the financing for the secondary buyout.

Carema (Sweden)
Provides healthcare and cars services.

Care Management Group (UK)
Operates care homes for people with physical and learning disabilities.

Cerba (France)
Speciality laboratory which performs clinical tests.

Codere (Spain)
Gaming company.

Courtepaille (France)
Operates grill restaurants.

Craegmoor (UK)
Operates care homes.

Dako (Denmark)
Provides cancer diagnostic instruments and reagents. In July 2007 ICG took a participation of US$43.9m in the mezzanine facility provided to assist in the buyout. ICG also invested DKK25m in the equity.

Dometic (Sweden)
Supplies appliances for recreational vehicles.

Portfolio: Europe continued

DSV (Denmark)
Provides transportation and logistics services.

Duni (Sweden)
Supplies tabletop products.

Dynea (Finland)
Adhesian and surface solutions.

Easycash (Germany)
Provides card payment network services.

Edscha (Germany)
Global automotive supplier.

Elior (France)
Contract and concession caterer.

Elis (France)
A leading textile rental and cleaning business. In November 2007 ICG invested €151m and arranged to help restructure the financing for the tertiary buyout.

Ethypharm (France)
Develops and manufactures drugs. In April 2007 ICG invested €55m in the mezzanine finance provided to support the buyout. ICG also invested €9m in the equity.

Eurodatacar (France)
Provides services to complement traditional insurance policies covering theft of vehicles.

Eurofarad (France)
Manufactures passive components.

Famosa (Spain)
Manufactures toys.

Feu Vert (France)
Operates auto centres. In May 2007 ICG invested €57m in the mezzanine finance provided to support the buyout. ICG also invested €6m in the equity.

Firth Rixson (UK)
Manufactures components for aero engines. In December 2007 ICG took a participation of £18m in the mezzanine facility arranged to assist the secondary buyout. ICG also invested £3m in the equity.

Fitness First (UK)
Operates health clubs.

Flaktwoods (France)
A leading global supplier of energy efficient air solutions. In September 2007 ICG invested €40m in the mezzanine finance provided to support the secondary buyout. ICG also invested €7m in the equity.

Fraikin (France)
Independent truck rental company.

Gala Coral Group (UK)
Operates bingo, casino and licensed betting outlets.

Gealan (Germany)
Manufactures PVC window systems.

Geoservices (France)
Provides upstream services to the oil industry.

Geoxia (France)
Real estate developer and housebuilder.

Gerflor (France)
Manufactures PVC flooring.

Global Solutions (UK)
Provides support services for public and private sector organisations. In May 2007 ICG arranged a mezzanine facility of £20m to assist in the recapitalisation.

Groupe Moniteur (France)
Magazine group.

HLF Insurance (UK)
Insurance broking.

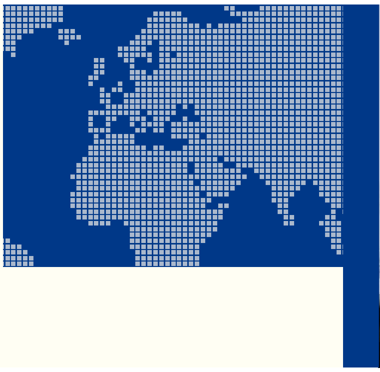
HMY (France)
Provides shelving equipment, checkout counters and point of purchase items.

Hune formerly Euroloc (Spain)
An existing investee company, provides equipment and machinery for hire. ICG invested more than €20m to assist in three acquisitions.

Ideal Stelrad (UK)
Manufactures boilers and radiators.

Indas (Spain)
Manufactures incontinence products. In July 2007 ICG provided mezzanine finance of €35m to assist in the buyout. ICG also invested in the equity.

Inspecta (Finland)
A testing, inspection and certification business. In August 2007 ICG arranged and provided mezzanine facilities of €40m to assist in the secondary buyout. ICG also invested €9m in the equity.



Interbest (Netherlands)
Provides roadside advertising. In December 2007 ICG arranged and provided a €20m mezzanine facility to assist in the buyout. ICG also invested €2m in the equity.

IPT (UK)
Manufacturers fabrics.

Lecta (Italy)
Manufacturers woodfree coated products.

Loewenplay (Germany)
Gaming arcade operator.

Loyalty Partners (Germany)
Provides the leading multi company loyalty card.

Mach (Luxembourg)
Global clearing house of roaming bill records for mobile network operators.

Materis (France)
Manufactures specialilty chemicals for the construction industry.

Mayborn (UK)
Manufactures baby and household products.

Medica (France)
Operates nursing and elderly care homes.

Meyn (Netherlands)
Manufactures poultry processing equipment.

Minimax (Germany)
An existing investee company, is a global supplier of fire protection systems and services. In November 2007 ICG invested US$12m in the mezzanine facility provided to assist in the acquisition of Consolidated Fire Protection. In December 2007 ICG also invested €7m in the equity.

Nocibe (France)
Retailer of perfumes and cosmetics.

Norcros (UK)
Manufactures and distributes showers and tiles.

NW Vending (Italy)
Manufactures food and beverage vending machines.

Orizonia (Spain)
Vertically integrated tour operator.

Parkeon (France)
Develops and manufactures parking and transit ticketing systems. In June 2007 ICG invested €42m in the mezzanine finance provided to support the secondary buyout. ICG also invested €5m in the equity. In October 2007 ICG made a further investment of €10m to assist in the acquisition of Wayfarer.

Petroplus (Netherlands)
Petroleum products.

Picard (France)
Frozen food distributor and retailer.

Porcelain and Fine China (UK)
Manufactures china and porcelain.

Protection One (France)
Provides electronic surveillance services.

Q-MATIC (Sweden)
Provides queue management systems. In July 2007 ICG arranged mezzanine finance of SEK225m to support the buyout. ICG also invested SEK30m in the equity.

Raet (Netherlands)
Provides payroll services.

Retif (France)
A wholesaler and retailer of display units for retail businesses. In September 2007 ICG invested €55m in the mezzanine finance provided to support the quaternary buyout.

SAG (Germany)
The leading independent service and technical solutions provider for utilities in Germany and Europe. In February 2008 ICG arranged a €95m mezzanine facility to support the secondary buyout. ICG also invested €4m in the equity.

Score (France)
Contract catering.

Sebia (France)
Manufactures medical diagnosis equipment.

Select Service Partner (UK)
Travel catering specialist.

Portfolio: Europe continued

Sia (France)
Designs, sources and distributes household products.

Sogetrel (France)
Designs, installs and maintains communication networks.

Souriau (France)
Designs, manufactures and sells connectors to the commerical aircraft market.

Spring (UK)
IT recruitment agency.

Springer (Germany)
Academic publishing company.

Svenson (Spain)
Specialised haircare group.

Swets (Netherlands)
A leading global subscription services business. In October 2007 ICG arranged and provided a €20m mezzanine facility to support the buyout. ICG also invested €5m in the equity.

TDF (France)
Operates broadcasting towers.

Team System (Italy)
Provides software packages and related maintenance.

Terreal (France)
Produces clay roofing tiles and bricks.

Thornbury (UK)
Provider of relief nursing staff.

Tractel (France)
The world leader in the manufacture of lifting and access related products. In June 2007 ICG took a participation of €30m in the mezzanine financing provided to support the tertiary buyout. ICG also invested €5m in the equity.

Tunstall (UK)
Manufactures and maintains social alarm systems.

V Ships (UK)
Provides shipping management services. In June 2007 ICG invested US$10m in the equity provided to support the secondary buyout.

Via Location (France)
An independent truck rental company. In April 2007 ICG invested €35m in the mezzanine finance provided to support the secondary buyout. ICG also invested €12m in the equity.

Viadom (France)
Provides home hairdressing services.

Visma (Norway)
Provides business software and enterprise resource planning services.

Vivarte (France)
Footware and apparel retail specialist.

WZG Group (Netherlands)
Distributor of mobility aids.

Case Study: Elis

Elis is a European leader in textile rental, hygiene and wellbeing services, with operations in France, Belgium, Luxembourg, Germany, Spain, Italy, Switzerland, the United Kingdom, the Czech Republic and Portugal. The company serves a wide range of customers, including industry, hotels, restaurants and healthcare facilities.

Elis has a very strong record of sales growth, operational excellence and cash generation with little cyclicality.

ICG's first involvement with Elis dates back 10 years when we supported the leveraged buyout of the company by BC Partners in January 1997. When PAI acquired Elis from BC Partners in 2002, ICG arranged the mezzanine facilities and joined the company's board (Observer position). In 2007, Elis was sold to Eurazeo in a tertiary buyout, and ICG worked alongside the arranging bank and the sponsor to restructure the overall financing. ICG took a majority stake in the resulting senior mezzanine tranche and continued its board representation.

Elis is a typical ICG investment where we are able to support the company as it evolves. Almost half of our new transactions arise from opportunities with existing portfolio investments, reflecting our strong relationship with management teams and the embedded value in our portfolio.

Operating Review

Portfolio: Asia Pacific

Investments made in FY2008. The amounts quoted are for ICG and Mezzanine Funds managed by ICG.

Franklin (Singapore)
Provides rigging, lifting and mooring services to offshore and marine industries. In July 2007 ICG arranged and provided a mezzanine facility of SGD80m to assist in the acquisition of a majority stake in the company. ICG also invested SGD16m in the equity.

Hoyts (Australia)
A multiplex cinema and screen advertising company in Australia and New Zealand. In December 2007 ICG arranged and provided an AUD70m mezzanine facility to assist in the buyout. ICG also invested AUD10m in the equity.

Link Group (Australia)
Specialist in superannuation administration and share registry services.

New Zealand Yellow Pages (New Zealand)
The sole provider of yellow pages, white pages and local directories in New Zealand. In July 2007 ICG took a participation of NZ$54m in the mezzanine facility provided to support the buyout. ICG also invested NZ$18m in the equity.

TBC (Taiwan)
One of the four leading cable operators in Taiwan. In July 2007, ICG provided US$254m of mezzanine and equity to help fund a dividend recapitalisation of the company.

Tegel (New Zealand)
Leading poultry producer in New Zealand.

Case Study: Tegel

Tegel is New Zealand's market leading, fully integrated poultry producer. Tegel offers a broad range of poultry products from fresh and frozen whole birds and portions to value added main meal items.

It supplies poultry products to supermarkets and other retail outlets in addition to servicing the needs of food service customers. In addition, it operates a feed milling business that produces feed for internal and third party use. In all, Tegel employs around 1,700 people.

With a market share over 50 per cent and a strong brand name, Tegel is well positioned to benefit from the growing poultry market in New Zealand, and in particular at the value added end of ready meals. This, combined with the potential for margin improvements, made Tegel an attractive investment.

ICG supported the leveraged buyout of Tegel by Pacific Equity Partners from Heinz in April 2006, providing subordinated debt, mezzanine and equity. In February 2008 Pacific Equity Partners sold a minority stake in Tegel to ANZ Capital, generating a strong return on the realised portion of ICG's investment in the company. ICG's previous experience in the sector, and its partnership approach in making investments played a strong part in its selection by Pacific Equity Partners.

Tegel®

Portfolio: North America

Investments made in FY2008. The amounts quoted are for ICG's balance sheet unless otherwise specified.

Au Bon Pain (USA)
A casual restaurant chain. In February 2008 ICG arranged mezzanine facilities of US$26m to assist in the buyout. ICG also invested US$10m in the equity.

CoActive, formerly ITT Switches (USA)
A leading global designer, manufacturer and distributor of highly engineered electromechanical switches, interface control systems and dome arrays with headquarters in the USA. In November 2007 ICG purchased US$35m in the second lien facility provided to assist the buyout. ICG also invested US$6m in the equity.

Helicon Cable (USA)
A US rural cable operator. In August 2007, ICG led an add-on financing to finance an acquisition which included a US$10m investment in the subordinated debt. ICG also invested US$9m in the holding company debt and the equity.

Intelstat (USA)
A fixed satellite service operator. In January 2008 ICG and funds invested US$85m in the buyout.

Press Ganey (USA)
Provides outsourced performance measurement and improvement solutions to healthcare providers. In March 2008 ICG co led the mezzanine facility and invested US$30m to assist the secondary buyout. ICG also invested US$5m in the equity.

Case Study: Press Ganey

Headquartered in South Bend, Indiana with more than 600 employees, Press Ganey is the largest US provider of healthcare performance improvement solutions. The company partners with over 7,000 health care organisations – including over 40 per cent of all US hospitals – to measure and improve the quality of their care and their bottom line.

Specifically, Press Ganey partners with hospitals, medical practices, home care agencies, and other healthcare providers to enhance organisational outcomes including patient organisational perceptions, patient safety, employee engagement, physician relations, clinical outcomes, and financial results.

When US based private equity firm Vestar Capital acquired a majority stake in Press Ganey, ICG was able to underwrite the entire junior debt facility and quickly commit to terms. This, as well as ICG's global relationship with Vestar Capital, made ICG the partner of choice for this transaction.

With a proven management team, a track record of strong earnings growth and cash flow generation, and a dominant and defendable market share in a sector resistant to business cycles, Press Ganey exemplifies the type of company in which ICG seeks to invest.

PRESS GANEY®
PARTNERS IN IMPROVEMENT®

Operating Review

Portfolio: ICG Minority Partners

Investments made in FY2008. The amounts quoted are for ICG and Mezzanine Funds managed by ICG.

Condor Ferries (UK)
Operates ferry services to the Channel Islands.

Eismann (Germany)
Provides home delivery of frozen foods. In May 2007 ICG arranged and provided mezzanine and minority equity totalling €78m alongside management in the secondary buyout.

Gaucho (UK)
Operates Argentine themed restaurants. In December 2007 ICG arranged and provided mezzanine and minority equity totalling £49m alongside management in the tertiary buyout.

Marken (UK)
A global leader in specialist courier services for the pharmaceutical industry. In July 2007 ICG arranged and provided mezzanine and minority equity totalling £172m alongside management in the secondary buyout.

Medi-Partenaires (France)
Manages private clinics.

Menissez (France)
Manufactures bread products.

Motip Dupli (Netherlands)
Manufactures aerosol paints.

Case Study: Marken

Marken is a leading global supplier of logistics support services to the biopharmaceutical industry, specialising in the transport of time and/or temperature critical express service for clinical trials.

Headquartered in the UK, Marken has operations in North and South America, Europe, Africa and Asia Pacific.

In 2007, ICG supported Marken's management led buyout when the management team acquired majority ownership in the company.

The company operates in a market with high barriers to entry, is noncyclical, and is experiencing rapid growth due to strong demand from existing and new clients.

