

**iCG**

A DISCIPLINED INVESTMENT

# **CULTURE**

DELIVERING STRONG PERFORMANCE

**INTERMEDIATE CAPITAL GROUP PLC**  
ANNUAL REPORT & ACCOUNTS 2017

# A BALANCED APPROACH

At ICG we balance a **disciplined approach** to investment with an **entrepreneurial spirit** to identify opportunities that will generate ongoing growth for our investors. Our **expert teams** use their skills and **local market knowledge** to design investment strategies which provide investors with direct access to alternative asset classes.



WHAT  
MAKES US  
DIFFERENT

+ Read more on  
page 11

ICG AT A  
GLANCE

+ Read more on  
pages 6 and 7

HOW WE  
CREATE  
VALUE

+ Read more on  
pages 8 and 9

Our **proven track record** over 28 years demonstrates our ability to respond to, and capitalise on, challenging markets and convert uncertainty into long term opportunity. The balance sheet is critical to our growth. It is used to align our shareholders' and fund investors' interests and to act as an anchor investor in new and developing fund strategies.

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Assets under management

**€23.8BN**

2016: €21.6bn

[+ Read more on page 22](#)



Profit before tax

**£252.4M**

2016: £158.8m

[+ Read more on page 20](#)



Ordinary dividend per share

**27.0P**

2016: 23.0p

[+ Read more on page 3](#)

# ANOTHER STRONG YEAR OF GROWTH

## AN INTRODUCTION FROM THE CHAIRMAN

### DEAR SHAREHOLDER

**I would like to start my first letter as your Chairman by thanking my predecessor, Justin Dowley for his substantial contribution to the development of your Company over the last 10 years. This has been another year of strategic delivery and the Board agenda has included a wide range of business and governance matters contextualised by internal and external developments.**

### Business developments

Since 2010 we have transformed ICG into a leading alternative asset manager, primarily of closed end funds. We have successfully expanded our range of strategies from four to 16, established our own distribution team and invested in a scalable infrastructure platform. An enabler of this success is our balance sheet which has allowed us to pioneer new investment strategies and invest alongside our clients in existing strategies.

The asset management industry is becoming increasingly split between active and indexed management. Both styles have their parts to play in wealth generation, but as a private markets operator we are dedicated to active management. Another industry trend is consolidation, creating firms of significant size with a major public market franchise complemented by independent, smaller specialist firms. In this market we are a specialist active manager, managing primarily closed end funds in private markets. We believe this positions us well for growth.

A disciplined investment culture is at the heart of our business model. We seek to meet or exceed clients' expectations commensurate with their risk appetites in each of our strategies. We therefore continue to hire and retain top quality investment professionals so that clients prefer to invest in ICG funds. During the year we added key investment professionals to our liquids, Strategic Secondaries and US strategies. We also seek to ensure our infrastructure platforms continue to meet the needs of all our principal stakeholders – shareholders, clients, regulators, suppliers and staff – in a secure, efficient and scalable manner.

The financial highlights of the year have included fundraising (inflows) of €4bn with money raised for newer strategies including Strategic Secondaries and Australian Senior Loans. The weighted average fee rate of 0.91% is up from 0.88%. Capital deployment has remained on track in a highly competitive investment market and our funds are performing robustly, with a strong level of realisations and capital gains.

The UK's decision to leave the European Union caused us to reassess how we structure our operations in Europe. Since the referendum vote we have evaluated our structural requirements and expanded our Luxembourg operations to maintain access to our European client base. We remain committed to our European heritage whilst at the same time expanding our North American and Asian operations. We do not anticipate the need for any other significant organisational change and have no intention of moving our UK or head office operations from London.

The success of ICG depends on expertise across the investment, distribution and infrastructure teams, and I would like to thank all of our staff for their contribution to our business over the course of the year.

### Governance

High quality corporate governance helps to deliver stakeholder returns. During the year, the Board and its committees invested significant time on succession planning, including that of the Chief Executive Officer (CEO), recruitment of Non Executive Directors, and dividend and remuneration policies.

### Chief Executive

At this year's AGM our long standing Chief Executive and Chief Investment Officer retires from executive life. Christophe Evain has been with ICG since 1994 and has been the CEO since 2010. At the start of his tenure, ICG was just beginning to emerge from the financial crisis of 2009. He led the transformation of the Group to the alternative asset manager it is today. The total shareholder return over his tenure to 31 March 2017 was 326%, which compares to 102% for the FTSE 350 over the same period. Third party assets under management have increased 163% from €8.3bn to €21.8bn. This success is reflective of Christophe's management and leadership of the business.

Christophe's successor is Benoît Durteste who joined the Board as an Executive Director in 2012. He has been with ICG since 2002 and played key roles in the development of the asset management business as our leading investor in European corporates; a client relationship manager; and in the diversification of asset classes. The Board having considered all options and building on our detailed succession planning chose Benoît as Chief Executive and Chief Investment Officer because of his demonstrated leadership, strong track record, in-depth knowledge of ICG's business and his wide respect in the industry. This choice will also support continuity of strategy.



**KEVIN PARRY**  
Chairman

### Non Executive Directors

We recruited two Non Executive Directors in the year. Rusty Nelligan, formerly a senior PwC audit partner, joined the Board in September 2016 and succeeded me as Chairman of the Audit Committee. In March 2017, we also welcomed Virginia Holmes to the Board, who has a wealth of asset management industry experience as both an Executive and Non Executive Director. Virginia has joined the Remuneration Committee.

Following this year's AGM, the Board will comprise two Executive Directors and six Non Executive Directors, of which 25% of all Directors are female. We are committed to increasing gender balance and diversity throughout the Group, not just at Board level, but have more to do over a sustained period of time to make further progress.

### Profit distribution

The Board spent time considering the returns to shareholders and staff compensation during the year.

#### Dividend

Over the last three years, the Board reduced the equity in use and has returned over £0.8bn of capital to shareholders. The Board will continue to focus on the efficient use of capital and will maintain its focus on achieving return on equity in excess of 13% over an investment cycle. We recognise that buoyant or stressed market conditions will impact the capital requirements of the Group and are therefore committed to a capital management approach which ensures sufficient capital through all points in the cycle.

The Board has determined that its existing dividend policy should be updated to distribute a higher proportion of profits to shareholders in line with the transformation to a business model which is more stable and predictable than in the past.

The Board's new policy is to recommend a dividend pay-out of 80-100% of the post-tax profit of the Fund Management Company (FMC). The annual quantum will be judged in the light of contemporary trading, regulatory capital and debt rating considerations. In accordance with current practice, the interim dividend will equate to a third of the prior year total dividend. The dividend policy is also progressive, meaning that absent major adverse circumstances, the dividend will at least be maintained and more normally increased year on year. We anticipate the FMC profits will grow as a proportion of the total profits but in the next few years, until FMC profits can cover our pay-out policy, we will continue to draw on Investment Company (IC) profits to comply with our progressive dividend policy. We currently anticipate recommending growing the dividend per share by 6-8% per annum.

It is against the backdrop of continued delivery against our strategic objectives and strong cash generation that the Board recommends substantially increasing the final ordinary dividend for the year to 19.5 pence per share. This makes a total for the year of 27.0p (2016: 23.0p), an increase of 17% on the prior year. The proposed full year dividend is covered 2.9 times based on total profit and equates to 128% of post-tax FMC profits. We continue to make available the dividend reinvestment plan.

The Board believes these capital and dividend policies reflect shareholders' desire for transparency, sustainability and regular real growth in cash returns.

### Staff compensation

The Remuneration Committee has developed a new remuneration policy, which does not increase the proportion of profit paid as bonuses to staff but simplifies a number of aspects of the relevant schemes. Further details are in the Remuneration Committee report on page 69.

### Outlook

ICG's strategy and operational focus will continue to increase diversification by asset class and geography. Our track record and a commitment to strong risk-aware investment performance gives our institutional clients confidence to place more money with ICG, providing a strong foundation for continued growth in assets under management and fee based revenue.

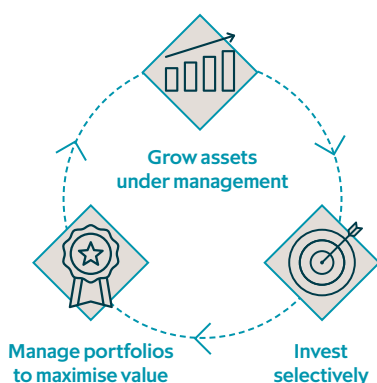
In a world of heightened geo-political uncertainty, our balance sheet is exposed to volatility of valuations but it is prudently financed by equity and debt. The long term nature of our fund management business provides stability of income and visibility of growing contractual income streams.

The strategic report, on pages 2 to 38, has been approved by the Board of Directors and is signed on its behalf by:

**KEVIN PARRY**  
Chairman  
24 May 2017

# DELIVERY AGAINST STRATEGIC OBJECTIVES

## BUSINESS REVIEW



**We have continued to deliver against our strategic objectives and grow our specialist asset manager franchise.**

ICG is now a more diversified business than at any point in its history. Our ability to utilise the Group's capital to seed new funds has supported this success. For example, our expansion into the Secondaries asset class would not have been as rapid nor as successful, had we not been able to underwrite the team's early transactions in the first fund.

The market environment continues to offer attractive opportunities to grow and further expand our range of strategies. As a result, the profits of the Fund Management Company, with its predictable, sustainable fee streams, will grow relative to those of the Investment Company.

### Alternative asset market growing strongly

The increasing wealth of developing nations, combined with ageing populations, supports the trend of increasing the absolute size of institutional assets under management. At the same time, bond yields remain low,

thereby impacting the returns of traditional asset classes. Current macroeconomic uncertainty, including but not limited to the UK's decision to leave the European Union, may prolong and enhance the positive trend in favour of alternative asset classes. Alternative asset classes are therefore attractive to institutional investors, providing diversification and targeting returns in excess of those achievable in public markets.

The current fundraising environment is attracting new entrants into the alternative asset management market. However, our established investment led approach of focussing on capital preservation and yield across mid market transactions in four strategic asset classes, and identifying market opportunities to develop differentiated strategies, remains a competitive advantage. We are of a size and scale that enables investors efficiently to access our range of strategies through mandates tailored to their individual requirements. Furthermore, our long standing investment culture means we only fundraise to the extent that there is the market opportunity to invest the capital raised.

### Fundraising across all our strategic asset classes

Fundraising in the financial year at €4bn was in line with our long term target but, as expected, lower than in recent years as our larger strategies had remaining investment capacity. Consequently we concentrated on the more challenging task of fundraising for our smaller and newer strategies which diversify our business and provide future growth opportunities.

The breadth of strategies for which we raised money during the year, 11 in total, underlines the increased diversification of our fund management franchise.

In 2014 we recruited a team specialising in Strategic Secondaries. The team have a direct approach to secondaries by leading restructuring and investment in mature private equity funds. We have made excellent progress in raising our first Strategic Secondaries fund which is dedicated to the highly complex and structured part of the secondaries market. To date, we have raised \$981m, including a \$200m investment from our balance sheet, of which \$614m was raised during the 2017 financial year. As one of our newer strategies, with fees charged on committed capital, the success of this fund is a positive contribution to our weighted average fee rate and our growing fund management profits. We expect to close this fund above its \$1bn target in the new financial year.

Another area of success was our Australian Senior Loans strategy. Fundraising was initially difficult, but our perseverance and commitment to this attractive strategy has resulted in AUD\$396m being raised in the financial year.

Additionally, we closed successor funds for our real estate mezzanine and Asia Pacific mezzanine strategies, and raised new segregated mandates for our Senior Debt Partners and capital markets strategies, which included raising four new CLOs during the year.

We took an opportunity to sell the entire Recovery Fund 2008, one of our older European mezzanine funds. Its disposal to a secondary fund provided an exit to our investors whilst enabling us to retain the investment management contract for the new fund thereby extending the duration of the fee stream.



**CHRISTOPHE EVAÏN**  
Chief Executive Officer – outgoing

During the financial year, we extended our office network into Luxembourg and have applied for a regulatory licence in that jurisdiction. This will enable us to retain access to our European clients following the UK's departure from the European Union. We do not anticipate the need for any other significant organisational change and have no intention of moving our UK or head office operations from London.

### Capital deployment on track in a competitive investment market

Our increasing number of strategies means that we operate in a diversified investment market. Across all of our strategies we have seen the investment market remain competitive as institutions seek to deploy the increasing amounts of capital raised so as to access the attractive returns available in private markets.

In this environment, the competitive advantage gained from our local teams, sector specialisms and ability to deploy capital flexibly comes to the fore and has helped us to source attractive deals whilst maintaining our disciplined investment culture. We are pleased to have maintained the pace of investment across our direct investment funds during the financial year which, combined with a solid pipeline of investment opportunities, means we are confident that each of our funds will deploy their available capital within their investment periods.

### Investment Company portfolio performing robustly

Liquidity in the market contributed to a period of strong realisations. Capital gains were particularly strong in the financial year which, as previously indicated, was due in part to the benefit from the one off recycling from reserves of a previously recognised unrealised gain, and in part to unrealised gains arising from the year end mark to market review. Whilst we expect the pace of realisations to remain healthy into the new financial year, the overall level of capital gains recognised in the income statement is likely to be lower.

The performance of our portfolios remains robust, with only a small number of assets underperforming.

### Well financed balance sheet

We continued to actively manage the Group's sources of financing, extending debt facilities and lowering pricing where possible. During the financial year, \$292m and €74m of US private placements were raised with five, eight and 10 year maturities, enabling the repayment of maturing private placements and a reduction in existing bank facilities. Following this debt raising, the weighted average life of total debt at 31 March 2017 was 3.8 years with a weighted average cost of 3.9%, in line with 31 March 2016.

On a personal note, after 23 years at ICG, my decision to retire has not been an easy one. I am proud of what we have achieved to date at ICG and I would like to thank my colleagues, our fund investors and shareholders for their continued support and commitment. I leave the Company in capable hands with Benoît and wish the whole ICG team every success in the future.



**BENOÎT DURTESTE**  
Chief Executive Officer – incoming

### It is an honour to have been asked to succeed Christophe as CEO and Chief Investment Officer of the Company.

Since joining ICG, I have found Christophe's experience and advice, coupled with his commitment to the success of the business, invaluable.

### The year ahead

We have a €4bn per annum rolling fundraising target. With a healthy pipeline of new funds and with a number of our larger strategies expected to be raising successor funds during the new financial year, we anticipate that financial year 2018 will meet or exceed the long term fundraising target. Fundraising for our Senior Debt Partners strategy has already commenced, and is expected to exceed the €3bn size of its predecessor fund. The US private debt strategy and UK real estate strategy are expected to begin raising successor funds within the next 12 months.

We are working to convert investor interest in our liquid strategies into investor commitments during the new financial year.

We continue to size our funds to the market opportunity and aim to deploy capital in line with the required investment run rate. We therefore anticipate maintaining our current deployment pace on the back of attractive investment opportunities. We remain committed to not compromising our disciplined investment culture in this highly competitive market.



# ICG AT A GLANCE

## Who we are

**ICG is a specialist asset manager with over 28 years' history in private debt, credit and equity. We manage €23.8bn of assets in third party funds and proprietary capital, principally in closed end funds.**

Our strategy is to grow our specialist asset management activities to deliver increased shareholder value. Our goal is to generate income and consistently high returns whilst protecting against investment downside for our fund investors. We seek to achieve this through our expertise in investing across the capital structure. We combine flexible capital solutions, local access and insight with an entrepreneurial approach to give us a competitive edge in our markets.

We operate across four asset classes – corporate, capital market, real asset and secondary investments. In addition to growing existing strategies, we are committed to innovation and pioneering new strategies across these asset classes where the market opportunity exists to deliver value to our fund investors and increase shareholder value.

## Value and growth facilitated by our business model

Our business model enables the Group to deliver its strategic objectives as a third party asset manager.

Our FMC is the operating business of the Group, sourcing and managing investments on behalf of third party funds and our balance sheet. Managing third party capital generates long term fee income when it is either committed or invested. The fee structure depends on the investment strategy and whether the fund is in its investment or realisation phase. If funds exceed performance targets, additional fees can be earned.

Our IC invests the Group's capital in support of third party fundraising and funds the development of new strategies. The IC generates a return on its investment in addition to supporting the growth of the FMC.

A common infrastructure platform covering operations, IT, finance, human resources, legal, compliance, risk and internal audit supports both FMC and IC operations.

Our investment track record supports the delivery of our strategic objectives

**28**  
year investment  
track record

+ Read more on page 11

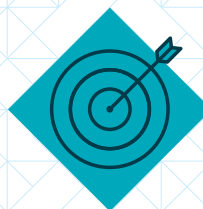
**281**  
employees

+ Read more on page 36



**Grow assets  
under management**

+ Read more on page 4



**Invest  
selectively**

+ Read more on page 5

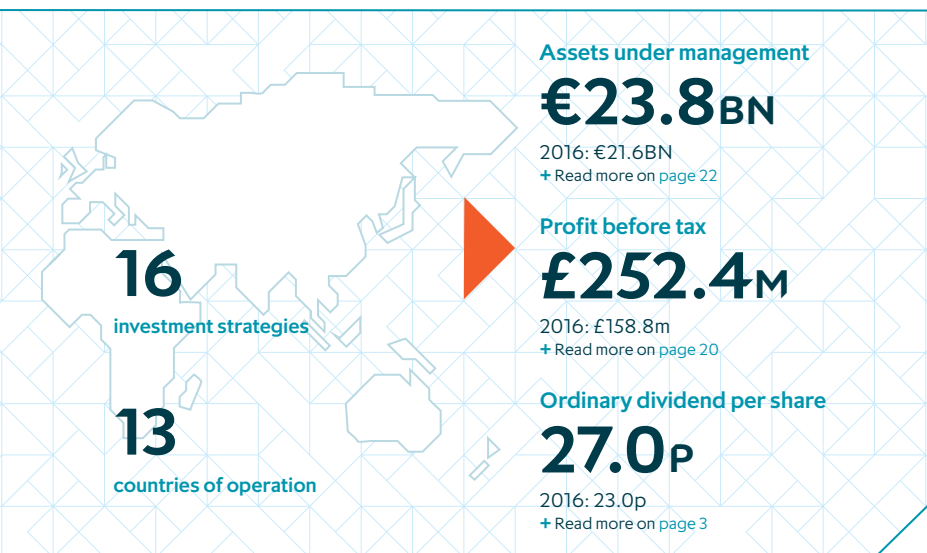
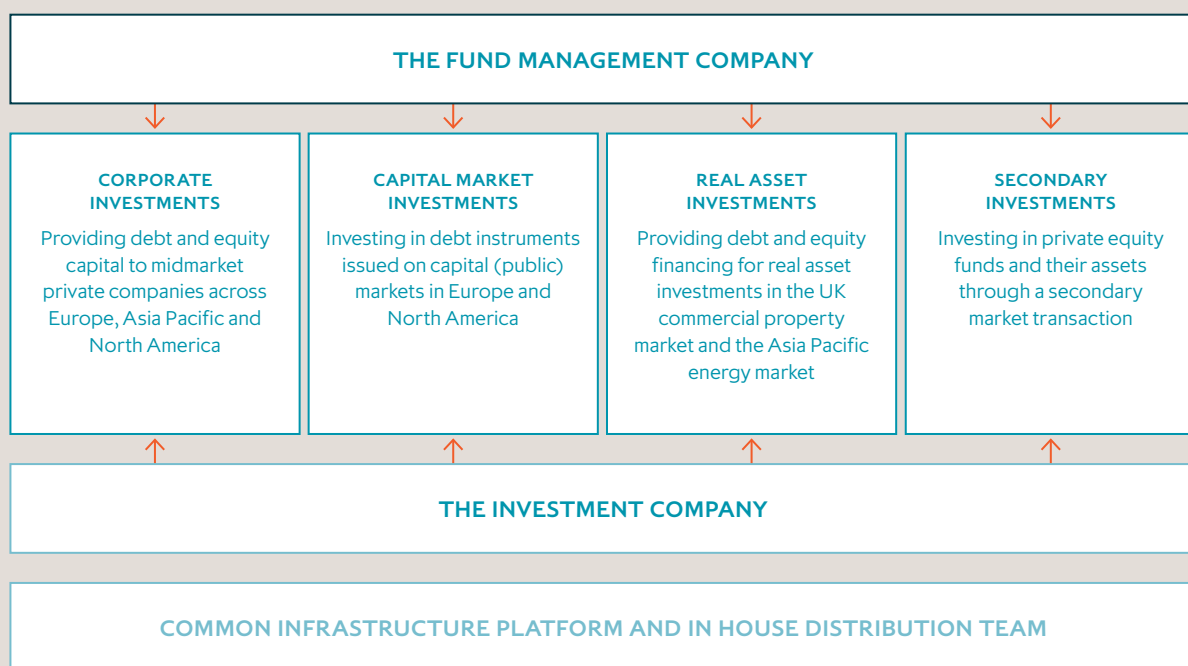


**Manage portfolios  
to maximise value**

+ Read more on page 5







We aim to maximise shareholder value by profitably growing our specialist asset management franchise with the support of our balance sheet capital.

**KEVIN PARRY**  
Chairman

# HOW WE CREATE VALUE

## BUSINESS ACTIVITY



## RAISING THIRD PARTY FUNDS



## INVESTING CAPITAL

### WHY DO WE DO IT?

We generate fee income from our managed funds

Investing the capital raised generates investment returns for our fund investors and shareholders

### HOW DO WE DO IT?

- We size our fundraising requirements by the market opportunity to invest the capital, developing investment strategies that meet the requirements of institutional fund investors
- We use our global in house distribution team who are embedded in the business to identify suitable investors for our funds

- Our specialist and experienced investment professionals identify opportunities to invest capital using long standing networks and relationships
- We provide borrowers and investee companies with flexible capital to meet their needs; this is supported by our nimble operating model with its efficient decision making processes

### HOW DO WE MEASURE PERFORMANCE?

+ Read more about how we performed on pages 14 to 17

- We have a target of raising an average of €4bn of new third party funds (gross inflows) per annum over the fundraising cycle
- We monitor the weighted average fee rate on fee earning assets under management (AUM) to ensure that AUM is profitable. Weighted average fee rate is an alternative performance measure as defined on page 14

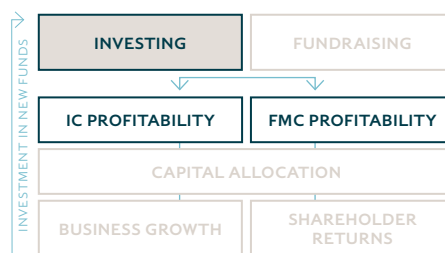
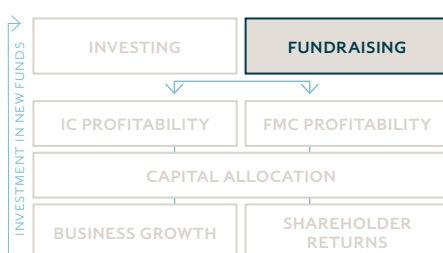
- For closed end funds it is important for the capital to be deployed over the investment period. We monitor this against a straight line deployment basis throughout the investment period
- For open ended funds we ensure investors' capital is being deployed in an appropriate manner

### HOW DOES IT CONTRIBUTE TO PROFIT?

- We earn management fees on AUM once they are committed or invested depending on the fund. Raising new AUM generates future income streams
- Fees contribute to profit in the year in which they are earned

- We earn management fees on invested capital until the underlying investment is realised. In addition, the IC earns a return on its investment in funds
- IC investment gains contribute to profit when the underlying investment increases in value or interest is received

### OPERATING MODEL COMPONENT





## MONITORING INVESTMENTS

Closely monitoring our investments supports the preservation of capital, a key component of our investment culture

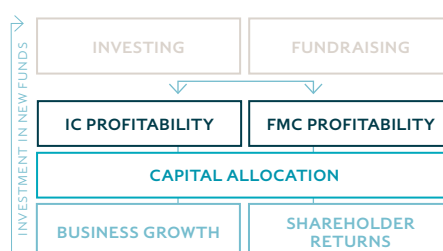
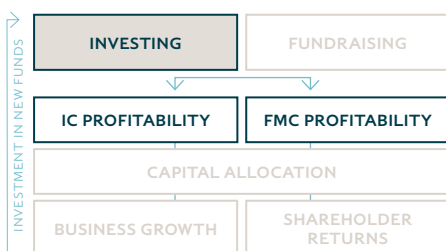
- Our investment professionals actively monitor investments throughout their life, including attending Board meetings for our largest exposures
- Our access to senior management and information about our investments allows us to take timely and appropriate steps to preserve capital and maximise returns
- Investment Committees review the monitoring activities and oversee performance
- The success of our monitoring is reflected in the performance of our funds against the funds' investment objectives, investor expectations and, for our open ended funds, designated market benchmarks
- For our IC portfolio we measure performance by reviewing the return on assets, which includes realisations of investments and impairments recognised in the year. Return on assets is an alternative performance measure as defined on page 14
- Delivering returns in excess of the fund's investment objectives earns performance fees. Monitoring our investments, and therefore reducing the risk of loss, maximises the value of these fees
- For our IC portfolio, changes in the value of our investment are reflected in the income statement



## REALISING INVESTMENTS

Realising our investments locks in our investment returns, releases capital for new investment and generates performance fees

- Our experience and market access allows us to identify a range of possible exit routes
- We seek to optimise the value of our investments by realising them at the right moment, which may be well ahead of their contractual maturity
- Where we are not in control of the realisation process we use our relationships to influence our counterparties
- Realising investments locks in fund performance which we benchmark against the funds' investment objectives, investor expectations and, for our open ended funds, designated market benchmarks
- Delivering strong fund performance supports future fundraising
- Changes in the value of our IC portfolio are reflected through the income statement throughout their holding period, rather than in the year of realisation. Realisations unlock cash from previously recognised and current year value changes
- Only gains realised in cash qualify as profit for remuneration purposes



## HOW WE ALLOCATE OUR CAPITAL

We are committed to financial discipline, both in terms of the quality of investment and strategic allocation of resources, as well as ensuring that an appropriate Group-wide capital structure is maintained. Capital is allocated to strategies that are expected to create long term shareholder value.

### Investing in growth

We allocate capital to grow the business in a number of ways. The Group:

- invests with the funds it manages, generating attractive long term investment income streams for the IC
- acts as an anchor investor, providing capital for new investment strategies, developing a track record to support fundraising
- supports new strategies through underwriting additional operating costs until the strategy generates third party fee income
- will invest for growth through acquisition of teams or more established fund management businesses

Once new strategies are established, the Group's investment is reduced and the capital redeployed. The ability to support the establishment of new strategies is a competitive advantage.

### Shareholder distributions

We seek to maximise shareholder value by utilising our available capital to prioritise investment in opportunities which over a number of years will add sustainable income streams to the business.

We understand that, alongside investing in growth, shareholders place value on regular and sustainable dividends. We have established a new progressive dividend policy.

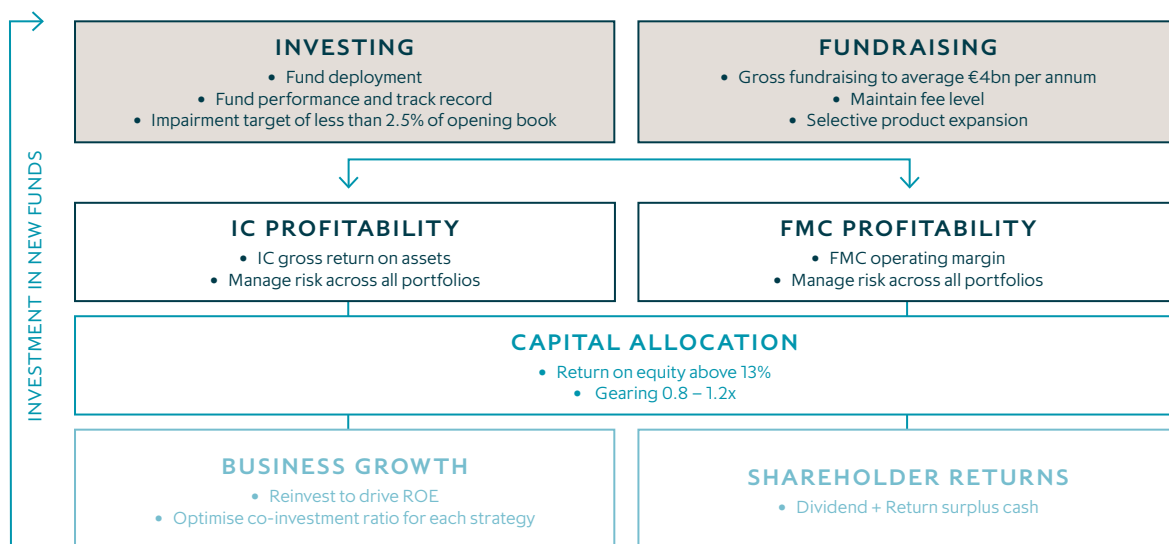
Following our review, we reaffirm the progressive nature of our dividend policy, meaning that unless there are significant adverse circumstances the ordinary dividend per share will increase, or at least be maintained, year on year.

To increase the transparency of our progressive dividend policy and to closer reflect the growth of the Fund Management Company (FMC), we intend to recommend a dividend which represents a pay-out of 80-100% of the post-tax profits of the FMC. We anticipate the FMC profits will grow as a proportion of the total profits but in the next few years, until FMC profits can cover our pay-out policy, we will continue to draw on IC profits to comply with our progressive dividend policy. We currently anticipate recommending growing the dividend per share by 6-8% per annum. See the Chairman's statement on page 3.

Prior to declaring dividend payments the Board ensures there are sufficient distributable reserves and funds available to make the payments and considers the impact on regulatory capital, debt covenants and debt ratings. These are not currently constraints on making ordinary dividend payments.

The distributable reserves of the Parent Company at 31 March 2017 were £407m.

### ICG Operating Model



# WHAT MAKES US DIFFERENT

1

## INVESTOR INSIGHT

Our dedicated global marketing and distribution team gives us insight which enables us to be nimble and efficient in designing new strategies to respond to market developments, investor demand and investment opportunities.

2

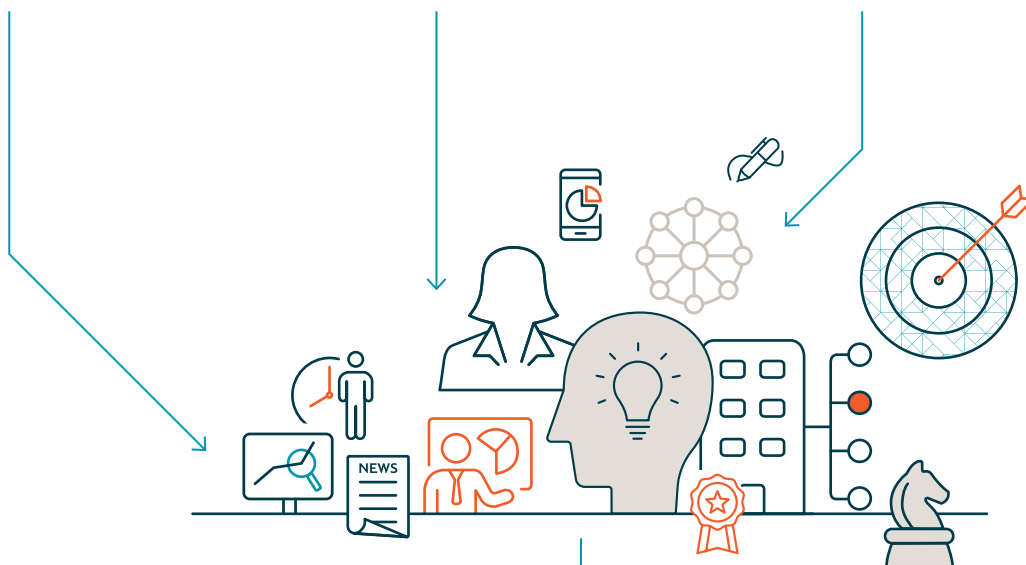
## SKILLS AND EXPERTISE

Our local teams and sector specialists speak the languages, have long standing relationships and understand the markets in which they operate, providing deal flow and early access to investment opportunities.

3

## DISCIPLINED AND ANALYTICAL APPROACH

Our consistent, efficient and robust investment culture, based on core credit principles and a strong focus on capital preservation underpinned by rigorous risk analysis, is applied consistently across investment strategies.



4

## AN OUTSTANDING TRACK RECORD

Our business model is built on providing fund investors with direct access to specific asset classes, a disciplined investment approach and a focus on post investment monitoring. We are a specialist amongst asset managers.

Our successful approach has enabled us to generate returns for our fund investors consistently at, or above, target across investment strategies. This track record makes us different.

You can read more about the resources and relationships which support our business model on pages 35 to 38

# OUR MARKETS

Our ability to deliver our strategic objectives is framed by the markets in which we operate, whether to raise new funds, invest the capital raised or to maximise value from existing investments.

As a specialist alternative asset manager operating across four strategic asset classes we operate in local, specialist markets, although all exhibit some common characteristics.



## GROW ASSETS UNDER MANAGEMENT

Our success in growing assets under management is dependent on our ability to attract institutional investors such as pension funds, insurance companies or sovereign wealth funds into the higher return alternative investment strategies that we offer.

**The global demand for alternative investment strategies is projected to increase as:**

1. Institutional investors find it difficult to achieve their long term investment objectives through traditional investment strategies, such as sovereign bonds and equities
2. The absolute size of global assets under management is set to increase as the wealth of populations in developing nations grows and the trend of ageing populations in developed nations continues

The attractiveness of our market is resulting in increasing competition as new entrants seek to capitalise on the growing demand for alternative assets. However, from a fundraising perspective, investors' selection processes are rigorous and preference is given to established managers with a strong track record, credibility and infrastructure.

We are well positioned to take advantage of these market trends as an established manager focused on the specialist end of alternative asset management. Our strategies offer institutional investors access to a range of risk/reward and geographical profiles investing in private, and therefore the less liquid, asset classes and high yielding liquid specialist markets.



## INVEST SELECTIVELY

We believe the investment environment for alternative sources of capital is most attractive in the midmarket corporate sector where higher risk-adjusted returns can be achieved. It is this investment market in which we specialise.

## CORPORATE INVESTMENTS

**Our corporate investment strategies selectively invest in midmarket private companies.**

As these companies are unable or unwilling to access public debt markets or bank financing they rely on non-bank providers of capital to finance corporate transactions. These transactions may be acquisitions, refinancing or growth capital. The volume of these transactions define the size of our investment opportunity.

We compete with other providers of finance in this market. However, in private markets local knowledge, long standing relationships, certainty of funding and flexibility of approach are real advantages to accessing deals and a significant hurdle for new entrants.

We are well positioned to take advantage of these market trends. As an established manager with a local network of investment professionals, we are able to offer a range of financing options as our experience enables us to adapt our investment structures to meet the requirements of corporates.

## REAL ASSET INVESTMENTS

Our real asset investment strategies are currently focused on selectively providing finance to private midmarket assets in the UK commercial real estate market. As banks reduce their overall exposure to real estate, midmarket assets are reliant on non-bank providers of capital to finance transactions, be they acquisitions, refurbishment or expansion. It is transaction volumes in the UK property and property finance markets that frame the size of our investment opportunity.

We compete with other providers of finance in this market. However, our smaller asset focus, deep knowledge of the UK commercial real estate market, strong industry relationships and flexible approach mean we are able to originate attractive deals.



## MANAGE PORTFOLIOS TO MAXIMISE VALUE

Our ability to maximise value from our investments is in the context of the wider macroeconomic environment.

## CAPITAL MARKET INVESTMENTS

**Our capital market investment strategies are focused on selectively investing in traded, largely liquid loans, bonds and structured instruments.**

Companies raise debt to deliver better terms, facilitate growth and to enhance the returns. The secondary market of this debt is driven by portfolio managers seeking to maximise their income or returns. The investment market is therefore driven by the number of companies raising debt or secondary flows of previously raised debt.

We compete with other providers of finance in this market. However, our access to financial intermediaries across local markets, our information database, our sector specialists and long term relationships mean we are able to source quality investments.

## SECONDARY INVESTMENTS

**Our secondary investment strategies are focused on selectively investing in private equity funds operated by established managers.**

Our Strategic Secondaries strategy provides a direct approach to secondaries by leading the restructuring of and investment into older, underperforming private equity funds. Investments into these funds provide attractively priced access to mature underlying portfolios of assets with good visibility on performance and exit potential. Our structuring skills, private equity investment experience and strong industry relationships have allowed us to develop a leading position in the highly complex and structured part of the market.

The ICG Enterprise Trust invests in primary and secondary private equity funds, and selective direct co-investments. Competition for the best performing funds can be high, but the strong industry relationships of the team, with access to ICG's market knowledge and industry exposure, are significant advantages in this activity.

**Our investment preference is for non-cyclical, low capex, high cash generative businesses. We seek to position portfolios so they are resilient to typical economic cycles and that realisations are not dependent on market conditions.**

Public company valuations impact the value of our equity investments as our portfolio is marked to market. However, our fund performance is measured on realised returns.

The current attractiveness of alternative asset classes to investors has increased demand for our assets and prices are increasing. These market conditions support the realisation of our mature investments.



**We expect the current market trend towards investing in alternative assets to continue. This will support our fundraising and investment activities.**

**BENOÎT DURTESTE**  
Executive Director  
and incoming  
Chief Executive  
Officer



## HOW WE HAVE PERFORMED

### Alternative performance measures

As is common within the asset management industry, we use alternative performance measures. Our Key Performance Indicators (KPIs) include alternative performance measures where they provide additional insight into performance from the perspective of shareholders and other stakeholders.

When we use alternative performance measures we determine the outcome of the measure in a manner which is not compliant with IFRS GAAP, instead using the Board's approach. For each of these measures we disclose the IFRS GAAP outcome for the current year. The Glossary on pages 163 to 167 includes the definitions of these alternative performance measures and reconciliation to the relevant IFRS GAAP measures.

Our KPIs are disclosed on this page and pages 15 to 17. The following KPIs are alternative performance measures:

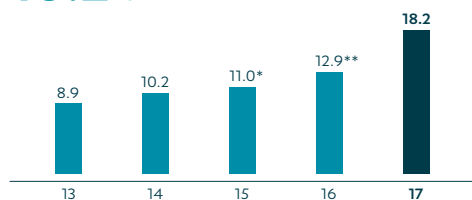
- Return on equity
- Weighted average fee rate
- FMC operating margin
- Impairments

Details of our Executive Director KPIs are on pages 88 to 89.

### Group performance measures

#### RETURN ON EQUITY (ROE) (%)

# 18.2%



IFRS GAAP 2017 19.5%

The Group has targeted an ROE in excess of 13% which will be achieved by the growth of the business and maintaining an efficient balance sheet measured by a target gearing of between 0.8x and 1.2x.

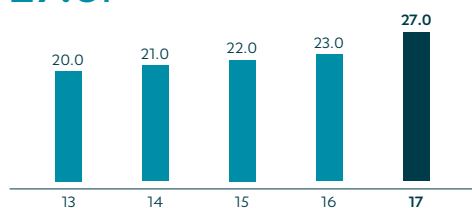
ROE has increased in the year due to an increase in profitability and the enhanced efficiency of our capital base following the return of £200m to shareholders as a special dividend in August 2016.

\* Adjusted for £20.3m one-off benefit from the Employee Benefit Trust (EBT) Settlement and excludes the impact of the consolidation of credit funds required under IFRS 10.

\*\* Adjusted for £2.3m one-off benefit from the EBT Settlement and excludes the impact of the movement in deferred consideration payable on the Longbow acquisition and the consolidation of credit funds under IFRS 10.

#### ORDINARY DIVIDEND PER SHARE (P)

# 27.0p



The Group's ability to pay dividends and return value to shareholders is a measure of the Group's ability to generate returns from our IC portfolio and managing third party funds.

The Group has generated sufficient returns from the business to grow the ordinary dividend year on year.

## STRATEGIC OBJECTIVE ► WHAT WE MEASURE ►

WHY WE MEASURE IT AND ►  
HOW WE PERFORMED

## 1. GROW ASSETS UNDER MANAGEMENT

We aim to increase our third party AUM to maximise the profitability of the business and increase shareholder value by:

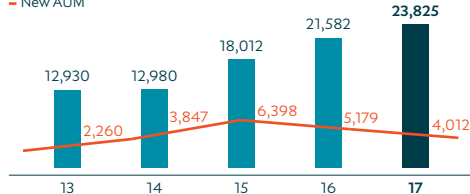
- Consolidating and broadening our existing strategies
- Expanding our client base and existing products geographically
- Expanding our product range through selective acquisitions and team hires

We will capitalise on our strong track record, in house distribution team and ability to develop new investment strategies through utilising our balance sheet.

### TOTAL AUM (€M)

€23.8BN

■ Total AUM  
— New AUM

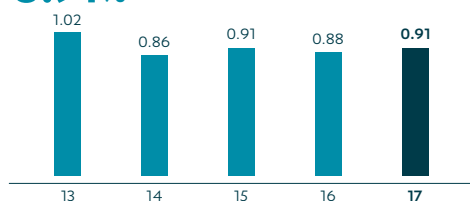


Raising and managing third party funds is the lead indicator of the Group's profitability. We target raising an average of €4bn of new third party funds (gross inflows) per annum over the fundraising cycle.

AUM has increased during the year with another successful fundraising year outstripping the pace of realisations from older funds. Going forward, the Group expects that fundraising will continue to exceed realisations and lead to further increases in AUM.

### WEIGHTED AVERAGE FEE RATE (%)

0.91%



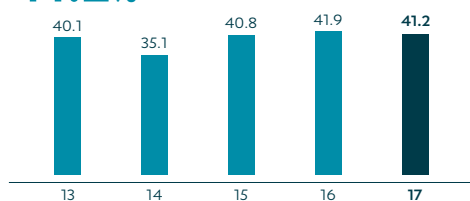
IFRS GAAP 2017 0.98%

The Group monitors the weighted average fee rate on fee earning AUM to ensure that AUM is profitable. Fees reflect the risk/return profile of the underlying asset and are typically higher for corporate investment and secondary investment funds.

The weighted average fee rate on fee earning AUM of 0.91%, up from 0.88% due to the improved mix of investment strategies.

### FMC OPERATING MARGIN (%)

41.2%



IFRS GAAP 2017 41.2%

The operating margin of the FMC is a measure of the efficiency and scalability of the business. The Group has invested substantially in its growth and the return on this investment is measured through the operating margin. The Group is targeting a margin above 40%.

FMC operating margin is marginally below the prior year as the Group continues to invest. In the current year this investment has included our capital market strategies, ICG Enterprise Trust and our operations infrastructure.

### 2018 PRIORITIES

Fundraising is expected to be higher than for the last financial year. Our focus in FY18 is to raise our successor Senior Debt Partners Fund and raise further monies for our capital market strategies. We also expect to launch successor funds for North America Private Debt and UK Real Estate. All of these strategies generate fees on invested capital and therefore will contribute to profit as they are invested.

+ You can read more about the associated principal risks on [pages 30 to 33](#)

# HOW WE HAVE PERFORMED CONTINUED

## STRATEGIC OBJECTIVE ► WHAT WE MEASURE ►

## WHY WE MEASURE IT AND HOW WE PERFORMED ►



### 2. INVEST SELECTIVELY

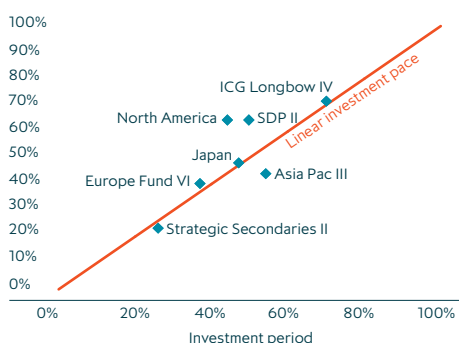
We aim to invest our AUM on a selective basis to deliver returns for our fund investors and shareholders.

We will utilise:

- Our local teams and sector specialists
- A disciplined approach to considering each investment opportunity

### DEPLOYMENT OF DIRECT INVESTMENT FUNDS (%)

Fund invested at 31 March 2017  
%



This is a new KPI replacing the number of portfolio companies performing above their prior year. In the 2016 Annual Report it was highlighted that the existing KPI did not reflect the diversity of funds that were now being managed. In addition, it was inconsistent with the Executive Director KPIs for remuneration purposes. Following review, this KPI has been replaced by one that encompasses the wider fund management business and is aligned to the Executive Director KPIs.

Closed end funds have a finite life and represent 96% of our AUM. For closed end funds it is important for the capital to be deployed over the investment period. We monitor this against a straight line deployment basis throughout the investment period. Deployment of capital materially ahead of the expected rate may indicate that we are not being sufficiently selective or robust in our investment decision making.

Our teams have identified sufficient suitable investment opportunities to allow us to maintain the investment pace for our closed end funds during the year.

### 2018 PRIORITIES

The Group has substantial third party capital to deploy on its investment strategies. We aim to deploy the capital raised in line with the required investment run rate, subject to finding investment opportunities with the appropriate risk/return balance.

The Group will maintain its disciplined approach to investment in a highly competitive market.

+ You can read more about the associated principal risks on [pages 30 to 33](#)

## STRATEGIC OBJECTIVE ► WHAT WE MEASURE ►

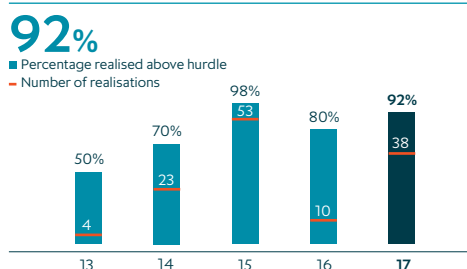
WHY WE MEASURE IT AND  
HOW WE PERFORMED ►

### 3. MANAGE PORTFOLIOS TO MAXIMISE VALUE

We aim to manage our portfolios to deliver returns on invested capital for our fund investors and shareholders. By doing so we build on our strong track record and generate capital to invest in new products. We do this by:

- Engaging regularly with management and sponsors
- Attending and participating in portfolio company Board meetings for our larger investments
- Reviewing the performance of each investment at least quarterly
- Proactively working out problems where appropriate

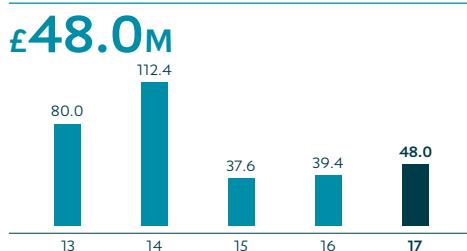
#### PERCENTAGE OF REALISED ASSETS EXCEEDING PERFORMANCE HURDLE (%)



This is a new KPI in the year and aligns to an existing Executive Director KPI on page 88. A key indicator of our ability to manage portfolios to maximise value is the number of fully realised assets where the return is above the fund performance hurdle rate. This is the minimum return level fund investors expect and the point at which the Group earns performance fees. Details of the hurdle rate per fund can be found on page 18.

At 92%, the number of assets realised above the fund hurdle rate was higher than the prior year when a small number of older assets were realised below target. In FY13 and FY14 the absolute number of assets realised was lower than in recent years with a small number of the older assets being realised at below the hurdle impacting the overall percentage. However, the Group has exceeded the performance hurdle for each of the funds to which these assets relate.

#### IMPAIRMENTS (£M)



IFRS GAAP 2017 £25.3m

IC impairments are asset specific and are charged when there is an event which results in a reduction in the value of an interest bearing instrument or an available for sale financial asset. Impairments impact the performance and returns of a fund. An indicator of fund performance is the level of impairments incurred in the IC portfolio. Our historic average is 2.5% of the opening IC portfolio which we have identified as an ongoing benchmark of performance.

Impairments in the year were marginally higher than the prior two years and as a percentage of the opening IC portfolio slightly above the historic average.

As the diversity of our strategies continues to grow, the Board may consider removing this KPI.

#### 2018 PRIORITIES

We will continue to manage our investment portfolios actively, working with management and sponsors to support the delivery of their business plans. This is critical to maximising the exit value of a portfolio company.

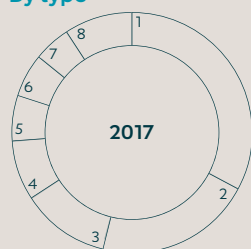
The Group aims to maximise returns in older funds by realising assets to crystallise value for our fund investors and for the balance sheet. The timing of these realisations remains uncertain as it is rarely in the Group's control.

+ You can read more about the associated principal risks on [pages 30 to 33](#)

# OUR FUNDS

## Investor analysis by number of investors

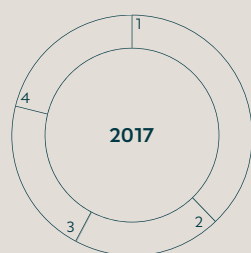
### By type



1	Pension schemes	33%
2	Insurance companies	21%
3	Banks	12%
4	Asset managers	8%
5	Fund of funds	6%
6	Family offices	6%
7	Endowments/Foundations	5%
8	Other	9%

We seek to establish and build relationships with a broad range of institutional investors. We have been particularly successful in engaging with pension schemes and insurance companies.

### By geography



1	EMEA (excluding UK and Ireland)	38%
2	UK and Ireland	20%
3	Americas	21%
4	Asia Pacific	21%

With staff based across Europe, Asia, America and the Middle East, our in house distribution team is able to reach more investors across the globe. The Group is seeking a geographically diverse investor base.

## CARRY EARNING FUNDS

FUND	THIRD PARTY MONEY	TARGET MONEY MULTIPLE	% CARRY*
ICG Mezzanine Fund 2003	€1,420m	1.6x	25% of 20 over 8
ICG Europe Fund IV 2006B	€1,024m	n/a	20% of 5 over 8
ICG Europe Fund V	€2,006m	1.6x	20% of 20 over 8
ICG Europe Fund VI	€2,500m	1.6x	20% of 20 over 8
ICG Recovery Fund 2008B	€638m	n/a	20% of 12.5 over 8 up to 20% of 15 over 20
Intermediate Capital Asia Pacific 2005	\$300m	1.6x	25% of 20 over 8
Intermediate Capital Asia Pacific 2008	\$562m	1.6x	20% of 20 over 8
Intermediate Capital Asia Pacific Fund III	\$491m	1.7x	20% of 20 over 7
North American Private Debt Fund	\$590m	n/a	20% of 20 over 8
Nomura ICG Fund A	¥17,351m	1.3x	25% of 20 over 4
ICG Senior Debt Partners Fund I	€1,726m	n/a	20% of 15 over 6
ICG Senior Debt Partners Fund II	€3,153m	n/a	20% of 15 over 4 up to 20% of 20 over 7
ICG Strategic Secondaries Carbon Fund	\$153m	1.9x	20% of 12.5 over 8
ICG Strategic Secondaries Fund II	\$781m	1.75x	20% of 12.5 over 8

\* Total carry is a fixed percentage of the fund gains. For example in ICG Mezzanine Fund 2003 the carry is 20% of gains and the Group is entitled to 25% of this. Carry is triggered when fund returns exceed a hurdle, for ICG Mezzanine Fund 2003 this is 8%.

THIRD PARTY AUM BY FUND	STATUS	FY17 AUM (€M)	FY16 AUM (€M)
<b>CORPORATE INVESTMENTS FUNDS</b>			
ICG Mezzanine Fund III 2003	Fully invested	19.6	31.8
ICG Europe Fund V	Fully invested	1,310.4	1,669.2
ICG Recovery Fund 2008	–	–	152.2
ICG Recovery Fund 2008B	Fully invested	638.0	–
ICG Europe Fund IV 2006B	Fully invested	316.9	498.2
ICG Europe Fund VI	Investing	2,500.0	2,500.0
Intermediate Capital Asia Pacific Mezzanine Fund I 2005	Fully invested	7.4	14.1
Intermediate Capital Asia Pacific Fund II 2008	Fully invested	188.0	229.7
Intermediate Capital Asia Pacific Fund III	Investing	459.6	249.8
Nomura ICG Fund	Investing	145.8	144.4
North American Private Debt Fund	Investing	552.3	518.3
ICG Senior Debt Partners Fund I	Fully invested	1,220.6	1,470.3
ICG Senior Debt Partners Fund II	Investing	3,163.7	2,952.4
ICG ASFL Ltd	Fundraising	283.1	–
<b>CORPORATE INVESTMENT FUNDS TOTAL</b>		<b>10,805.4</b>	<b>10,430.4</b>
<b>CAPITAL MARKET INVESTMENTS FUNDS</b>			
Alternative Credit Fund I	Fundraising	141.3	72.3
European loan strategies	Open ended	548.6	476.2
Eurocredit CLOs	Fully invested	332.3	506.2
St Paul's CLOs	Fully invested	149.1	202.3
St Paul's CLOs	Investing	2,433.4	1,648.2
US CLOs	Investing	2,468.7	1,648.1
European Investment Fund I	Investing	97.9	84.4
<b>CAPITAL MARKET INVESTMENTS FUNDS TOTAL</b>		<b>6,171.3</b>	<b>4,637.7</b>
<b>REAL ASSET INVESTMENTS FUNDS</b>			
Longbow UK Real Estate Debt Investments II	Fully invested	31.6	102.6
ICG Longbow Senior Secured UK Property Debt Investments Limited	Open ended	118.3	123.1
ICG Longbow UK Real Estate Debt Investments III	Fully invested	658.1	754.2
ICG Longbow UK Real Estate Debt Investments IV	Investing	1,108.2	846.1
ICG Longbow Senior Debt Program I	Fully invested	469.2	505.0
ICG Longbow Senior Debt Program II	Fully invested	417.6	449.4
ICG Longbow Development Fund	Investing	486.8	523.9
<b>REAL ASSETS FUNDS TOTAL</b>		<b>3,289.8</b>	<b>3,304.3</b>
<b>SECONDARY INVESTMENTS FUNDS</b>			
ICG Strategic Secondaries	Fundraising	872.6	277.8
ICG Enterprise Trust	Open ended	678.3	661.4
<b>SECONDARY INVESTMENTS FUNDS TOTAL</b>		<b>1,550.9</b>	<b>939.2</b>
<b>TOTAL THIRD PARTY ASSETS UNDER MANAGEMENT</b>		<b>21,817.4</b>	<b>19,311.6</b>

## FINANCE AND OPERATING REVIEW

Financial information enables management to monitor the performance of the business and inform decision making in support of delivering the Group's strategic objectives. The financial information prepared for, and reviewed by, management and the Board is on a non IFRS basis and therefore differs from the IFRS financial statements on pages 114 to 162.

The Group's profit before tax on an IFRS basis was above last year at £252.4m (2016: £158.8m), driven by a high level of capital gains increasing IC profits.

	2017			2016		
	IFRS as reported £m	Adjustments £m	Internally reported adjusted £m	IFRS as reported £m	Adjustments £m	Internally reported adjusted £m
<b>Income statement</b>						
Revenue						
Finance and dividend income	204.2	(29.8)	174.4	207.3	(46.0)	161.3
Gains on investments	286.8	(85.4)	201.4	137.7	(9.1)	128.6
Fee and other operating revenue	134.1	12.5	146.6	104.3	9.6	113.9
<b>Total revenue</b>	<b>625.1</b>	<b>(102.7)</b>	<b>522.4</b>	<b>449.3</b>	<b>(45.5)</b>	<b>403.8</b>
Finance costs	(153.4)	99.5	(53.9)	(121.9)	76.0	(45.9)
Impairments	(25.3)	(22.7)	(48.0)	(8.9)	(30.5)	(39.4)
Administrative expenses	(194.3)	11.3	(183.0)	(141.9)	(1.0)	(142.9)
Other	0.3	(0.3)	–	(17.8)	17.8	–
<b>Profit before tax</b>	<b>252.4</b>	<b>(14.9)</b>	<b>237.5</b>	<b>158.8</b>	<b>16.8</b>	<b>175.6</b>

A full reconciliation between the internally reported financial information and the IFRS consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows is provided in note 7 to the financial statements. The adjustments can be summarised as follows:

### CONSOLIDATED STRUCTURED ENTITIES

IFRS deems the Group to control funds where it can make significant decisions that can substantially affect the variable returns of investors. There are 12 credit funds and CLOs required to be consolidated under this definition of control. This has the impact of including the assets and liabilities of these funds in the consolidated statement of financial position and to recognise interest income and gains or losses on investments in the consolidated income statement.

The Group is not exposed to the liabilities and cannot access the assets of these entities except for the investment made by the Group into these structured funds. Financial information prepared for internal reporting purposes includes the fair value of the balance sheet investment in the statement of financial position, and includes the management fee and dividend income received from these entities in the income statement. This is consistent with the treatment of the CLOs for regulatory reporting purposes.

### OTHER ENTITIES

There are two entities, Nomura ICG KK and Questus Energy Pty Limited, where the presentation in the IFRS financial statements is different to the internal reporting. The Group's 50% share of the revenue and costs from Nomura ICG KK are included on a line by line basis in the income statement for internal reporting purposes. These items are collapsed into a single line in the IFRS financial statements to reflect its status as a jointly controlled entity. For Questus Energy Pty Limited, the costs are included on a line by line basis in the income statement for internal reporting purposes whereas in the IFRS financial statements these are collapsed into a single line, administrative expenses, to reflect its status as a non-controlled entity.



## RECLASSIFICATION OF INCOME

The Group invests in its European mezzanine, Asia Pacific mezzanine and North American Private Debt strategies either through a fund structure or directly into the underlying assets, depending on the fund. This impacts the presentation of the income statement for investments in debt instruments under IFRS. For those investments made directly, the Group generates interest income and is subject to impairment risk, whereas for the investments made through a fund structure the income is recognised as a net gain on investment.