MARKEN

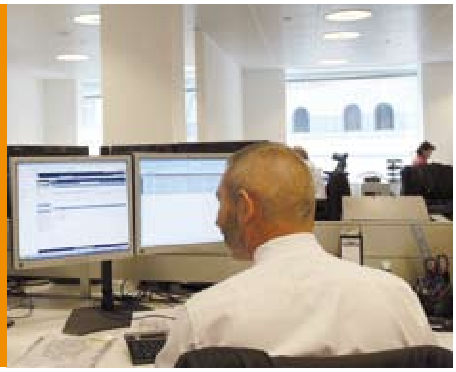
Repayments

Repayments

During the year, repayments and partial repayments of loans and investments amounted to £609m. Loans and/or investments to the following companies were repaid or prepaid:

Full repayments

Name	Country	Form of realisation
AA	UK	Refinance/secondary buyout
Ceva Sante	France	Tertiary buyout
Elis	France	Secondary buyout
Global Garden Products	Sweden	Refinance
Himart	South Korea	Refinance
Homann	Germany	Secondary buyout
Lariviere	France	Trade sale
Marken	UK	Secondary buyout
PHS	UK	Refinance
Red Funnel	UK	Secondary
Remeha	Netherlands	Refinance
Retif	France	Quaternary buyout
Sonion	Denmark	Tertiary buyouts
Talbot	UK	Trade sale
TSL	UK	Secondary buyout
Thule	Sweden	Refinance



Partial repayments

Name	Country	Form of realisation
Allflex	UK	Refinance
Aster	Poland	Refinance
AVR	Netherlands	Refinance
Carema	Sweden	Refinance
Duni	Sweden	Flotation
Elior	France	Refinance
Fitness First	UK	Refinance
Fraikin	France	Refinance
Geoservices	France	Refinance
Mach	Germany	Refinance
NW Vending	Italy	Refinance
Orizonia	Spain	Refinance
Porcelain and Fine China	UK	Refinance
Saga (now AA/Saga)	UK	Secondary buyout
Select Service Partner	UK	Refinance
TBC	Taiwan	Refinance
Tegel	New Zealand	Refinance
Terreal	France	Refinance
Visma	Norway	Refinance

Mezzanine Funds

Mezzanine Funds (Europe)

Intermediate Capital Managers Limited ("ICML") acts as investment advisor to three of ICG's four European Mezzanine Funds with aggregate funds under management of £3bn. ICML's Mezzanine Funds are structured as limited partnerships and invest in transactions alongside ICG.

ICG Minority Partners Fund 2008

ICG held a first close for its Minority Partners fund in May 2008 following ICG's financial year end. The fund will invest alongside ICG's balance sheet and target minority partner opportunities across Europe.

ICG European Fund 2006

Europe's largest independent mezzanine and related finance fund, with a total size of €2.15bn. The fund comprises €1.25bn of equity commitments and leverage of €900m through a securitised debt facility. As at 31 March 2008, 31 investments have been made.

ICG Mezzanine Fund 2003

Has a total size of €1.4bn comprising €668m of equity commitments and €750m leverage through a securitised debt facility. The fund commenced investing in 2003 and is now fully invested. At 31 March 2008, the fund had made a total of 79 mezzanine investments of which 32 have already been realised. The fund has already returned 88 per cent of equity commitments.

ICG Mezzanine Fund 2000

A Jersey limited partnership with €307.5m of equity commitments and €80m of debt facilities. This fund made 50 investments between 2000 and 2003. At 31 March 2008, nine mezzanine investments are still outstanding and the fund has returned 147 per cent of investor commitments.

ICG Mezzanine Fund 1998

ICG's first Mezzanine Fund had £57.5m of equity commitments. It invested in 25 transactions during 1998 and 1999. This fund is now almost fully realised.

Mezzanine Funds (Asia Pacific)

ICG has been active in the Asia Pacific region since 2001 and had already completed two investments in the region prior to raising the first dedicated Asia Pacific mezzanine fund. Intermediate Capital Asia Pacific Limited acts as investment advisor to ICG's Asia Pacific funds.

Intermediate Capital Asia Pacific Fund 2008

A first close for ICG's successor Asia Pacific Fund was held in April 2008 following ICG's financial year end. The first closing raised a total of US$542m, comprising US$325m third party investor equity commitments and a co investment commitment of US$217m from ICG.

Intermediate Capital Asia Pacific Mezzanine Fund 2005

ICG closed Intermediate Capital Asia Pacific Mezzanine Fund 2005 in December 2005 at US$500m equity commitments, comprising US$300m from third party investors and a co investment commitment of US$200m from ICG. The fund was the largest dedicated Pan Asian Mezzanine Fund in the region and focused on LBO and growth/expansion capital investment opportunities across the region.

Operating Review
Credit Fund Management

Intermediate Capital Managers Limited ("ICML") acts as investment manager to all of ICG's Credit Funds, which have an aggregate £4.3bn funds under management.

CDOs

Eurocredit CDO I BV
Closed in September 1999 with an original size of €417m and was the first arbitrage cash flow CDO to be based on European loan, bond and mezzanine collateral. The fund is a mix of high yield bonds and leverage loans with a small mezzanine component. The reinvestment period for this fund expired in September 2004 and the transaction is now amortising. Eurocredit CDO I is rated by Moody's.

Eurocredit CDO II BV
This €370m fund was ICML's second cashflow CDO with a similar mix of high yield bonds, senior leverage loans and mezzanine, and closed in October 2000. The reinvestment period for this fund expired in October 2005 and the tranches are now amortising. Eurocredit CDO II is rated by Moody's.

Eurocredit CDO III BV
Closed in September 2003. It is a €250m fund and is invested predominantly in senior loans, with a basket for mezzanine investments. Eurocredit CDO III is rated by S&P and Moody's.

Eurocredit CDO IV BV
Closed in November 2004. It is a €355m fund and is invested predominantly in senior loans, with some exposure to mezzanine and high yield bonds. Eurocredit CDO IV is rated by S&P and Moody's.

Eurocredit CDO V PLC
This transaction is the successor vehicle to Promus I BV. Closed in September 2006, it is a €600m fund and is invested predominantly in senior loans, with some exposure to mezzanine and high yield bonds. Eurocredit CDO V is rated by S&P and Moody's.

Eurocredit CDO VI PLC
Closed in December 2006, Eurocredit CDO VI is a €500m fund and is invested predominantly in senior loans, with some exposure to mezzanine and high yield bonds. Eurocredit CDO VI is rated by S&P and Moody's.

Eurocredit CDO VII PLC
Closed in April 2007. It is a €585m fund and is invested predominantly in senior loans, with some exposure to mezzanine and high yield bonds. Eurocredit CDO VII is rated by S&P and Moody's.

Eurocredit CDO VIII PLC
Closed in December 2007. It is a €636m fund and is invested predominantly in senior loans, with some exposure to mezzanine. Eurocredit CDO VIII is rated by S&P and Moody's.

Eurocredit Opportunities Fund 1 PLC
Closed in November 2005 with three subsequent tap issues bringing it to €1.1bn. This is a market value fund investing in leverage loans, mezzanine, distressed debt and high yield bonds.

Eurocredit Opportunities Parallel Funding 1
A €450m fund investing in leverage loans. The fund closed in April 2008 as part of the refinancing of Eurocredit Opportunities Fund 1 Plc.

Other funds
In addition we manage three institutional mandates and one Unit Trust.

Operating Review

Board of Directors

01

02

03

04

05

01 Tom Attwood
Managing Director, age 55
Prior to joining ICG in April 1996, Tom was a director of James Capel & Co where he worked for eight years. He is Chairman of the Executive Committee and is responsible for ICG's Credit Fund Management business and the Asia Pacific Region.

02 Tom Bartlam
Non-Executive Director, age 60
Tom is a Chartered Accountant. He co founded ICG in 1989 and was a Managing Director until his retirement in 2005, when he was appointed a Non-Executive Director. He is chairman of Pantheon International Participations PLC and Polar Capital Holdings PLC, and is a Non-Executive Director of Numis Corporation PLC and of F&C UK Select Trust PLC.

03 Jean-Daniel Camus
Non-Executive Director, age 62
Jean-Daniel was a founding partner of Orium, a proprietary investment firm and previously worked for LBO France. He started his career in the French civil service and served as a special adviser to the Department of the General Secretary to the French President.

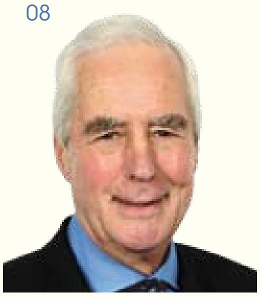
04 Justin Dowley
Non-Executive Director, age 52
Justin is a Chartered Accountant. He is currently a partner of Tricorn Partners LLP, the independent advisory firm which he co founded in 2003, and a Non-Executive director of Ascot Authority (Holdings) Ltd. He was previously head of investment banking at Merrill Lynch Europe and a Director of Morgan Grenfell. He is Chairman of the ICG Audit Committee.

05 Christophe Evain
Managing Director, age 46
Prior to joining ICG in 1994, Christophe worked for Banque de Gestion Privee in Paris. He is responsible for ICG's mezzanine investment business in north and central Europe, France and North America.

06

07

08



09

10

06 Philip Keller
Managing Director, age 42

Philip is a Chartered Accountant. Prior to joining ICG in 2006 he was finance director at ERM Holdings Ltd., one of the world's leading environmental consultancies. He is Finance Director and responsible for finance and operations. He has previously held a number of financial directorships in the GlaxoSmithKline and Johnson & Johnson groups.

07 James Nelson
Non-Executive Director, age 60

James is the chairman of PIFC Group Limited and a Non-Executive Director of Henderson Smaller Companies Investment Trust Plc. He is a past chairman of the BVCA. and Chairman of the ICG Remuneration Committee.

08 John Manser, CBE DL
Non Executive Chairman, age 68

John 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, deputy chairman of Colliers CRE plc and a Non-Executive Director of SAB Miller plc.

09 François de Mitry
Managing Director, age 42

Prior to joining ICG in 1997, François worked for Societe Generale. He is responsible for ICG's UK, Iberian and Italian mezzanine investment activities and its Minority Partners business.

Andrew Phillips (not pictured)
Management Director, age 45

Prior to joining ICG in 1989, he worked for Chemical Bank. Andrew retired from the main Board of ICG in 2008 and is now chairman of Intermediate Capital Managers Limited.

10 Paul Piper
Managing Director, age 50

Paul joined ICG in 1989. He has performed a number of roles, predominantly in the UK mezzanine market and is responsible for maintaining the credit quality at ICG as well as compliance. Paul is the Chairman of the Investment Committee, which he joined in 1996.

Directors' Report

The Directors present their annual report and the audited financial statements for the 12 months ended 31 March 2008.

Principal activities and business review

The principal activities of the Group are those of providing mezzanine and equity finance to companies throughout Europe, Asia Pacific and North America along with the management of third party funds. Further details on the Group's activities are included on pages 4 and 5. The Directors expect the Group to continue with these activities while exploring opportunities for future geographic expansion. The Group's profit before taxation was £230m (year ended 31 March 2007: £224m). The Directors consider the state of the Company's affairs to be satisfactory. The review of the Group's business (as required by section 234ZZB of the Companies Act 1985) is contained in the Overview and Operating Review on pages 1 to 45, which are incorporated into this report by reference.

Investment process

Investments are primarily sourced from private equity sponsors, banks, corporations and local professional advisers. Initially ICG assesses whether the opportunity meets ICG's investment criteria. The deal team will present to the Investment Committee details of pricing, leverage and structure together with the commercial background to the Company. The Investment Committee will guide the team regarding the focus for due diligence, structure and pricing. Extensive due diligence will then be undertaken either by advisers retained by the equity sponsor or appointed directly by ICG. This covers the management, the market, financial and legal review, sustainability and environmental and corporate social responsibility issues. The due diligence is focused on ensuring the safety of principal and interest and assessing the future value of the equity. At the conclusion of the due diligence process, a further Investment Committee meeting is held to discuss final structure and pricing at which unanimous approval is required before an investment is made.

All investments are reviewed by the Investment Committee, which is made up of the five Managing Directors plus the two French country heads and the Head of Minority Partners.

Key Performance Indicators (KPIs)

The Board reviews a range of financial and non financial KPIs.

The principal KPIs are listed below:

- interest rate spreads on mezzanine loans;
- investments in warrants and equity;
- gearing level of portfolio;
- default and loss rates;
- new lending and repayments; and
- staff retention and training.

Details of the KPIs are shown in the Operating Review on pages 14 and 15.

Financial risk management

The financial management of the Group is detailed in the Corporate Governance Report on pages 54 to 57. Detailed financial risk management policies and disclosures are disclosed in note 28 to the accounts and in the Operating Review on page 27.

Principal risks and uncertainties

These are discussed in the Business Review on pages 26 and 27.

Directors

The present membership of the Board is as set out below. All the Directors shown below served throughout the year. In accordance with the Articles of Association and best practice, Messrs Dowley, Evain and Attwood retire by rotation and offer themselves for re-election at this year's Annual General Meeting. 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 2008 are as follows:

	31 Mar 2008 Number of 20p ordinary shares	31 Mar 2007 Number of 20p ordinary shares
Tom Attwood (Chief Executive Officer)	198,374	161,197
Tom Bartlam	323,575	311,065
Jean-Daniel Camus	–	–
Justin Dowley	24,444	20,000
Christophe Evain	150,961	123,514
Philip Keller	10,000	–
John Manser (Chairman)	41,922	34,300
Francois de Mitry	98,062	80,226
James Nelson	8,929	7,306
Paul Piper	237,114	193,963

Andrew Phillips resigned from the Board on 13 March 2008. Andrew joined ICG in 1989 at its formation and spearheaded the introduction of the Credit Fund Management business in 1999. He will continue to support ICG, working closely with our ICML business as Chairman of its Board for between 50 and 100 days per year. This will enable him to pursue his many outside interests whilst enabling us to continue to benefit from his ongoing valued guidance and counsel. Eric Licoys and Peter Stone both retired from the Board on 18 July 2007 having served nine years as Non-Executive Directors. No changes to the Directors' interests in shares at 31 March 2008 as set out above had been notified up to 2 June 2008.

Directors' share options

Details of Directors' share options are provided in the Report of the Remuneration Committee on pages 58 to 64. The Directors had no interests in the shares of any subsidiary company. The Company issued 292,023 shares under its Executive Share Option Schemes during the year raising £1.5m of new equity and 14,792 shares under its SAYE scheme raising £0.1m of new equity.

Rights Issue

In February 2008 ICG completed a two for nine ordinary shares Rights Issue at an Issue Price of £11.5p per ordinary share representing a discount of 27.7 per cent to the closing middle market price per ordinary share on 9 January 2008. This raised £175m and 15,669,382 new shares were issued. The number of 20p ordinary shares in issue at the year end amounted to 86,219,156. As a result of the discount element in the Rights Issue, all the outstanding share option prices were adjusted by a factor of 0.94797 and the number of options outstanding adjusted by a factor of 1.05488 to ensure that the inherent value of an individual option remain unchanged. This resulted in an additional 180,253 shares being granted under option. This was preapproved by the Remuneration Committee.

Directors' Report continued

Substantial shareholdings

As at 7 May 2008 the Company had been notified of the following interests pursuant to the Disclosure Rules and the Transparency Rules representing 3 per cent or more of the issued share capital of the Company:

Institution	Number of shares	Percentage of voting rights	Disclosed
Pre Rights Issue			
Mirabaud Investment Management Limited	3,758,962	5.34	21/6/07
JP Morgan Chase & Co	3,274,979	4.65	16/8/07
Barclays Plc	2,998,977	4.26	21/8/07
Legal & General Group Plc	2,901,661	4.11	31/10/07
Jupiter Asset Management Limited	3,513,028	4.98	15/1/08
Post Rights Issue			
Schroders Plc	3,163,984	3.67	16/1/08
Aegon UK Group of Companies	2,627,014	3.05	8/2/08
Ameriprise Financial Inc and Its Group[1]	5,157,970	5.98	8/2/08
Lloyds TSB Group Plc[2]	3,516,630	4.08	13/2/08
Standard Life Investments Ltd	6,089,626	7.07	27/2/08
Prudential Plc Group of Companies	6,492,318	7.50	28/4/08

1 Includes Threadneedle Asset Management.
2 Includes Scottish Widows Investment Partnership.

Since 7 May 2008 the Company has received notification from Standard Life Investments Ltd that they have disposed of 933,426 shares decreasing their shareholding to 5,156,200 shares, 5.98 per cent of the Voting Rights, and from Prudential PLC group of companies that they have purchased 179,747 shares increasing their shareholding to 7.73% of the Voting Rights.

Dividend

The Directors recommend a final net dividend payment in respect of the ordinary shares of the Company at a rate of 45.5p per share (31 March 2007: 41.5p), which when added to the interim net dividend of 19.5p per share (2007: 16.5p) gives a total net dividend for the year of 65.0p per share (year ended 31 March 2007: 55.0p, adjusted for Rights Issue). The amount of dividend paid in the year was £43.0m (year ended 31 March 2007: £40.9m).

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 year was 33 (2007: 32).

Auditors

A resolution for the reappointment of the current auditors, Deloitte & Touche LLP, will be proposed at the forthcoming Annual General Meeting. Details of auditors' remuneration for audit and non audit work are disclosed in note 10 to the accounts.

Disclosure of information to auditors

Each of the persons who are a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Executive Committee

The Executive Committee comprises the five Managing Directors of ICG, each of whom has a specific area of responsibility. The Executive Committee has general responsibility for ICG's resources, determining strategy, financial and operational control and managing the business worldwide.

Charitable and political contributions

During the year the Group made charitable donations of £7,000 (2007: £7,000) principally to local charities serving the communities in which the Group operates. ICG also made a donation of £50,000 to the Private Equity Foundation, a registered charity which provides focus for charitable activity for Europe's private equity community. The Group also allows employees to take two days paid leave a year to devote to charitable causes supported by the Group further to its Corporate Social Responsibility programme. Further details of which are given on pages 12 and 13. No contributions were made during the year (2007: nil) for political purposes.

Directors' indemnity

The Company has entered into contractual indemnities with Directors pursuant to the amendment to the Articles authorised at last year's AGM. These were effective from November 2007.

Share capital and rights attaching to the Company's shares

Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise as the Company may from time to time by ordinary resolution determine or, in the absence of any such determination, as the Board may determine.

At a general meeting of the Company every member present in person and/or as a duly appointed proxy has one vote on a show of hands and on a poll one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting.

No shareholder is, unless the Board decide otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and he or any interested person failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant section 793 notice, whichever is the earlier.

The Directors may refuse to register any transfer of any share which is not a fully paid share, although such discretion may not be exercised in a way which the Financial Services Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require approval of the Company to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Powers of Directors

The Company's Articles of Association give power to the Board to appoint Directors, but require Directors to submit themselves for election at the first Annual General Meeting following their appointment and for re election where they have been a Director at each of the preceding two Annual General Meetings and were not appointed or reappointed by the Company at, or since, either such meeting.

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

Directors' Report continued

Change of Control Agreements

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

1) The multi currency revolving loan facility agreement of £1,067m dated 5 April 2005 as amended and restated on 8 December 2006 where a change of control in the Company gives rise to an event of default under the agreements. The loans are thereafter repayable on demand.

2) The back stop financing agreement of £300m dated 19 November 2007 where a change of control in the Company gives rise to an event of default under the agreements. The loans are thereafter repayable on demand.

3) The four Private Placement arrangements totalling £413m dated between 27 April 2000 and 28 February 2007 where a change of control gives rise to a downgrade in the credit rating and the loans are thereafter repayable on demand.

4) The employee share schemes referred to in the Report of the Remuneration Committee on page 59. Awards and options under those schemes will vest or become exercisable at the discretion of the Remuneration Committee upon change of control. There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid apart from the usual payment in lieu of notice.

Annual General Meeting

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

References to the 2006 Act are to the Companies Act 2006.

Ordinary business

Annual Report and Accounts – Resolution 1
The Directors are required to present to shareholders at the AGM the Annual Report and Accounts for the year ended 31 March 2008.

Report of the Remuneration Committee – Resolution 2
The Directors are required to seek approval of the shareholders for the Report of the Remuneration Committee. The resolution is an advisory vote, as permitted by law, and no entitlement to remuneration is made conditional on the resolution being passed. The Report of the Remuneration Committee is on pages 58 to 64.

Dividend – Resolution 3
The Directors recommend a dividend of 45.5p per share. The final dividend cannot exceed the amount recommended by the Directors. If approved by shareholders, the final dividend will be paid on 4 July 2008 to those shareholders on the register as at 6 June 2008.

The Auditors – Resolutions 4 and 5
The shareholders are asked every year to approve the appointment of the auditors, Deloitte & Touche LLP, and agree that the Directors may approve their remuneration.

Re election of Directors – Resolution 6
Justin Dowley is retiring by rotation under the Articles of Association of the Company and will be standing for re-election. Biographies of all the Directors appear on pages 44 and 45.

Re election of Directors – Resolution 7
Christophe Evain is retiring by rotation under the Articles of Association of the Company and will be standing for re-election. Biographies of all the Directors appear on pages 44 and 45.

Re election of Directors – Resolution 8
Tom Attwood is retiring by rotation under the Articles of Association of the Company and will be standing for re-election. Biographies of all the Directors appear on pages 44 and 45.

Special business
Resolutions 9 and 10 will be proposed as ordinary resolutions and resolutions 11, 12 and 13 will be proposed as special resolutions.

To pass special resolutions 75 per cent or more of the votes cast must be in favour.

Resolution 9
The Company is proposing to increase its authorised share capital by one third from its current level of £18,000,000 to £24,000,000 by the creation of an additional 30,000,000 ordinary shares of 20p each identical to and ranking pari passu with the existing ordinary shares of 20p each in the capital of the Company.

Authority to allot shares – Resolutions 10 and 11
The Company's Articles of Association give the Directors general authority to allot (or issue) unissued shares. The Companies Act 1985 limits that power by requiring shareholders to give specific prior approval. At the 2007 AGM, the Directors were given authority to allot ordinary shares and Resolution 10 seeks to renew this authority for a period until the date of the AGM to be held in July 2009. The authority is limited to a maximum of 28,739,718 shares being approximately one third of the ordinary issued share capital as at 31 March 2008.

If the Directors wish to allot unissued shares for cash, the Companies Act 1985 requires that these shares are offered first to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre emption rights. There may be occasions, however, when, in order to act in the best interests of the Company, the Directors need flexibility to finance business opportunities as they arise without offering securities on a pre emptive basis. Resolution 11 asks shareholders to renew the Directors' authority to allot shares for cash up to an aggregate nominal value of £862,192 (otherwise than in connection with a rights issue or share scheme) equivalent to approximately 5 per cent of the ordinary issued share capital as at 31 March 2008 without the shares being offered first to existing shareholders. The Directors intend that the authorisation conferred by Resolution 10 and Resolution 11 may be used for purposes of equity fundraising or other forms of fundraising during the year 2008/09.

Resolution 12
The Company may buy its own shares with the authority of shareholders. Resolution 12 seeks to renew the current authority given at the 2007 AGM. The resolution specifies the maximum number of shares that may be purchased (approximately 15 per cent) of the Company's issued share capital and the highest and lowest prices at which they may be bought. Any shares purchased under this authority will either be treated as cancelled or held as treasury shares. Listed companies, with authorisation from shareholders, may buy and hold their own shares instead of cancelling them immediately. Shares held as treasury shares can in the future be cancelled, resold or used to provide shares for employee share schemes.

For information, as at 31 March 2008, there were 3,379,486 options outstanding over the Company's shares representing 3.9 per cent of the issued share capital. If the full authority to buy shares is used, these options will represent 4.6 per cent of the then issued share capital of the Company. The authority given at the last AGM expires at the conclusion of the forthcoming AGM.

Resolution 13
During the last year, a number of sections of the 2006 Act have come into force which affect the constitutional documents of UK listed public companies. Given the number of amendments to be made in connection with this, the Directors consider it prudent to adopt new Articles of Association in order to comply with this new legislation. An explanation of the changes made to the existing Articles of Association is set out below.

The 2006 Act is being implemented in phases with a further phase expected to come into force on 1 October 2008. It is proposed therefore that the revision marked 1.7 to the Articles proposed to be adopted under Resolution 13 comes into force with effect on and from 12.01am 1 October 2008, (the date upon which Section 175 of the 2006 Act shall be brought into force), to cater for changes being introduced by the 2006 Act relating to Directors' conflicts of interest. An explanation of this change is set out below.

Directors' interests
Section 175 of the 2006 Act sets out Directors' general duties. The provisions largely codify the existing law, but with some changes. Under the 2006 Act, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The 2006 Act allows Directors of public companies to authorise conflicts and potential conflicts where the Articles of Association contain a provision to this effect.
The 2006 Act also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. Article 132, which is proposed to come into force with effect on and from 12.01am on 1 October 2008, gives the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. These include, first, only independent Directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and second, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits

or conditions when giving authorisation or subsequently if they think this is appropriate. It is proposed to include provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

Summary of material changes contained in the proposed new Articles of Association of the Company

The principal changes which your Board recommends be made to the Company's existing Articles of Association are set out below. Unless otherwise stated, references to article numbers refer to articles in the proposed new articles.

1.1 General: The concept of an "extraordinary" resolution no longer exists under the 2006 Act and is replaced by special resolution, so the word "extraordinary" is proposed to be replaced with "special" or deleted throughout the articles.

1.2 General: References to statutory provisions in the Companies Act 1985 which have now been replaced by corresponding provisions in the 2006 Act are proposed to be amended.

1.3 General: Since certain provisions of both the Companies Act 1985 and the 2006 Act are presently in force, the words "the Act" is proposed to be replaced with "the Statutes" or deleted throughout the articles.

1.4 Article 2.1: The addition of "2006 Act" to the definition of the "Statutes" is proposed to enable reference to corresponding provisions in the 2006 Act that have come into effect.

1.5 Former Article 4: With effect from 1 October 2008, the 2006 Act abolishes the current requirement for a company to have and state its authorised share capital in its articles, so we would propose to delete this article.

1.6 Article 10.1: We would propose to redraft this article to bring in more clarity of meaning and to avoid duplication of words.

1.7 Former Article 35: With effect from 1 October 2008, the 2006 Act removes the power of companies to close the register, so we would propose to delete this article. The Company can nonetheless, close the register in accordance with section 358 of the 1985 Act until it is repealed, despite the removal of this article.

1.8 Article 46: This amendment is proposed to conform with the exact wording of section 630 (variation of class rights) of the 2006 Act, applicable as of 1 October 2008.

1.9 Article 47: This amendment is proposed to conform with the exact wording of section 334 (application to class meetings) of the 2006 Act, applicable as of 1 October 2008.

1.10 Article 52: The 2006 Act abolishes the current requirement for a company to provide 21 days' notice to members for passing of special resolutions at general meetings. Section 307 of the 2006 Act provides that only annual general meetings of the company require 21 clear days' notice and all other meetings, regardless of whether a special resolution is to be put, require 14 clear days' notice. We would propose to amend this article accordingly.

1.11 Article 53: This amendment is proposed to expand the wording to track more closely the wording of section 313 of the 2006 Act.

1.12 Article 62: We would propose to redraft this article so that it follows the wording of section 321 (right to demand a poll) of the 2006 Act more closely, by referring more accurately to the particular resolution rather than generally to the meeting.

1.13 Article 67: Traditionally, articles have contained provisions limiting show of hands voting only to those present in person, and the Companies Act 1985 provided that a proxy can only vote on a poll. The 2006 Act provides that show of hands voting may now be done not only by members voting in person present at the meeting, but also by duly appointed proxies present at the meeting. We would propose to amend this article accordingly.

1.14 Former Article 68: The 2006 Act removes the possibility for the Chairman's casting vote at general meetings, so we would propose to delete this article.

1.15 Article 69: A further change has been made by the 2006 Act to improve the rights of proxies, who may now speak at meetings as well as being entitled to attend and vote. We would propose to amend this article accordingly.

1.16 Article 71: We would propose to make minor changes in this article to reflect the 2006 Act.

1.17 Article 75: We would suggest the amendment of this article to reflect the 2006 Act. As with proxies, a corporate member can now appoint more than one corporate representative.

1.18 Article 115: We would propose to make minor changes in this article to reflect the 2006 Act and to facilitate administration of the Company's affairs.

1.19 Article 120: We would propose to make minor changes in this article to reflect the wording of the 2006 Act.

1.20 Article 122: This proposed amendment to this article has been inserted to facilitate administration of the Company's affairs.

1.21 Article 126: We would propose to make minor changes in this article to reflect the 2006 Act and market practice.

1.22 New Article 132: Section 175 of the 2006 Act allows directors of public companies to authorise conflicts and potential conflicts of interest where the articles contain a provision to this effect. We would propose to insert this new article accordingly, to be effective on and from 12.01am on 1 October 2008.

1.23 Article 134: We would propose to make minor changes in this article to reflect the wording of the 2006 Act.

1.24 Article 155: In order to provide maximum flexibility to the Company, we propose to amend the article so that any agreement or specification by joint holders can be by any of them, with a backup flexibility by stating that this is unless the directors require it to be agreed or specified by all joint holders or by the first named on the register.

By Order of the Board

C. Reilly

C Reilly
Company Secretary
2 June 2008

Corporate Governance

The Group recognises, and is committed to, the highest standards of corporate governance. Throughout the year ended 31 March 2008, the Group complied with the provisions of the 2006 FRC Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council (FRC) in June 2006, except for provision A.3.2 (which provides that at least half the Board, excluding the Chairman, should comprise independent Non-Executive Directors). The retirement of Andrew Phillips and the plans of the Group to appoint more Non-Executive Directors during the year will bring the Group into full compliance with the Code. Any new appointments will be referred to the Nominations Committee. The composition of the Board is kept under regular review by the Nominations Committee.

The Board's responsibilities and processes

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

There is a formal schedule of matters reserved for Board approval, which include:
- approval of the Group's overall business strategy, planning and annual budget;
- assessment of internal controls and risk management;
- approval of the Group's interim and annual financial statements and dividend policies;
- presenting a balanced and understandable assessment of the Company's position and prospects to the shareholders through the Chairman's Statement, the Managing Directors' Review, the Business Review, the Financial Review and the financial statements;
- appointments to the Board and Executive Committee;
- capital expenditure decisions; and
- changes in employee incentive schemes.

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

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

The principal matters considered by the Board during the year included:
- the Group strategic plan, budget and financial resources;
- initial proposal for a Rights Issue and ongoing discussions until the Issue closed in February 2008 raising £175m by the issue of new equity;
- review of the Compliance policies;
- regular review of the investment portfolio and any areas of concern;
- communication of our financial results for the interim and year end;
- review of current compensation structures;
- independence of Non-Executive Directors; and
- corporate responsibility initiatives and performance.

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

The roles of the Chairman and Chief Executive

The Chairman of the Board John Manser leads the Board in the determination of its strategy and in achieving its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day to day business of the Group. The Chairman facilitates the effective contribution of Non-Executive Directors and ensures that there is effective communication with the Group's shareholders.

The Chief Executive Tom Attwood has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive has formed a committee called the Executive Committee to enable him to carry out the responsibilities delegated to him by the Board. The Committee comprises the five Executive Directors. The Committee meets on a regular basis to consider operational matters and the implementation of the Group's strategy with no one Director being able to significantly affect the running of the Company without consulting his colleagues.

Senior Independent Director

The Board has appointed Justin Dowley as the Senior Independent Director, to whom, in accordance with the Combined Code, any shareholder concerns not resolved through the existing mechanisms for investor communication can be conveyed.