Regardless of the investment mechanics the performance of the investment is reviewed and managed at an asset level. As such internal financial information is presented on an asset by asset basis for all European mezzanine, Asia Pacific mezzanine and North American Private Debt strategies. This is presentational only and has no impact on the profit of the Group.

## OTHER

The Group excludes the fair value movement on derivatives from its internally reported numbers until such time as the derivative settles and is matched in the income statement against the item that was hedged.

In the prior year, the increase in deferred consideration relating to the purchase of ICG Longbow and the impact of the Employee Benefit Trust (EBT) were excluded for internal reporting purposes.

The Board believes that presenting the financial information in this review on a non GAAP basis assists shareholders in assessing the delivery of the Group's strategy through its financial performance, consistent with the approach taken by management and the Board.

Non GAAP measures are denoted by <sup>1</sup> throughout this review. The definition, and where appropriate, reconciliation to a GAAP measure is included in the Glossary on page 163.

## OVERVIEW

The Group's adjusted profit before tax<sup>1</sup>, when excluding the impact of the fair value charge on derivatives, was above last year at £237.5m (2016: £175.6m). This was driven by a high level of capital gains increasing IC profits. We continue to make strong operational progress in developing our fund management franchise, with higher management fee income from new and existing strategies contributing to higher FMC profits in the year.

	2017			2016		
	Internally reported unadjusted £m	Fair value charge on derivatives £m	Internally reported adjusted £m	Internally reported unadjusted £m	Fair value charge on derivatives £m	Internally reported adjusted £m
<b>Income statement</b>						
Fund Management Company	74.0	–	74.0	61.2	–	61.2
Investment Company	162.2	1.3	163.5	97.1	17.3	114.4
<b>Profit before tax</b>	<b>236.2</b>	<b>1.3</b>	<b>237.5</b>	<b>158.3</b>	<b>17.3</b>	<b>175.6</b>
Tax	(34.9)	–	(34.9)	(16.7)	–	(16.7)
<b>Profit after tax</b>	<b>201.3</b>	<b>1.3</b>	<b>202.6</b>	<b>141.6</b>	<b>17.3</b>	<b>158.9</b>

The adjusted profit of the IC and Group in the above table excludes the impact of the fair value charge on hedging derivatives of £1.3m (2016: £17.3m). Throughout this review all numbers are presented excluding this adjusting item, unless otherwise stated. The effective tax rate for the period at 15% (2016: 11%) is higher than the prior year due principally to the mix of jurisdictions in which capital gains were generated. The tax rate is lower than the standard corporation tax rate of 20%. This is principally due to the impact of differences in overseas tax rates where we invest directly into funds which are based offshore.

Based on the adjusted profit above, the Group generated an ROE<sup>1</sup> of 18.2% (2016: 12.9%), an increase on prior year reflecting lower shareholder funds following the £200m special dividend paid in August and strong capital gains. Capital gains of £201.4m (2016: £128.6m) have, as expected, benefited from the one-off recycling of previously unrealised gains of £54.4m from reserves, primarily on the disposal of the remainder of AAS Link, and a robust level of unrealised capital gains arising from the year end mark to market review. The recycling of realised gains from reserves is an accounting requirement for pre 2011 equity assets. Excluding the recycled capital gains, the ROE for the financial year was 13.3% which is more indicative of the performance for the new financial year and longer term trend. Adjusted earnings per share<sup>1</sup> for the period were 69.3p (2016: 48.1p).

The Group had net current assets<sup>1</sup> of £594.1m (2016: £229.8m) at the end of the year. The increase in net current assets is principally driven by the realisation of balance sheet assets increasing the year end cash balance.

## Fund Management Company

In this review we have aligned the presentation of financial information with the four strategic asset classes in which we operate – corporate investments, capital market investments, real asset investments and secondary investments – to simplify and enhance the understanding of our financial performance. The principal difference between this classification and that previously adopted is that the Senior Debt Partners strategy falls within the corporate investments asset class whereas all other funds previously reported as credit funds fall within the capital market investments asset class.

## FINANCE AND OPERATING REVIEW

### CONTINUED

#### Assets under management

A key measure of the success of our strategy to generate value from our fund management business is our ability to grow assets under management. New AUM (inflows) is our best lead indicator to sustainable future fee streams and therefore increasing sustainable profits.

In the year to 31 March 2017, the net impact of fundraising and realisations saw third party AUM increased 13% to €21.8bn. AUM by strategic asset class is detailed below, where all figures are quoted in €m.

Third party AUM by strategic asset class	Corporate Investments €m	Capital Market Investments €m	Real Asset Investments €m	Secondary Investments €m	Total third party AUM €m
At 1 April 2016	10,431	4,637	3,305	939	19,312
Additions	1,461	1,635	345	571	4,012
Realisations	(1,330)	(249)	(132)	–	(1,711)
FX and other	243	148	(228)	41	204
<b>At 31 March 2017</b>	<b>10,805</b>	<b>6,171</b>	<b>3,290</b>	<b>1,551</b>	<b>21,817</b>
Change %	4%	33%	0%	65%	13%

#### Corporate Investments

Corporate Investments third party funds under management have increased 4% to €10.8bn in the year as new AUM of €1,461m outstripped the realisations in our older funds. In the year we closed our third Asia Pacific fund at €614m, including a \$200m commitment from the balance sheet and €189m of third party money raised during the financial year. This was below its target size as the slowdown in growth in China had an impact on the region. During the year Recovery Fund 2008 sold its remaining assets to a new secondary fund which is managed by the Group. The new fund raised commitments totalling €638m in the year. Additionally, we raised €351m from segregated mandates into our Senior Debt Partners strategy and €283m for our Australian Senior Loans Fund, the first third party money raised for this strategy.

#### Capital Market Investments

Capital Market Investments third party funds under management have increased 33% to €6.2bn, with new third party AUM of €1,635m raised in the year, primarily from our CLO programme. During the year we completed four CLOs, two in Europe and two in the US, raising a total €1,567m, including €85m committed from the balance sheet to meet regulatory requirements, thereby further increasing the operating leverage of this strategy. We raised €153m across our other capital market investments strategies, including alternative credit and total credit.

#### Real Asset Investments

Real Asset Investments third party funds under management have remained at €3.3bn, with new AUM of €345m raised in the year for our UK real estate fund, ICG Longbow Fund IV. The additional money raised in the current year has contributed to the fund reaching its maximum size of £1.0bn, including a £50m co-investment from the IC, and making it our second successive UK real estate fund to reach that milestone.

#### Secondary Investments

Secondary Investments third party funds under management have increased 65% to €1.6bn, with new AUM of €571m raised in the period for our Strategic Secondaries strategy. A final close is expected shortly which would take the fund above its target size of \$1bn, including a \$200m commitment from the balance sheet.

#### Fee earning AUM

The investment rate for our Senior Debt Partners strategy, Real Estate funds and North American Private Debt Fund has a direct impact on FMC income as fees are charged on an invested capital basis. The total amount of third party capital deployed on behalf of the direct investment funds was £3.1bn in the year compared to £2.4bn in the last financial year. The direct investment funds are investing as follows, based on third party funds raised at 31 March 2017:

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Strategic asset class	Fund	% invested at 31 March 2017	% invested at 31 March 2016	Assets in fund at 31 March 2017	Deals completed in year
Corporate Investments	ICG Europe Fund VI	40%	10%	8	5
Corporate Investments	North American Private Debt Fund	64%	46%	12	5
Corporate Investments	Senior Debt Partners II	64%	31%	23	9
Corporate Investments	Asia Pacific Fund III	44%	27%	4	1
Real Asset Investments	ICG Longbow Real Estate Fund IV	71%	42%	23	6
Secondary Investments	Strategic Secondaries	26%	20%	3	1

The investment pace of our direct investment funds has resulted in fee earning AUM increasing 19% to €18.7bn since 1 April 2016 as detailed below.

	Corporate Investments €m	Capital Market Investments €m	Real Asset Investments €m	Secondary Investments €m	Total third party fee earning AUM €m
<b>Third party fee earning AUM bridge</b>					
At 1 April 2016	7,891	4,637	2,521	708	15,757
Additions	2,311	1,635	564	571	5,081
Realisations	(1,721)	(249)	(242)	–	(2,212)
FX and other	35	148	(176)	109	116
<b>At 31 March 2017</b>	<b>8,516</b>	<b>6,171</b>	<b>2,667</b>	<b>1,388</b>	<b>18,742</b>
Change %	8%	33%	6%	96%	19%

### Fee income

Third party fee income<sup>1</sup> of £138.6m was 27% higher than the prior year driven by the investment of those funds that charge fees on invested capital, fees from our recently established secondaries strategy and the CLO issuance programme. Details of movements are shown below:

Fee income	31 March 2017 £m	31 March 2016 £m	Change %
Corporate Investments	78.2	70.0	12%
Capital Market Investments	23.7	17.7	34%
Real Asset Investments	21.9	19.1	15%
Secondary Investments	14.8	2.1	n/a
<b>Total third party funds</b>	<b>138.6</b>	<b>108.9</b>	<b>27%</b>
IC management fee	18.1	18.4	(2%)
<b>Total</b>	<b>156.7</b>	<b>127.3</b>	<b>23%</b>

Third party fees include £9.8m of performance fees (2016: £14.0m), of which £8.5m (2016: £12.3m) related to Corporate Investments, as the realisation of assets from older vintages helped trigger performance hurdles. Performance fees are an integral recurring part of the fee income profile and profitability stream of the Group.

Third party fees are 78% denominated in Euros or US dollars. The Group's policy is to hedge non Sterling fee income, to the extent that it is not matched by costs and is predictable. Therefore the impact of the devaluation of Sterling will be partially felt in both the 2017 and 2018 financial years. Total fee income included an £8.1m FX benefit in the year.

The weighted average fee rate<sup>1</sup>, excluding performance fees, across our fee earning AUM is 0.91% (2016: 0.88%). This slight increase is due to fund mix and reflects the impact of raising the higher fee earning Asia Pacific mezzanine and Strategic Secondaries funds during the year.

### Dividend income

Dividend receipts of £23.2m (2016: £19.3m) are higher than prior year due to the increased number and improved performance of CLOs.

### Operating expenses

Operating expenses of the FMC<sup>1</sup> were £105.7m (2016: £85.0m), including salaries and incentive scheme costs. The devaluation of Sterling has had a more immediate impact on the cost base where 15% of costs are Euro denominated and 16% US dollar denominated. Costs are £4.7m higher in the year due to FX.

Salaries were £39.0m (2016: £30.4m) as average headcount increased 11% from 215 to 238. This increase is directly related to investing in our capital market investments strategies, the ICG Enterprise Trust team and our operations infrastructure. Incentive scheme costs of £33.8m (2016: £24.5m) are higher as a consequence of strong performance. Other administrative costs have increased to £32.9m (2016: £30.1m) as a result of increased occupancy and IT costs in the current year and the full year impact of ICG Enterprise Trust's administrator costs.

## FINANCE AND OPERATING REVIEW

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The FMC operating margin<sup>1</sup> was 41.2%, down from 41.9% in the prior year, reflecting the increased operating costs detailed above.

### INVESTMENT COMPANY

#### Balance sheet investments

The balance sheet investment portfolio<sup>1</sup> decreased 5% in the year to £1,711.6m at 31 March 2017, as illustrated in the investment portfolio bridge below:

	£m
At 1 April 2016	1,798.0
New and follow on investments	366.0
Net transfer from current assets	36.8
Accrued interest income	94.7
Realisations	(803.7)
Impairments	(48.0)
Fair value gains	117.1
FX and other	150.7
<b>At 31 March 2017</b>	<b>1,711.6</b>

Realisations comprise the return of £501.6m of principal, the crystallisation of £85.8m of rolled up interest and £216.3m of realised capital gains.

In the period £276.0m was invested alongside our corporate investments strategies for new and follow on investments. Of the remaining £90.0m, £67.9m was invested in CLOs in accordance with regulatory requirements and £20.6m in our Strategic Secondaries strategy.

The Sterling value of the portfolio increased by £146.4m due to FX movements. The portfolio is 43% Euro denominated and 32% US dollar denominated. Sterling denominated assets account only for 15% of the portfolio. The Group minimises the FX impact of non-Sterling assets through asset/liability management and derivative transactions.

The balance sheet investment portfolio is weighted towards the higher returning asset classes as detailed below:

	Return profile	As at 31 March 2017 £m	% of total	As at 31 March 2016 £m	% of total
Corporate Investments	15-20%	1,120	66%	1,305	72%
Capital Market Investments	5-10%	333	19%	264	15%
Real Asset Investments	c10%	107	6%	125	7%
Secondary Investments	15-20%	152	9%	104	6%
<b>Total balance sheet portfolio</b>		<b>1,712</b>	<b>100%</b>	<b>1,798</b>	<b>100%</b>

In addition, £89.7m (2016: £182.6m) of current assets are held on the balance sheet with the intention of being transferred to third party funds once their fundraising is complete. The use of the balance sheet in this way enables our investment teams to continue to source attractive deals whilst a fund is being raised, and in turn facilitates the fundraising as potential investors can see the types of assets they will be investing in. At 31 March 2017, 86% of these assets related to our real estate and alternative credit strategies.

### Investment income

Investment income<sup>1</sup> of £360.8m represents the total income earned from the balance sheet portfolio in the year, analysed as follows:

	31 March 2017 £m	31 March 2016 £m	Change %
Investment income			
Interest income	144.7	126.0	15%
Dividend and other income	14.7	21.4	(31%)
Capital gains	201.4	128.6	57%
	360.8	276.0	31%

Interest income<sup>1</sup> was above the prior period due to an increase in interest bearing assets in our corporate investments and capital market investments strategies. Cash interest income has increased to 38% (2016: 30%) of the total as the growing US mezzanine and real estate portfolios are weighted towards cash pay interest.

Dividend income<sup>1</sup> was received from our real estate and senior debt funds. The prior year included a dividend from our secondaries investment in the Diamond Castle Partner 2014 LP fund.

Capital gains<sup>1</sup> were, as expected, particularly strong in the financial year as the income statement benefited from the delayed income statement recognition of £54.4m of capital gains recycled from reserves on realisation of the underlying assets. In addition, the valuation of the portfolio as at 31 March 2017 benefited from the strength in global stock markets and the improved performance across a large number of portfolio assets over the last 12 months.

Net realised capital gains<sup>1</sup> in the period were £235.3m (2016: £75.2m), of which £150.9m (2016: £51.2m) had been recognised previously as unrealised gains in the income statement with the remaining £84.4m (2016: £24.0m) recognised in the current year, including the recycling from reserves. Fair valuing the equity and warrants gave rise to a further £112.5m (2016: £144.4m) of unrealised gains in the current period. Of this, £117.0m (2016: £104.6m) is recognised in the income statement and a £4.5m unrealised loss in reserves (2016: £39.8m unrealised gain).

### Interest expense

Interest expense<sup>1</sup> of £53.9m was £8.0m higher than the prior period (2016: £45.9m), due to the increase in private placement debt and the FX impact of interest paid on non-Sterling borrowings.

### Operating expenses<sup>1</sup>

Operating expenses of the IC<sup>1</sup> amounted to £77.3m (2016: £57.9m), of which incentive scheme costs of £54.2m (2016: £39.7m) were the largest component. The £14.5m increase is due to the cost of balance sheet carry, the Group's IC carry arrangements, increasing and a higher cash bonus accrued as a direct consequence of the high level of realisations in the year. Other staff and administrative costs were £23.1m compared to £18.2m last year, a £4.9m increase. This increase is due to an increase in business development costs, of which the largest component is related to the Australian Senior Loans strategy, and the amortisation on the ICG Enterprise Trust management contract.

### Impairments

During the period we took asset specific impairments<sup>1</sup> of £57.6m compared to £42.8m in the last financial year, with write backs of £9.6m (2016: £3.4m) resulting in net impairments of £48.0m (2016: £39.4m). This is broadly in line with our historic average of 2.5% of the opening IC portfolio.

## GROUP CASH FLOW AND DEBT

The balance sheet remains strong, with £970.8m of available cash and debt facilities at 31 March 2017. The movement in the Group's unutilised cash and debt facilities during the period is detailed as follows:

	£m
Headroom at 31 March 2016	781.3
New bank facilities	91.0
Bank facilities matured	(150.0)
Reduction in bank facilities	(142.9)
Increase in private placements	296.1
Private placements matured	(82.2)
Movement in cash	377.6
Movement in drawn debt	(253.0)
Other (including FX)	52.9
<b>Headroom at 31 March 2017</b>	<b>970.8</b>

Total drawn debt at 31 March 2017 was £1,119m compared to £866m at 31 March 2016, with unencumbered cash of £490m compared to £112m at 31 March 2016.

## FINANCE AND OPERATING REVIEW

### CONTINUED

#### Cashflow

Operating cash inflow<sup>1</sup> for the year was £657.3m (2016: £185.6m), reflecting that our operating model is highly cash generative, as analysed below:

	31 March 2017 £m	31 March 2016 £m
Cash in from realisations	716.5	394.3
Cash in from dividends	29.9	45.7
Cash in from fees	148.9	86.3
Cash in from cash interest	142.3	124.3
Cash movement in current assets held in warehouse or for syndication	153.7	–
<b>Total cash receipts</b>	<b>1,191.3</b>	<b>650.6</b>
Cash interest paid	(53.0)	(47.0)
Cash paid to purchase loans and investments	(366.0)	(247.1)
Cash movement in current assets held in warehouse or for syndication	–	(35.8)
Operating expenses paid	(115.0)	(135.1)
<b>Total cash paid</b>	<b>(534.0)</b>	<b>(465.0)</b>
<b>Total cash generated from operating activities</b>	<b>657.3</b>	<b>185.6</b>

This has been a particularly strong year for cash generation as the FMC has benefited from increased fees, and a strong period of realisations from our balance sheet portfolio. Fundraising activities have also enabled current assets held on the balance sheet to be transferred to third party funds.

#### Capital position

Shareholders' funds decreased by 6% to £1,172.6m (2016: £1,241.2m) in the year, principally due to the £200m special dividend paid during the year. Total debt to shareholders' funds (gearing<sup>1</sup>) as at 31 March 2017 increased to 0.95x from 0.70x. Adjusted return on equity<sup>1</sup> of 18.2% is up 5.3% points.

# MANAGING RISK TO DELIVER OUR STRATEGY

Effective risk management provides the framework within which we can successfully deliver our strategic priorities.

Risk management is the responsibility of the Board and is integral to the ability of the Group to deliver on its strategic priorities. The Board is responsible for setting the risk culture of the Group and establishing and maintaining appropriate systems and controls to manage risk. A robust risk management framework has been implemented to support this.

The Group's risk management framework is overseen by the Risk Committee under delegation from the Board. The Risk Committee also considers the effectiveness of the internal control environment. Details of the activities of the Risk Committee in this financial year can be found in the Risk Committee report on pages 60 to 64.

## IDENTIFYING PRINCIPAL AND EMERGING RISKS

The Risk Committee determines the principal risks through a consideration of the strategy and operating environment of the Group (top down review) and a detailed analysis of individual processes and procedures (bottom up review). The principal risks to the Group are identified and recommended to the Board by the Risk Committee.

The top down review focuses on identifying those risks that could threaten the business model, future performance, capital or liquidity of the business. In identifying risks, consideration is given to risks identified by other asset managers in the sector and relevant regulatory expectations and external developments. The review also considers emerging risks.

The bottom up assessment encompasses the identification, management and monitoring of risks in each area of the business. The infrastructure and in house



distribution teams maintain detailed risk registers which are regularly reviewed, challenged and updated by the Chief Risk Officer (CRO) and the Operational Risk Group (ORG). This review process ensures risk management responsibilities are embedded in the business' first line operations. In addition, the Group's Investment Committees provide oversight of risks related to the investment and fund management activities of the Group.

Executive responsibility for each principal risk is reviewed and agreed. The Board and the Risk Committee consider their appetite for risk across the business and establish the level of acceptable risk for each of the principal risks. Key risk indicators are set and these are monitored by the Risk Committee. The Risk Committee also considers any risk mitigation plans.

The Directors confirm that they have undertaken a robust assessment of principal risks in line with the requirements of the UK Corporate Governance Code. There were no changes to the list of principal risks of the Group in the year.

Emerging risks are regularly considered to assess any potential impacts on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory change and macroeconomic and political change, which in the current year have included the UK's decision to leave the European Union.



## MANAGING RISK TO DELIVER OUR STRATEGY

### CONTINUED

The Group considers its principal risks across three categories:

#### Strategic and business risks

The risk of failing to deliver on our strategic objectives resulting in a negative impact on investment performance and Group profitability.

#### Market, credit and liquidity risks

The risk of an adverse impact on the Group due to market fluctuations, counterparty failure or having insufficient resources to meet financial obligations.

#### Operational risks

The risk of loss or missed opportunity, resulting from a regulatory or legislative failure or inadequate or failed internal processes, people or systems.

Reputational risk is seen as an outcome of the principal risks materialising. Reputation and brand risk is carefully managed as part of the risk management framework.

#### SETTING RISK APPETITE AND TOLERANCES

The Board acknowledges and recognises that in the normal course of business the Group is exposed to risk and that it is willing to accept a level of risk in managing the business to achieve its strategic priorities. As part of its risk management processes, the Board considers its risk appetite in terms of the tolerance it is willing to accept in relation to each principal risk based on key risk indicators.

#### RELATIVE WILLINGNESS TO TOLERATE RISK (RISK APPETITE)

Strategic and business risk		LOWER	HIGHER
1	Loss or missed opportunity as a result of major external change		
2	Failure to maintain acceptable relative investment performance		
3	Failure to raise new third party funds		
4	Failure to deploy committed capital in a timely manner		
Market, credit and liquidity risk		LOWER	HIGHER
5	Loss as a result of adverse market fluctuations		
6	Loss as a result of exposure to a failed counterparty		
7	Failure to meet financial obligations		
Operational risk		LOWER	HIGHER
8	Loss of a 'key person' and inability to recruit into key roles		
9	Negative financial or reputational impact arising from regulatory or legislative failing		
10	Technology and information security risks		
11	Failure of key business processes		

## RISK GOVERNANCE FRAMEWORK

The Group operates a risk governance framework consistent with the principles of the 'three lines of defence' model.

### 1<sup>ST</sup>

#### INVESTMENT, INFRASTRUCTURE AND DISTRIBUTION

Business operations and support owns and is responsible and accountable for directly assessing, controlling and mitigating risks.

### 2<sup>ND</sup>

#### CONTROL AND OVERSIGHT FUNCTIONS

The control and oversight functions monitor the activities of the first line and support the business in identifying and managing risks.

### 3<sup>RD</sup>

#### INTERNAL INDEPENDENT ASSURANCE

Internal audit provides independent assurance to the Audit Committee that the Group's risk management, governance and internal control processes are operating effectively.



EXECUTIVE COMMITTEE, AUDIT AND RISK COMMITTEES, THE BOARD

### Monitoring the effectiveness of controls

During the year, the Group further enhanced its processes for monitoring the effectiveness of material controls. Material controls have been defined as those critical to the management of the principal risks of the business. Additional reporting on the effectiveness of material controls is provided to the Board and Risk Committee to support the review of the effectiveness of controls in managing the principal risks.







The Board is provided with a number of risk reports which it uses to review the Group's risk management arrangements and internal controls. The reports enable the Board to make a cumulative assessment of the effectiveness with which internal controls are being managed or mitigated. As part of its review the Board considered whether the processes in place were sufficient to identify all material controls and confirmed that this was the case. The Board confirms that the Group's risk management and internal control systems are operating effectively and material controls operated effectively throughout the year.



Management's continuous monitoring of the effectiveness of material controls ensures the principal risks are managed and supports the delivery of our strategic objectives.

**PHILIP KELLER**  
Executive Director

# MANAGING OUR PRINCIPAL RISKS

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR
<b>STRATEGIC AND BUSINESS RISKS</b>		
<b>1</b> Loss or missed opportunity as a result of major external change (including macroeconomic, regulatory, political and/or competitive impact) 	<p>Adverse macroeconomic conditions could reduce the opportunity to deploy capital and impair the ability of the Group to effectively manage its portfolios, reducing the value of future management fees, investment income and performance fees.</p> <p>Adverse macroeconomic conditions could also reduce demand from investors for the Group's funds.</p> <p>Adverse regulatory change could impact on the ability of the Group to deploy capital or could reduce the demand from investors for the Group's funds.</p>	<p>Deterioration of Group performance compared to plan.</p> <p>Impairment rate as a percentage of the opening loan book.</p> <p>+ See pages 17 and 88</p>
<b>2</b> Failure to maintain acceptable relative investment performance 	<p>Failure to maintain acceptable relative performance in the funds may result in a failure to raise new funds, reducing the Group's long term income and ability to invest in future growth. Investors in open ended funds may reduce or cancel their commitments, reducing AUM and fund management fees.</p> <p>In the short term, fund underperformance may result in lower performance fees in the FMC. For the IC this may result in a lower return on assets as the IC is exposed to credit risk through its co-investments with, and its investments in, funds.</p>	<p>Performance of fund portfolio companies.</p> <p>Performance of certain funds compared to benchmark.</p> <p>Impairment rate as a percentage of the opening loan book.</p> <p>+ See pages 17 and 88</p>
<b>3</b> Failure to raise new third party funds 	<p>A failure to raise new funds would reduce the Group's long term income and ability to launch new strategies.</p>	<p>Forecast fund inflows.</p> <p>+ See pages 15 and 88</p>
<b>4</b> Failure to deploy committed capital in a timely manner 	<p>Failure to deploy capital reduces the value of future management fees, investment income and performance fees.</p>	<p>The proportion of a fund's capital forecast to be available for investment in the final year of the investment period.</p> <p>+ See pages 16 and 88</p>
<b>MARKET, CREDIT AND LIQUIDITY RISKS</b>		
<b>5</b> Loss as a result of adverse market fluctuations arising primarily from exposure to interest rates and foreign exchange rates 	<p>Volatility in currency and interest rates leads to changes in the value of the assets and liabilities of the Group and, to the extent that these are unhedged, will impact on the financial performance of the Group.</p> <p>Volatility in currency and interest rates may impact on fund performance which may result in a failure to raise new funds, reducing the Group's long term income and ability to invest in future growth.</p>	<p>Value of net unhedged assets.</p> <p>Percentage of loan book unhedged.</p>
<b>6</b> Loss as a result of exposure to a failed counterparty 	<p>The Group uses derivatives to hedge market risk on its balance sheet. By entering into these derivatives the Group is exposed to counterparty credit risk.</p> <p>The Group's counterparties are national or multinational banks.</p> <p>Should a financial counterparty of the Group fail, the Group would be exposed to loss.</p>	<p>Counterparty exposure relative to trading limits.</p>

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Grow assets under management



Invest selectively















Manage portfolios to maximise value

KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR	FOCUS FOR FY18
<p>The Board regularly receives detailed market reports, reviewing the latest developments in the Group's key markets.</p> <p>The Investment Committees receive ongoing detailed and specific market reviews for each investment.</p> <p>The Board receives regular updates on regulatory developments.</p>	<p>During the year this risk has remained elevated due to ongoing political uncertainty.</p> <p>To mitigate the risk associated with the UK's decision to leave the European Union the Board approved the establishment of a Luxembourg licensed entity to ensure the Group maintains access to European Union investors.</p>	Political uncertainty in Europe as a result of the negotiations over the UK's departure from the European Union
<p>The Group has disciplined investment policies, and all investments are selected and regularly monitored by the Group's Investment Committees. Disciplined credit procedures are applied both before and during the period of investment. The Group limits the extent of credit risk by diversifying its portfolio assets by sector, size and geography.</p> <p>Continued focus by senior management and executives ensures maximum recovery is achieved.</p>	<p>There have been no material changes in the Group's investment markets during the year which would lead the Board to consider that this risk has changed.</p>	<p>Maintaining investment discipline</p> <p>Managing conflict of interests resulting from funds structured to pay fees on invested capital</p>
<p>The Group has built dedicated fundraising and scalable infrastructure teams to grow and diversify its institutional client base by geography and type.</p> <p>The Group has expanded its product portfolio to address a range of investor requirements and continues to build a strong product pipeline.</p>	<p>Investor sentiment remains supportive of the Group's strategies but the fundraising environment is highly competitive.</p> <p>During the year the Group has delivered on its target for raising third party funds.</p>	<p>Maintaining discipline on fees and terms</p> <p>Diversification of risk by selectively expanding the portfolio of investment strategies</p>
<p>The rate of investment is kept under review by the Investment Committees and senior management to ensure acceptable levels are maintained in current market conditions.</p>	<p>Competition for new investment opportunities is high and this, together with sustained high asset prices, puts the deployment of funds in line with expectations at risk.</p>	Maintaining investment discipline
<p>The Group has a policy which seeks to ensure that any non Sterling income, expenditure, assets and liabilities are appropriately hedged and that the residual exposure to market risk is managed to minimise short term volatility in the financial results of the Group. This is reviewed annually. Currency and interest rate exposures are reported monthly and reviewed by the Group's Treasury Committee.</p>	<p>During the year the Group has applied its hedging policy consistently.</p>	Market volatility as a result of political uncertainties, including the impact of the negotiations over the UK's departure from the European Union
<p>The Group has a policy which seeks to ensure that any counterparty exposures are managed within levels agreed with the Board. This is reviewed annually. Actual counterparty exposures are reported monthly and reviewed by the Group's Treasury Committee.</p>	<p>During the year the Group has applied its policy to manage counterparty credit risk consistently.</p>	Ongoing monitoring of counterparty exposures