Board of Directors

As at 31 March 2008, the Board comprised five Executive Directors, an independent Non-Executive Chairman and four Non-Executive Directors of whom three are independent. The Non-Executive Directors are as follows:

John Manser was appointed a Non-Executive Director in January 2001 and Non-Executive Chairman in May 2001.

Tom Bartlam was appointed a Non-Executive Director in April 2005.
Jean-Daniel Camus was appointed a Non-Executive Director in March 2007.
Justin Dowley was appointed a Non-Executive Director in February 2006.
James Nelson was appointed a Non-Executive Director in May 2001.

The Non-Executive Directors are considered to be of sufficient calibre and experience to bring significant influence to bear on the decision making process.

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

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

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nominations Committee meetings
Total meetings held	**7**	**2**	**3**	**–**
Tom Attwood	7	–	–	–
Tom Bartlam	7	–	–	–
Jean-Daniel Camus*	6	–	2	–
Justin Dowley	7	2	3	–
Christophe Evain	6	–	–	–
Eric Licoys**	2	1	1	–
Philip Keller	7	–	–	–
John Manser	7	2***	3***	–
Francois de Mitry	7	–	–	–
James Nelson	7	2	3	–
Andrew Phillips****	6	–	–	–
Paul Piper	7	–	–	–
Peter Stone**	2	1	1	–

* Appointed 20 November 2007.
** Eric Licoys and Peter Stone resigned from the Board and all its committees on 18 July 2007.
*** John Manser attended these meetings but he is not on the Committee.
**** Andrew Phillips resigned from the Board on 13 March 2008.

Board performance In line with the requirements of the Combined Code, the Board reviews its own performance annually using a predetermined template designed as a tool to facilitate the evaluation process. The assessment covers the functioning of the Board as a whole and includes a review of the effectiveness of the Board committees. The Board considers the results of the performance evaluation when making its recommendations regarding the re election of Directors. The Board does not consider it necessary to employ the services of an external third party to conduct the evaluation process. A review was performed in July 2007 and the Board concluded that its performance and that of its Committees, Chairman and Directors were satisfactory.

Election and re-election of Directors

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 for election at the next Annual General Meeting. Details of Directors for re-election at the forthcoming Annual General Meeting are shown on page 49. The terms and conditions of appointment of the Directors and terms of reference for the committees are available for inspection at the Company's registered office during normal business hours, until the close of the Annual General Meeting.

The Board recommends that Justin Dowley, Christophe Evain and Tom Attwood should be re-elected to the Board because, based upon a formal performance evaluation during the year, their performance continues to be effective.

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 is supported in its decisions by three principal committees, which are described below:

Audit Committee The Audit Committee, chaired by Justin Dowley, consists of three (2007: four) independent Non-Executive Directors, these being Jean-Daniel Camus, Justin Dowley and James Nelson. Jean-Daniel Camus was appointed to the Audit Committee on 20 November 2007. Eric Licoys and Peter Stone resigned from the Audit Committee on 18 July 2007 having served their maximum nine years of service as recommended by the Code. Two Non-Executive Directors, Tom Bartlam and

Corporate Governance continued

John Manser, are not members of the Audit Committee but are invited to attend the meetings. The Executive Directors are not members of the Audit Committee but are invited to attend. Deloitte & Touche LLP, the Company's auditors, are also invited to attend and have direct access to committee members. The Board is satisfied that the Chairman has recent and relevant financial experience as do other members of the Committee.

The Committee meets regularly, at least twice 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;
- 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 last reported to the Board in May 2008. An analysis of fees paid to Deloitte & Touche LLP is shown in note 10 on page 78;
- 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 the provisioning policy for the investment portfolio on a six monthly basis; and
- reviewing and approving the Company's whistleblowing policy.

During the year the Audit Committee:

- reviewed and recommended to the Board the accounting disclosures comprised in the interim and annual financial statements of the Group and reviewed the scope of the external audit plan and audit findings;
- worked with the external auditors to identify a successor audit partner due to mandatory partner rotation;
- evaluated the independence and objectivity of the external auditors and the effectiveness of the audit process;
- met with the external auditors in the absence of management;
- reviewed the effectiveness of the internal control environment of the Group; and
- reviewed the policy on handling allegations from whistleblowers.

Remuneration Committee The Committee, chaired by James Nelson, consists of three (2007: five) independent Non-Executive Directors, these being Jean-Daniel Camus, Justin Dowley and James Nelson. Eric Licoys and Peter Stone resigned from the Remuneration Committee on 18 July 2007 having served their maximum nine years of service as recommended by the Code. Two Non-Executive Directors, Tom Bartlam and John Manser, are not members of the Remuneration Committee but are invited to attend the meetings. The Committee supports the Board in determining the level of remuneration of the Chairman and reviews the remuneration policy applicable to senior management. Further details regarding remuneration policy and payments made can be found in the Report of the Remuneration Committee on pages 58 to 64.

Nominations Committee The Committee, chaired by John Manser, consists of four (2007: six) independent Non-Executive Directors, these being Jean-Daniel Camus, Justin Dowley, James Nelson and John Manser. Eric Licoys and Peter Stone resigned from the Nominations Committee on 18 July 2007 having served their maximum nine years of service as recommended by the Code. The Committee is responsible for considering the composition of the Board to ensure that the balance of its membership as between executive and Non-Executive Directors is appropriate. Appointments of Executive and Non-Executive Directors are made as necessary as a result of discussions by the Committee and are subject to full Board approval and election or re election at a general meeting of the shareholders.

Relationships with shareholders The Company recognises the importance of communication with its shareholders, which it achieves through interim and annual reports and the Annual General Meeting. At the Meeting the Chief Executive, Finance Director, the Chairman of the Remuneration, Audit and Nominations Committees are available to answer shareholders' questions.

The Board is willing to enter into a dialogue with institutional shareholders based on a mutual understanding of objectives, subject to its duties regarding equal treatment of shareholders and the dissemination of inside information. The Board as a whole is kept fully informed of the views and concerns of the major shareholders. When requested to do so, Non-Executive Directors will attend meetings with major shareholders.

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

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

The Board annually considers and approves a strategic plan and budget. In addition there are established procedures and processes in place for the making of investments and the planning and controlling of expenditure. The Board also receives regular reports from the Executive Committee on the Company's operational and financial performance, measured against the annual budget as well as regulatory and compliance matters. The Company has in place arrangements whereby employees may raise matters of concern in confidence about possible improprieties in matters of financial reporting or other matters.

The Board has considered the need for an internal audit function, but has decided that because of the nature of the current internal control system and size of the Company it cannot be justified at present. The Board will review this decision next year. The Board undertook a formal annual assessment of the risk management and control arrangements in July 2007 in order to form a view on the overall effectiveness of the system of internal control.

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

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

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

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

Report of the Remuneration 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 certain parts of the Report of the Remuneration Committee 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

Composition and operation

The Remuneration Committee is authorised by the Board to determine and agree the framework for the remuneration of the Chairman of the Company, the Executive Directors and such other members of the executive management as it is instructed by the Board to consider and is also responsible for determining the total individual remuneration package of each Executive Director, having given due regard to the contents of the Code as well as the Listing Rules. No Director is involved in any decisions as to their own remuneration. The Remuneration Committee is responsible for determining targets for any performance related pay schemes operated by the Company as well as the policy for pension arrangements for each Executive Director.

The Remuneration Committee, chaired by James Nelson, comprises three independent Non-Executive Directors, Jean-Daniel Camus, Justin Dowley and James Nelson. Eric Licoys and Peter Stone resigned from the Remuneration Committee on 18 July 2007. One Non-Executive Director, Mr Bartlam, who is not a member of the Committee, is invited to attend the meetings. None of the Committee members have any personal financial interests (other than as shareholders), conflicts of interest arising from cross directorships or day to day involvement in running the business. The Company therefore considers that it complies with the Code recommendations regarding the composition of the Remuneration Committee.

The Committee meets at least twice a year and more frequently if necessary. 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 Director of Human Resources also attends the meetings by invitation.

Activities during the year

As a result of the discount element in the Rights Issue, the Remuneration Committee considered and approved a proposal to adjust all the outstanding share option prices by a factor of 0.94797 and the number of options outstanding by a factor of 1.05488 to ensure that the inherent value of an individual option remain unchanged. This resulted in an additional 180,253 shares being granted under option, 31,413 of which were granted to Executive Directors.

ICG launched its second SAYE scheme in January 2008 with a strike price of £13.45, £12.76 post Rights Issue adjustment, which achieved a greater than 66 per cent take up.

Remuneration policy on Executive Directors' remuneration

Executive remuneration packages are designed to attract, motivate and retain Executive 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 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 practises.

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.

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 and related functions within investment banking). 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.

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, reapproved by the shareholders in 2003, the payout of which is related to the cumulative growth in earnings per share and calculated by reference to the amount of realised gains on investments and rolled up interest. No payment is currently made if the cumulative growth in EPS is less than 5 per cent per annum.

The amounts payable rise on a straight line basis from 4 per cent of realised gains to a maximum of 20 per cent of realised gains when cumulative growth in earnings per share reaches 10 per cent per annum. The extension and appropriateness of the scheme is considered by the Committee on an annual basis.

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

General remuneration policy

The Company also operates a short term bonus scheme under which bonuses are paid to individuals who do not participate or 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 also paid to executives who are not yet 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 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 10 years after the date of grant only if performance targets 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 cent per annum above the Retail Price Index

  ii) in the case of Directors:
  - by an average of at least 3 per cent 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 cent per annum above the Retail Price Index in which case two thirds of the options may be exercised; and
  - by an average of at least 5 per cent 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 per cent of salary (400 per cent 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 per cent 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 cent per annum from the date of grant to the vesting date and the limit to any individual is 20 per cent of the value of their monetary remuneration in the year.

Carried interest arrangements

The Company has established for its executives, including the Executive Directors, carried interest arrangements whereby between 60 per cent and 80 per cent 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.

Report of the Remuneration Committee continued

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 2008 was as follows:

	Mezzanine Fund 1998	Mezzanine Fund 2000	Mezzanine Fund 2003	Asia Pacific Mezzanine Fund	European Fund 2006
Executive Directors	22.6%	17.2%	22.7%	25.9%	25.2%
Former Executive Directors	18.3%	11.7%	2.3%	4.5%	1.3%
Other executives	19.1%	31.1%	50.0%	44.6%	53.5%
ICG	40.0%	40.0%	25.0%	25.0%	20.0%
Total	100.0%	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 per cent of basic annual salary. There have been no changes in the terms of Executive Directors' pension entitlement during the year and there are no other arrangements in place concerning their pensions. In respect of all other employees either: (a) an additional gross annual amount is paid to them which they use to contribute to any one or more pension plans of their choice; or (b) the Company makes contributions into a designated Group pension plan.

Executive Directors' contracts

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

Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association, which currently limits the total amount paid to Non-Executive Directors to £600,000. The annual fee paid to the current Non-Executive Chairman in the year was £127,500, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee was £52,500, the non independent Non-Executive Director was £40,000 and the annual fees paid to each other independent Non-Executive Director was £45,000. In arriving at these levels of fees, the Committee relies upon objective research from KPMG 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 and Audit Committees, which amounted to £2,500 for each Non-Executive Director for each committee, 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-Executive Directors' letters of appointment are as follows:

Non-Executive Directors	Date appointed	Last re-elected
P J Manser	January 2001	July 2006
T H Bartlam	April 2005	July 2007
J-D Camus	March 2007	July 2007
L J Dowley	February 2006	July 2006
J J Nelson	May 2001	July 2007

Re-election of Directors

Messrs Dowley, Evain and Attwood are due to retire by rotation and offer themselves for re-election.

Directors' remuneration – audited

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

Executive Directors	Basic salaries £000	Employee benefit trust interests £000	Short and medium term scheme £000	Pension scheme contributions £000	Benefits in kind £000	**Total for year ending 31 Mar 2008 £000**	Total for year ending 31 Mar 2007 £000
T R Attwood	300	3,000	–	45	4	**3,349**	4,837
C A Evain	300	3,000	–	45	4	**3,349**	4,315
P Keller	300	1,200	–	45	4	**1,549**	1,020
F de Mitry	300	–	3,000	45	4	**3,349**	4,317
A C Phillips	300	3,000	–	45	4	**3,349**	4,315
P J Piper	300	3,000	–	45	4	**3,349**	4,315
	1,800	13,200	3,000	270	24	**18,294**	23,119

The emoluments paid to the Executive Directors include an amount of £13.2m 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 £4.2m 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 £2,191,000 (2007: £3,438,000), J L de Gersigny £1,116,000 (2007: £2,179,000) and A D Jackson £913,000 (2007: £1,495,000).

Fees paid to Non-Executive Directors were:

Non-Executive Directors	**Total for year 2008 £000**	Total for year 2007 £000
P J Manser	**127.5**	127.5
T H Bartlam	**40.0**	40.0
L J Dowley	**52.5**	45.0
J-D Camus	**43.7**	–
E Licoys	**13.4**	45.0
J J Nelson	**52.5**	52.5
P J Stone	**15.0**	45.0
	344.6	355.0

Report of the Remuneration Committee continued

Share option scheme – audited

At 31 March 2008, 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	49,684	694p	April 2004	April 2011
	Unapproved	April 2002	37,749	786p	April 2005	April 2012
	Unapproved	April 2003	45,813	802p	June 2006	April 2013
	Unapproved	April 2004	44,202	1142p	June 2007	April 2014
	Unapproved	April 2005	52,175	1035p	June 2008	April 2015
	Unapproved	June 2006	46,162	1170p	June 2009	June 2016
	Unapproved	June 2007	35,023	1570p	June 2010	June 2017
	Approved	June 2007	1,909	1570p	June 2010	June 2017
C A Evain	Unapproved	April 2001	31,863	694p	April 2004	April 2011
	Unapproved	April 2002	30,518	786p	April 2005	April 2012
	Unapproved	April 2003	31,788	802p	June 2006	April 2013
	Unapproved	April 2004	30,635	1142p	June 2007	April 2014
	Unapproved	April 2005	46,377	1035p	June 2008	April 2015
	Unapproved	June 2006	41,032	1168p	June 2009	June 2016
	Unapproved	June 2007	32,795	1570p	June 2010	June 2017
	Approved	June 2007	1,909	1570p	June 2010	June 2017
P H Keller	Approved	Dec 2006	2,067	1451p	Dec 2009	Dec 2016
	Unapproved	Dec 2006	73,065	1451p	Dec 2009	Dec 2016
	Unapproved	June 2007	34,705	1570p	June 2010	June 2017
F de Mitry	Unapproved	April 2003	34,905	802p	June 2006	April 2013
	Unapproved	April 2004	28,884	1142p	June 2007	April 2014
	Unapproved	April 2005	46,377	1035p	June 2008	April 2015
	Unapproved	June 2006	41,032	1170p	June 2009	June 2016
	Unapproved	June 2007	32,795	1570p	June 2010	June 2017
	Approved	June 2007	1,909	1570p	June 2010	June 2017
P J Piper	Unapproved	April 2001	30,153	694p	April 2004	April 2011
	Unapproved	April 2002	27,815	786p	April 2005	April 2012
	Unapproved	April 2003	33,658	802p	June 2006	April 2013
	Unapproved	April 2004	33,261	1142p	June 2007	April 2014
	Unapproved	April 2005	46,377	1035p	June 2008	April 2015
	Unapproved	April 2006	41,032	1170p	June 2009	June 2016
	Unapproved	June 2007	32,795	1570p	June 2010	June 2017
	Approved	June 2007	1,909	1570p	June 2010	June 2017

* The number of outstanding options have been adjusted by a factor of 1.05488 and the exercise price has been adjusted by a factor of 0.94797 following the Rights Issue in February 2008 as detailed on page 58.