## MANAGING OUR PRINCIPAL RISKS

### CONTINUED

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR
<b>MARKET, CREDIT AND LIQUIDITY RISKS CONTINUED</b>		
<p>7 Failure to meet the Group's financial obligations as they fall due</p>  	<p>An ongoing failure to refinance its liabilities could result in the Group failing to meet its payment obligations as they fall due.</p> <p>As a result the Group would not be a going concern.</p>	<p>Forecast breach of financing principles.</p>
<b>OPERATIONAL RISKS</b>		
<p>8 Loss of a 'key person' and inability to recruit into key roles</p>   	<p>Breach of any 'Key Man' clause could result in the Group having to stop making investments for the relevant fund or may impair the ability of the Group to raise new funds if not resolved in a timely manner.</p> <p>Loss of a key employee to the Group's fund management business or a critical infrastructure role could impair the Group's ability to deliver its strategic objectives as planned if that role is not filled in a timely manner.</p>	<p>Loss of a Key Man on a material fund.</p>
<p>9 Negative financial or reputational impact arising from regulatory or legislative failing</p>  	<p>The Group's ability to raise new funds and operate its fund management business would be impaired as a result of a regulatory or legislative failing.</p>	<p>Any material breach of regulations.</p> <p>Other legislative failure.</p>
<p>10 Technology/information security inadequate or fails to adapt to changing business requirements and/or external threats</p>   	<p>The Group's ability to deliver on its strategic objectives relies on technology and information security which adapts to changing business demands and external threats. Failure to deliver an appropriate technology platform may impact the Group's reputation, and its ability to raise new funds and operate its fund management business.</p>	<p>Any material breach or severe disruption due to systems failure.</p> <p>Any material loss or reputational damage arising from external threats.</p>
<p>11 Loss or missed opportunities arising from failure of key business processes, including third party supplier management, valuation and external reporting</p>  	<p>The Group's ability to raise new funds and operate its fund management business would be impaired as a result of the failure of key business processes.</p>	<p>Any failure of business process resulting in significant business disruption, financial or reputational damage.</p>

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Manage portfolios to maximise value

KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR	FOCUS FOR FY18
<p>The Group has a policy which seeks to ensure that debt funding is obtained from diversified sources and that the repayment profile is managed to minimise material repayment events. The profile of the debt facilities available to the Group is reviewed frequently by the Treasury Committee.</p>	<p>During the year the Group issued new debt into the US private placement market, extending the weighted average life of its debt facilities.</p> <p>Following the payment of the £200m special dividend the Group's gearing has remained within its target range.</p>	<p>Balance sheet efficiency</p> <p>Regulatory capital requirements</p>
<p>The Group rewards its investment professionals and other key employees in line with market practice. Senior investment professionals typically receive long term incentives and are able to participate in carried interest. The Group periodically engages external consultants to benchmark the rewards offered by the Group to ensure they remain attractive and competitive.</p> <p>The Group has succession plans in place for key employees. These are reviewed by the Board.</p> <p>The Group has an appraisal and development process for all its employees to ensure that individuals remain sufficiently motivated and appropriately competent to ensure the ongoing operation and development of the business.</p>	<p>There was no significant impact in the year as a result of the loss of any employee.</p> <p>The decision of the Chief Executive to stand down from his executive responsibilities at the AGM will not result in the breach of a Key Man clause. However, the risk of a breach is temporarily increased until additional Key Man nominations are approved by investors.</p>	<p>Managing the impact of the UK's departure from the European Union on our workforce</p> <p>Continued focus on succession planning</p>
<p>The Group has a governance structure in place, supported by a risk framework that allows for the identification, control and mitigation of material risks resulting from the geographical and product diversity of the Group. The adequacy of the systems and controls the Group has in place to comply with the regulations and to mitigate the risks that these represent is periodically assessed. This includes a tailored compliance monitoring programme that specifically addresses regulatory and reputational risks.</p>	<p>During the year the Group has continued to enhance its processes and controls in order to remain compliant with current and expected legislation. There are no regulatory or business developments which have resulted in an increased risk to the Group.</p>	<p>Senior Managers and Certification Regime for Asset Managers</p> <p>MiFID II</p> <p>General Data Protection Regulation</p>
<p>Application of the Group's information security policies is supported by a governance structure and a risk framework that allows for the identification, control and mitigation of technology risks. The adequacy of the systems and controls the Group has in place to mitigate the technology risks is continuously monitored and subject to regular testing. The effectiveness of the framework is periodically assessed.</p>	<p>The ongoing evolution of external threats has resulted in an increase in risk to the Group. In response, the Group has continued to improve its systems and controls to identify and manage technology and information security risks.</p>	<p>Enhancement of business continuity planning and disaster recovery</p> <p>Continued focus on cybersecurity threats</p>
<p>Control procedures are in place to ensure that key business processes are identified, documented and monitored. Third party suppliers are subject to robust selection process and performance is monitored against agreed service levels with exceptions reported and escalated as appropriate. The effectiveness of the control framework for key business processes is reviewed by the Risk Committee (see pages 60 to 64).</p>	<p>There were no significant business process failures during the year.</p>	<p>Oversight of third party service providers</p>

## MANAGING OUR PRINCIPAL RISKS

### VIABILITY STATEMENT



The Directors have undertaken a robust assessment of the Group's longer term viability and have a reasonable expectation of the Group's viability over the next three years.

**KATHRYN PURVES**  
Chairman of the Risk Committee

In accordance with the provisions of the UK Corporate Governance Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite, the Group's principal risks and the management of those risks, as detailed in the Strategic Report on pages 2 to 38.

The Directors have assessed the Group's longer term viability over a period of three years to March 2020. They are satisfied that a forward-looking assessment of the Group for this period is sufficient to enable a reasonable statement of viability. This is the period covered by the Group's strategic plan, the typical period over which regulatory changes are implemented and the period over which forecasting assumptions are most reliable.

The Group's strategy and principal risks underpin the three year strategic plan and associated stress and reverse stress testing, which the Directors review at least annually. In making their assessment, the Directors consider a wide range of detailed information including projections for profitability, cash flows, debt and capital requirements, financial covenants and regulatory capital headroom.

The strategic plan is built on a fund by fund basis using a bottom up model. For each fund assumptions are made on the deployment of existing capital, the raising of successor funds, and the performance of the underlying portfolio. In addition, the strategic plan includes assumptions about the launch of new strategies, the ability to refinance debt as it falls due and the development of the regulatory environment.

The plan is stress tested to assess the potential financial and operational impact of a severe but plausible downside scenario as part of the Board's review of the Group's Internal Capital Adequacy Assessment Process (ICAAP). The stress test scenario uses the 2008/09 financial crisis as its basis and reflects a number of the principal risks of the business through reducing new funds raised, lowering the deployment of capital, and increasing impairment.

As part of the ICAAP process, a reverse stress test exercise is also undertaken to identify the circumstance under which the business model becomes unviable. This indicates that only under major unprecedented macroeconomic conditions does the Group's viability come into question. As part of this exercise it is assumed that the Group is subjected to controlled run-off, allowing the Group to meet contractual maturities as they fall due with significant headroom.

The review of the three year strategic plan is underpinned by regular briefings to the Board provided by the heads of business units and infrastructure functions, and discussion of any new strategies undertaken by the Board in its normal course of business (see pages 46 and 47). These reviews consider both the market opportunity and the associated risks, principally the ability to raise third party funds, invest capital and deliver strong investment performance. These risks are considered within the Board's risk appetite framework which is detailed on page 28.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis as set out on page 101.



## OUR RESOURCES AND RELATIONSHIPS

Our business model supports the delivery of our strategic objectives and is reliant upon our key resources and relationships. Elsewhere in this Strategic Report we have identified the importance of our local teams, sector specialists, dedicated distribution team and infrastructure platform. In addition, building and maintaining our key external relationships is essential to delivering our strategy.



### MANAGING OUR KEY RELATIONSHIPS



#### GROW ASSETS UNDER MANAGEMENT

The Group continues to expand and strengthen its relationships with third party investors. Our investment strategies offer investors an opportunity to diversify their portfolio and generate yield. We are continuously engaged with our investors to understand their current and future needs and to ensure that we have the investment strategies to meet these requirements.

The availability of balance sheet capital to co-invest and to support business development is underpinned by our relationships with our key finance counterparties. These include banks, bondholders, other lenders and rating agencies.

The Group has an active compliance team who work with the business, outside advisers and our regulators to both identify and manage regulatory risk and also to promote best practice within the marketing, investment and infrastructure teams.



#### INVEST SELECTIVELY

Our investment professionals manage the relationships necessary to originate and source investment opportunities for our funds. These relationships include financial and investment advisers, banks and other investment managers. Our reputation, built up over 28 years, has generated strong, supportive, asset sourcing networks.

ICG is a signatory to the UN Principles for Responsible Investment. We acknowledge the relevance to the investor of environmental, social and governance factors, and of the long term health and stability of the market as a whole. Our investment committees and investment professionals take responsibility for applying the principles in practice, taking a proactive approach to considering environmental, social and governance factors in all our investment decisions.



#### MANAGE PORTFOLIOS TO MAXIMISE VALUE

We invest across the capital structure of companies and property assets. We seek to develop strong relationships both with owners and the management teams. Our investment teams have local market knowledge and access to the Group's extensive sector and market experience to support those businesses. Attendance at board meetings of originated corporate investments both increases our knowledge of the business and allows our investment professionals to develop strong relationships with management teams.

The Group relies on a number of key suppliers, including fund administrators, third party legal and accounting advisors and landlords, to deliver its strategic objectives. The Group has established a system of oversight controls to ensure that services are delivered in accordance with contractual agreements and to an appropriate quality.

## OUR RESOURCES AND RELATIONSHIPS

### CONTINUED

#### OUR RESPONSIBILITY TO OUR PEOPLE

To successfully deliver our strategic priorities the Group needs engaged and motivated employees.

Effective two way communication with our people is essential to build and maintain engagement. We have a number of formal and informal channels to achieve this. These include quarterly whole business briefings, an intranet, and regular team and manager meetings.

The Group conducts regular, confidential, employee surveys to identify the areas of the business in need of further development, and those areas that are performing well. The last survey was conducted in 2015 and demonstrated that the Group was performing above the norm for financial services companies.

The Group considers that training and development are essential to attract and retain people of the highest calibre and invests significantly in this area. We are committed to enhancing the knowledge and skills of our people and nurturing their talent. We run an extensive programme of internal and external training to develop and enhance core skills, increase technical competency and to develop future leaders.

The ongoing development of our people is supported by our performance management system. This provides a regular forum for employees and managers to review performance against agreed objectives and to identify areas for further development.

Our people are offered access to a range of benefits designed to attract, develop and retain talented employees. We ensure our levels of overall remuneration are sufficient to attract and retain talent. Benefits include: pension contributions, healthcare and health screening, life assurance, child care vouchers, travel insurance, share save scheme, gym membership and cycle to work schemes.

The Group supports flexible working, with 8.2% of employees benefiting from these arrangements. The current engagement of our people is further demonstrated by staff retention, based on opening headcount, of 88.1%.

#### DIVERSITY AND VALUES



We are committed to providing a safe and healthy work environment for our people where diversity is valued, where everyone is treated fairly and with dignity and respect, regardless of age, gender, race, sexual orientation, disability, religion or beliefs. We do not tolerate discrimination of any nature and comply fully with appropriate human rights legislation. We aim for employees to have a sense of wellbeing, and we promote a working culture where employees can freely question practices and suggest alternatives.

As at 31 March 2017 of our permanent employee population of 281, 89 are women and 192 men. While we do not record the religion or ethnicity of employees we benefit from our employees representing 31 different nationalities.

The senior management team (excluding the Group's Board) comprises of one woman and seven men. ICG's Board of nine comprises three Executive Directors, and six Non Executive Directors of which two are women.

+ Biographies on [pages 42 and 43](#)

#### MODERN SLAVERY

ICG abhors slavery and human trafficking. We will seek to ensure there are no such practices in our business and supply chain. During the year we have carried out staff training and awareness raising and incorporated slavery considerations into supplier selection and due diligence. We have also conducted a review of our own business, our investee companies that are covered by our statement, and material suppliers. No concerns were raised in any of our due diligence.

The Group's full policy on Modern Slavery can be found at [www.icgam.com](http://www.icgam.com)



The business mentoring programme has developed into one of the most important interventions on the ThinkForward programme at the PRU. Young people who engage regularly, clearly develop their confidence and communication skills. It also has a positive impact on their drive and aspiration to succeed in life, making the world of work and business seem more attainable – something they can aspire towards.

**SEAN PORTER**  
ThinkForward Coach

## OUR RESPONSIBILITY TO OUR COMMUNITY

Our corporate social responsibility policies and practises are grounded in promoting opportunities to young people, through education or work experience.

### SUPPORTING THINKFORWARD

We have supported ThinkForward, a charity working to reduce the risk of young people becoming NEET (not in education, employment or training) since its inception. We have extended our partnership with a further five year, £500,000 commitment in the current year.

ICG's investment has enabled a full time coach to be placed into the Harpley Centre at Tower Hamlets Pupil Referral Unit (PRU) to work with those young people most at risk of becoming NEET. The coach supports them to maximise their opportunities whilst in full time education, to develop their skills and work readiness so that they are more likely to transition into long term employment or further education.

ICG also provides regular business mentoring opportunities to young people from the PRU, working on different topics including CV writing, interview preparation and team work skills. To date, ICG has worked with over 40 young people and this year was shortlisted for the prestigious Lord Mayor of London's Dragon Award in recognition of this work.

## SUPPORTING LEVEL20

Level20 is a not-for-profit organisation set up to attract, nurture, and promote women in private equity, to achieve greater gender diversity both for the benefit of the industry at large as well as for the good that gender diversity brings to the community. One of our fund managers, Emma Osborne, was one of the founders and remains heavily involved with the organisation. ICG supports the objectives of Level20, making a £15,000 contribution this year.

- For more information about ThinkForward please visit: <http://think-forward.org.uk>
- For more information about Tower Hamlets Pupil Referral Unit please visit: [www.towerhamletspru.org.uk](http://www.towerhamletspru.org.uk)
- For more information about Level20 please visit: [www.level20.org](http://www.level20.org)

## OUR RESOURCES AND RELATIONSHIPS

### CONTINUED

#### PROVIDING A ROUTE INTO FINANCIAL SERVICES

ICG has just recruited its 5th cohort of interns. We target bright and capable graduates with strong academic track records but prioritise those who have little or no previous Financial Services experience. To date we have recruited 21 graduates. Interns are assigned a manager, mentor and buddy and provided with 12 months' competitively paid work experience and training to help them gain that all-important first foothold in the industry. Our unique approach is intended to break down some of the barriers to entry into the financial services industry and we are very proud that over 85% of our alumni have gone on to secure full time roles within their career of choice.

#### OUR RESPONSIBILITY TO OUR ENVIRONMENT

ICG recognises that businesses have a responsibility to protect the environment and understand the impact their operations have, and we take appropriate measures to limit our energy use and carbon output.

We quantify and report our organisational greenhouse gas emissions in alignment with the World Resources Institute's Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance update to the Corporate Standard.

We quantify and report Scope 2 emissions according to two different methodologies: the location based method, using average emissions factors for the country in which the reported operations take place; and the market based method, which uses the actual emissions factors of the energy procured.

We voluntarily report our Scope 3 indirect emissions from business travel and water consumption using the GHG Protocol Corporate Value Chain (Scope 3) Standard.

Our absolute Scope 1 emissions have increased due to the increased scope of emissions included. There has been an increase of 11.7% in our electricity use; however our overall Scope 2 emissions have decreased as certain emission factors for the grid electricity have reduced.

Our Scope 3 emissions have increased slightly due to improved data accuracy. Accurate data collection continues to be a challenge where we rely on third parties, such as the landlord or utilities consultants, or if changes in building management occur. We are continually improving the quality of our GHG disclosure.

The number of people employed has increased over the past year but our GHG emissions per full time employee (FTE) have decreased. We will continue to look for opportunities to improve performance in this area.

Operational scope	Greenhouse gas emission source	2017	2016	Units
Direct emissions (Scope 1)	Combustion of fuel and operation of facilities	74	49	Tonnes CO <sub>2</sub> e
Indirect emissions (Scope 2)	Purchased electricity/heat (location based)	852	881	Tonnes CO <sub>2</sub> e
	Purchased electricity/heat (market based)	849	966	Tonnes CO <sub>2</sub> e
Indirect emissions (Scope 3)	Business travel: flights and rail	2,888	2,550	Tonnes CO <sub>2</sub> e
Total		3,814	3,480	Tonnes CO <sub>2</sub> e
Emissions per FTE		11.7	13.7	Tonnes CO <sub>2</sub> e per FTE



# GOVERNANCE

## REPORT

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## A LETTER FROM THE CHAIRMAN



**KEVIN PARRY**  
Chairman

### Key governance achievements

- Appointment of Benoît Durteste as our new CEO following a detailed and thorough succession process overseen by the Nomination Committee
- Continuation of the process of refreshing the composition of the Board to include a wider range of skills and backgrounds, including the appointment of a new Chairman of the Audit Committee and the recent addition of a further Non Executive with extensive experience in investment management
- Proposal of a new, simplified remuneration policy
- Continued focus on engagement with shareholders and other stakeholders
- External Board evaluation concluding that the Board continues to operate in an effective manner



### DEAR SHAREHOLDER

I became Chairman of the Board of the Company from the end of last year's Annual General Meeting (AGM). The subsequent period has been a busy one in terms of Corporate Governance, not least due to the nomination process for a new CEO and the consideration of the Group's management framework. The last year has also seen two new Non Executive Directors join the Board. We continue to consider whether our Board can be further enhanced by additional high-calibre appointments.

Your Board will continue to manage the Company in the long term interests of shareholders. We remain committed to maintaining high standards in the area of corporate governance and have been in compliance with the requirements of the UK Combined Code on Corporate Governance throughout the year. The volume of applicable law and regulation in this area continues to increase and will remain an important focus area for the Board. In particular, in the year ahead we will give attention to considering, and preparing for, the potential future requirements of the FCA's Senior Manager and Certification Regime in the Group's management structure.

To support its governance objectives, the Board has established a system of controls and management processes to ensure that risks to the Group's business can be assessed and managed. We also consider whether the necessary financial and human resources are in place for the Company to meet its objectives and increase shareholder value. We aim to exercise robust supervision and leadership of the Group while fostering a corporate culture that permits growth and empowers our employees.

Some of our key priorities during the year were:

- **Managing the appointment of a new Chief Executive** During the year, the Nomination Committee was made aware that Christophe Evain was considering retiring. The Committee reviewed the succession

plans and put processes in place to ensure that an appropriate candidate for the role could be appointed. After considering carefully the merits of 16 individuals, the exercise concluded that Benoît Durteste was the strongest candidate to succeed to this role and meet the strategy and growth targets set by the Board. Once Christophe confirmed his intention to resign, the Board was able to move quickly and seamlessly to appoint Benoît.

- **Continuing to refresh the composition of the Board** We considered over 40 candidates for non executive directorships resulting in two new Non Executive Directors being appointed. Rusty Nelligan, an experienced audit partner, joined the Board in September 2016 and has become Chairman of our Audit Committee. Virginia Holmes, who has a background in investment management and has acted as a director of a number of significant companies, joined the Board and Remuneration Committee in March 2017.

+ Please see [pages 65 to 68](#) for the report of the Nominations Committee

- **Reviewing our Remuneration Policy** The Remuneration Committee has undertaken an extensive exercise during the year to benchmark our Remuneration Policy and has proposed a new policy containing a number of enhancements which respond to shareholder feedback. A particular priority has been the simplification of complex policies, and this is a key driver underlying the new policy.

+ Please see [pages 69 to 98](#) for the report of the Remuneration Committee

- **Conducting an external Board evaluation** An external assessment of the Board was carried out during the year. The evaluation concluded that the Board and its Committees continue to operate cohesively and effectively with some minor enhancements suggested.

+ Please see [page 49](#) for more details of this evaluation

- **Increasing engagement with shareholders** Members of the Board have continued

## Board of Directors

As at 31 March 2017 (and at the date of publication), the Board comprised a Non Executive Chairman, five independent Non Executive Directors and three Executive Directors. Having duly considered their independence in accordance with the Code, the Board considers each of its Non Executive Directors to be independent in character and judgement. They each provide effective challenge both at and outside of Board meetings. The Non Executive Directors are considered to be of the appropriate calibre and experience to bring significant influence to bear on the Board's decision making process.

The Chairman acted as a Non Executive Director of Standard Life PLC, Daily Mail and General Trust plc and the Nationwide Building Society during the year. We do not consider these appointments to have any adverse impact on his ability to perform his role as Chairman of the Board effectively.

to meet with shareholders to provide updates on the Group's performance and strategy and receive their feedback (including on our proposed remuneration policy).

+ Please see [page 50](#) for more details of our stakeholder engagement

### • Continuing our focus on risk management

During the year, our Risk Committee, with considerable support from Executive Directors and the CRO, has continued to review and enhance the risk

management and monitoring framework for our business.

+ Please see [pages 60 to 64](#) for the report of the Risk Committee

• **Continuing to oversee the Group's strategic direction** During the year, the Board received a number of presentations from Executive Directors and other senior personnel about the Group's strategy and direction. Time has also been spent on succession planning for a number of key roles other than Executive Directors and

on considering the Group's management structure. The Board is also keen to ensure that it has a detailed understanding of operational areas, and has received a number of presentations from business unit heads about their products, markets and operations.

+ Please see [pages 46 and 47](#) for more details

In the year ahead, governance will continue to be an important area for the Board as certain refinements to our management structures may be needed as we widen our management team following the change of Chief Executive. We will also be focusing on business culture and how this supports the Board's objectives.

I am very happy to respond to any questions you may have, either at the AGM or otherwise.

### KEVIN PARRY

Chairman  
24 May 2017

## BOARD AND COMMITTEE MEETING ATTENDANCE

Director	Board	Audit	Risk	Nominations	Remuneration
Kevin Parry <sup>(a)</sup>	6/6	4/4 <sup>(e)</sup>	4/4	6/6	5/5
Peter Gibbs	6/6	3/4	3/4	6/6	5/5
Kim Wahl	6/6	4/4	4/4	6/6	5/5
Kathryn Purves <sup>(a)</sup>	6/6	4/4	4/4	6/6	5/5 <sup>(e)</sup>
Rusty Nelligan <sup>(b)</sup>	4/4	3/3	3/3	4/4	4/4 <sup>(e)</sup>
Christophe Evain	6/6	4/4 <sup>(e)</sup>	4/4 <sup>(e)</sup>	6/6 <sup>(e)</sup>	5/5 <sup>(e)</sup>
Philip Keller	6/6	4/4 <sup>(e)</sup>	4/4 <sup>(e)</sup>	5/6 <sup>(e)</sup>	5/5 <sup>(e)</sup>
Benoît Durteste	6/6	4/4 <sup>(e)</sup>	4/4 <sup>(e)</sup>	5/6 <sup>(e)</sup>	4/5 <sup>(e)</sup>
Justin Dowley <sup>(c)</sup>	2/2	1/1 <sup>(e)</sup>	1/1	2/2	3/5
Virginia Holmes <sup>(d)</sup>	N/A	N/A	N/A	N/A	N/A
Secretary	6/6	4/4	4/4	6/6	5/5

(a) Kevin Parry and Kathryn Purves also attended a sub-committee meeting of each of the Board and the Nomination Committee to confirm the appointment of the new CEO.

(b) Joined the Board 15 September 2016.

(c) Retired from the Board 21 July 2016.

(d) Joined the Board 31 March 2017.

(e) Not a member of this Committee but attended part of some meetings at the invitation of the Committee Chairman.

CHAIRMAN'S  
LETTERBOARD OF  
DIRECTORSCORPORATE  
GOVERNANCECOMMITTEE  
REPORTSREMUNERATION  
REPORTDIRECTORS'  
REPORT

# BOARD OF DIRECTORS

## KEVIN PARRY

CHAIRMAN



N R RK

Kevin Parry has extensive experience as an executive and a non executive Director of financial institutions, professional services, media and information companies.

His experience is international and ranges from small cap companies to FTSE 100 companies and similar sized non-listed entities.

He is a chartered accountant with significant auditing and transaction experience. His responsibilities as a Director of other companies include acting as a senior independent director, audit committee and risk committee chairman and serving on other board committees.

He was an independent Director prior to his appointment as Chairman.

## OTHER DIRECTORSHIPS

Standard Life PLC, Daily Mail and General Trust plc and the Nationwide Building Society

## JOINED BOARD

2009 (Chairman since 2016)

## CHRISTOPHE EVAÏN<sup>1</sup>

EXECUTIVE DIRECTOR AND  
CHIEF EXECUTIVE OFFICER

E

Christophe Evain has been CEO of ICG since 2010 and will step down at the 2017 AGM. He has led the strategic development of the Group to a fund management model. Prior to his appointment as CEO, Christophe had worked at ICG for 17 years and was a key figure in the development of the Group's business. He led the expansion of the Group to new geographies and new strategies. Before ICG, he held a number of roles in other leading financial institutions, specialising in leverage and structured finance. Christophe also serves as Chief Investment Officer of the Group. He has a thorough and detailed knowledge of the Group's investment portfolio and maintains a focus on investment discipline and quality.

He stands down as a Director and CEO at this year's AGM.

## OTHER DIRECTORSHIPS

ICG Group entities

## JOINED BOARD

2003 (CEO since 2010)

## BENOÎT DURTESTE<sup>2</sup>

EXECUTIVE DIRECTOR  
AND HEAD OF EUROPEAN  
INVESTMENTS

E

Benoît Durteste will become ICG's CEO and Chief Investment Officer from the 2017 AGM. He is an experienced investor with a strong understanding of the markets in which the Group operates. During his time on the Board he has been a strong contributor to the Group's strategic development, including leading our expansion into the Secondaries market. Benoît is the Group's Head of European Investments overseeing a number of our key strategies, and he is the Fund Manager for three of our European investment funds. He contributes a thorough understanding of financial markets and the Group's investment portfolio to Board proceedings. Benoît joined ICG's Paris office in September 2002 from Swiss Re and moved to ICG's London office in 2007.

## OTHER DIRECTORSHIPS

ICG Group entities, ICG investee entities and current Chairman of the BVCA Alternative Lending Committee

## JOINED BOARD

2012

## PHILIP KELLER

EXECUTIVE DIRECTOR  
AND CHIEF FINANCE AND  
OPERATING OFFICER

E

Philip Keller has responsibility for finance, operations, IT, human resources, risk, compliance and legal. Philip is a chartered accountant and he brings sound financial management skills to the Board. He also has a strong focus on operational matters and stakeholder communications, and during his time as an Executive Director has overseen the significant expansion of the Group's platform and infrastructure. Prior to joining ICG, he was Finance Director of ERM, a global environmental consultancy, where he was part of a management team that led two leveraged buyouts in 2001 and 2005. This experience provides him with a management-side perspective on buyouts which is a valuable additional viewpoint for the Board.

## OTHER DIRECTORSHIPS

ICG Group entities

## JOINED BOARD

2006

## COMMITTEE KEY

COMMITTEE CHAIRMAN

AUDIT

EXECUTIVE

NOMINATIONS

REMUNERATION

RISK

## EXPLANATORY NOTES

1. Until 25 July 2017.

2. Until 25 July 2017. CEO and Chief Investment Officer from that date.



**PETER GIBBS**

NON EXECUTIVE  
DIRECTOR AND SENIOR  
INDEPENDENT DIRECTOR

**VIRGINIA HOLMES**

NON EXECUTIVE DIRECTOR

**MICHAEL 'RUSTY' NELLIGAN**

NON EXECUTIVE DIRECTOR

**KATHRYN PURVES**

NON EXECUTIVE DIRECTOR

**KIM WAHL**

NON EXECUTIVE DIRECTOR



Peter Gibbs has extensive asset management experience. His career in the sector has given him an informed view of the issues facing the Group, which allows him to provide detailed insight into investor and shareholder concerns. He served as Chief Investment Officer of Merrill Lynch's Investment Management activities outside the US and prior to this was Co-Head of Equity Investments worldwide. He also served as a Director of UK Financial Investments, the body established to hold the UK government's stake in financial institutions. His roles on this and other boards have given him a detailed understanding of corporate governance and company proceedings.

Virginia Holmes brings to the Board an extensive knowledge of the financial services industry, including both investment management and banking. Her executive experience includes serving as Chief Executive of AXA Investment Managers in the UK and more than a decade with the Barclays Bank Group. She is an experienced Board director of a number of UK PLCs who enhances the corporate governance understanding of our Board and aids the Board in considering our relationships with stakeholders.

Until 2016, Rusty Nelligan was a partner with PwC, working for over 20 years as lead client partner for European-headquartered global companies in financial services and pharmaceutical life sciences, including US-listed foreign private issuers. In this role he was responsible for direction, development and delivery of services for independent audits, assurance and advisory projects relating to areas such as corporate governance, internal controls, risk management, regulatory compliance, acquisitions and financial reporting. Rusty was employed by PwC LLP in the US from 1974 and seconded to Europe in 1994. He is a US Certified Public Accountant.

Kathryn Purves previously served as CRO of Partnership Assurance Group plc, a leading provider of non-standard annuities. Kathryn's executive experience in risk management has proved a valuable resource to the Board as she is able to enhance oversight in a key area for the Group. She also has valuable investment experience for the Board to draw upon; before joining Partnership in 2008, she worked within the private equity industry for approximately 10 years, most recently at Phoenix Equity Partners. Prior to that, she worked as an Investment Manager for Deutsche Bank in Europe and UBS Capital in Australia and Asia.

Kim Wahl has a wide and detailed knowledge of European investment markets gained from a lengthy career in the private equity industry; he is the owner and Chairman of the investment firm Stromstangen AS which he established in 2004, and he also co-founded IK Investment Partners in 1989. Kim had previously worked at Goldman, Sachs & Co. The insight gained during his career is particularly useful for the Board when considering the Group's investment portfolio at an oversight level. He is based in Norway and assists greatly in providing the Board with an international view of the Group's business and markets.

**OTHER DIRECTORSHIPS**

Ashmore Group plc, Aspect Capital Limited and Bank of America Merrill Lynch (UK) Pension Plan Trustees Ltd

**JOINED BOARD**

2010

**OTHER DIRECTORSHIPS**

British Airways Pension Trustees Ltd, Post Office Limited, USS Investment Management Limited and Investor Forum CIC

**JOINED BOARD**

2017

**OTHER DIRECTORSHIPS**

None

**JOINED BOARD**

2016

**OTHER DIRECTORSHIPS**

IFG Group plc, including three regulated subsidiaries

**JOINED BOARD**

2014

**OTHER DIRECTORSHIPS**

Ceki AS, Stromstangen AS, UPM-Kymmene Oy, Voxtra Foundation and DNB Bank ASA

**JOINED BOARD**

2012

## OUR CORPORATE GOVERNANCE FRAMEWORK



## BOARD ROLES

### CHAIRMAN

- Kevin Parry, who is responsible for:
  - Organising the business of the Board
  - Ensuring its effectiveness and setting its agenda
  - Effective communication with the Group's shareholders

+ Please see [page 40](#) for the Chairman's letter to shareholders

### NON EXECUTIVE DIRECTORS

- In addition to the Chairman, Peter Gibbs, Virginia Holmes, Rusty Nelligan, Kathryn Purves and Kim Wahl act as Non Executive Directors of the Company
- All Non Executive Directors are independent
- Responsible for providing independent oversight of, and challenge to, the Company's executive management

+ Please see [pages 42 and 43](#) for Directors' profiles

## KEY BOARD SUPPORT ROLES

### COMPANY SECRETARY

- Responsible for advising on legal, governance and listing matters at the Board and across the Group
- Provides advice and support to the Board and its Committees
- Manages the Group's relationships with shareholder bodies

### COMMITTEE SECRETARIES

- Nominations Committee – Company Secretary
- Remuneration Committee – Head of Human Resources
- Audit Committee – Head of Finance
- Risk Committee – Chief Risk Officer

### CHIEF EXECUTIVE OFFICER

- Christophe Evain, whose role is to oversee the Group on a day to day basis
- Accountable to the Board for the financial and operational performance of the Group
- Also serves as Chief Investment Officer
- Christophe Evain will step down on 25 July 2017, and Benoît Durteste will assume these roles.

### EXECUTIVE DIRECTORS

- As well as the CEO, Philip Keller, the Chief Finance and Operating Officer (CFOO), and Benoît Durteste, Head of European Investments, act as Executive Directors

### SENIOR INDEPENDENT DIRECTOR

- Peter Gibbs, who acts as a sounding board for the Chairman and, where necessary, acts as an intermediary for shareholders or other Non Executives if they feel issues raised have not been appropriately dealt with

## WHO MANAGES OUR RISKS?

### CHIEF RISK OFFICER

- Responsible for all areas of the risk function, including:
  - Financial, operational, regulatory, IT, information flow and market risk
  - Assessing and monitoring the risks faced by the Group and advising senior management and the Board directly
  - Advising on setting risk tolerance and appetites, and controlling appropriate and relevant risk exposures

- Reports to the CFOO and also has direct access to Non Executive Directors

### GROUP COMPLIANCE OFFICER

- Responsible for overseeing and managing regulatory compliance matters within the Group
- Reports to the CRO, and also has direct access to Executive and Non Executive Directors

### HEAD OF INTERNAL AUDIT

- Responsible for providing independent assurance on the effectiveness of the risk management processes, governance and internal controls
- Internal audits are undertaken in accordance with an annual risk based plan approved by the Audit Committee
- Reports to the Chairman of the Audit Committee and also has direct access to Executive Directors

### OPERATIONAL RISK GROUP

- Remit is to identify and manage potential operational risks and suggest solutions or improvements in process
- Meets monthly and is comprised of the heads of the Group's control functions and the CFOO
- Chaired by the Group's CRO and reports its findings to the Risk Committee

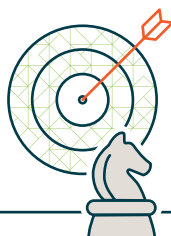
# THE BOARD'S YEAR

## AREAS OF BOARD FOCUS



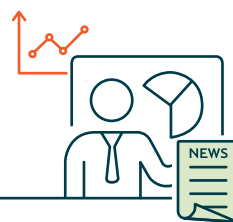
### DEVELOPMENT AND LEADERSHIP

- + Board composition and skills
- + CEO succession planning
- + Business unit updates with relevant senior managers
- + Technical training including regulatory matters and other developments



### STRATEGY, NEW PRODUCTS AND MARKETS

- + Macroeconomic updates, including specific consideration of ongoing geopolitical risks
- + Review of strategic objectives and key deliverables
- + Consideration of new opportunities and business planning



### GOVERNANCE, STAKEHOLDERS AND SHAREHOLDERS

- + Reviewed feedback from shareholders
- + Oversight of governance framework and risk management
- + Engagement with shareholders in respect of remuneration policy

## TIMELINE

### MAY 2016

#### KEY ISSUES AND HIGHLIGHTS

- + Capital structure and dividend (see page 10)
- + Key business developments and latest financial reports

#### ANNUAL MATTERS

- + Approval of Annual Report and AGM Notice
- + Insurance renewal
- + Review of shareholdings of senior executives
- + Adoption of Modern Slavery statements

#### TRAINING AND TECHNICAL UPDATES

- + Private Equity Fund Investments training session with portfolio manager

### JULY 2016

- + Response to Brexit
- + Key business developments and latest financial reports

- + Review of feedback from shareholders on the year end results announcement

- + Senior Debt update with business unit head

### SEPTEMBER 2016

- + Process for strategy refresh
- + Update on Brexit response
- + New broker introduction
- + New business opportunities
- + Hedging review
- + Key business developments and latest financial reports

- + Matters arising from AGM and shareholder feedback

- + US update with business unit head



## OTHER MEETINGS HELD

A R N

AGM RK N

A N R RK

## COMMITTEE MEETINGS KEY

-  Annual General Meeting  
 Audit Committee  
 Risk Committee  
 Remuneration Committee  
 Nominations Committee



### FINANCIAL PERFORMANCE, OUTLOOK AND CAPITAL

- + Review of financial reporting
- + Review and amendment of capital allocation and dividend policy
- + Review of treasury policies



### OPERATIONS, RISK MANAGEMENT AND SYSTEMS

- + Review of fund performance
- + Review of regulatory capital position
- + Enhanced reporting on effectiveness of control framework



### CULTURE AND VALUES

- + Review of succession planning at senior management levels including consideration of cultural fit and capability
- + Review of supplier processes and adoption of Modern Slavery Act statements

#### NOVEMBER 2016

- + Dividend strategy
- + Growth opportunities
- + Review of survey of marketing function
- + Key business developments and latest financial reports

- + Approval of half year reports

- + Credit Fund Management update with business area head
- + US Regulatory Requirements

A N R RK

#### JANUARY 2017

- + Dividend strategy
- + Succession planning (see page 68)
- + Review of balance sheet liquidity
- + Analysis of seed capital for funds
- + Key business developments and latest financial reports

- + Half year results feedback
- + Confirmation of outside interests of Directors

- + European Investments update with business unit head

N R

#### MARCH 2017

- + Dividend strategy
- + Succession planning (see page 68)
- + Board evaluation
- + Key business developments and latest financial reports
- + Identification of focus areas for FY18 including culture and diversity

- + Budget
- + Annual compliance reports
- + Committee terms of reference

- + Real estate update with business unit head
- + Macroeconomic overview

A N R RK

## INDUCTION AND TRAINING



I found the induction programme to be well structured, comprehensive and thoughtfully designed.

It provided sound information and insight to enable me to undertake my role as Audit Chairman effectively. It also greatly facilitated the development of a foundation to learn and contribute to the Board and its Committees.

**RUSTY NELLIGAN**  
Audit Committee Chairman

### ONGOING TRAINING AND DEVELOPMENT

The Board recognises the importance of the continued professional development of the Directors in order to build on their existing skills and experience. During the year the main focus of development for the Board has been in continuing to improve their detailed understanding of the Group's business and the market environment.

Business unit heads present developments in their areas, including risks and opportunities for growth to the Board on a regular basis. Business areas reviewed during the year included European and US corporate investments, capital market investments and private equity fund investment, part of secondary investments. These sessions give Non Executive Directors (NEDs) a deeper understanding of the Group's business, strategies and markets, and an understanding of team structures to assist with succession planning. The heads of the Group's control and oversight functions and corporate strategy also presented. The Board and its Committees also receive technical updates from external advisers.

A regular training programme has been established. Under this programme, the NEDs receive detailed and more operationally focused presentation from staff members about specialist topics relating to the Company's business. Sessions held have included a review of the Group's US regulatory obligations led by our New York based compliance specialist and a macroeconomic overview session led by the Group's Chief Economist. In addition the Group monitors other training undertaken by the Non Executive Directors.

The Executive Directors attend Board training and have also undertaken courses on anti-money laundering, anti-bribery and corruption, information security and career development for employees. Christophe Evain and Benoît Durteste received training on responsible investment and Benoît Durteste also received training

on capital return restrictions under the Alternative Investment Fund Managers Directive. Each also receives formal and ad hoc updates on statutory and regulatory developments. For example, Philip Keller received training from Deloitte on accounting developments and from Allen and Overy on the Senior Managers and Certification Regime.

The Executive Directors jointly led a training day for all staff on the Group's strategy and markets. Philip Keller and the heads of the Group's infrastructure functions attended a development and strategy workshop.

### Induction

The objective of the induction process for new Directors is to enable that Director to contribute to Board proceedings from appointment. Each programme is tailored to the incoming Director and includes a series of meetings and presentations supported by relevant documentation and policies.

Rusty Nelligan was inducted during the year. This included detailed briefings from the Chairman and the Executive Directors in respect of the Group's business; and from the Company Secretary with regards to legal obligations, directors' duties and identifying any potential conflicts of interests. He had over 15 further meetings providing full coverage of the Group's strategy and operations including NEDs, business unit heads, and heads of control and oversight functions.

A similar programme is currently being carried out for Virginia Holmes. Any new Director appointed will receive a thorough induction in line with that provided for previous joiners, adjusted for any particular individual requirements.

## BOARD EVALUATION



Directors are generally very engaged and there is a clear message that they want to do the 'right thing'. Although the Board is quite small – which is viewed as an advantage as it allows everyone to contribute – there is a good mix of people round the board table and a culture of openness and mutual respect.

**INDEPENDENT AUDIT**  
Board Evaluation Report

### BOARD PERFORMANCE

In line with the effective governance requirements of the Code, the Board reviews its own performance annually. The assessment covers the effectiveness and performance of the Board as a whole, the functioning of the Executive Committee, an evaluation of individual Directors and the effectiveness of the Board Committees. The Non Executive Directors (NEDs), led by the Senior Independent Director, and taking into account the views of Executive Directors, are responsible for evaluating the performance of the Chairman.

In addition, the Code requires that every three years an external third party performs an evaluation of the Board. This exercise was carried out by Independent Audit from November 2016 to January 2017, with the Board receiving a formal report and presentation to the Board meeting in March 2017.

During their review, Independent Audit received full access to the Board and employees of the Group, and carried out over 15 interviews with Board members, Committee secretaries and a number of other senior employees. They also conducted an extensive on site review of all Board and Committee papers and minutes for the preceding year and attended a Board meeting and several Committee meetings as observers. Finally, they provided detailed follow up questions to the Chairman and the Company Secretary.

The final report concluded that there were no significant areas for concern in respect of the performance of the Board, the individual Directors or the Committees. It contained a number of positive findings about the Board and the Committees, including:

- Directors are engaged and want to do the right thing
- there is a culture of openness and mutual respect
- the new Chairman has improved Board processes

- executive management is respected by the Board for their knowledge and willingness to listen and debate
- all Board participants, especially NEDs, added value to the debate around dividend policy
- NEDs have a good range of skills and backgrounds
- Board support is professional

The report also highlighted some areas where Board performance, processes or operations could be improved. The points identified were:

- management information should be reviewed to ensure that it relates to the measures that the Board will find most useful in assessing progress against the Group's strategy and principal risks
- the Group's management systems should be reviewed to ensure that they remain proportionate to the needs of the business while ensuring adequate oversight for the Board
- the role of the Audit Committee Secretary should be reviewed
- the Audit Committee's meeting agenda should ensure that appropriate time is given to all matters
- the Risk Committee should use its consideration of the Group's ICAAP as an opportunity for wider business discussions
- the Remuneration Committee should consider how its Chairman can be best supported by other members and advisors
- the Nomination Committee should prioritise succession planning for the Senior Independent Director/ Remuneration Committee Chairman

A number of the suggested actions are already taking place and the others will be addressed during the year.

The findings of the formal external review will be kept under review by the Board and an update will be provided in the next annual report.



## ENGAGEMENT WITH STAKEHOLDERS



### STAKEHOLDER ENGAGEMENT PROGRAMME

The Company has a comprehensive programme which aims to help existing and potential investors understand and communicate with the Group. The programme is designed to ensure regular engagement with institutional investors, shareholder groups and debt investors. Regular feedback is provided to the Board to ensure that they understand the views of stakeholders. During the year, the programme included:

- **Meetings with principal shareholders:** Throughout the year, the Chairman, Senior Independent Director (who is also Chairman of the Remuneration Committee), CEO and CFOO have met with a number of principal shareholders. These meetings were largely after the interim and full year results announcements and in the lead up to the AGM. The Chairman has been proactive in meeting a number of large shareholders throughout the year and also hosted a dinner for a number of principal shareholders with the Senior Independent Director and Executive Directors in attendance. The full Board has been kept informed of the issues raised at these meetings and the views of shareholders on a regular basis.

- **Senior Independent Director feedback:** The Senior Independent Director has met with principal shareholders and also with shareholder bodies including the Investment Association, Institutional Shareholder Services and Glass Lewis. He is available to meet shareholders as required, in particular in respect of any matter that has been previously raised with the Chairman, but not resolved.
- **Analyst meetings:** In addition to presentations to analysts that coincide with the announcement of the Group's full year and half year financial results, the Group's CEO, CFOO and the Head of Investor Relations have regularly met with analysts to enhance the financial community's understanding of the Group. The Executive Directors also hosted a dinner for a number of analysts providing an opportunity for informal discussions and queries.
- **Engagement with debt investors:** The CFOO and Head of Treasury have held regular meetings with the Group's key relationship banks, and have also actively engaged with potential lenders. Update meetings were held with current and potential holders of public and private debt instruments issued by the Group, and with both Standard & Poor's and Fitch rating agencies.
- **Engagement with fund investors:** The Executive Directors and the Group's portfolio managers maintain engagement with fund investors through regular reporting, investor days and other update meetings.
- **Engagement with staff:** See page 36.
- **Annual General Meeting:** At the AGM held in July 2016, the Chairman, CEO and other Directors were available to shareholders for discussion and to answer any questions. All shareholders are welcome to attend the AGM.
- **Informal feedback:** Executive Directors and the Head of Investor Relations received feedback from analysts and investors during the year, both directly and through the Group's corporate advisers. The Company Secretary also received feedback on governance matters from, and met with, investors and shareholder bodies. This information was shared with the Board to help members develop their understanding of shareholders' views and expectations.

### Relationships with shareholders

The Company recognises the importance of communication with its shareholders. Accordingly, the Board is happy to enter into a dialogue with institutional shareholders based on a mutual understanding of objectives, subject to its duties regarding equal treatment of shareholders and the dissemination of inside information. The CEO and the CFOO meet institutional shareholders on a regular basis, and the Chairman and the Senior Independent Director periodically contact the Company's major shareholders and offer to meet with them. When requested to do so, the Senior Independent Director and other Non Executive Directors are happy to attend meetings with major shareholders.



## AUDIT COMMITTEE REPORT



We oversee the Group's financial reporting and related elements of its accounting, internal controls and regulatory compliance, in addition to the corresponding internal and external auditing processes. Our work focuses on the evaluation of significant estimates and judgements underlying the financial statements and the overall fairness and clarity of reported financial information.

**RUSTY NELLIGAN**  
Chairman of the Audit Committee

The following pages set out the Audit Committee (Committee) report for financial year 2017. The report is structured in five parts:

1. Committee governance: roles and responsibilities, composition and effectiveness (page 52)
2. Review of the year: significant financial reporting and auditing issues we addressed (page 54)
3. Internal controls: assessment of the adequacy of the control framework (page 57)
4. External auditor: appointment, independence and effectiveness (page 57)
5. Internal audit: performance and effectiveness (page 59)

### DEAR SHAREHOLDER

In September 2016 I joined the Committee as Chairman, and it is in that capacity that I am pleased to report on the work of the Audit Committee during the year. I would like to start by thanking Kevin Parry for his contribution to, and stewardship of, the Committee prior to standing down upon his appointment as Chairman of the Company.

A key responsibility of the Committee is to oversee that financial information presented by the Group is fair, balanced and understandable.

The financial statements of the Group are prepared in accordance with IFRS and include the consolidation of 12 credit funds which are determined by IFRS to be controlled by the Group, although the Group's loss exposure to these funds is limited to the capital invested by the Group in each fund. The Committee therefore believes that the presentation of alternative performance measures, including the elimination of the impact of the consolidation of credit funds, enhances shareholders' understanding of the Group's performance.

During the year, the Committee has considered the Group's use of alternative performance measures, in part due to the guidance issued by the European Securities and Markets Authority and the increased attention on this area by the Financial Reporting Council. The Committee's focus has been to ensure that where alternative performance measures are used, they do not detract from IFRS GAAP measures and they are appropriately presented, defined and, where possible, reconciled to relevant IFRS GAAP measures (see page 163).

The investment portfolio remains a significant component of the Group's financial statements and, therefore, as in prior years, the valuation of investments and associated provisions remains an area of significant judgement. In addition to other review work, this year the Committee obtained specific, satisfactory assurance

## AUDIT COMMITTEE REPORT

### CONTINUED

from internal audit on the quality and effectiveness of the processes underpinning investment valuation.

More broadly, the Committee evaluates the independence and effectiveness of our external auditors, the direction and nature of assurance provided by internal audit, and the quality and reliability of financial management. We have overseen investment in these areas to reflect the increasing levels of regulation, combined with the evolution of best practice and the expansion of the business. I consider our oversight of these processes to be a critical responsibility of the Committee.

The Audit Committee continued to work closely with the Risk Committee and the Remuneration Committee with the aim of effectively covering pertinent topics in the most suitable forum. The Audit and Risk Committees have worked closely together to enable the Group to prepare its financial accounts on a going concern basis and to issue its viability statement (see page 34), taking into account the Group's ICAAP. The Audit Committee supported the Risk Committee's review of the effectiveness of material controls (see page 29), including material controls over financial reporting. Further details can be found in the Risk Committee report on pages 60 to 64.

I believe the comprehensive reporting of our Audit Committee's work is a valuable component of the Annual Report and should reassure shareholders of the importance placed on formal reporting and challenge of executive management by the Non-Executive Directors. I would therefore be pleased to discuss the Committee's work with any shareholder.

#### RUSTY NELLIGAN

Chairman of the Audit Committee  
24 May 2017

### COMMITTEE GOVERNANCE

On behalf of the Board, the Committee encourages and seeks to safeguard high standards of integrity and conduct in financial reporting and internal control.

#### Role and responsibilities

The Committee meets regularly, at least four times a year. The terms of reference which are set out below are unchanged from last year.

- Selecting and recommending the appointment and reappointment (including conducting any tender) of the external auditor and negotiating and agreeing their fees and scope of audit
- Reviewing the performance of the external auditor in respect of scope of work, quality of opinion and quality of service; and ensuring the successful rotation of the lead audit partner
- Reviewing the independence and remuneration of the external auditor and the relationship between audit and non-audit work performed by the external auditor
- Reviewing the annual and interim accounts before they are presented to the Board, in particular addressing any significant issues arising from the audit: accounting policies and clarity of disclosures; compliance with applicable accounting and legal standards; and information used in making significant judgements, including provisioning, going concern and viability
- Monitoring the integrity of the financial statements of the Group, including its annual and half yearly reports, trading updates and any other formal announcements relating to its financial performance and advising the Board whether it considers the Annual Report to be fair, balanced and understandable
- Approving the appointment or termination of the Head of Internal Audit; approving the internal audit charter; and monitoring the effectiveness of the internal audit function in the context of the Group's overall risk management framework

- Reviewing and assessing the annual internal audit plan and resources, receiving internal audit reports, and monitoring management's responsiveness to internal audit findings and recommendations.

In carrying out its duties, the Committee is authorised by the Board to obtain any information it needs from any Director or employee of the Group. It is also authorised to seek, at the expense of the Group, appropriate external professional advice whenever it considers it necessary. The Committee did not need to take any independent advice during the year.

#### Composition

The Committee consists of independent Non-Executive Directors only. The current members are Rusty Nelligan (Chairman of the Committee), Peter Gibbs, Kim Wahl and Kathryn Purves. Kevin Parry was a member and Chairman of the Committee prior to being appointed Chairman of the Company in July 2016.

Biographical details can be found on pages 42 and 43.

The Committee members have a wide range of business and financial experience, including risk management, fund management and investment, regulation and compliance, M&A, tax and international business practices. These skills ensure the Committee has the relevant sector competence to enable it to fulfil its terms of reference in a robust and independent manner. Rusty Nelligan, a US Certified Public Accountant, was previously a partner at PwC working for over 20 years as lead client partner for European-headquartered global companies in financial services and pharmaceutical life sciences. The Board considers that he has competence in accounting and auditing as well as recent and relevant financial experience.

The Executive Directors and Chairman of the Board are not members of the Committee but regularly attend meetings at the invitation of the Chairman of the Committee, together with Deloitte LLP, the Company's external auditor, the Head of Internal Audit, the Head of Finance and the CRO.

The Committee meets separately with the external auditors and Head of Internal Audit without management present at least twice a year to ensure that they are receiving full cooperation from management, obtaining all the information they require and are able to raise matters directly with the Audit Committee if they consider it is desirable to do so.

### Effectiveness

The Committee reviews its terms of reference and effectiveness annually. The terms of reference are summarised above.

During the year the Committee engaged a third party, Independent Audit, to conduct an effectiveness review. Independent Audit noted that while the new Chairman had yet to fully embed his own style onto the operation of the Committee, the Committee operates effectively.

The effectiveness review proposed that the Committee's meeting agenda should include a guideline time allocation for each item to improve the balance and focus of discussion. In addition, the role of the Committee Secretary should be reviewed with the aim of removing some of the more administrative tasks. The Committee has already actioned these items and will further review them during the new financial year.

### AREAS OF COMMITTEE FOCUS

#### FAIRNESS AND CLARITY OF REPORTED FINANCIAL INFORMATION

- + Content of annual and other periodic financial reporting
- + Annual Report: fair, balanced and understandable

#### GOVERNANCE

- + Committee governance
- + Best practice developments
- + People and business changes

#### ACCOUNTING AND FINANCIAL REPORTING

- + Evaluation of significant estimates and judgements
- + Assessment of going concern and the viability statement (including consideration of ICAAP)

#### INTERNAL CONTROLS AND INTERNAL AUDIT

- + Oversight of internal audit function
- + Evaluation of financial operations
- + Assessment of effectiveness of internal controls over financial reporting

#### EXTERNAL AUDIT

- + Appointment and remuneration of auditors
- + Oversight of auditor independence
- + Evaluation of audit scope, quality and effectiveness

### Summary of meetings in the year

The Committee held four meetings during the year in line with the quarterly reporting dates. The Committee members attending each of the meetings can be found on page 41. In addition, there were two sub-Committee meetings to review key aspects of the report and accounts in April 2017. The bulk of the Committee's time has been spent on financial reporting and presentation, the valuation of investments and the external and internal audit arrangements.

## AUDIT COMMITTEE REPORT

### CONTINUED

#### REVIEW OF THE YEAR

The agenda of the Committee comprises recurring, seasonal and other business. Over the course of the year, the Committee considered and discussed the following significant matters:

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
<b>FINANCIAL REPORTING</b>		
<i>Alternative performance measures (non GAAP) aid understanding of the financial statements but must not detract from GAAP measures. (see KPIs on pages 15 to 17 and the Finance and operating review on pages 20 to 26)</i>	<p>The Group uses a number of alternative performance measures, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Weighted average fee rate</li> <li>• Operating margin</li> <li>• Investment portfolio</li> <li>• Cash generated from operating activities</li> <li>• Impairments</li> <li>• Cash and debt position</li> <li>• Gearing</li> <li>• Return on equity</li> </ul> <p>A full list can be found in the glossary on page 163.</p> <p>We discussed the use of alternative performance measures and reviewed their consistency with prior years.</p> <p>We received comfort from internal audit that the alternative performance measures had been prepared on a consistent basis with prior years.</p>	<p>We were satisfied that alternative performance measures, which are widely used in the asset management industry, can provide insight into performance from the perspective of our shareholders and other stakeholders. We reviewed the alternative performance measures and were satisfied that they did not detract from IFRS GAAP measures, were sufficiently defined, consistently applied, and, where possible, reconciled to relevant IFRS GAAP measures.</p>
<i>The content of the annual, semi-annual and quarterly financial reporting needs to be appropriate, complying with laws and regulation. (see page 106 and the Auditor's Report on pages 108 to 113)</i>	<p>We reviewed all sections of the Annual Report having particular regard for the Committee's specific responsibilities for the financial statements. We reviewed and challenged the information analysed by management to assess which third-party funds and portfolio companies are either controlled by the Group or over which the Group exercises significant influence. We reviewed all accounting policies for continued appropriateness and consistency.</p> <p>We also reviewed the appropriateness and effectiveness of the financial control environment, including the controls over financial reporting and the preparation of financial information included in the Annual Report. Our assessment of these controls was taken into account by the Board when undertaking its review of the effectiveness of material controls (see page 29).</p>	<p>We concluded that, whilst the Group did not control any portfolio companies, it exercised significant influence over eight entities and controlled 12 credit funds during the financial year. Accordingly the controlled entities have been consolidated into the Group's financial statements, and the entities over which the Group exercises significant influence have been equity accounted. This has had the impact of grossing up the balance sheet, with total assets and total liabilities both increasing by £3.6bn (2016: £2.0bn).</p> <p>There were no significant changes to accounting policies (see pages 120 to 125) and we concluded the accounting policies remained appropriate. Based on our enquiries of management and external auditors, we concluded policies are being properly applied in areas such as assessing control and significant influence, revenue recognition, valuation of financial assets, impairments and taxation provisions.</p> <p>We concluded that the areas of judgement (see pages 125 and 126) are properly explained. We gained comfort from financial management and the external auditors that the Group complied with reporting requirements.</p>

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
<b>FINANCIAL REPORTING CONTINUED</b>		
<i>Taken as a whole, the Annual Report needs to be fair, balanced and understandable so that it is relevant to readers (see page 106 of the Annual Report)</i>	<p>We held preparatory discussions with management to determine the format of the Annual Report and reviewed the assigned responsibilities for its content and overall cohesion and understandability. Management compared our Annual Report with that of other alternative asset managers and best practice more widely. In light of that work we commented on design and detailed content, ensuring that feedback on the prior year Annual Report had been addressed and examples of best practice had been carefully considered in the context of the Group. A late draft of the Report and Accounts was reviewed by both the Audit Committee and the Board.</p> <p>We used the Executive Directors' and the Committee's knowledge to determine the overall fairness, balance and understandability prior to final approval by the Board. We considered judgemental matters such as the key risks (see pages 30 to 33), estimates and the period covered by the viability statement.</p>	<p>We received confirmation that individuals' responsibilities had been fulfilled and confirmed that the overall report was consistent with the Directors' knowledge. This supported the Committee's, and the Board's, assessment that the Annual Report taken as a whole is fair, balanced and understandable.</p> <p>We were satisfied that the information presented in the Strategic Report was consistent with the performance of the business reported in the financial statements. In particular, we were satisfied that the estimates and quantified risk disclosures in the financial statements are consistent with those identified in the Strategic Report. The Committee concluded that appropriate judgements had been applied in determining the estimates and that sufficient disclosure has been made to allow readers to understand the uncertainties surrounding outcomes.</p> <p>We were satisfied that the viability statement should consider a three year time horizon reflecting both our internal planning cycle and the timescale over which changes to major regulations and the external landscape affecting our business typically take place.</p> <p>We will continue to monitor feedback for future enhancements to the Annual Report.</p>
<i>Investments represent 80% of our total assets. 96% are carried at fair value and 4% are carried at amortised cost. As the assets are mainly unquoted and illiquid, considerable professional judgement is required in determining their valuations and associated provisions and impairments. (see notes 5 and 9 to the financial statements and the Auditor's report on pages 108 to 113)</i>	We reviewed a detailed report on the valuation process management have undertaken and the judgements made in determining the value of the portfolio. We enquired into the realised gains in the income statement as an indicator of the valuation process. In addition to reliance on executive management procedures and the work of the external auditors, internal audit reviews the valuation process and provides the appropriate assurance to the Committee of management's compliance with the Group's valuation procedures.	The Committee concurred with the valuations and determined that no adjustments were necessary.
<i>Revenue recognition and cash flows are not entirely aligned which can result in income being recognised prematurely or too late. (see note 3 to the financial statements and the Auditor's report on pages 108 to 113)</i>	We reviewed the income recognition of management fees, performance fees and interest income carefully to ensure that the treatments were consistent with the Group's accounting policies.	We concluded that revenue has been properly recognised in the financial statements.