KERSP option scheme – audited

At 31 March 2008, the following Directors had share options in the Company under the KERSP scheme, 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	May 2006	25,289	Nil	May 2010	May 2026
	June 2007	30,898	Nil	June 2011	June 2027
C A Evain	May 2006	22,183	Nil	May 2010	May 2026
	June 2007	27,559	Nil	June 2011	June 2027
F de Mitry	May 2006	22,183	Nil	May 2010	May 2026
	June 2007	27,559	Nil	June 2011	June 2027
P H Keller	June 2007	13,191	Nil	June 2011	June 2027
P J Piper	May 2006	22,183	Nil	May 2010	May 2026
	June 2007	27,559	Nil	June 2011	June 2027

* The number of outstanding options have been adjusted by a factor of 1.05488 following the Rights Issue in February 2008 as detailed on page 58.

20 per cent of the options granted in May 2006 vest in May 2010 and 20 per cent every subsequent year thereafter until May 2014.

20 per cent of the options granted in June 2007 vest in May 2011 and 20 per cent every subsequent year thereafter until May 2015.

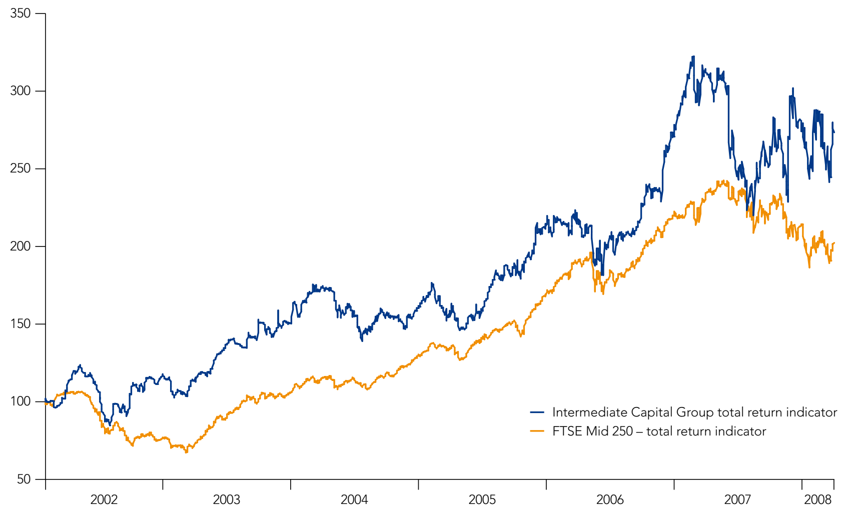
The market price of each share at 31 March 2008 was £15.63 per share (31 March 2007: £19.54.)

Directors' share options

There were no options exercised by Directors during the year.

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 2008, of £100 invested in Intermediate Capital Group PLC on 1 February 2002 with the value of £100 invested in the FTSE 250 over the subsequent six 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.



Source: Thomson Datastream

Report of the Remuneration Committee continued

Audited information

The sections relating to Directors' remuneration, Share Option Scheme and KERSP Option Scheme 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.

This report was approved by the Board of Directors on 2 June 2008.

Signed on behalf of the Board of Directors by:

J J Nelson
Chairman of the Remuneration Committee
2 June 2008

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, 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 IFRS 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 and Directors' Remuneration Report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

We confirm to the best of our knowledge:

1. The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
2. The Management Report, which is incorporated into the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Tom Attwood

T Attwood
Chief Executive Officer
2 June 2008

P H Keller
Finance Director
2 June 2008

Independent Auditors' Report
to the members of Intermediate Capital Group PLC

We have audited the Group and parent company financial statements (the "financial statements") of Intermediate Capital Group PLC for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated and 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 by 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 to be audited in accordance with relevant 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 and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Directors' Report.

In addition we report to you if, in our opinion, 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 review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 to be 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 Group's and 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 to be 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 to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
2 June 2008

Financial Accounts

Consolidated Income Statement

for the Year Ended 31 March 2008

	Notes	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Interest and dividend income	6	**236.9**	196.8
Gains on investments	8	**135.2**	197.0
Fee and other operating income		**57.0**	33.3
		429.1	427.1
Interest payable and other related financing costs	7	**(38.3)**	(66.6)
Provisions for impairment of assets	9	**(46.0)**	(34.8)
Administrative expenses	10	**(115.3)**	(101.7)
Profit before tax	4	**229.5**	224.0
Tax expense	11	**(74.7)**	(80.6)
Profit for the year attributable to the equity holders of the parent		**154.8**	143.4
Earnings per share*	14	**213.4p**	194.0p
Diluted earnings per share*	14	**210.8p**	191.7p

* Earnings and diluted earnings per share for 2007 have been restated following ICG's ordinary shares Rights Issue in February 2008, as detailed in note 14.

All activities represent continuing operations.

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

Statements of Recognised Income and Expense
for the Year Ended 31 March 2008

Group	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Available for sale investments:		
Valuation gains taken to equity	**48.0**	56.9
Transferred to profit or loss on sale/disposal	**(42.5)**	(53.4)
Tax on items taken directly to or transferred from equity	**(2.5)**	(0.4)
Net income recognised directly in equity	**3.0**	3.1
Profit for the year	**154.8**	143.4
Total recognised income and expense for the year attributable to the equity holders of the parent	**157.8**	146.5

Company	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Available for sale investments:		
Valuation (losses)/gains taken to equity	**(14.8)**	4.0
Transferred to profit or loss on sale/disposal	**10.6**	–
Tax on items taken directly to or transferred from equity	**–**	–
Net (loss)/income recognised directly in equity	**(4.2)**	4.0
Profit for the year	**165.5**	101.1
Total recognised income and expense for the year attributable to the equity holders of the Company	**161.3**	105.1

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

Financial Accounts
Balance Sheets
31 March 2008

	Notes	31 Mar 2008 Group £m	31 Mar 2008 Company £m	31 Mar 2007 Group £m	31 Mar 2007 Company £m
Non-current assets					
Property, plant and equipment	15	**6.1**	**4.8**	2.9	2.1
Financial assets: loans, investments and warrants	16	**2,306.0**	**1,651.1**	1,749.9	1,347.7
Other derivatives	16	**1.8**	**–**	15.3	15.3
		2,313.9	**1,655.9**	1,768.1	1,365.1
Current assets					
Trade and other receivables	17	**39.6**	**343.2**	13.3	111.5
Financial assets: loans and investments	18	**151.8**	**150.8**	14.0	12.5
Cash and cash equivalents		**50.9**	**7.2**	172.0	21.7
		242.3	**501.2**	199.3	145.7
Total assets		**2,556.2**	**2157.1**	1,967.4	1,510.8
Equity and reserves					
Called up share capital	19	**17.2**	**17.2**	14.0	14.0
Share premium account	20	**348.5**	**348.5**	175.7	175.7
Capital redemption reserve	20	**1.4**	**1.4**	1.4	1.4
Other reserves	20	**17.9**	**5.0**	11.0	6.9
Retained earnings	20	**511.2**	**386.4**	399.5	263.9
Shareholders' funds		**896.2**	**758.5**	601.6	461.9
Non current liabilities					
Financial liabilities	21	**1,357.0**	**965.4**	1,137.0	858.2
Deferred tax liabilities	23	**12.9**	**9.5**	7.4	3.3
		1,369.9	**974.9**	1,144.4	861.5
Current liabilities					
Trade and other payables	22	**132.7**	**312.4**	112.7	111.1
Financial liabilities	21	**111.3**	**111.3**	73.6	73.6
Liabilities for current tax	22	**46.1**	**–**	35.1	2.7
		290.1	**423.7**	221.4	187.4
Total liabilities		**1,660.0**	**1,398.6**	1,365.8	1,048.9
Total equity and liabilities		**2,556.2**	**2157.1**	1,967.4	1,510.8

These financial statements were approved and authorised for issue by the Board of Directors on 2 June 2008.

Signed on behalf of the Board of Directors by:

P J Manser
Director

P H Keller
Director

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

Cash Flow Statements
for the Year Ended 31 March 2008

	Notes	31 Mar 2008 Group £m	31 Mar 2008 Company £m	31 Mar 2007 Group £m	31 Mar 2007 Company £m
Net cash from operating activities					
Interest and fee receipts		**223.7**	**178.7**	180.2	104.4
Dividends received	6	**6.2**	**6.1**	6.7	6.3
Gain on disposals		**141.8**	**0.2**	206.5	–
Interest payments		**(67.6)**	**(54.0)**	(48.8)	(39.9)
Cash payments to suppliers and employees		**(107.6)**	**(90.8)**	(59.9)	(53.5)
Proceeds from (purchase)/sale of current financial assets		**(115.7)**	**(116.6)**	54.5	51.9
Purchase of loans and investments		**(939.8)**	**(631.7)**	(732.1)	(646.8)
Proceeds from sale of loans and investments		**609.4**	**451.3**	435.9	375.6
Cash generated (used in)/by operations		**(249.6)**	**(256.8)**	43.0	(202.0)
Taxes paid		**(60.0)**	**1.9**	(74.0)	(71.9)
Net cash (used in)/from operating activities		**(309.6)**	**(254.9)**	(31.0)	(273.9)
Investing activities					
Proceeds from subsidiary undertakings		**–**	**138.4**	–	116.2
Purchase of property, plant and equipment	15	**(4.6)**	**(3.6)**	(2.2)	(1.7)
Net cash (used in)/from investing activities		**(4.6)**	**134.8**	(2.2)	114.5
Financing activities					
Dividends paid	13	**(43.0)**	**(43.0)**	(40.9)	(40.9)
Increase in long term borrowings		**65.7**	**(22.8)**	207.2	211.4
Decrease in bank overdrafts		**(5.6)**	**–**	(14.7)	(14.7)
Proceeds on issue of shares		**176.0**	**177.0**	1.2	1.2
Net cash from financing activities		**193.1**	**111.2**	152.8	157.0
Net (decrease)/increase in cash		**(121.1)**	**(8.9)**	119.6	(2.4)
Cash and cash equivalents at beginning of year		**172.0**	**16.1**	52.4	24.1
Cash and cash equivalents at end of year		**50.9**	**7.2**	172.0	21.7

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

Notes to the Accounts
for the Year Ended 31 March 2008

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 96. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 46.

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 Financial Reporting Standards (IAS/IFRS)		
IFRS 8	Operating segments	1 January 2009
IAS 23 (revised March 2007)	Borrowing costs	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 12	Service Concession Arrangements	1 January 2008

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group, except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

2 Significant accounting policies
(a) Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

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

The principal accounting policies are set out below:

(b) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its 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 provision for impairments.

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

(e) 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. The expected life of an instrument is estimated by the relevant Investment Executive using knowledge gained from the close monitoring of the investment and their presence on the Board.

2 Significant accounting policies continued

(f) 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.

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

(h) Share based payments
The Group has applied the requirements of IFRS 2 Share based payment.

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.

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

(j) 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.

(k) Foreign currencies
The individual financial statements of each Group company are presented in the currency of the primary economic environment in which they operate. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling which is the presentation currency for the consolidated financial statements. The assets and liabilities of the Group's foreign operations are translated using the exchange rates prevailing on the balance sheet date. The income and expense items are translated using the exchange rates at the date of the transactions.

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

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

(l) Taxation
Provision is made for taxation at the currently 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.

(m) 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 per cent to 33 per cent per annum
Leasehold improvements – 20 per cent per annum

2 Significant accounting policies continued

(n) 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 includes warrants and other derivatives held for risk management purposes, and investments where the Group holds more than 20% of the voting rights of an investee, are categorised as "at fair value through profit or loss". They are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are immediately recognised in the income statement.

(ii) Loans and receivables
Loans and receivables, held at amortised cost, are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include loans made as part of the Group's operating activities as well as trade and other receivables, cash and cash equivalents.

(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(p) 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(e) above.

(o) 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.

(p) 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.

(q) 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(r) below.

2 Significant accounting policies continued

(r) Derivative financial instruments and hedge accounting

Derivatives, including embedded derivatives which are not considered to be closely related to the host contract, are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at their fair value using an independent third party valuation. Changes in fair values of derivatives are recognised immediately in the income statement. The Group does not apply hedge accounting per IAS 32 "Financial Instruments – Presentation".

(s) Significant estimates/uncertainties

The significant accounting estimates in these financial statements are considered to relate to the valuations of impaired assets, equity investments, warrants, share based payment and the effective interest rate calculations.

The methodology for valuing impaired assets is as detailed in note 16 on page 82, for valuing warrants and equity is detailed in note 16 on page 81, for valuing share based payment is as detailed in note 24 on page 87 and for deciding upon the maturity date for the effective interest rate on loans and investments in note 2(e) on page 72.

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 profit for the year amounted to £165.5m (year ended 31 March 2007: £101.1m).

4 Analysis of profit before tax

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Income:		
Interest and dividend income	**236.9**	196.8
Fee and other operating income	**57.0**	33.3
	293.9	230.1
Less: related expenses		
Interest payable and other related financing costs	**(38.3)**	(66.6)
Add back: net (income)/losses on derivatives held for hedging purposes	**(36.2)**	8.2
Administrative expenses – salaries and benefits	**(43.2)**	(32.8)
Operating expenses	**(19.5)**	(14.1)
Medium Term Incentive Scheme – interest income	**(20.3)**	(12.8)
Core income	**136.4**	112.0
Gains on investments	**135.2**	197.0
Medium Term Incentive Scheme – capital gains	**(32.3)**	(42.0)
Net gains on investments	**102.9**	155.0
Provisions for impairment of assets	**(46.0)**	(34.8)
Net income/(losses) on derivatives held for hedging purposes*	**36.2**	(8.2)
Profit before tax	**229.5**	224.0

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

* Net income/losses relating to the fair value of derivatives, which are held to economically hedge certain liabilities of the Group excluding any interest accruals and spot F/X translation movements on these derivatives, are not considered part of core income.

Notes to the Accounts continued
for the Year Ended 31 March 2008

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, which includes Mezzanine and Credit 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 year ended 31 March 2008	Mezzanine finance £m	Fund management £m	Total £m
Revenue – external	**379.2**	**49.9**	**429.1**
Depreciation on segment property, plant and equipment	**1.2**	**–**	**1.2**
Segment result	**191.8**	**37.7**	**229.5**
Segment property, plant and equipment acquisitions	**4.4**	**–**	**4.4**
Balance sheet as at 31 March 2008			
Segment assets	**2,514.4**	**41.8**	**2,556.2**
Segment liabilities	**1,599.9**	**1.1**	**1,601.0**

For the year ended 31 March 2007	Mezzanine finance £m	Fund management £m	Total £m
Revenue – external	400.5	26.6	427.1
Depreciation on segment property, plant and equipment	0.3	0.1	0.4
Segment result	213.7	10.3	224.0
Segment property, plant and equipment acquisitions	1.6	0.6	2.2
Balance sheet as at 31 March 2007			
Segment assets	1,922.4	45.0	1,967.4
Segment liabilities	1,311.3	12.0	1,323.3

(b) Geographical segments

For the year ended 31 March 2008	Asia Pacific	Europe	US	Total
Revenue – external	**44.2**	**383.7**	**1.2**	**429.1**
Segment assets	**129.8**	**2,347.8**	**78.6**	**2,556.2**
Segment property, plant and equipment acquisitions	**–**	**4.4**	**–**	**4.4**

For the year ended 31 March 2007	Asia	Europe	Total
Revenue – external	4.7	422.4	427.1
Segment assets	34.5	1,932.9	1,967.4
Segment property, plant and equipment acquisitions	0.2	2.0	2.2

6 Interest and dividend income

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Interest income on interest bearing loans and investments fair valued through the profit and loss	**0.2**	–
Interest income on other interest bearing loans and investments	**225.8**	187.4
Dividend income from equity investments	**6.1**	6.7
Interest on bank deposits	**4.8**	2.7
	236.9	196.8

Interest income on other interest bearing loans and investments includes £4.5m (2007: £1.2m) accrued on impaired loans.

7 Interest payable and other related financing costs

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Interest expense recognised under the EIR method	**71.1**	51.8
Fair value movements on assets held at fair value through the P&L	**(36.2)**	3.3
Other related financing costs	**3.4**	11.5
	38.3	66.6

8 Gains on investments

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Fair value movements in warrants	**83.2**	144.0
Gains recycled from equity reserves on available for sale assets	**52.0**	53.0
	135.2	197.0

9 Impairment of assets

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Impairment on loans and receivables:		
New and increased	**49.9**	35.4
Recoveries	**(10.1)**	(3.1)
Total impairment on loans and receivables:	**39.8**	32.3
Impairment on available for sale investments		
New and increased	**10.9**	2.5
Recoveries	**(4.7)**	–
Total impairment on available for sale assets	**6.2**	2.5
	46.0	34.8

Impairments arose on assets in our Mezzanine Investment business and on our investment in our Credit Fund Management business.

10 Administrative expenses

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Administrative expenses include:		
Amounts due under Medium Term Incentive Scheme	**52.6**	54.8
Directors' remuneration	**18.7**	23.5
Depreciation	**1.2**	0.4
Auditors' remuneration	**1.1**	1.2

Notes to the Accounts continued
for the Year Ended 31 March 2008

10 Administrative expenses continued

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

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Audit fees:		
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**0.3**	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**0.1**	0.2
Total audit fees	**0.4**	0.4
Non audit fees:		
– Tax services	**0.4**	0.3
– Remuneration services	**0.1**	0.4
– All other services	**0.2**	0.1
Total non audit fees	**0.7**	0.8

11 Tax expense

Analysis of tax on ordinary activities	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
United Kingdom corporate tax at 30% (2007: 30%) based on the profit for the year	**71.7**	85.1
Prior year adjustment	**–**	3.1
	71.7	88.2
Deferred taxation:		
Current period	**5.1**	(7.6)
Prior year adjustment	**(2.1)**	–
Tax on profit on ordinary activities	**74.7**	80.6

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Profit on ordinary activities before tax	**229.5**	224.0
Tax at 30% (2007: 30%) thereon	**68.9**	67.2
Effects of:		
Changes in UK corporation tax rate	**(0.5)**	–
Non taxable income	**(7.3)**	(3.7)
Non deductible expenditure	**16.4**	14.4
Prior year adjustment	**(2.1)**	3.1
Withholding tax	**–**	(0.4)
Overseas tax	**(0.7)**	–
Current tax charge for the year	**74.7**	80.6

Deferred tax has been accounted for at the current corporation tax rate of 28 per cent.

12 Information regarding Directors and employees

	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007 £m
Directors' remuneration:		
Emoluments and benefits	**18.7**	23.5
	18.7	23.5
Employee costs during the year including directors:		
Wages and salaries	**89.8**	84.7
Social security costs	**5.2**	2.3
Pension costs	**0.8**	0.6
	95.8	87.6

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

	Year ended 31 Mar 2008 No.	Year ended 31 Mar 2007 No.
Investment Executives	**56**	44
Support staff	**57**	42
Directors	**6**	5
	119	91

The performance related element included in wages and salaries is £52.6m (2007: £54.8m), 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

	2008		2007	
	Per share pence	£m	Per share pence	£m
Ordinary dividend:				
Final dividend for the years ended 31 March 2007/06	**41.5**	**29.2**	42.0	29.4
Interim dividend for the periods to 30 September 2007/06	**19.5**	**13.8**	16.5	11.5
	61.0	**43.0**	58.5	40.9

The proposed final dividend for the year ended 31 March 2008 is 45.5p per share (2007: 41.5p per share) which will amount to £39m (2007: £29m).

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	Year ended 31 Mar 2008 £m	Year ended 31 Mar 2007* £m
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	**154.8**	143.4

Number of shares	2008	2007
Weighted average number of ordinary shares for the purposes of basic earnings per share	**72,548,930**	73,926,388
Effect of dilutive potential ordinary shares		
Share options	**887,054**	864,186
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**73,435,984**	74,790,469

* The earnings per share for 2007 have been restated following ICG's ordinary share Rights Issue in February 2008 by multiplying the prior year eps by the adjustment factor of 0.94797. The weighted average number of ordinary shares have therefore been adjusted by dividing by 0.94797.

15 Property, plant and equipment

Year ended 31 March 2008	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group			
Cost			
At 31 March 2007	3.3	2.0	5.3
Additions	2.3	2.1	4.4
At 31 March 2008	**5.6**	**4.1**	**9.7**
Depreciation			
At 31 March 2007	1.3	1.1	2.4
Charge for the year	0.8	0.4	1.2
At 31 March 2008	**2.1**	**1.5**	**3.6**
Net book value			
At 31 March 2008	**3.5**	**2.6**	**6.1**
At 31 March 2007	2.0	0.9	2.9
Company			
Cost			
At 31 March 2007	2.3	1.9	4.2
Additions	2.0	1.6	3.6
At 31 March 2008	**4.3**	**3.5**	**7.8**
Depreciation			
At 31 March 2007	1.0	1.1	2.1
Charge for the year	0.5	0.4	0.9
At 31 March 2008	**1.5**	**1.5**	**3.0**
Net book value			
At 31 March 2008	**2.8**	**2.0**	**4.8**
At 31 March 2007	1.3	0.8	2.1

15 Property, plant and equipment continued

Year ended 31 March 2007	Furniture and equipment £m	Short leasehold premises £m	Total £m
Group			
Cost			
At 31 March 2006	1.8	1.3	3.1
Additions	1.5	0.7	2.2
At 31 March 2007	3.3	2.0	5.3
Depreciation			
At 31 March 2006	1.0	1.0	2.0
Charge for the year	0.3	0.1	0.4
At 31 March 2007	1.3	1.1	2.4
Net book value			
At 31 March 2007	2.0	0.9	2.9
At 31 March 2006	0.8	0.3	1.1
Company			
Cost			
At 31 March 2006	1.4	1.1	2.5
Additions	0.9	0.8	1.7
At 31 March 2007	2.3	1.9	4.2
Depreciation			
At 31 March 2006	0.7	0.9	1.6
Charge for the year	0.3	0.2	0.5
At 31 March 2007	1.0	1.1	2.1
Net book value			
At 31 March 2007	1.3	0.8	2.1
At 31 March 2006	0.7	0.2	0.9

16 Financial assets – non current

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Loans and receivables	**2,102.6**	1,634.9	**1,486.8**	1,227.3
Investment in subsidiaries	**–**	–	**129.4**	87.1
Available for sale assets	**197.3**	107.4	**34.9**	33.3
Financial assets at fair value through profit and loss – designated at initial recognition	**4.8**	–	**–**	–
Derivatives – warrants	**1.3**	7.6	**–**	–
Other derivatives	**1.8**	15.3	–	15.3
	2,307.8	1,765.2	**1,651.1**	1,363.0

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

16 Financial assets – non current continued

Available for sale assets	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Additional information in respect of movements during the year is as follows:				
Balance at 31 March 2007/06	**107.4**	100.7	**33.3**	34.0
Additions	**98.8**	46.2	**11.8**	9.5
Change in fair value	**6.2**	53.4	**(13.2)**	3.6
Realisations	**(29.1)**	(89.6)	**(2.1)**	(13.6)
Currency movement on non sterling denominated loans	**14.0**	(3.3)	**5.1**	(0.2)
Balance at 31 March 2008/07	**197.3**	107.4	**34.9**	33.3

Impairment	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Additional information in respect of movements during the year is as follows:				
Balance at 31 March 2007/06	**98.4**	64.9	**65.2**	45.6
Charged to income statement	**46.0**	34.8	**27.3**	20.7
Currency translation and other adjustments	**(9.9)**	(1.3)	**(1.7)**	(1.1)
Balance at 31 March 2008/07	**134.5**	98.4	**90.8**	65.2

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

17 Trade and other receivables

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Other receivables	**38.8**	12.3	**20.5**	5.5
Current tax asset	**–**	–	**16.6**	–
Amount owed by Group companies	**–**	–	**305.6**	105.0
Prepayments	**0.8**	1.0	**0.5**	1.0
	39.6	13.3	**343.2**	111.5

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

18 Financial assets – current

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Loans and investments	**151.8**	14.0	**150.8**	12.5

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

19 Called up share capital

	2008 £m	2007 £m
Authorised: 90,000,000 (2007: 90,000,000) ordinary shares of 20p	**18.0**	18.0
Allotted, called up and fully paid: 86,219,156 (2007: 70,242,959) ordinary shares of 20p	**17.2**	14.0

The Company issued 292,023 shares under its Approved and Unapproved Executive Share Option Schemes 2001 during the year, raising £1.5m of new equity, and 14,792 shares under its SAYE scheme raising £0.1m of new equity.

In February 2008 ICG completed a two for nine ordinary shares Rights Issue at an Issue Price of 11.5p a share representing a discount of 27.7 per cent to the closing mid-market price per ordinary share on 9 January 2008. This Issue raised £175m of new equity and 15,669,382 new shares were issued.

20 Shareholders' funds

Year ended 31 March 2008	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 March 2007	14.0	175.7	1.4	2.9	8.1	399.5	601.6
Foreign exchange	–	–	–	–	1.5	(0.1)	1.4
Exercise of share options	0.1	1.5	–	–	–	–	1.6
Proceeds from rights issue	3.1	171.3	–	–	–	–	174.4
Credit for share based payments	–	–	–	2.4	–	–	2.4
Revaluation of available for sale investments	–	–	–	–	3.0	–	3.0
Profit for the year	–	–	–	–	–	154.8	154.8
Dividends paid	–	–	–	–	–	(43.0)	(43.0)
Balance at 31 March 2008	**17.2**	**348.5**	**1.4**	**5.3**	**12.6**	**511.2**	**896.2**
Company							
Balance at 31 March 2007	14.0	175.7	1.4	2.9	4.0	263.9	461.9
Foreign exchange	–	–	–	–	0.2	–	0.2
Exercise of share options	0.1	1.5	–	–	–	–	1.6
Proceeds from rights issue	3.1	171.3	–	–	–	–	174.4
Credit for share based payments	–	–	–	2.1	–	–	2.1
Revaluation of available for sale investments	–	–	–	–	(4.2)	–	(4.2)
Profit for the year	–	–	–	–	–	165.5	165.5
Dividends paid	–	–	–	–	–	(43.0)	(43.0)
Balance at 31 March 2008	**17.2**	**348.5**	**1.4**	**5.0**	**–**	**386.4**	**758.5**

Notes to the Accounts continued

for the Year Ended 31 March 2008

20 Shareholders' funds continued

Year ending 31 March 2007	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 March 2007	14.0	174.5	1.4	1.4	5.0	297.0	493.3
Exercise of share options	–	1.2	–	–	–	–	1.2
Credit for share based payments	–	–	–	1.5	–	–	1.5
Revaluation of available for sale investments	–	–	–	–	3.1	–	3.1
Profit for the year	–	–	–	–	–	143.4	143.4
Dividends paid	–	–	–	–	–	(40.9)	(40.9)
Balance at 31 March 2007	**14.0**	**175.7**	**1.4**	**2.9**	**8.1**	**399.5**	**601.6**
Company							
Balance at 31 March 2007	14.0	174.5	1.4	1.4	–	203.7	395.0
Exercise of share options	–	1.2	–	–	–	–	1.2
Credit for share based payments	–	–	–	1.5	–	–	1.5
Revaluation of available for sale investments	–	–	–	–	4.0	–	4.0
Profit for the year	–	–	–	–	–	101.1	101.1
Dividends paid	–	–	–	–	–	(40.9)	(40.9)
Balance at 31 March 2007	**14.0**	**175.7**	**1.4**	**2.9**	**4.0**	**263.9**	**461.9**

21 Financial liabilities

Group	**2008** Current £m	Non current £m	2007 Current £m	Non current £m
Liabilities held at amortised cost				
Private placement	**70.3**	**342.6**	30.9	411.4
Bridge facility	**–**	**–**	–	263.1
Revolving credit facility	**–**	**569.7**	–	441.2
Bank overdraft	**–**	**–**	–	5.6
Floating rate secured notes	**–**	**391.6**	–	–
Derivatives held at fair value through the profit and loss	**41.0**	**53.1**	42.7	15.7
	111.3	**1,357.0**	73.6	1,137.0

Company	**2008** Current £m	Non current £m	2007 Current £m	Non current £m
Liabilities held at amortised cost				
Private placement	**70.3**	**342.6**	30.9	411.4
Revolving credit facility	**–**	**569.7**	–	441.2
Bank overdraft	**–**	**–**	–	5.6
Derivatives	**41.0**	**53.1**	42.7	–
	111.3	**965.4**	73.6	858.2

21 Financial liabilities continued

The maturity of the funding liabilities are shown below:

As at 31 March 2008	Contractual maturity analysis: Less than one year	One to two years	Two to five years	More than five years	Total
$95m private placement	10.5	11.3	–	–	21.8
£25m private placement	–	26.5	–	–	26.5
$110m private placement	–	13.0	21.2	–	34.2
£25 private placement	–	–	21.0	–	21.0
$200m private placement	39.8	1.0	20.8	35.9	97.5
£30m private placement	20.0	–	–	10.0	30.0
$240m private placement	–	–	17.6	103.2	120.8
€39m private placement	–	–	31.1	–	31.1
£30m private placement	–	–	–	30.0	30.0
£1,042m revolving credit facility	–	–	569.7	–	569.7
€325m class A secured notes	–	–	–	235.8	235.8
€78m class B secured notes	–	–	–	62.3	62.3
€78m class C secured notes	–	–	–	62.3	62.3
€39m class D secured notes	–	–	–	31.2	31.2
	70.3	**51.8**	**681.4**	**570.7**	**1,374.2**

In the current year, overdraft facilities have been netted against cash balances as the Group has the automatic right of set off.

As at 31 March 2007	Contractual maturity analysis: Less than one year	One to two years	Two to five years	More than five years	Total
$75m private placement	26.0	–	–	–	26.0
$95m private placement	1.8	10.9	11.8	–	24.5
£25m private placement	–	–	26.8	–	26.8
$110m private placement	–	–	35.0	–	35.0
£25 private placement	–	–	21.1	–	21.1
$200m private placement	3.1	39.9	20.9	36.3	100.2
£30m private placement	–	20.0	–	10.0	30.0
$240m private placement	–	–	17.8	104.5	122.3
€39m private placement	–	–	26.4	–	26.4
£30m private placement	–	–	–	30.0	30.0
€385m bridge facility	–	–	263.1	–	263.1
£1,042m revolving credit facility	–	–	441.2	–	441.2
£25m overdraft	–	–	5.6	–	5.6
	30.9	70.8	869.7	180.8	1,152.2

The bridging facility was provided by the Royal Bank of Scotland.