## AUDIT COMMITTEE REPORT

### CONTINUED

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
<b>EXTERNAL AUDIT</b>		
<i>The auditor needs to be independent of management to report on the truth and fairness of the Annual Report without conflicts of interest. (see the Auditor's report on pages 108 to 113)</i>	<p>We reviewed the standing policies on services that can be provided by Deloitte (see External auditor on page 57) for their continued appropriateness. We received confirmations from management and Deloitte of adherence to this policy and agreed the fees paid. We also reviewed the audit fees in the context of the size and complexity of the audit.</p> <p>The Committee approved a revised policy for non audit services that may be performed by the external auditors with effect from 9 November 2016. The revised policy reflects recent legislative changes which prohibit the auditors from performing certain tax services. Consequently, Deloitte have been replaced as the Group's corporate tax advisers (see page 58).</p>	<p>We concluded that our conflicts of interest policy remains appropriate and in line with current guidance. We determined that the Group audit fee of £0.9m (2016: £0.9m) appropriately reflected the scope and complexity of the work undertaken by Deloitte.</p> <p>The Committee determined that any non audit services performed by Deloitte during the period were in compliance with the Group's non audit services policy and applicable regulation, and were not deemed to impair their independence.</p> <p>A detailed analysis of fees paid to Deloitte LLP is shown in note 11 on page 144.</p>
<i>The audit process needs to be effective so that the auditor's opinion is robust. (see the Auditor's report on pages 108 to 113)</i>	<p>We discussed the areas of risks that may result in a material misstatement of the financial statements with Deloitte. We determined that we had a shared understanding of these risks.</p> <p>Whilst planning the audit, Deloitte set out for the Audit Committee the key tests that they would perform on the higher-risk areas, and the Committee was satisfied with the proposed scope. The Committee requested detailed feedback on findings and discussed those findings prior to the approval of the Annual Report.</p> <p>The Committee also discussed the findings of the Financial Reporting Council's Audit Quality Review team's independent review of the Group's prior year audit.</p> <p>Further details on the work the Committee undertook to assess the effectiveness of the audit, including a review of the Audit Quality Review of Deloitte, an interview with Deloitte about their approach to the audit of the financial statements, and an oral report from the funds' audit partner in Jersey can be found on pages 57 and 58.</p>	<p>We were satisfied that the audit is effective and the opinion is robust and based on the representations, and that the approach was directed to provide a reliable audit opinion with a reasonable expectation of detecting material errors, irregularities and fraud.</p>
<b>INTERNAL AUDIT</b>		
<i>Oversight of the internal audit function</i>	<p>During the year the Committee considered and approved the updated Internal Audit Strategy including the risk-based plan for FY17 and FY18 and other internal audit activities.</p> <p>The Committee reviewed the scopes of the internal audit reviews performed, the agreed reports produced, and monitored management's progress in implementing the actions agreed.</p> <p>The Committee's review of the work undertaken by internal audit focused on significant risk issues identified, ensuring that reports were agreed and issued in a timely manner and that the timetable for implementation of agreed recommendations was both realistic and adhered to.</p> <p>Further details of the work of internal audit can be found on page 59.</p>	<p>The Committee is satisfied that the Internal Audit Strategy and Plan will provide appropriate assurance on the controls in place to manage the principal risks to the Group.</p> <p>The Committee is satisfied that reports are issued in a timely manner following reasonable challenge of recommendations; and that deadlines for changes are being set appropriately.</p>

In addition to the significant matters addressed above, the Committee maintained a rolling agenda of items for its review including the capital strategy, financial and management reporting, risk and treasury management capabilities, relevant people changes, the going concern concept of accounting (see page 101), the viability statement (see page 34), the Auditor's report (see pages 108 to 113), accounting developments and the auditor's management letter. No issues of significance arose.

## INTERNAL CONTROLS

Risk management and internal control matters are the responsibility of the Group's Risk Committee. Its report is set out on pages 60 to 64.

The Committee reviewed the operation of the finance function to ensure it was sufficiently resourced and had the appropriate processes and controls over financial reporting to fulfil its first line of defence duties. The Committee was satisfied that the function was able to meet its relevant responsibilities and noted that the control environment had been enhanced during the year with the implementation of a new general ledger and consolidation system. The Committee also noted that ad hoc projects, such as the implementation of the new finance system, often benefited from specialised external resource.

The Group has an established control framework as described on page 29. The framework is designed to manage but not eliminate risks, and is designed to provide reasonable but not absolute assurance against material losses or misstatements. The Group is expanding and this adds to complexity and risk.

The Board's responsibilities for the management of risk are addressed further in the report of the Risk Committee.

## EXTERNAL AUDITOR

### Audit appointment

Following the review of the 2016 audit, the Audit Committee recommended that Deloitte LLP should be proposed to shareholders as the Company's auditors. The shareholders voted in favour of this reappointment. Deloitte has been the Company's external auditor since its commencement of trading. In accordance with professional and regulatory standards, the lead audit partner has changed regularly since that time to safeguard the independence and objectivity of the audit process. The most recent audit partner rotation occurred following the conclusion of the 2015 audit.

The Committee complies with the UK Corporate Governance Code, the Financial Reporting Council (FRC) Guidance on Audit Committees and the EU Regulation on Audit Reform. In addition, the Committee complies with all aspects of the Competition and Markets Authority Statutory Audit Services Order. Accordingly, we are required to change our audit firm for the 2022 year end audit.

Absent any major service or quality issues, the desirability of a change of auditor is a delicate balance between a 'fresh pair of eyes' and accumulated knowledge applied to produce a robust audit. The Committee is satisfied that David Barnes has the experience and industry knowledge to be an effective lead audit partner and do not propose to undertake an early audit tender process.

The Committee intend to tender the audit during 2018 with the successful firm succeeding Deloitte when David Barnes' term as lead audit partner comes to an end with the completion of the 2020 year end audit. The selection of new auditors will need to be completed by 31 March 2019 so that the successful firm can ensure they are independent for the 12 months preceding formal appointment, in line with regulations. These plans will be kept under annual review and, if legislation changes, or there are any concerns as to Deloitte's independence or the quality of their audit or the service levels, the audit tender might be undertaken sooner.

### Audit quality and effectiveness

The Audit Committee places great importance on the quality and effectiveness of the external audit. In assessing quality and effectiveness, the Committee looks to the audit team's objectivity, professional scepticism, continuing professional education and its relationship with management.

The Committee's assessment includes an annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. This assessment

is based in part on the results of observation, inquiry and questionnaires completed by the Committee members, the Executive Directors and other relevant senior management. The results of the evaluation were last reported to the Audit Committee in September 2016.

Having completed the review, and discussed its findings with the auditors, the Committee remains content with Deloitte's work whilst identifying some areas for service improvement including strengthening their on-site team and increasing the level of pre year end work. The Audit Committee discussed the output with Deloitte who acknowledged that changes could be made to improve their service delivery, and have responded accordingly.

In addition to the annual evaluation, the Committee undertakes an ongoing assessment of external audit quality and effectiveness in the following ways:

- The Committee discusses and agrees the scope of the audit prior to its commencement. The full scope audit coverage amounted to 96% (2016: 93%) of the Group's profit before tax and 99% (2016: 98%) of the Group's net assets. Specific review procedures were performed on another 13 non-significant entities
- The Committee reviewed, and was satisfied with, the content of Deloitte's Audit Transparency Report for the year ended 31 May 2016 which sets out Deloitte's commitment to audit quality and governance
- The Audit Quality Review team (AQRT) of the FRC performed a review of Deloitte's audit of the Group's 2016 financial statements as part of their 2016 inspection of audit firms. The focus of the review and their reporting was on identifying areas where improvements were required, rather than highlighting areas performed to, or above, the expected level. The Chairman of the Audit Committee received a full copy of the findings of the AQRT and has discussed these with both Deloitte and



## AUDIT COMMITTEE REPORT

### CONTINUED

the Committee. The Committee confirms that there were no significant areas for improvement identified within the report and that they are satisfied that there is nothing within the report which might have a bearing on the audit appointment:

- The Committee enters into a formal engagement with the auditor, negotiates and agrees its audit fee
- The Committee Chairman has at least bi-monthly meetings with the lead audit partner to discuss Group developments
- The Committee receives at every Audit Committee meeting an update of Deloitte's work, compliance with independence and its findings
- There was a detailed interview by the Audit Committee Chairman, the CFOO and the Head of Finance of the audit partner and director focusing on the work undertaken to support their opinion on the financial statements and the consistency of the remainder of the report and accounts with their work. In addition, the Committee received an oral report from the funds audit partner in Jersey at the conclusion of the local audit
- The Committee reviewed and discussed the audit findings, including audit differences prior to the approval of the financial statements

In accordance with relevant independence standards, the external auditors do not place direct reliance on the work of internal audit.

#### Audit materiality

We have discussed the accuracy of financial reporting (known as materiality) with Deloitte both as regards accounting errors that will be brought to the Committee's attention and as regards amounts that would need to be adjusted so that the financial statements give a true and fair view. Errors can arise for many reasons ranging from deliberate errors (fraud etc.) to estimates that were made at a point in time that did not consider all available information.

Overall audit materiality was set at £11.9m (2016: £12.2m). This equates to approximately 1% of net assets. A lower materiality of £3.7m (2016: £3.7m) has been applied for fund management revenues. This is within the range that audit opinions are conventionally thought to be reliable. The auditors use the overall materiality combined with their knowledge of the Group, controls environment and assessment of significant risks, to determine which group entities require full scope audits or specific audit procedures to be performed in order to confirm that the financial statements are free of material misstatement. Further details can be found in the Auditor's Report on page 108.

To manage the risk that aggregate uncorrected errors become material, we agreed that Deloitte would draw to the Committee's attention all identified uncorrected misstatements greater than £215,000 (2016: £244,000) and for fund management revenues £72,000 (2016: £72,000).

The aggregated net difference between the reported pre-tax profit and the auditor's judgement of pre-tax profit was £0.1m, which was significantly less than audit materiality. The gross differences were attributable to various individual components of the income statement. No audit difference was qualitatively or quantitatively material to any line item in either the income statement or the balance sheet. Accordingly, the Committee did not require any adjustment to be made to the financial statements as result of the audit differences reported by the auditor.

#### Non audit services

The Board has an established policy setting out what non audit services can be purchased from the firm appointed as external auditors. The Committee regularly monitors non audit services being provided to the Group by Deloitte to ensure there is no impairment to their independence or objectivity. Procedures are in place to

determine that all significant non audit work performed by the auditor in excess of £50,000 is approved in advance by the Committee. Engagements are only approved if they do not, and will not, impair, or appear to impair, the auditor's judgement or independence.

The procedures set out the categories of non audit services which the external auditor is and is not allowed to provide to the Group, including those which are pre-approved by the Committee and those which require specific approval before they are contracted for, subject to de minimis levels. A copy of the policy can be found on the Group's website [www.icgam.com](http://www.icgam.com). The policy prohibits the external auditor from being contracted to perform the following work:

- Book-keeping and other services related to accounting records and financial statements
- Internal audit services
- Financial information system design and implementation
- Actuarial services
- Management functions
- Valuation services
- Legal services

In accordance with recent legislative changes, from 1 April 2017 the policy has prohibited the external auditor from being contracted to perform certain tax services. This has resulted in Deloitte being replaced as the Group's corporate tax advisers. The prohibited tax services are as follows:

- Preparation of tax filings and other services related to tax filings
- Provision of tax advice

In addition, the level of permissible non audit services must not exceed 70% of the average of the statutory audit fees for the previous three years. The cap applies prospectively from 1 April 2017 and will therefore first apply for our financial year beginning 1 April 2020.



During the year the Group paid £0.3m (2016: £0.4m) to Deloitte LLP for the provision of corporate non audit services which is within the 70% audit fees limit that will apply over a rolling three year period. Of this, £0.1m is in respect of services in their capacity as auditor and £0.2m of fees were incurred for tax compliance and advisory services not related to the audit of the financial statements. All non audit services were approved by the Committee. Deloitte also provides services to funds that are managed by the Group but over which it does not exercise control.

Deloitte is a leading market participant in the non audit sector, having a reputation for quality, and having a local presence in the countries in which the services were performed. Audit objectivity and independence was safeguarded by all advice being provided by partners and staff that have no involvement in the audit of the financial statements. Advice was not dependent on a particular accounting treatment and the outcome or consequences of the advice did not have a material effect on the Group's financial statements. No services were provided to ICG Group entities pursuant to contingent fee arrangements.

A detailed analysis of fees paid to Deloitte LLP is shown in note 11 on page 144.

### Auditor reappointment

Deloitte has reviewed its own and its relevant affiliates' independence in line with its internal criteria and ethical standards. They have confirmed to the Committee that following the review, they are satisfied that they have acted in accordance with relevant regulatory and professional requirements. Deloitte has also confirmed to us that the audit complies with their internal independent review procedures. As previously noted, last year's audit was subject to an independent quality assurance process undertaken externally by the AQRt.

The Committee, having considered compliance with our policies on independence, the findings of our quality review and service enquiries, and the results of the AQRt review, is satisfied that Deloitte has demonstrated the skills and service standards to justify a recommendation to shareholders for their reappointment as auditors for the year ending 31 March 2018. Accordingly, a motion to that effect will be put to the 2017 AGM.

### INTERNAL AUDIT

The Group has a Head of Internal Audit who draws on the services of our outsourced internal audit providers, RSM and KPMG to supplement her capacity. The Head of Internal Audit reports to the Audit Committee Chairman.

The Committee approves the annual internal audit plan and the internal audit charter. The scope of internal audit is not restricted, and the plan is developed from a consideration of the principal risks to the Group and coverage of the Group as a whole. Its development reflects the priorities of management, the CRO, our regulators and the Committee. Internal audit retains sufficient flexibility to embrace intra-year changes, such as the establishment of new investment strategies or changes to the principal risks of the Group.

During the year 15 reviews were completed, responded to by management and reviewed by the Audit Committee. The Committee pays particular attention to remedial actions and timescales and deadlines that are not achieved.

Throughout the year, the Committee monitored the development of internal audit reports, commenting specifically on scopes of reviews. Reports have been tailored to the Group's risks, focusing on areas of concern and future indicators of risk whilst at the same time highlighting opportunities to streamline processes.

The Committee has monitored the working relationship between the Head of Internal Audit and the CRO, ensuring that the roles are coordinated and optimised to reduce the potential for significant gaps in oversight and unnecessary duplication of efforts. The Committee is satisfied that internal audit is independent of the first and second lines of defence. During the year the Head of Internal Audit and the CRO have worked together on improving reporting on the effectiveness of internal controls to meet the revised requirements of the UK Corporate Governance Code.

### Internal audit effectiveness

During the financial year the Committee appointed a third party, Independent Audit, to undertake a review of the effectiveness of the Internal Audit function. The review concluded that Internal Audit had, in its short life, succeeded in establishing itself as a necessary and valuable element of the Group's risk and control framework. Independent Audit made their assessment based on certain observations and document inspections, together with interviews with Committee members, the Executive Directors and other relevant senior management.

The Committee also asked Independent Audit to consider whether the function is expected to continue to meet the needs of the organisation. Independent Audit provided some suggestions for the Committee to consider as the function matures. The suggestions included regular visits to all significant locations, enhancing the reports to include more context about the control environment and consideration of succession planning. The review findings and a plan for implementing the suggested improvements were discussed with the Head of Internal Audit.

## RISK COMMITTEE REPORT



Our work focuses on defining the risk appetite of the Group, assessing risk exposures, including external and emerging risks, and the oversight of risk-related regulations such as the ICAAP

### KATHRYN PURVES

Chairman of the Risk Committee

The following pages set out the Risk Committee (Committee) report for financial year 2017. The report is structured in three parts:

1. Committee governance: roles and responsibilities, composition and effectiveness (page 61)
2. Review of the year: significant risk areas we addressed (page 63)
3. Internal audit and compliance monitoring (page 64)

### DEAR SHAREHOLDER

The Board is accountable for the oversight of risk management, and an effective risk management framework and risk culture are critical components to support the achievement of our strategic goals. Good risk management practice requires a sound understanding of the Group's risks, the appetite for risk taking and mitigations to limit downside exposure and maximise opportunities.

I am pleased to report that during the year the Board has overseen the continued enhancement of the Group's risk management framework. The Committee undertook a robust assessment of the Group's principal risks and associated risk appetite, taking into account changes in the business and the external environment. Enhancements were made to management information and risk reporting, and there was a greater focus on emerging risks. Additionally, the senior management team has recently established an Executive Risk Committee to complement the activities of the Operational Risk Group and further strengthen the robust governance processes.

The principal risks faced by the Group and how they are managed are set out on pages 30 to 33 of this Annual Report.

As I mentioned last year, I consider that a core component of an effective risk management framework for a financial services business is the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is an important tool in understanding the impact of business decisions and external events on the Group's regulatory capital position. The ICAAP is utilised on an ongoing basis, in particular to assess the regulatory capital implications of business decisions, and is formally reviewed by the Committee on at least an annual basis. The Committee's current year review included the challenge of the operational risk capital calculations and consideration of whether the Group's consolidated CLOs should be included in the regulatory capital calculations. Benchmarking with peers, advice from lawyers/consultants and feedback from the FCA have helped the Board to clarify these points and enhance our ICAAP.

The Committee has continued its focus on systems of control and monitoring. In particular, it has considered the ongoing development of the process to assess the effectiveness of material controls operated to manage the principal risks to the Group. This year, greater focus has been placed on senior managers' accountability for operating key controls and this Committee, together with the Audit Committee, reviewed the reporting on the effectiveness of material controls meeting the requirements of the UK Corporate Governance Code (see page 29).

A particular focus of the Committee has been the work being undertaken by the Group to prepare for the implementation of MiFID II and the impact of the UK's decision to leave the EU. Cyber risk continues to be closely and carefully monitored as this risk area continues to evolve. The Committee is satisfied with the work done to date, and will continue to monitor progress over the coming year.

The Committee continued to work closely with the Audit Committee and the Remuneration Committee throughout the year with the aim of effectively covering pertinent topics in the most suitable forum.

The Committee will continue to focus on maintaining a strong control environment and monitoring the risks faced by the Group in delivering its strategic objectives, particularly emerging and external risks which include the impact of the UK's departure from the EU and other possible political developments. Key areas of priority will be the implementation of MiFID II and the Senior Managers and Certification Regime for Asset Managers.

I would be pleased to discuss the Committee's work with any shareholder.

#### KATHRYN PURVES

Chairman of the Risk Committee  
24 May 2017

## GOVERNANCE OF RISK

On behalf of the Board, the Committee encourages, and seeks to safeguard, high standards of risk management and effective internal controls.

### Roles and responsibilities

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

- Advising the Board on the Group's overall risk appetite and tolerance
- Reviewing the Group's risk management framework and approving risk policies, standards and limits within the overall appetite and tolerance approved by the Board
- Annually reviewing, and recommending to the Board, the Group's principal risks
- Keeping under review the effectiveness of the Group's risk management systems
- Reviewing and approving the statements to be included in the annual report concerning risk management
- Reviewing any reports on the effectiveness of systems of risk management and/or the Group's attitude to, and tolerance of, risk, including financial and non financial risks
- Reviewing the Company's procedures for identifying, assessing, controlling and mitigating the material risks faced by the Group; and ensuring these procedures allow proportionate and independent investigation of such matters and appropriate follow up action

## RISK COMMITTEE REPORT CONTINUED

- Annually considering and approving the remit of the risk management function; and ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards
- Receiving timely notification of material breaches of risk limits and the remedial action taken or proposed
- Advising the Remuneration Committee on the alignment of remuneration with risk appetite
- Informing the Remuneration Committee of the conduct of any individual who has acted without appropriately taking account of risk

### Composition

The Committee consists of Non Executive Directors only. The current members are Kathryn Purves (Chairman of the Committee), Peter Gibbs, Kevin Parry, Rusty Nelligan and Kim Wahl.

+ Biographical details can be found on [pages 42 and 43](#)

The Committee members have a wide range of business and financial experience, including risk management, fund management and investment, regulation and compliance, M&A, tax and international business practices. In particular, Kathryn Purves was the CRO of Partnership Assurance Group plc and Kevin Parry is the former chairman of Schroders plc's executive risk committee. These skills enable the Committee to fulfil its terms of reference in a robust and independent manner.

The Executive Directors of the Board are not members of the Committee but attend meetings at the invitation of the Chairman of the Committee. The CRO, Group Compliance Officer, Head of Internal Audit and the Company Secretary attend all the meetings.

### AREAS OF COMMITTEE FOCUS

#### GOVERNANCE

- + Committee governance
- + People changes
- + Best practice developments

#### PRINCIPAL AND EMERGING RISKS

- + Identification and management of principal risks
- + Risk appetite and tolerances

#### RISK MANAGEMENT PROCEDURES AND CONTROLS

- + Effectiveness of risk management systems
- + Review of risk events and remedial actions

#### RISK MANAGEMENT FRAMEWORK

- + Review of the updated risk management framework
- + Oversight of risk policies

#### REGULATORY RISKS

- + Impact of regulatory change
- + ICAAP
- + Resourcing

### Effectiveness

The Committee reviews its terms of reference and effectiveness annually. The terms of reference are summarised above.

During the year the Committee engaged a third party, Independent Audit, to conduct an effectiveness review. Independent Audit noted that the implementation of a risk management framework was nearing completion and commented that it was important that the purpose of the Committee was clearly communicated and understood.

The effectiveness review recommended that the Committee's scope and objectives were clearly defined in order to ensure that discussions focused on consideration of the organisation's risk appetite, risk exposures and major outcomes, and oversight of risk-related regulations such as the ICAAP.

### Summary of meetings in the year

The Committee held four meetings during the year. In each of its meetings, it received a report from the CRO providing an assessment on each principal risk versus appetite, key risk events, key emerging risks, actions taken or being taken to manage the risks, reports on global compliance (including the monitoring programme) and regulatory developments. Other work is undertaken periodically including 'deep dives' into particular risk areas such as cyber risk to allow the Committee to consider over the course of the year, the full spectrum of risks facing the Group. Over the course of the year the Committee considered and discussed the following significant matters.

REVIEW OF THE YEAR		
THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
<i>The Group is exposed to risk as the regulatory requirements for its activities change</i>	<p>The Committee received regular updates setting out the enacted and expected changes to regulations, including MiFID II and the Senior Managers and Certification Regime for Asset Managers.</p> <p>In particular, the Committee considered in detail the requirements of the Market Abuse Regulations and the impact on the Group's business processes. The Committee noted that the most significant impact was on the business processes related to its Capital Markets strategies.</p>	<p>The regular updates provide sufficient information to enable the Committee to be satisfied that the Group has appropriate systems and controls to identify and implement regulatory change. Furthermore, the Committee was comfortable with the changes being made to satisfy the requirements of the Market Abuse Regulation.</p> <p>+ Principal risk – see <a href="#">pages 30 to 33</a></p>
<i>Risk appetite and key risk indicators</i>	<p>The Committee considered its risk appetite for the principal risks and how the appetite for risk varied across the classes of principal risk.</p> <p>Key risk indicators were reviewed and the thresholds set were considered as part of the discussion of risk appetite to ensure that the risk framework functioned holistically.</p>	<p>The Committee is satisfied that the framework established is operating effectively to identify areas where risk is decreasing and to highlight where particular risks may be approaching, or outside, risk appetite.</p> <p>+ Principal risks – see <a href="#">pages 30 to 33</a></p>
<i>ICAAP – the Internal Capital Adequacy Assessment Process</i>	<p>The impact of the proposed special dividend on the regulatory capital position of the Group was considered prior to the special dividend proposal being discussed at the Board.</p> <p>The Committee undertook a detailed review of the ICAAP, reviewing the current and future impact of the principal risks facing the Group on the Group's regulatory capital position.</p> <p>As part of this review the Committee considered whether the capital held in respect of Operational Risk was sufficient and the treatment of the Group's consolidated CLOs. Following a review of legal advice the Committee concurred with management that the CLOs should not be consolidated for regulatory purposes. The Committee asked management to consult with the FCA and confirm that they had no objections prior to implementing this approach.</p> <p>Following the detailed review a revised ICAAP was approved. The Pillar 3 disclosures were reviewed and approved.</p>	<p>The Committee was satisfied that the Group would have sufficient regulatory capital resources following the payment of the proposed special dividend. The Committee is satisfied that the Group has, and will have, adequate regulatory capital based on its current risk profile.</p> <p>The ICAAP is an important tool and will continue to be used in decision making processes.</p> <p>Feedback from the FCA has now been received in which they confirmed that they had no objections to the proposed approach in relation to consolidation of CLOs.</p> <p>The Pillar 3 disclosures are available on the Company's website at <a href="http://www.icgam.com">www.icgam.com</a></p>
<i>Other principal risks (see pages 30 to 33) – the Group uses a principal/key risk register as a key part of its risk management framework. The register summarises the principal risks faced by the Group, the appetite of the Group for each respective principal risk, and key risk indicators that indicate, for each principal risk, the extent to which the risk appetite is being approached or has been exceeded</i>	<p>The Committee has overseen and challenged the assessment and management of principal risks faced by the Group by reference to the risk scorecard which has been presented to the Committee regularly during the year.</p> <p>There were no changes to the list of principal risks faced by the Group during the year.</p>	<p>The Committee considers that the principal risks faced by the Group and the risk appetite and key risk indicators for each principal risk are adequately captured by the processes in place.</p> <p>The Committee is satisfied that the risk register is an effective mechanism for identifying and monitoring the principal risks to which the Group is exposed; and to ensure that management actions are taken where appropriate.</p>

## RISK COMMITTEE REPORT

### CONTINUED

#### REVIEW OF THE YEAR

THE ISSUE AND ITS SIGNIFICANCE	WORK UNDERTAKEN	COMMENTS AND CONCLUSION
<i>Specific risk reviews</i>	<b>Major external change</b> The Committee was regularly updated on the potential risks to the business of the UK's decision to leave the EU, both in the lead up to, and following, the referendum vote. The Committee considered the impact on the Group's ability to access clients, risks to European and UK fund investment strategies, the impact of market volatility on regulatory capital requirements, and whether there were any new principal risks.	The Committee was satisfied with the analysis that the UK's decision to leave the EU did not give rise to any new principal risks and that existing risks were being appropriately managed.  Following the referendum the Committee supported and provided oversight in relation to the actions taken to open an AIFMD regulated entity in Luxembourg.  + Principal risk – see <a href="#">pages 30 to 33</a>
	<b>Regulatory and legislative compliance risk</b> The Committee reviewed the results of the Group's US Securities and Exchange Commission (SEC) mock examination, including the recommendations for improvement. The Committee noted while there were no significant recommendations, the examination did suggest the Group obtain an updated legal opinion on its SEC registration status, in particular in respect of the designation of Access Persons. Management sought updated advice, and the Committee is monitoring the implementation of the recommendations.  The Securities and Futures Commission of Hong Kong undertook a regular audit during the year. The Committee received an update on the visit and confirmation that there were no major issues.	The Committee was satisfied that appropriate action was being taken to manage the regulatory risk of the Group.  Following the successful SEC mock process the Committee asked management to consider undertaking a similar exercise for FCA regulated businesses.  + Principal risk – see <a href="#">pages 30 to 33</a>
	<b>People risk</b> The Committee considered the implications of staff turnover on the operational risk of the Group and, in particular, where it relates to Fund 'key man' clauses.  The Committee was briefed on the actions being taken to mitigate the risks associated with any potential adverse consequences associated with this contractual clause.	The Committee was satisfied that management's systems to identify, monitor and manage people risk were appropriate.  + Principal risk – see <a href="#">pages 30 to 33</a>

#### OTHER MATTERS CONSIDERED

In addition to the significant matters addressed above, the Committee maintained a rolling agenda of items for its review including funds' risk management and operational controls, the adequacy of resourcing in the compliance and risk functions, updates on key policies and review of the Money Laundering Officer's annual report.