The maturity profile of the Company is the same as that of the Group, except for the class A, B, C, D secured notes which are held by a subsidiary.

22 Trade, other payables and liabilities for current tax

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Trade payables	**2.1**	2.3	**2.7**	0.6
Accruals	**129.7**	110.2	**108.2**	91.3
Amounts owed to Group companies	**–**	–	**200.6**	19.0
Taxation – corporation tax	**46.1**	35.1	**–**	2.7
Taxation – social security	**0.9**	0.2	**0.9**	0.2
	178.8	147.8	**312.4**	113.8

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 March 2006	(0.9)	6.2	10.1	1.4	16.8
Charge to income	–	(1.7)	(4.4)	(1.5)	(7.6)
(Charge)/credit to equity	(2.2)	–	0.4	–	(1.8)
At 31 March 2007	(3.1)	4.5	6.1	(0.1)	7.4
(Charge)/credit to income	1.3	6.5	(5.4)	0.6	3.0
(Charge)/credit to equity	–	–	2.5	–	2.5
At 31 March 2008	**(1.8)**	**11.0**	**3.2**	**0.5**	**12.9**

Deferred tax has been accounted for at the current corporation tax rate of 28 per cent.

24 Share based payments

Equity settled share option schemes

Intermediate Capital Group PLC 2001 Approved and Unapproved Executive Share Option Scheme

The Company has a number of share option schemes for certain employees of the Group. The terms of the Intermediate Capital Group PLC 2001 Approved Executive Share Option Scheme and the Intermediate Capital Group PLC 2001 Unapproved Executive Share Option Scheme are shown on page 59.

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

	Number		Weighted average exercise price (£)	
	2008	2007	**2008**	2007
Outstanding at 1 April	**2,872,565**	2,420,199	**10.93**	10.0
Granted	**908,855**	909,190	**16.57**	12.8
Forfeited	**97,168**	(42,690)	**13.27**	11.6
Exercised*	**485,019**	(414,134)	**9.55**	7.8
Adjustment following Rights Issue**	**180,253**	–	**12.58**	–
Outstanding at 31 March	**3,379,486**	2,872,565	**11.96**	10.93
Of which are currently exercisable:	**885,163**	771,388		

* 192,996 (2007: 120,567) were issued on a net basis.

**In February 2008 ICG completed a two for nine rights issue at 11.5p per share. In accordance with the terms of the ICG PLC 2001 Approved Executive Share Option Scheme and the ICG PLC 2001 Unapproved Executive Share Option Scheme all outstanding option exercise prices were adjusted by a factor of 0.94797 and the number of all outstanding options were adjusted by a factor of 1.05488. The purpose of these adjustments was to preserve the rights of the holders after such a capital change.

The weighted average share price at the date of exercise for share options exercised in the year was £16.62 (2007: £15.77). The options outstanding at 31 March 2008 have a range of exercise prices between £6.9 and £15.7 following the rights issue adjustment (2007: £5.1 and £15.3) as follows, and a weighted average remaining contractual life of 7.4 years (2007: 7.5 years).

24 Share based payments continued

Exercise price	2008 Number
£15.70	**846,629**
£15.43	**71,222**
£11.70	**730,529**
£12.19	**35,282**
£14.51	**130,274**
£10.35	**610,822**
£10.35	**69,565**
£11.43	**343,433**
£11.43	**9,628**
£8.02	**213,480**
£8.02	**11,698**
£7.86	**143,924**
£7.86	**9,537**
£6.94	**153,463**

Exercise price	2007 Number
£12.3	703,858
£10.9	630,741
£12.1	511,202
£8.5	389,391
£8.3	191,434
£7.3	170,563
£15.3	123,496
£10.5	65,946
£12.9	65,934
£5.1	20,000

In the year to 31 March 2008, 908,855 options were granted on 13 June 2007. Following the Rights Issue, this number was adjusted to 958,408, as 5,853 of the options granted lapsed prior to the Rights Issue (year ended 31 March 2007: 785,694 on 1 June 2006 and 123,496 on 5 December 2006). The aggregate of estimated fair values of the options granted on these dates are £3.0m (2007: £1.6m).

The inputs into the Black Scholes model are as follows:

For options granted	13 June 2007	5 December 2006	1 June 2006
Exercise price	£16.57	£15.30	£12.34
Expected volatility	25.10%	18.51%	18.51%
Expected life	4.98 years	5.14 years	5.14 years
Risk free rate	5.00%	4.38%	4.38%
Dividend yield	3.90%	3.80%	3.80%

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.

24 Share based payments continued

Key Employee Retention Share Plan ("KERSP")

In the year to 31 March 2008, 355,895 shares were granted on 13 June 2007. Following the Rights Issue, this number was adjusted to 375,414. 27,559 of these options have lapsed during the year.

The aggregate of the estimated fair values of these options is £4.6m.

The inputs for the Black Scholes model are as follows:

	13 June 2007	25 May 2006
Exercise price	nil	nil
Expected volatility	25.10%	18.51%
Expected life	6.0 years	6.0 years
Risk free rate	5.00%	4.38%
Dividend yield	3.90%	3.80%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous two years. 20 per cent of the options granted in May 2006 vest in May 2010 and 20 per cent every subsequent year thereafter until May 2014.

20 per cent of the options granted in June 2007 vest in June 2011 and 20 per cent every subsequent year thereafter until June 2015. The expected life has thus been calculated by assuming that options are exercised as soon as they vest, there being no exercise cost.

The Group recognised total expenses of £2.5m and £1.5m related to equity settled share based payment transactions in 2008 and 2007 respectively.

25 Financial commitments

At 31 March 2008, the Group estimated that it had no contractual obligations to provide further funding apart from an obligation to lend a further £60.9m (2007: £111.0m) on four existing investments, one new investment and one co-investment agreement with Intermediate Capital Asia Pacific Mezzanine Fund 2005.

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 16, 17 and 22. Aggregated significant transactions with subsidiary undertakings are as follows:

	Year ended 31 Mar 2008 £m	Period ended 31 Mar 2007 £m
Management fees received	**1.0**	1.0
Service charges paid	**12.5**	4.0
Dividends received	**211.9**	110.0

Management consider key management personnel to be the Board of Directors and all related party transactions are disclosed in the Remuneration Report.

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 II PLC	100	United Kingdom	England and Wales	Provider of mezzanine finance
Mezzanine Finance (Guernsey) Ltd	100	Guernsey	Guernsey	Holding company for loans and investments
JOG Partners Limited	100	United Kingdom	England and Wales	Investment company
Intermediate Investments Jersey Ltd	100	Jersey	Jersey	Investment company
Intermediate Capital Asia Pacific Ltd	100	Hong Kong	Hong Kong	Advisory company
Intermediate Capital Group SAS	100	France	France	Advisory company
Intermediate Capital Group Espana SL	100	Spain	Spain	Advisory company
Intermediate Capital Nordic AB	100	Sweden	Sweden	Advisory company
Intermediate Capital Group Beratungsgesellschaft	100	Germany	Germany	Advisory company
Intermediate Capital Japan K.K	100	Japan	Japan	Advisory company
Intermediate Capital Australia Pty Ltd	100	Australia	Australia	Advisory company
Intermediate Capital Group Inc	100	USA	Delaware	Advisory company
Intermediate Capital Ltd	100	United Kingdom	England and Wales	General Partner in a number of partnerships
Intermediate Capital GP Ltd	100	Jersey	Jersey	General Partner in a number of partnerships
Intermediate Capital GP 2003 Ltd	100	Jersey	Jersey	General Partner in a number of partnerships
Intermediate Capital Asia Pacific Mezz GP 2005 Ltd	100	Jersey	Jersey	General Partner
Intermediate Capital Asia Pacific Mezz Opps GP 2005 Ltd	100	Jersey	Jersey	General Partner
Intermediate Capital GP 2006 Ltd	100	Jersey	Jersey	General Partner

All companies listed above have a reporting date of 31 March.

28 Financial assets and liabilities

(a) Treasury and hedging policies

The Group's treasury policies seek to manage the following risks. The Board has reviewed and agreed the changes in the policies during the year ended 31 March 2008.

(b) Interest rate risk

The Group's assets include both fixed and floating rate loans and non interest bearing equity investments. The Group's operations are financed with a combination of shareholders' funds, bank borrowings, private placement notes and floating rate notes. The Group manages its exposure to market interest rate movements by matching, to the extent possible, the interest profiles of assets and liabilities and by using derivative instruments. As a result, the Group does not have material financial exposure to interest rate movements.

Notes to the Accounts continued

for the Year Ended 31 March 2008

28 Financial assets and liabilities continued

The following tables provide a summary of the interest rate repricing profile of the Group's and the Company's assets and liabilities as at 31 March 2008 and 2007. 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 includes the effect of derivatives which alter the interest basis of assets and liabilities.

As at 31 March 2008

Group	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Non interest bearing	Total
Financial assets								
Loans and receivables	1304.7	391.2	72.1	108.4	226.2	–	–	2,102.6
Financial assets fair valued through the profit and loss	–	–	–	–	4.8	–	–	4.8
Available for sale assets	–	–	–	–	–	–	197.3	197.3
Warrants	–	–	–	–	–	–	1.3	1.3
Other derivatives	–	–	–	–	–	–	1.8	1.8
Cash at bank	50.9	–	–	–	–	–	–	50.9
Other financial assets	151.8	–		–	–	–	39.6	191.4
Non financial assets	–	–	–	–	–	–	6.1	6.1
Total assets	1507.4	391.2	72.1	108.4	231.0	–	246.1	2,556.2
Financial liabilities								
Revolving credit facilities	569.7	–	–	–	–	–	–	569.7
Private placements	10.5	21.1	59.8	14.0	138.4	169.1	–	412.9
Floating rate secured notes	–	379.5	–	–	–	12.1	–	391.6
Derivative liabilities	–	–	–	–	–	–	94.1	94.1
Other financial liabilities	–	–	–	–	–	–	178.8	178.8
Non financial liabilities	–	–	–	–	–	–	12.9	12.9
Total liabilities	580.2	400.6	59.8	14.0	138.4	181.2	285.8	1,660.0
Interest rate derivatives	190.3	268.5	(60.3)	(13.6)	(133.9)	(169.4)	(81.6)	–
Interest rate sensitivity gap	736.9	(277.9)	72.6	108.0	226.5	(11.8)	41.9	
Cumulative gap at 31 March 2008		459.0	531.6	639.6	866.1	854.3	896.2	

28 Financial assets and liabilities continued

As at 31 March 2007

Group	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Non interest bearing	Total
Financial assets								
Loans and receivables	728.0	571.5	218.8	32.4	84.2	–	–	1634.9
Available for sale assets	–	–	–	–	–	–	107.4	107.4
Warrants	–	–	–	–	–	–	7.6	7.6
Other derivatives	–	–	–	–	–	–	15.3	15.3
Cash at bank	172.0	–	–	–	–	–	–	172.0
Other financial assets	14.0	–	–	–	–	–	13.3	27.3
Non financial assets	–	–	–	–	–	–	2.9	2.9
Total assets	914.0	571.5	218.8	32.4	84.2	–	146.5	1,967.4
Financial liabilities								
Bank overdraft	5.6	–	–	–	–	–	–	5.6
Revolving credit facilities	441.2	–	–	–	–	–	–	441.2
Private placements	2.6	26.0	1.0	70.9	160.9	180.9	–	442.3
Secured notes	263.1	–	–	–	–	–	–	263.1
Derivative liabilities	–	–	–	–	–	–	58.4	58.4
Other financial liabilities	–	–	–	–	–	–	147.8	147.8
Non financial liabilities	–	–	–	–	–	–	7.4	7.4
Total liabilities	712.5	26.0	1.0	70.9	160.9	180.9	213.6	1,365.8
Interest rate derivatives	126.7	327.8	(27.2)	(75.1)	(143.5)	(171.2)	(37.5)	
Interest rate sensitivity gap	74.8	217.7	245.0	36.6	66.8	(9.7)	(29.6)	
Cumulative gap at 31 March 2007		292.5	537.5	574.1	640.9	631.2	601.6	

The Company's profile has not been included as it materially matches that of the Group.

(c) Foreign exchange risk

The Group is exposed to currency risk in relation to the translation of net assets, currency transactions and the translation of net asset, and profit and loss accounts of foreign subsidiaries. The Group's most significant exposures are to the euro and the US dollar.

The Group manages its exposure to market currency risk by matching assets with debt to the extent possible and through the use of derivative instruments.

The Group regards its interest in overseas subsidiaries as long term investments. Consequently it does not normally hedge the translation effect of exchange rate movements on the financial statements of these businesses.

The financial assets and liabilities by currency and the sensitivity of the assets and liabilities to foreign exchange rates is shown in (h) page 93. This is before the effect of derivative instruments.

(d) Liquidity risk

The Group manages its liquidity risk by maintaining headroom on its financing facilities, particularly the bank facility.

(e) Refinancing risk

The Group's policy is to maintain continuity of funding. Due to the long term nature of the Group's assets the Group seeks to ensure that the maturity of its debt instruments is matched to the expected maturity of its assets. This has been achieved by the ongoing private placement programme with notes maturing between five and 10 years, short term borrowings under the five year extendable, multi currency bank facility and by issuing floating rate notes.

(f) Credit risk

The Group's policy is to diversify its portfolio in terms of geography, sector and size and has in place disciplined credit procedures both before and during the period of investment to protect its portfolio.

28 Financial assets and liabilities continued

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.

(g) Fair value

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

Group	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Financial assets				
Loans and receivables	**2,254.4**	**2,254.4**	1,648.9	1,648.9
Available for sale investments	**197.3**	**197.3**	107.4	107.4
Fair value profit and loss	**4.8**	**4.8**	–	–
Warrants	**1.3**	**1.3**	7.6	7.6
Other derivatives	**1.8**	**1.8**	15.3	15.3
Trade and other receivables	**39.6**	**39.6**	13.3	13.3
Cash at bank	**50.9**	**50.9**	172.0	172.0
Financial liabilities				
Senior debt and bank overdraft	**569.7**	**569.7**	446.8	446.8
Private placements	**412.9**	**412.9**	442.3	442.3
Secured notes	**391.6**	**391.6**	–	–
Bridging facility	**–**	**–**	263.1	263.1
Derivatives	**94.1**	**94.1**	58.4	58.4
Trade and other payables	**178.8**	**178.8**	147.8	147.8

Company	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Financial assets				
Investment in subsidiaries	**129.4**	**129.4**	87.1	87.1
Loans and receivables	**1,637.6**	**1,637.6**	1,239.8	1,239.8
Available for sale investments	**34.9**	**34.9**	33.3	33.3
Warrants	**–**	**–**	–	–
Other derivatives	**–**	**–**	15.3	15.3
Trade and other receivables	**343.2**	**343.2**	111.5	111.5
Cash at bank	**7.2**	**7.2**	21.7	21.7
Financial liabilities				
Senior debt and bank overdraft	**569.7**	**569.7**	446.8	446.8
Private placements	**412.9**	**412.9**	442.3	442.3
Derivatives	**94.1**	**94.1**	42.7	42.7
Trade and other payables	**312.4**	**312.4**	113.8	113.8

The Group and Company hold a number of investments in unlisted shares and warrants which include some which are measured at cost because their fair value cannot be measured reliably for the reasons set out in note 16. The total carrying amount of these instruments is £197.3m (2007: £107.4m).

The fair value of these warrants and unlisted shares cannot be reliably measured. The range of estimates within which the aggregate fair value is highly likely to lie is £70m to £110m (2007: £55m to £130m).

Apart from the unlisted shares and warrants held at cost, the following methods and assumptions that were used to estimate the fair values are shown below:

Loans and receivables Floating rate loans are recorded in the balance sheet using the effective interest rate method, less provisions for impairment. This value is considered by the Directors to be a good approximation for fair value.

28 Financial assets and liabilities continued

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 recent significant transactions or an earning based valuation technique. Where a reliable fair value cannot be established, these are held at cost.

Other derivatives The fair value of the derivatives used for hedging purposes is derived from pricing models which take account of the contract terms, including maturity, as well as quoted market parameters such as interest rates and volatilities.

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.

(h) Sensitivity to foreign exchange note and interest rate risk

	Financial assets 2008				Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	**Fixed £m**	**Total £m**		Floating £m	Fixed £m	Total £m
Sterling	**304**	**139**	**443**	Income	3.0	–	3.0
Euro	**1,325**	**378**	**1,703**	Income	13.2	–	13.2
Other currencies	**198**	**204**	**402**	Income	2.0	–	2.0
	1,827	**721**	**2,548**		18.2	–	18.2

	Financial liabilities 2008				Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	**Fixed £m**	**Total £m**		Floating £m	Fixed £m	Total £m
Sterling	**11**	**272**	**283**	Expense	(0.1)	–	(0.1
Euro	**736**	**32**	**768**	Expense	(7.4)	–	(7.4)
Other currencies	**223**	**279**	**502**	Expense	(2.2)	–	(2.2)
	970	**583**	**1,553**		(9.7)	–	(9.7)

	Financial assets 2007				Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m		Floating £m	Fixed £m	Total £m
Sterling	318	87	405	Income	3.2	–	3.2
Euro	944	211	1,155	Income	10.8	–	10.8
Other currencies	262	114	376	Income	1.2	–	1.2
	1,522	412	1,936		15.2	–	15.2

	Financial liabilities 2007				Sensitivity of financial assets to 1% interest rate increase		
	Floating £m	Fixed £m	Total £m		Floating £m	Fixed £m	Total £m
Sterling	27	65	92	Expense	(0.3)	–	(0.3)
Euro	682	30	712	Expense	(6.8)	–	(6.8)
Other currencies	20	328	348	Expense	(0.2)	–	(0.2)
	729	423	1,152		(7.3)	–	(7.3)

The Group sensitivity to movements in exchange rates is assumed by applying a measure, as defined in the Group's Treasury Policy, to the net currency asset or liability at the balance share date. The sensitivity was calculated at £3.9m (2007: £7.4m).

28 Financial assets and liabilities continued

(i) Derivatives

The Group utilises the following derivatives instruments for economic hedging purposes:

As at 31 March 2008

	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	759.8	1.8	27.3	759.8	1.8	27.3
Cross currency swaps	237.8	–	70.8	237.8	–	70.8
Total	997.6	1.8	98.1	997.6	1.8	98.1
Interest rate derivatives:						
Interest rate swaps	149.3	6.8	2.8	149.3	5.0	2.8
Total	149.3	6.8	2.8	149.3	5.0	2.8

As at 31 March 2007

	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	344.0	–	1.1	344.0	–	1.1
Cross currency swaps	384.0	15.8	56.1	164.9	15.8	40.4
Total	728.0	15.8	57.2	508.9	15.8	41.5
Interest rate derivatives:						
Interest rate swaps	147.3	–	1.2	147.3	–	1.2
Total	147.3	–	1.2	147.3	–	1.2

(j) Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements by the Financial Services Authority and ensure that the Group maximises the return to shareholders through the optimisation of the debt and equity balance.

The capital structure comprises debts, which includes the borrowings disclosed in note 21, cash at bank and in hand, and capital and reserves of the parent, comprising called up share capital, reserves and retained earnings as disclosed in note 20.

ICG has complied with the imposed minimum capital throughout the year.

Shareholder Information

Timetable

The major timetable dates are as follows:

Ex dividend date	4 June 2008
Record date for Financial Year 2008 final dividend	6 June 2008
Annual General Meeting	1 July 2008
Payment of final dividend	4 July 2008
Interim results announcement for the six months to 30 September 2008	November 2008

Registrars

The address of the Registrars is:

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

Internet website

The Company's website address is www.icgplc.com. Copies of the Annual and Interim Reports and other information about the Company are available on this site.

Company Information

Stockbrokers
JP Morgan Cazenove
20 Moorgate
London
EC2R 6DA

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

Lloyds TSB plc
25 Gresham Street
London
EC2V 7HN

Registered office
20 Old Broad Street
London
EC2N 1DP

Auditors
Deloitte & Touche LLP
Chartered Accountants and
Registered Auditors
London

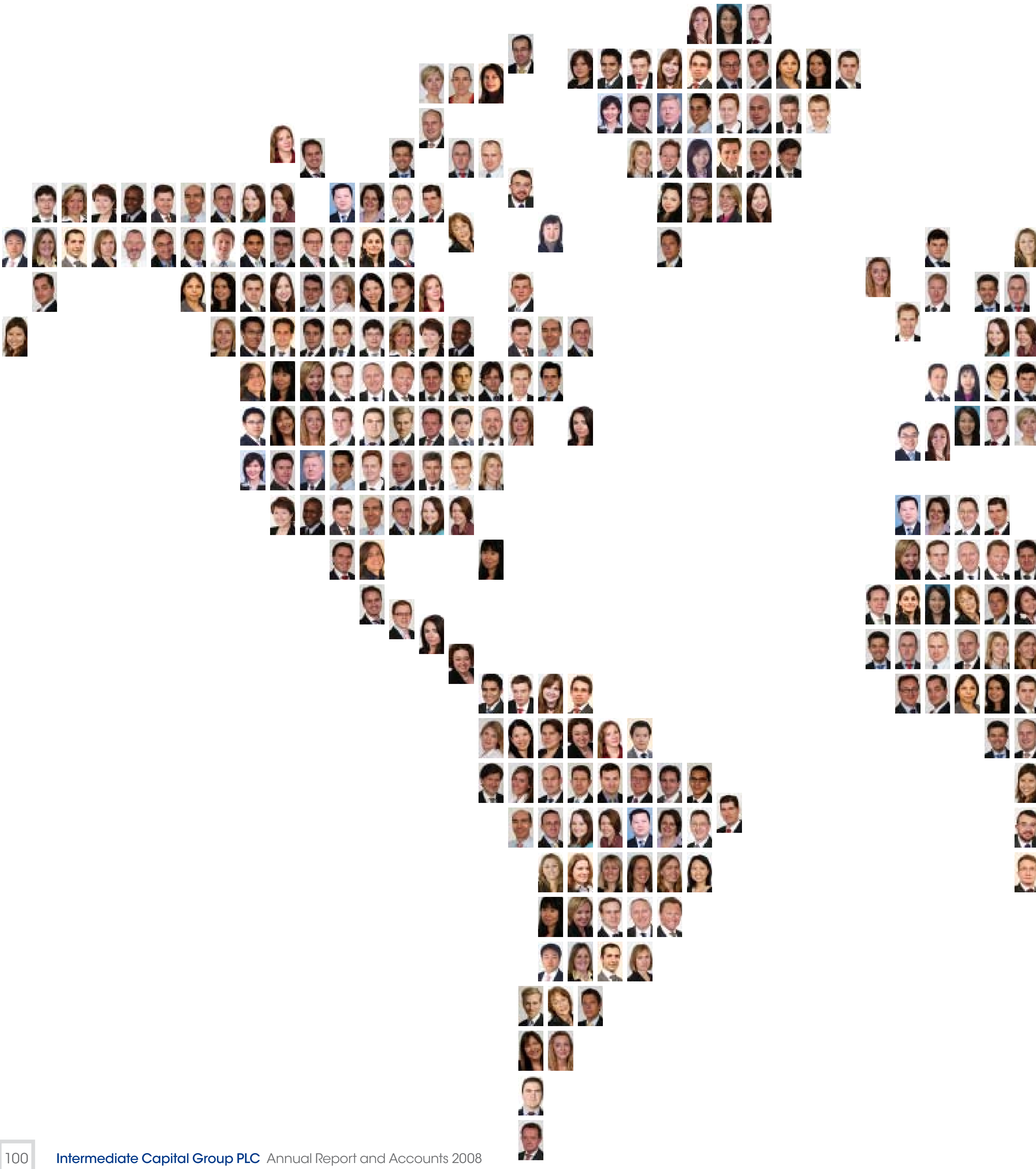
Registrars
Computershare Investor
Services PLC
PO Box 92
The Pavillions
Bridgwater Road
Bristol
BS99 7NH

Company Registration Number
2234775

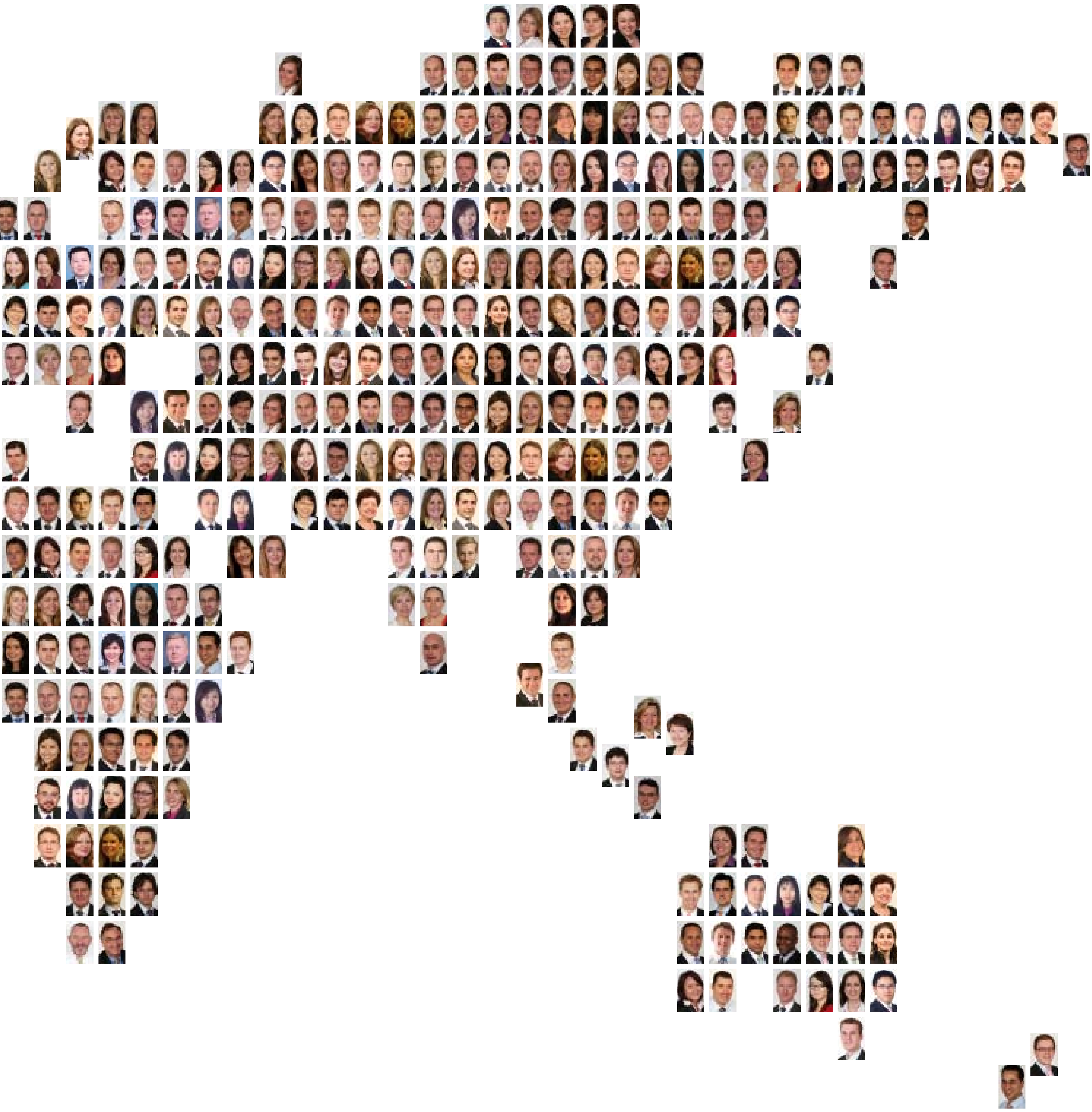
Notes

Notes

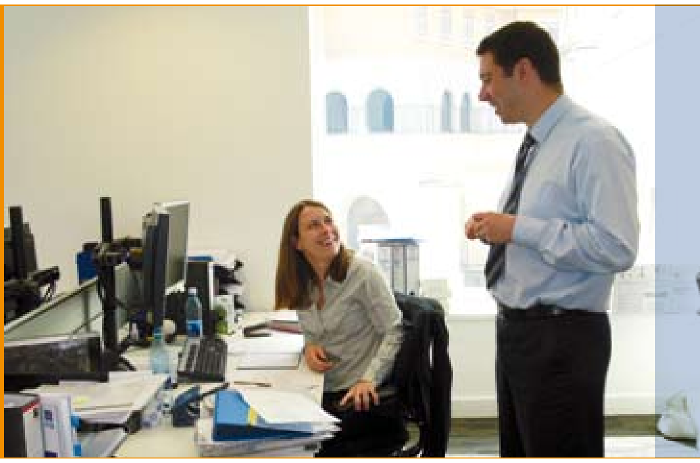
Our People



It all comes down to the people behind ICG – bright, innovative, team players – with their shared sense of vision and service on behalf of our clients. People with integrity and a drive for excellence have been the crystallising force behind ICG's success over our entire 19 year history.



Designed and produced by **Emperor Design Consultants Ltd**
Telephone **020 7729 9090** **www.emperordesign.co.uk**



London
20 Old Broad Street
London EC2N 1DP
United Kingdom
Telephone 0044 20 7628 9898
Facsimile 0044 20 7628 2268

Frankfurt
12th floor An der Welle 5
60322 Frankfurt
Germany
Telephone 0049 69 254 976 50
Facsimile 0049 69 254 976 99

Hong Kong
Rms 3603-4, 36/Fl.
Edinburgh Tower
15 Queen's Road Central
Hong Kong
Telephone 00852 2297 3080
Facsimile 00852 2297 3081

Madrid
Serrano, 30 - 3°
28001 Madrid
Spain
Telephone 0034 91 310 7200
Facsimile 0034 91 310 7201

New York
250 Park Avenue
Suite 810
New York, NY 10177
USA
Telephone 001 212 710 9650
Facsimile 001 212 710 9651

Paris
38, avenue Hoche
75008 Paris
France
Telephone 0033 1 4495 8686
Facsimile 0033 1 4495 8687

Stockholm
Birger Jarlsgatan 13, 1tr
111 45 Stockholm
Sweden
Telephone 0046 8 545 04 150
Facsimile 0046 8 545 04 151

Sydney
Level 18, 88 Phillip Street
Sydney
NSW 2000
Australia
Telephone 0061 2 9241 5525
Facsimile 0061 2 9241 5526

Tokyo
14th Fl., Hibiya Central Bldg
1-2-9 Nishi-Shimbashi Minato-ku
Tokyo 105-0003
Japan
Telephone 0081 3 5532 7840
Facsimile 0081 3 5532 7843

Authorised and regulated by the Financial Services Authority
www.icgplc.com