#### INTERNAL AUDIT AND COMPLIANCE MONITORING

The Committee supported the Audit Committee in its oversight of the internal audit programme (see page 59), which is risk based. It is designed to permit changes to the programme in the light of changed circumstances.

In conjunction with the Audit Committee, the Committee reviews and approves the programme of compliance monitoring to be undertaken during the following fiscal year and at each of its subsequent meetings reviews the status and output of compliance monitoring actually undertaken relative to the planned programme. During the year the Committee ensured that appropriate monitoring was undertaken in accordance with the approved programme for the year. No significant matters of concern were identified.

The Committee received an update from Duff & Phelps, who undertake UK compliance monitoring activities on behalf of the Compliance function on the programme in place. They confirmed that the programme was fit for purpose, highlighted areas of good practice and made recommendations for enhancing the monitoring. These recommendations were taken into account in the development of the compliance monitoring programme for FY18 which was approved at the March Risk Committee.

## NOMINATIONS COMMITTEE REPORT



We focus on the composition of the board and the skills and experience of its members. This ensures that the board has the necessary knowledge and skills to meet the challenges faced by the Group.

### KEVIN PARRY

Chairman of the Nominations Committee

### DEAR SHAREHOLDER

The main focus of the Committee is to consider the skills and experience of the Board and ensure that the Board's membership is adequate to meet the challenges of our business. When considering Board appointments, our priority is to identify a person who fits with the culture and management style of the Company and ensure that the right person is appointed to the role regardless of background, while bearing in mind the advantages of diversity at the level of the Board.

These factors were particularly important this year as Christophe Evain informed the Committee of his intention to retire from the Board after seven years as CEO. As described in the report below, Benoît Durteste was appointed as his successor.

The Committee also oversaw the search for, and appointment of, two new Non Executive Directors. Rusty Nelligan (appointed in September 2016) spent over 40 years as an auditor with PwC, and brings a wealth of audit experience to his role as Chairman of the Audit Committee. Virginia Holmes (appointed in March 2017) has executive experience as an investment manager and has also served extensively on a number of other Boards in the UK and abroad; her appointment also increases the number of women on our Board to two, meaning that from the end of the annual general meeting female representation will be 25%.

The following pages set out the Nominations Committee (Committee) report for the financial year 2017.

The report is structured in two parts:

1. Committee governance: roles and responsibilities, composition and effectiveness (page 66)
2. Review of the year: the significant issues we addressed (page 67)

## NOMINATIONS COMMITTEE

# REPORT

### CONTINUED

The Committee's focus during the year will be on reviewing the structure and composition of the Board and considering whether further Non-Executive appointments are desirable (particularly as the Senior Independent Director will cease being deemed independent under the Corporate Governance Code in 2019). The Committee will also review the executive management structure of the Group in light of the change of CEO and the Senior Managers and Certification Regime.

If any shareholder has questions on the work of the Committee, I am very happy to respond to these at the Company's AGM or at any other time.

#### KEVIN PARRY

Chairman of the Nominations Committee  
24 May 2017

### GOVERNANCE OF NOMINATIONS COMMITTEE

#### Roles and responsibilities

Prior to any appointment to the Board, the Nominations Committee considers the balance of skills, experience, independence and knowledge appropriate to determine the requirements and necessary capabilities of the role. In addition, any new Director normally meets all existing Directors prior to appointment. The Committee is responsible for:

- Identifying, and nominating for the Board's approval, candidates to fill any Board vacancies
- Succession planning, including the progressive refreshing of the Board
- Ensuring that all appointments to the Board are made on objective criteria and that candidates have sufficient time to devote to their prospective responsibilities
- Regularly reviewing the appropriateness of the size, structure and skills of the Board
- Considering the composition of the Board to ensure that the balance of its membership between Executive Directors and Non Executive Directors is appropriate

#### Composition

The Nominations Committee consists of five Non Executive Directors, these being Kevin Parry (Chairman of the Committee), Peter Gibbs, Kim Wahl, Kathryn Purves and (since 15 September 2016) Rusty Nelligan. The Company Secretary acts as Secretary to the Committee. Justin Dowley retired from the Committee on 21 July 2016.

+ Biographical details can be found on pages 42 to 43

Appointments of Executive Directors 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.

#### Terms of reference

The Committee's terms of reference are approved and reviewed by the Board on a regular basis, most recently in January 2017. The terms of reference are available on the Group's website or by contacting the Company Secretary.

#### Effectiveness

An external evaluation of the Committee's effectiveness was undertaken by Independent Audit during the year. The report concluded that the Committee continues to operate effectively. The report highlighted that the Committee will need to consider:

- succession planning for the Senior Independent Director
- whether further Non Executive Director appointments will enhance the expertise of the Board
- the management structure of the group below the Executive Directors

All of these topics were already on the agenda for the Committee and will be considered in FY18.



## AREAS OF COMMITTEE FOCUS



A meeting of the Committee then formally considered Benoît Durteste's suitability for the role. The Committee noted his:

- considerable existing knowledge of the Group and its business
- outstanding track record as a fund manager
- excellent investor feedback
- approved status with the FCA

His relationships with investors and staff were considered. It was noted that he had recently become more visible to shareholders, who have always been very supportive of resolutions to re-elect him. His wide knowledge of regulatory and corporate governance matters from membership of the boards of ICG and several of its regulated subsidiaries was also taken into account.

The Committee noted that there were a number of other good candidates available but it was not possible to tell whether they would be able to match his skill set, especially in terms of his investment record and understanding of the Group. Even if they were able to do so over the long term there remained a risk of disruption to the smooth operation of the Board and the Group in the intervening period.

The Committee unanimously concluded that it should recommend that Benoît Durteste be offered the role of CEO, subject to reappointment by shareholders at the AGM in July 2017.

## REVIEW OF THE YEAR

### Appointment of a new Chief Executive

During the year Christophe Evain informed the Committee of his intention to retire from the Board in due course. The Committee then met to agree their approach in respect of succession. It was noted that in previous succession reviews Benoît Durteste had been identified as a strong internal candidate for the role of Chief Executive.

The Committee took the following actions to identify other candidates and conclude who was the most appropriate candidate for the role:

- approving a job description for the Chief Executive's role
- appointing a leading executive search agency to search for available candidates
- assessing the quality and breadth of the research undertaken by the agency
- reviewing and benchmarking the CVs provided by the agency and comparing those with the CV of Benoît Durteste

The Committee agreed that, taking into account all relevant available information, Benoît Durteste was the strongest candidate.

The Committee invited Benoît Durteste to present his proposed business plan for the Group. A detailed presentation was provided including a review of current strategy (identifying some minor changes of focus) and a proposed management structure.

The Committee supported the proposed business plan put forward by Benoît Durteste and mandated Christophe Evain to obtain feedback from the Group's fund investors on Benoît Durteste. The feedback was positive, noting his strong investment background and excellent market reputation. At this stage, Christophe Evain felt comfortable that he would not leave the Group in a difficult position if he were to step down and so he submitted his resignation to the Chairman.

## NOMINATIONS COMMITTEE

# REPORT

### CONTINUED

#### Appointment of new Non Executives

Following the appointment of Kevin Parry as Chairman of the Company in July 2016, it was necessary for the Company to appoint a new Chairman of the Audit Committee. The Committee had been planning for this change and had approved a job description for the role and appointed a leading executive search agency to search for available candidates, with the key requirement that the candidate should be ready to assume the role of Chairman of the Audit Committee. The agency conducted extensive research and provided a number of CVs for potential appointees. After several candidates were shortlisted and interviewed by the Chairman and other Directors, the Committee unanimously concluded that Rusty Nelligan was an excellent candidate to join the Board; Rusty had been an audit partner at PwC prior to his recent retirement after spending his entire 42 year career with the firm. With Rusty's lengthy audit experience and calm persona, he met all the criteria the Committee were looking for; he was appointed in September 2016 and immediately assumed leadership of the Audit Committee.

The Committee noted that the retirement of Justin Dowley in July 2016 had also left a reduced level of investment experience on the Board. A leading executive search agency was briefed to provide a shortlist of candidates. Key criteria for the search were executive experience in a leadership role in an investment firm, experience in closed end funds, experience in more than one jurisdiction and prior experience on UK Boards. The search was also conducted with an eye to increasing the diversity of the Company's Board. A targeted advertisement of the role was also placed using a specialist online board recruitment platform.

The executive search agency identified over 20 candidates, with a number of additional realistic options being identified via the online platform. After a number of candidates were shortlisted and interviewed by the Chairman and other Directors, the Committee unanimously concluded that Virginia Holmes was an outstanding candidate to join the Board. The Committee noted that Virginia has had an extensive executive career as an investment professional and leader, and has served on a number of other UK Boards. She was appointed in March 2017 and will be a strong all round addition to the Board's proceedings.

#### Size, structure and composition of the Board

The Committee intends to keep the size, structure and composition of the Board under review during the year, particularly in the light of the recent appointments. While the new Non Executive appointments provide more audit and investment experience, the Committee is keen to ensure that the overall skill set of the Board accurately reflects that of the Group's business. The Committee will monitor the balance of the Board to ensure that broad enough insight and expertise is available from the existing members, and will recommend a further appointment if desirable.

During the year the Committee also reviewed the time commitments of Non Executive Directors and concluded that each of them is able to devote sufficient time to their role.

#### Succession planning

During the year, the Committee considered CEO and Non Executive succession as detailed elsewhere in this report. There was also an extensive amount of time spent at Board meetings on succession planning,

covering several tiers of management. The report considered potential successors in key positions, gave details of the proposed approach for those persons who do not have possible internal successors, and discussed how talented individuals can be identified early in their careers and given an appropriate career track. The Committee has debated the report presented to the Board and has agreed that while there are no material concerns in respect of executive succession, further work should be undertaken to ensure that appropriate succession planning is in place for key individuals in executive roles and that talented individuals are retained.

#### Diversity

The Committee has a standing policy on the background and diversity of Board members. The policy provides that, prior to any appointment to the Board, the Nominations Committee considers the balance of skills, experience, independence and knowledge appropriate to the role. In considering candidates, appointments are made with regard to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skills, experience and expertise.

The Committee seeks to ensure that long lists and short lists of possible appointments to the Board reflect that position.

The Committee will always seek to appoint the candidate with the most appropriate skills and experience regardless of their background, gender, race, marital status, age, disability, religious belief or sexual orientation. The Committee and the Board are committed to diversity both at Board level and throughout the organisation.

The Committee will consider gender diversity, along with all other relevant factors, when making future recommendations to the Board.

## REMUNERATION COMMITTEE REPORT



During the year, the Committee has undertaken significant work to review, benchmark and update our remuneration policy. The new policy proposed simplifies our arrangements while continuing to ensure alignment with shareholders.

### PETER GIBBS

Chairman of the Remuneration Committee

The following pages set out the Remuneration Committee (Committee) report and associated disclosures for financial year 2017. The reports are structured into five parts:

1. Governance of remuneration: our scope and terms of reference (page 72)
2. Review of the year: the significant topics we addressed (page 73)
3. Compensation summary: an overview of the remuneration arrangements in place (page 74)
4. Directors' Remuneration Policy (page 78)
5. Annual Report on Remuneration (page 87)

### DEAR SHAREHOLDER

I am pleased to report on the work of the Remuneration Committee.

The Committee places high priority on ensuring the remuneration of the Group's employees in general, and of the Executive Directors in particular, reflects performance against the Group's strategic objectives and is aligned with shareholders' interests. In addition, we place importance upon paying competitively in the context of the specialist asset management industry in which we operate.

I recognise that our remuneration arrangements are untypical of the wider listed market, although they are reflective of our industry, and therefore we have increased the level of interaction with shareholders and shareholder bodies to ensure our arrangements are understood and stakeholder views can be better considered by the Committee on an ongoing basis.

From my perspective, in addition to the annual compensation awards to staff, the Committee considered two significant matters during the year, these being a review of the existing remuneration policy and the treatment of previously made compensation awards for the outgoing CEO.

### REMUNERATION POLICY REVIEW

This is the third year of our existing Directors' Remuneration Policy. During the year we have undertaken a 'root and branch' review of the remuneration arrangements throughout the Group. The purpose of the review was to address some of the concerns raised by shareholders, including the complexity of some of the arrangements, and to assess whether the remuneration arrangements available to our employees remained market competitive. The review involved a robust consideration of the efficacy of each of the incentive arrangements and a detailed benchmarking exercise comparing all roles against relevant market data.

## REMUNERATION COMMITTEE REPORT CONTINUED

As part of our review, we invited the views of our major investors and shareholder bodies on the changes proposed to the Policy. We are very grateful for their input and we have ensured their feedback has been reflected appropriately in the Policy included in our Report.

We will, therefore, be seeking a binding vote on the revised Policy and an advisory vote on the rest of the Remuneration Committee Report at the 2017 AGM.

### Revised remuneration policy – the annual award pool

Our existing policy rewards all employees from the annual award pool (AAP). The AAP is derived from 30% of a five year rolling average of pre-incentive cash profit (PICP). The review concluded that this approach remains in the best interests of shareholders for two main reasons. First, using cash profit ensures that employees are only remunerated for sustained long term performance. Secondly, the five year average allows us to 'smooth' volatility and take a longer term view, ensuring retention of key employees throughout the cycle.

We are not proposing to materially change this approach. However, the Committee has proposed two amendments to the calculation of the AAP.

The first of these is to discontinue the adjustment that has been made since 2014 in respect of the incentive spend for the in house distribution team. The second is to introduce the concept of a Business Growth Pool (BGP). We believe that it is in shareholders' interest for management to be able to balance short and long term considerations when assessing new business growth opportunities. In the short term new strategies are often unprofitable and dilute the overall AAP available for existing employees.

The Committee proposes to introduce a BGP which may be made available in addition to the AAP up to a maximum value of 3% of the five year average PICP. This will allow short term and long term growth to be balanced.

The BGP will be ring-fenced and used solely to fund the incentives of employees working on new strategies in the future which are not yet profitable. Each approval of its use will be limited in duration. The Committee will be responsible for approving when and how much of the BGP is used and will oversee its operation. Disclosure of the extent of BGP use will be made retrospectively each year in the Report.

These two proposals, taken together, ensure that the total percentage spend on staff reward remains at the same level, or lower, than the current policy.

### Revised remuneration policy – delivery

Following the review described above, a new Policy has been developed with the following major changes impacting Executive Directors:

- Individual cap on incentive awards introduced
- Number of incentive arrangements reduced
- Period over which remuneration is deferred extended

The quantum of the Executive Directors' remuneration and the percentage of remuneration deferred into ICG shares, currently between 70% and 90% of incentive remuneration, are broadly unchanged.

However, we have introduced an overall individual cap on new incentive awards made each year of £6.0m for the Chief Executive Officer and £3.0m for the Chief Finance and Operating Officer.

During this review we also sought to simplify the remuneration arrangements.

We concluded that the Executive Directors were participating in two equity plans that were undifferentiated other than in terms of the length of the vesting period and that the award of Balance Sheet Carry overcomplicated their arrangements (particularly given this forms a relatively small proportion of the awards made). The Committee has therefore determined that remuneration delivered to the Executive Directors in ICG shares will all vest over five years, rather than a proportion vesting over three years, as is currently the case, and they will no longer be eligible to participate in Balance Sheet Carry.

When considering the arrangements for other staff, it is evident that the Fund Management Company Equity Plan has met its objectives in incentivising and rewarding staff during the Group's transition from being an investment company to a third party specialist asset manager. We have therefore decided to discontinue this arrangement. Those who may previously have participated in this plan will instead receive any deferral in the form of ICG shares vesting over the same three year period. At more junior levels we will slightly reduce the overall percentage of compensation deferred (more in line with market benchmarks). This will increase costs minimally in the first year.

In summary, the outcome of our review is a major simplification of the remuneration structures of both the Executive Directors and other employees, and the strengthening of the Executive Directors' shareholder alignment.

## CHIEF EXECUTIVE ARRANGEMENTS

As noted elsewhere, Christophe Evain will be standing down as CEO at the AGM to be succeeded by Benoît Durteste. In recognition of Christophe's outstanding contribution to the business, and that he is retiring from full time employment, the Committee have determined that his outstanding Deferred Share Awards may be retained to vest on their normal vesting dates rather than be forfeited. Christophe's outstanding PLC Equity Awards will vest at the normal vesting dates in accordance with the applicable rules for leavers. Details of these outstanding awards made to Christophe in prior years are disclosed in the Annual Report on Remuneration. He will continue to receive payments of Balance Sheet Carry in respect of his vested interests and his unvested interests will lapse.

The Committee also used its discretion to determine that Christophe should retain Third Party Carry (TPC) points pro-rata to the invested amounts of the relevant fund at the time of his departure to reward the work done to date. The Committee determined that the remaining portion of the TPC points should be forfeit.

It is not proposed to increase Benoît's salary or his overall remuneration beyond that set out in the Policy on his becoming CEO.

## CURRENT YEAR ALLOCATIONS TO EXECUTIVE DIRECTORS

As in previous years, the Committee has assessed the Group's performance against specific KPIs to determine the level of awards to be made from the AAP. This has been a year of particularly strong Group performance with our pre-tax profit and cash profit up sharply. During the year, our European business has had outstanding success with the sale of the assets in the

ICG Recovery Fund 2008 contributing significantly to cash profit. We have also had a successful year in a number of our strategic priorities including asset raising and the deployment of capital. The extent to which these KPIs have been met, and their alignment with the corporate strategy, is described in greater detail on page 88 in the Annual Report on Remuneration.

We then consider the personal performance (including risk management and compliance) of each of the three Executive Directors over the financial year before finalising their individual awards. The executive team have each made an excellent contribution to the Group's progress this year and we have provided details of the Committee's considerations of each of the Executive Directors along with a summary of the awards made on pages 88 and 89 in the Annual Report on Remuneration.

## CONCLUSION

We believe that last year we materially improved our disclosure of Executive Directors' KPIs and the performance achieved against them; the outcome of the vote on our 2016 Report would appear to support that view. However, we realise that continued and improved transparency is a key requirement for shareholders and consequently we have endeavoured to provide further disclosure over the process of determining the Executive Directors' awards from the AAP this year, which I trust you will find valuable.

I shall be available at our AGM to answer any questions you may have and look forward to your support.

## PETER GIBBS

Chairman of the Remuneration Committee  
24 May 2017

## REMUNERATION PRINCIPLES

Five guiding principles are reflected in the design of the staff compensation arrangements

## ALIGNMENT BETWEEN STAFF AND SHAREHOLDERS

Cap of 30% of cash profit on expected value of awards ensures long term affordability with proposed BGP to facilitate long term growth

## SUPPORT THE LONG TERM CORPORATE STRATEGY

Key employees rewarded by awards of PLC Equity to incentivise them to grow the business

## PROMOTE STAFF EQUITY OWNERSHIP

The majority of executive remuneration is in the form of equity; and shareholding guidelines are in place for senior employees

## TRANSPARENT

All aspects of remuneration are clear to employees and openly communicated to employees and shareholders

## REWARD ON CASH

The reward on cash principle ensures that employees are only rewarded for realised gains

## REMUNERATION COMMITTEE REPORT

### CONTINUED

#### GOVERNANCE OF REMUNERATION

The Committee is authorised by the Board to determine and agree the framework for the remuneration of the Chairman of the Company, the Executive Directors and such other members of the executive management as it is instructed by the Board to consider.

#### REMIT AND RESPONSIBILITIES

The Committee is responsible for:

- Determining the total individual remuneration package of each Executive Director, having given due regard to regulatory requirements
- 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 overall remuneration policy for all the Group's staff taking into account the requirement that the remuneration arrangements should:
  - Be consistent with and promote sound and effective risk management, and not encourage excessive risk taking
  - Be in line with the strategic priorities, objectives, values and long term interests of the Group
  - Include measures to avoid conflict of interest
  - Take into account the long term interests of shareholders, investors and other stakeholders
  - Be formulated on the basis of advice from the Group's compliance function, particularly in relation to performance measurement

#### COMPOSITION

The Committee consists of Non Executive Directors only. The current members are Peter Gibbs (Chairman of the Committee), Kevin Parry, Kim Wahl and, since her appointment on 19 May 2017, Virginia Holmes. Justin Dowley left the Committee in July 2016 due to his retirement from the Board.

Kathryn Purves and Rusty Nelligan have attended meetings of the Committee at the invitation of the Chairman to ensure that risk and audit matters are taken into account in determining the remuneration of Directors.

+ Biographical details can be found on [pages 42 and 43](#)

None of the Committee members have any personal financial interests (other than as shareholders or investors in ICG funds) which would lead to a conflict of interests or conflicts arising from cross directorships or day to day involvement in running the business. The Company therefore considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Committee.

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

A table showing the number of Committee meetings held during the year and the attendance record of individual Directors can be found in the corporate governance section.

+ Committee meetings attendance table [page 41](#)

#### EFFECTIVENESS

An external evaluation of the Committee's effectiveness was undertaken by Independent Audit during the year. The report concluded that the Committee continues to operate effectively; it suggested that in the coming year the Committee will need to be mindful of the amount of work done by the Chairman of the Committee, who is a very significant contributor to the Committee and may need to enhance his support from advisors, and should also be mindful of succession planning for the Chairman of the Committee. These topics were already on the agenda for the Committee and will be considered in FY18.

### ADVISERS TO THE COMMITTEE

PwC has been appointed by the Committee and advises the Committee and management on remuneration matters. PwC also provides advice to the Committee on other HR issues on request. Legal advisers have been available to the Committee during the year to 31 March 2017. These advisers were appointed by the Company. Advisers are selected on the basis of their expertise

in the area and with a view to ensuring independence from other advisers to the Group. The Committee is therefore confident that independent and objective advice is received from their advisers.

The fees charged for advice to the Committee were £193,650 (PwC) and £20,000 (White & Case). Fees are charged on the basis of time spent.

### REVIEW OF THE YEAR

The Committee held five meetings during the year. In each of its meetings it discusses people risk, reviews leavers and receives reports on staff. Other work is undertaken periodically.

#### AREAS OF COMMITTEE FOCUS

##### REMUNERATION POLICY

- + comprehensive review of the Remuneration Policy

##### KEY PERFORMANCE INDICATORS

- + setting objectives for the Executive Directors and Executive Committee
- + monitoring performance

##### GOVERNANCE, STAKEHOLDERS AND SHAREHOLDERS

- + consideration of feedback from shareholders
- + consideration of regulatory requirements

##### OVERSIGHT OF AWARDS

- + review of the calculation of PICP
- + review of market data
- + oversight of Third Party Carry entitlements



## REMUNERATION COMMITTEE REPORT

### CONTINUED

#### COMPENSATION SUMMARY

An overview of our remuneration arrangements including details of FY17 awards to Executive Directors and other staff.

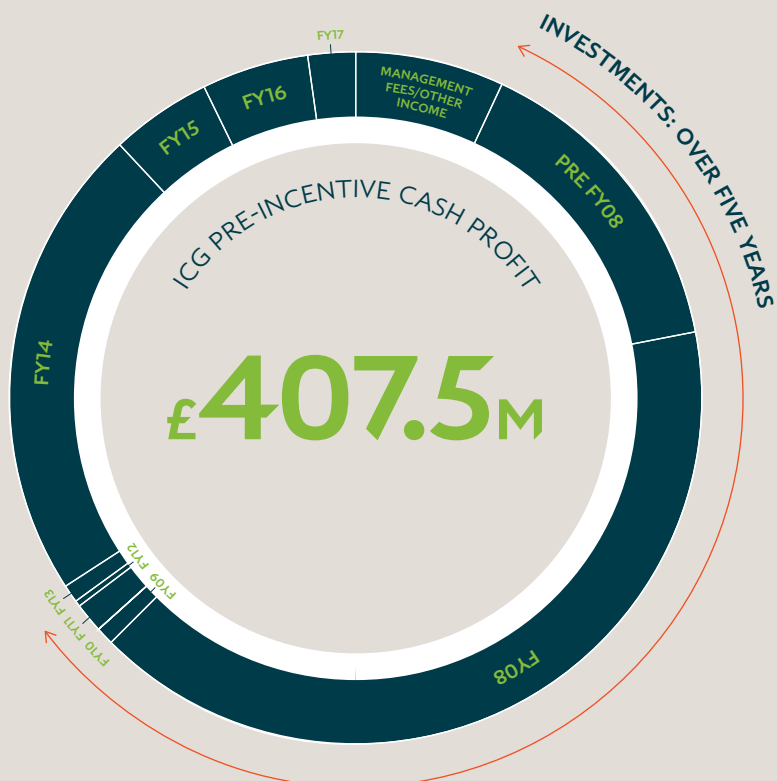
# 58%

of pre-incentive cash profit is long term in nature

#### LONG TERM NATURE OF CASH PROFIT

Cash profit is generated by realising investments and receiving fund management fees. The holding period for investments is typically 4–8 years. This characteristic means that the Annual Award Pool is inherently deferred as it includes realisations from a number of investment vintages. By generating the award pool in this way we ensure that staff are only rewarded when returns are crystallised.

The following chart shows the origination by year of cash profit generated in FY17:



Management Fees/Other Income	7%	FY10	0%	FY14	22%
Pre FY08	15%	FY11	1%	FY15	5%
FY08	41%	FY12	0%	FY16	5%
FY09	1%	FY13	1%	FY17	2%

#### ALIGNED TO OUR STRATEGIC OBJECTIVES

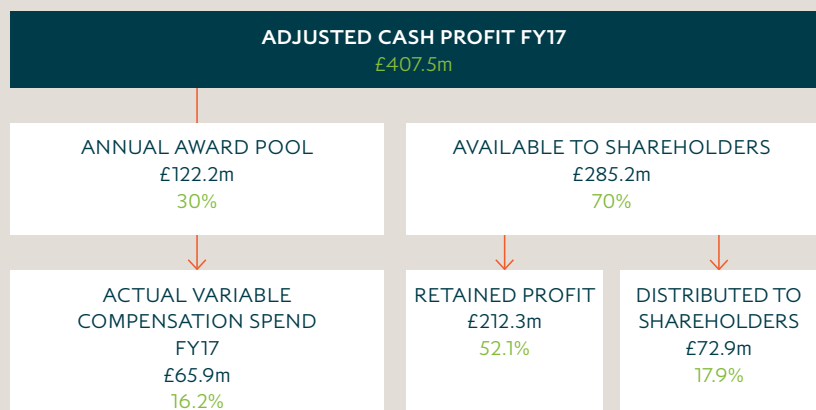
Our strategy to maximise shareholder returns by growing our fund management business and optimising the use of our balance sheet is fully aligned with our remuneration principles. Returns to shareholders and variable remuneration are both paid out of cash profits, thereby directly linking the motivations of our staff and our shareholders.

+ Our strategy [page 2](#)



### ANNUAL AWARD POOL (AAP)

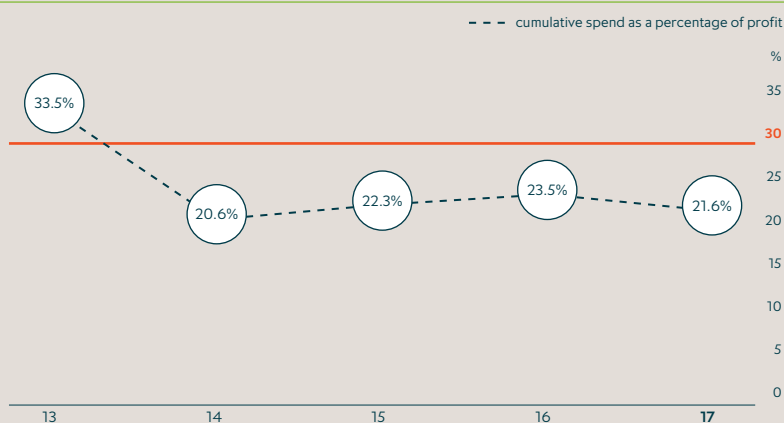
Each year 30% of pre-incentive cash profit is added to the AAP. This caps the amount of variable remuneration that can be paid over a five year rolling period. (See page 87 for details of how our pre-incentive cash profit is calculated.) Our investment cash flows can be unpredictable so the five year period allows us to take a longer term view. We exercise discretion over the amount awarded in variable compensation each year, based on an assessment of market levels of pay, Group KPIs, and individual performance. This is subject to the overall cap on the AAP.



### AVERAGE AAP SPEND OVER FIVE YEARS

The graph shows the cumulative rolling average spend from the AAP made in FY17 and the preceding four years compared to the 30% maximum. This shows the ability for the Committee to adjust awards year by year having regard to both single year cash profit and the longer term performance of the business.

### AVERAGE AAP SPEND



## REMUNERATION COMMITTEE

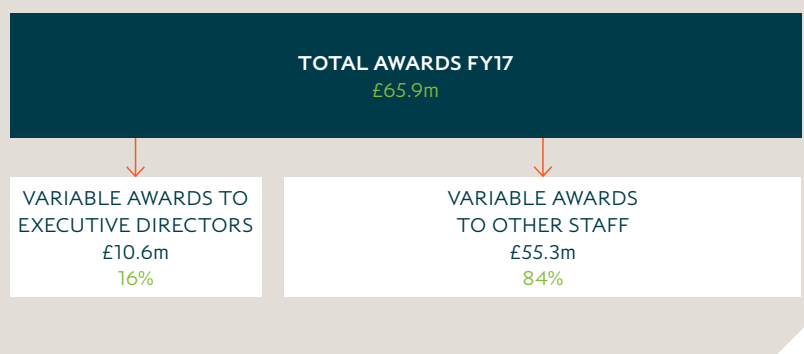
# REPORT

### CONTINUED

#### COMPENSATION SUMMARY CONTINUED

#### ALLOCATION OF THE AWARD POOL

Of the total amount of variable awards made in FY2017, 16% were made to Executive Directors, of which 90% was deferred in nature. Please see page 89 for more details of how Executive Director compensation is linked to their performance.



The remuneration policy for Directors is set out on pages 78 to 86. The current variable compensation mix for all employees is allocated according to the framework below. This will be simplified by the proposed new policy.

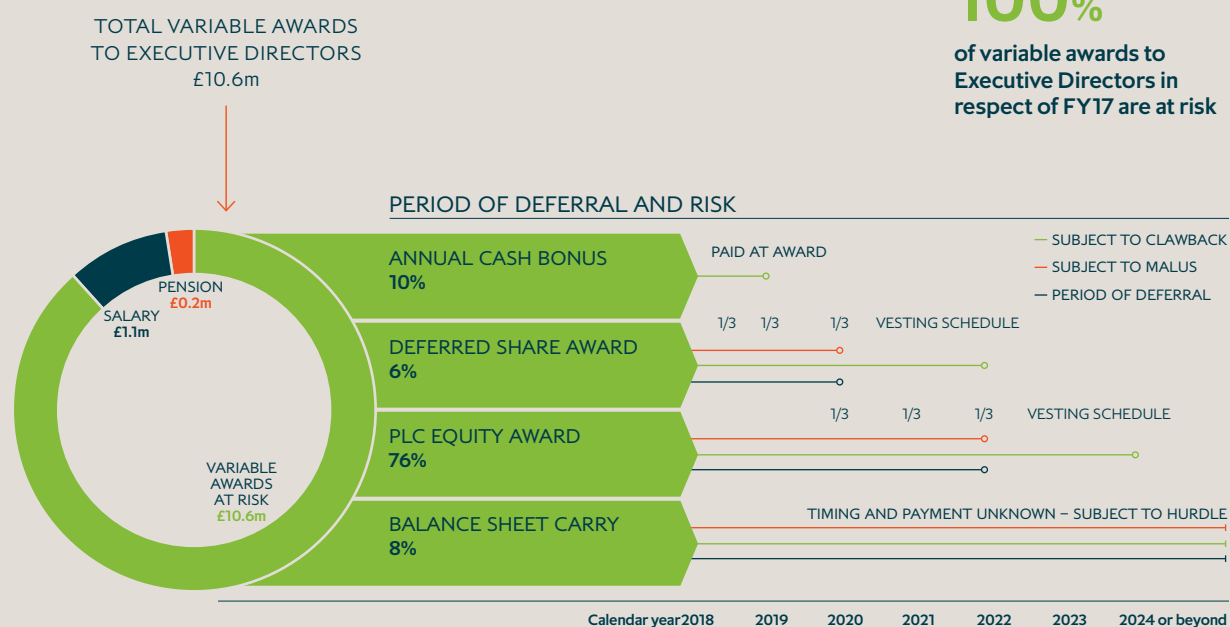
Employee	Annual Bonus/DSA	PLC Equity Award	FMC Equity Award	Balance Sheet Carry	Performance Fees
Executive Director	•	•		•	
Investment Executives	•		•	•	•
Business Infrastructure Partner or Director	•	•			
Other staff	•				

## EXECUTIVE DIRECTOR AWARDS

All variable awards made to the Executive Directors are subject to malus and clawback provisions.

# 100%

of variable awards to  
Executive Directors in  
respect of FY17 are at risk



Executive Directors also have the opportunity to participate in carried interest schemes directly with third party funds (see page 94) by purchasing the interest at market value. The Company also operates a shadow carry scheme, which is designed to mirror the value of third party carry in certain circumstances. No awards of shadow carry were made to Executive Directors during the current year.

## REMUNERATION COMMITTEE REPORT

### CONTINUED

#### DIRECTORS' REMUNERATION POLICY

This section describes the remuneration policy proposed to be adopted from the date of the 2017 AGM, subject to shareholder approval at that meeting; it includes a note of the changes to the policy that has been in operation since being adopted at the 2014 AGM.

A full copy of the Policy approved by shareholders at the 2014 AGM is available on the ICG website under the Shareholders Governance section.

#### ANNUAL AWARD POOL (AAP) AND BUSINESS GROWTH POOL (BGP)

The central feature of ICG's remuneration policy is the AAP. All incentives awarded across the Group under:

- The Omnibus Plan (outlined below)
- The Balance Sheet Carry Plan
- Any performance fees paid to the FMC that are distributed to employees

are governed by an overall limit that is currently 30% of cash profit over a rolling five year period. This percentage may be exceeded in any year but must not be exceeded on an aggregate average basis over five years.

Cash profit, as internally reported, is defined as profit before tax and incentive schemes, adjusted so that:

- Interest income and capital gains are only recognised on a cash basis
- Net impairments are only recognised to the extent they are against principal investment
- Fair value movement of derivatives is excluded

The variable pay of all employees is awarded out of the AAP. In previous years, an adjustment was made to cash profit to reflect the remuneration cost of our in house distribution team. This adjustment is no longer included in the policy proposed for adoption.

The current AAP limit is considered by the Committee to be appropriate for our existing business model but we have consulted investors about our proposal to introduce a Business Growth Pool (BGP), capped at 3% of the five year rolling average PICP, when a new business strategy is established. A BGP will be used to fund the incentives of a particular team, will be ring-fenced and will be limited in duration to the period when the new strategy is in start-up mode. Any BGP will be overseen by the Committee and will be reported in future annual reports.

Apart from the introduction of the BGP for new business strategies, the ongoing appropriateness of the 30% limit for the existing business will be kept under review. Should it be determined that the limit should be amended, the Committee will engage with shareholders.

The proposed change to the adjustment in respect of the in house marketing team together with the introduction of BGP ensure that the total percentage spend on employee reward remains at the same level, or lower, than the current policy.

#### AWARDS FALLING WITHIN THE AAP

The Omnibus Plan provides for three different award types to be made over ICG shares: Deferred Share Award, PLC Equity Awards and FMC Equity Awards. FMC Equity Awards are not made to Executive Directors and under the policy to be proposed at the 2017 AGM will be discontinued for other employees. Under the policy to be proposed Deferred Share Awards will be discontinued for Executive Directors. Any cash awards are distributed from the AAP.

Certain performance fees (funded by third party investors) and other fund performance incentives funded by ICG are distributed under the umbrella of the AAP.

Third Party Carry (TPC) and similar arrangements in respect of ICG direct investment funds or business acquisitions that do not give rise to a cost or liability to the Company are outside of the AAP.

## FUTURE POLICY TABLE

The table below outlines each element of the remuneration policy for the Directors of the Company.

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE CONDITIONS
<b>SALARY</b>			
<ul style="list-style-type: none"> <li>• Adequate to recruit and retain Executive Directors who will drive the business forward</li> <li>• Designed to be sufficient to ensure that Executive Directors do not become dependent on their bonuses</li> <li>• Reflects local competitive market levels</li> </ul>	<ul style="list-style-type: none"> <li>• Paid monthly</li> <li>• Normally reviewed annually with any changes generally applying from the start of the financial year</li> </ul>	<ul style="list-style-type: none"> <li>• In considering base salary increases, the Committee considers the range of salary increases applying across the Group and local market levels</li> <li>• Any increase in salary for an Executive Director will not normally exceed the average salary increase across the Group unless there is a change in the role or responsibility of the Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>BENEFITS</b>			
<ul style="list-style-type: none"> <li>• Appropriate to recruit and retain Executive Directors who will drive the business forward</li> <li>• Reflects local competitive market levels</li> </ul>	<ul style="list-style-type: none"> <li>• Benefits currently receivable by Executive Directors include life assurance, private medical insurance and income protection</li> <li>• Additional minor fringe benefits (such as Cycle to Work) may be offered in line with market practice if considered appropriate by the Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Provision and level of benefits are competitive and appropriate in the context of the local market</li> <li>• The maximum opportunity will depend on the type of benefit and cost of its provision, which will vary according to the market and individual circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>PENSION</b>			
<ul style="list-style-type: none"> <li>• Adequate to recruit and retain Executive Directors who will drive the business forward</li> <li>• Helps Executive Directors to provide for their retirement</li> </ul>	<ul style="list-style-type: none"> <li>• All Executive Directors are entitled to a pension allowance payable each month at the same time as their salary</li> </ul>	<ul style="list-style-type: none"> <li>• A pension allowance of up to 15% of salary is available to Executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>ANNUAL BONUS</b>			
<ul style="list-style-type: none"> <li>• Rewards Executive Directors for delivering cash profits, managing the cost base, employing sound risk and business management</li> </ul>	<ul style="list-style-type: none"> <li>• Awards are made after the end of the financial year</li> <li>• The annual bonus is awarded in cash</li> <li>• Annual bonus awards made are subject to clawback which will apply for two years post award. Forfeiture of compensation may be triggered by, amongst other things, a misstatement of the accounts, fraud, regulatory breaches and serious breaches of contract</li> </ul>	<ul style="list-style-type: none"> <li>• An Executive Director's annual bonus is drawn from the AAP which is determined as described on page 87</li> <li>• Variable awards to Executive Directors are subject to a cap</li> <li>• Awards are made based on performance as described on page 89</li> </ul>	<ul style="list-style-type: none"> <li>• An Executive Director's annual bonus is drawn from the AAP, and so is directly determined by reference to the Group's cash profit for the relevant financial year</li> <li>• Executive Director's annual bonus entitlement is also determined by reference to performance against personal and corporate performance objectives, which are derived from the Group's key performance indicators</li> </ul>

## REMUNERATION COMMITTEE REPORT

### CONTINUED

#### DIRECTORS' REMUNERATION POLICY CONTINUED

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE CONDITIONS
<b>PLC EQUITY AWARD</b>			
<ul style="list-style-type: none"> <li>Rewards Executive Directors for increasing long term shareholder value</li> <li>Aligns the interests of Executive Directors with those of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Awards are made over shares in the Company after the end of the financial year</li> <li>Shares normally vest one third in each of the third, fourth and fifth years following the year of grant unless the Executive leaves for cause or to join a competitor, in which case the awards lapse. The Committee has discretion to vary the date of vesting if necessary or desirable for regulatory or legislative reasons</li> <li>In the event of a change in control (other than an internal reorganisation) shares vest in full</li> <li>Dividend equivalents accrue to participants during the vesting period and are paid at the vesting date</li> <li>PLC Equity Awards made are subject to both malus and clawback which will apply for two years post vesting. Forfeiture of compensation may be triggered by, amongst other things, a misstatement of the accounts, fraud, regulatory breaches and serious breaches of contract</li> </ul>	<ul style="list-style-type: none"> <li>An Executive Director's PLC Equity Award is drawn from the AAP which is determined as described on page 87</li> <li>Variable awards to Executive Directors are subject to a cap</li> <li>Awards are made based on performance as described on page 89</li> </ul>	<ul style="list-style-type: none"> <li>An Executive Director's PLC Equity Award is drawn from the AAP, and so is directly determined by reference to the Group's cash profit</li> <li>An Executive Director's PLC Equity Award is also based on performance against objectives, which are derived from the Group's key performance indicators</li> <li>No further performance conditions apply to the PLC Equity Awards</li> </ul>
<b>CARRIED INTEREST OVER THIRD PARTY FUNDS (THIRD PARTY CARRY OR TPC) AND SHADOW CARRY</b>			
<ul style="list-style-type: none"> <li>Offers the types of incentive arrangements that are expected by fund investors and are offered by the Group's competitors for talent</li> <li>Aligns the interests of the fund management teams with those of the fund investors, encouraging the best returns to be obtained, whilst minimising defaults and losses</li> <li>Shadow Carry facilitates the participation by employees in TPC after the inception of the fund and after investments have been made</li> </ul>	<ul style="list-style-type: none"> <li>Certain employees who are involved in the management of a fund are invited to invest in the fund by acquiring interests in a carry partnership at the fair market value of the interests at the time of acquisition. The investment is made through an external structure established at the inception of the fund such that no liability arises to the Group</li> <li>TPC participants receive a share of the profits arising on the realisation of investments made in that fund. No payments are made to TPC participants until the external investors have received an internal rate of return (IRR) (the hurdle) on the fund</li> <li>Shadow Carry is the notional allocation of TPC interests that have not otherwise been acquired by employees. Payments are made to participants in respect of Shadow Carry when the hurdle has been met, through payroll, but are designed to mirror TPC payments in all other respects are outside the AAP</li> <li>TPC and similar arrangements that do not give rise to a cost or liability to the Company are outside the AAP</li> </ul>	<ul style="list-style-type: none"> <li>Awards of TPC and Shadow Carry are made to Executive Directors to reflect their seniority and involvement in the management of the relevant funds</li> <li>The overall percentage of carried interest available to ICG and its employees in each fund varies; for existing funds these are set out on page 94. An individual's share of the carried interest may be increased to the extent that another participant leaves and forfeits their points</li> </ul>	<ul style="list-style-type: none"> <li>No performance conditions are considered to attach to TPC</li> <li>Because participants in Shadow Carry have not made an investment in the carry partnership, the hurdle is considered to be a performance condition</li> </ul>

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE CONDITIONS
<b>THE INTERMEDIATE CAPITAL GROUP PLC SAYE PLAN 2014</b>			
<ul style="list-style-type: none"> <li>Provides an opportunity for all employees to participate in the success of the Group</li> </ul>	<ul style="list-style-type: none"> <li>All UK employees are offered the opportunity to save a regular amount each month over 36 months and may receive a bonus at the end of the saving contract (subject to HMRC legislation)</li> <li>At maturity, employees can exercise their option to acquire and purchase shares in ICG at the discounted price set at the award date or receive the accumulated cash</li> </ul>	<ul style="list-style-type: none"> <li>Employees may save the maximum permitted by legislation each month with this scheme</li> </ul>	<ul style="list-style-type: none"> <li>The Plan is not subject to any performance conditions, as per HMRC legislation</li> </ul>
<b>FEES PAID TO NON EXECUTIVE DIRECTORS</b>			
<ul style="list-style-type: none"> <li>To facilitate the recruitment of Non Executive Directors who will oversee the development of strategy and monitor the Executive Directors' stewardship of the business</li> </ul>	<ul style="list-style-type: none"> <li>Fees are payable to Non Executive Directors for their services in positions upon the Board and various Committees</li> <li>Fees for the Chairman are determined and reviewed annually by the Committee and fees for Non Executive Directors are determined by the Board</li> <li>The Committee relies upon objective research on up to date relevant information for similar companies</li> <li>Non Executive Directors are reimbursed for expenses, such as travel and subsistence costs, incurred in connection with the carrying out of their duties. Any tax costs associated with these benefits are paid by the Company</li> </ul>	<ul style="list-style-type: none"> <li>Non Executive Directors cannot participate in any of the Company's share schemes and are not eligible to join the designated Group pension plan</li> <li>Fees are set and reviewed in line with market rates. Aggregate annual fees do not exceed the limit set out in the Articles of Association</li> <li>Any benefits receivable by Non Executive Directors will be in line with market practice</li> </ul>	<ul style="list-style-type: none"> <li>None of the Non Executive Directors' remuneration is subject to performance conditions</li> </ul>

## REMUNERATION COMMITTEE REPORT

### CONTINUED

#### DIRECTORS' REMUNERATION POLICY CONTINUED

##### NOTES TO THE POLICY TABLE

CHANGES TO DIRECTORS' REMUNERATION POLICY FROM PREVIOUS POLICY		
COMPONENT	DESCRIPTION OF CHANGE	REASONS FOR CHANGE
Annual bonus and Deferred Share Awards	Deferred Share Awards have been discontinued for Executive Directors	To simplify the remuneration arrangements for Executive Directors and to extend the vesting period of any shares awarded
PLC Equity Award	Malus and clawback provisions included in policy	Compliance with best practice and regulatory requirements
FMC Equity Award	Discontinued for all employees	The FMC equity scheme has served its purpose as the Group has transitioned to an asset manager
Balance Sheet Carry Award	No new awards will be made to Executive Directors. Existing awards may pay out during the period when the new policy is in force	To simplify the remuneration arrangements for Executive Directors
Non Executive Director expenses	Included reimbursed expenses	Certain expenses may be taxable benefits
Annual Award Pool	Removed adjustment for our in house distribution team	Removal of the distribution adjustment simplifies the arrangements and improves transparency
	Established Business Growth Pool	The introduction of the Business Growth Pool will support further strategic growth of ICG's business
	Introduction of maximum cap for awards to individual Executive Directors	To bring the company in line with best practice reporting

##### PERFORMANCE MEASURES AND TARGETS

The AAP is calculated based on the Group's financial performance by the Executive Committee and Remuneration Committee. Cash profit provides a link between income generation for shareholders and employee compensation (see page 87).

Once the AAP has been calculated, it is then allocated based on an individual's contribution and performance as determined by the annual appraisal process.

Executive Directors have performance objectives set and KPIs are monitored by the Remuneration Committee. Details of these KPIs are set out on page 88.

Further management information is provided to the Remuneration Committee and Executive Committee on performance to ensure that financial results are put into the context of wider performance, compliance and risk appetite.

##### SHAREHOLDING REQUIREMENTS

To align the interests of the Company's Executive Directors with those of shareholders, Executive Directors are required to acquire ownership of a number of ordinary shares in the Company with a market value equal to two times the Director's annual base salary. Current share ownership levels are on page 92; all Executive Directors currently exceed this amount.

##### LEGACY REMUNERATION SCHEME

The following remuneration scheme formed part of the Company's remuneration policy in previous years. Following the review of the remuneration policy it is proposed that this scheme is discontinued. No new awards will be made in future but some awards granted in earlier years and held by Executive Directors may vest while the new policy is in force.



BALANCE SHEET CARRY PLAN			
PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE CONDITIONS
<ul style="list-style-type: none"> <li>Encourages investment executives to optimise returns on investment, whilst minimising defaults and losses</li> </ul>	<ul style="list-style-type: none"> <li>Takes the form of an 'in house' carry arrangement (i.e. on the returns from investments made by the Group on its balance sheet)</li> <li>Awards will pay out by reference to the overall outcome for a year of investment ('vintage') and therefore take losses into account. Awards vest one third on 1 June following each of the first, second and third anniversaries of the start of the vintage year subject to continuing service</li> <li>In the event of a change in control all awards vest</li> <li>Payment is made on the realisation of investments, once a hurdle rate of return has been achieved on these investments</li> <li>After repayment of capital and the payment of the related hurdle rate of return to the Group, participants become entitled to receive catch up payments until they have received up to 20% of the aggregate returns on investments in that vintage</li> <li>Thereafter, participants are entitled to receive up to 20% of any further returns on that vintage</li> </ul>	<ul style="list-style-type: none"> <li>An Executive Director's Balance Sheet Carry allocation was drawn from the AAP which is capped</li> <li>Awards are made on the basis of grade and performance</li> </ul>	<ul style="list-style-type: none"> <li>An Executive Director's Balance Sheet Carry Plan award was drawn from the AAP, and so was directly determined by reference to the Group's cash profit in the previous year</li> <li>The hurdle rate was fixed by the Committee, at its discretion, prior to making the first awards in each vintage. The Committee did not at any time fix a hurdle rate lower than 5% per annum</li> </ul>

## REMUNERATION COMMITTEE REPORT

### CONTINUED

#### DIRECTORS' REMUNERATION POLICY CONTINUED

#### DIFFERENCE IN REMUNERATION POLICY FOR ALL EMPLOYEES

All employees of ICG are entitled to base salary, benefits and, in most locations, pension. The variable compensation for all employees is drawn from the AAP and is allocated by reference to role, responsibility and performance and with regard to regulatory requirements. Awards to individuals may be made up of different types of award as appropriate to incentivise them depending on their role within the business.

Position	Awards made from Annual Award Pool				Awards from Third Party Funds	
	Annual bonus	Equity Award	Performance fees	Balance Sheet Carry	Third Party and Shadow Carry	Performance Fees on Third Party Funds
Executive Director	•	•			•	
Investment Executives	•	•	•	•	•	•
Marketing Executive, Business Infrastructure Partner or Director	•	•				
Other employees	•					

The variable compensation mix may be varied from the above if required by law or regulation.

The quantum of each of these awards is determined by the size of the AAP, an individual's seniority, contribution and their individual performance as determined by the annual appraisal process. In addition, all UK employees are eligible to join the Intermediate Capital Group plc SAYE Plan 2014.

#### Statement of consideration of employment conditions elsewhere in the Company and employee views

The Remuneration Committee considers the employment conditions and the remuneration structures in place for all employees of the Group when setting the Directors' remuneration policy. The Remuneration Committee has oversight of the remuneration arrangements of senior investors and senior management and control function employees and reviews the remuneration structure and market positioning for other roles. The overall and average salary increase across the Group is approved by the Remuneration Committee each year. The Remuneration Committee does not consult with employees when setting the Directors' Remuneration Policy but employees' views are represented at Remuneration Committee meetings through the Head of HR and Head of Reward.

#### APPROACH TO RECRUITMENT REMUNERATION

ICG operates in a highly specialised and competitive market, and so competition for talent is fierce. The Committee's approach to recruitment remuneration is to pay what is sufficient to attract appropriate candidates to a role.

Newly recruited Executive Directors are offered a remuneration package similar to that of existing employees in the same job role. All Executive Directors are offered the same annual salary, benefits and pension and all participate in the Annual Award Pool and are subject to an overall cap on incentives. Furthermore, objectives are assigned to the Executive Directors. However, it may be necessary to offer a new Executive Director a remuneration package that differs from that currently provided to the Executive Directors in order to attract the best recruit. This could include a higher base salary and relocation and/or housing benefits.

Buying out deferred bonuses and long term incentives is permitted subject to, as far as possible, the timing, delivery mechanism (i.e. shares or cash) and amounts paid out being

set to reflect any former arrangement including potential forfeiture of part or all of the former arrangement. As far as possible, the value of any replacement awards will reflect the expected value of the forfeited awards.

In the event of an internal promotion to the Board, the Committee reserves the right to allow any pre-existing awards or arrangements to continue notwithstanding that these may not be consistent with the approved policy.

## SERVICE CONTRACTS AND POLICY ON PAYMENTS FOR LOSS OF OFFICE

### Executive Directors

The Company's policy is for Executive Directors to have one year rolling contracts which are deemed appropriate for the nature of the Company's business. Service contracts are held, and are available for inspection, at the Company's registered office. The details of the service contracts for Executive Directors serving during the year and the treatment of long term incentive awards to Executive Directors are shown below.

Executive Director	Date of service contract	Last re-elected	Re-election frequency	Notice period	Non-compete provisions	Compensation on termination by the Company without notice or cause
Christophe Evain	30 May 2006					
Philip Keller	12 October 2006	July 2016	Annual	12 months	Restraint period of 12 months	The salary for any unexpired period of notice plus the cost to the Company (excluding NI contributions) of providing insurance benefits for the same period
Benoît Durteste	21 May 2012					

Long term incentive award	Status	Death, disability, long term ill health	Redundancy	Cause or competing	Any other reason
PLC Equity Award	Unvested	Retain with early vesting	Retain	Forfeit, subject to discretion	Retain, subject to discretion
Deferred Share Award	Unvested	Retain with early vesting	Retain, subject to discretion	Forfeit, subject to discretion	Forfeit, subject to discretion
Carried Interest Over Third Party Funds	Vested	Retain	Retain	Forfeit, subject to discretion	Retain
	Unvested	Forfeit, subject to discretion	Forfeit, subject to discretion	Forfeit, subject to discretion	Forfeit, subject to discretion

### Exercise of discretion

The discretion available to the Committee under the long term incentive plans is intended to provide the Committee with flexibility to deal fairly with every eventuality. In exercising its discretion, the Committee will take into account the circumstances in which the individual has left the Company, their performance and the impact that this has had on the Company's overall performance. The Committee reserves discretion to make an annual bonus award to an Executive Director in respect of the final full year of service, taking into account the circumstances of the individual's termination of office and performance for the financial year concerned.

### Non Executive Directors

Non Executive Directors do not have contracts of service and are not eligible to join the designated Group pension plan or receive payment for loss of office. All Non Executive Directors have three months' notice period, are re-elected annually and (with the exception of Rusty Nelligan and Virginia Holmes) were last re-elected in July 2016. Rusty Nelligan and Virginia Holmes were appointed subsequent to the last Annual General Meeting and so will be proposed for re-election at the upcoming Annual General Meeting. Details of Non Executive Directors' appointment dates are as shown below.

Non Executive Director	Date appointed
Kevin Parry	June 2009
Peter Gibbs	March 2010
Kim Wahl	July 2012
Kathryn Purves	October 2014
Rusty Nelligan	September 2016
Virginia Holmes	March 2017

## REMUNERATION COMMITTEE REPORT

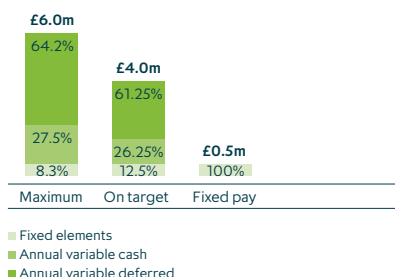
### CONTINUED

#### DIRECTORS' REMUNERATION POLICY CONTINUED

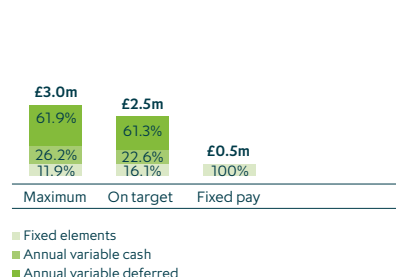
#### ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The total remuneration for each of the Executive Directors that could be awarded under proposed remuneration policy in 2017/18 under three different performance levels is shown below.

##### BENOÎT DURTESTE



##### PHILIP KELLER



The Annual variable pay included in the chart is split between the following elements of pay:

- Annual bonus; and
- PLC Equity Award

It is likely that remuneration earned over more than one financial year will be disclosed in future years' single figure table, emanating from previous awards of Balance Sheet Carry (BSC) or Shadow Carry. No further awards will be made to existing Executive Directors under the BSC plans and it is not the current intention for any more awards of Shadow Carry to be made.

The value of on target remuneration for each of the Executive Directors is based on the aggregate remuneration that the Committee has agreed should be receivable in the circumstances in which the Company achieves its targets.

The Company does not currently anticipate appointing a further Executive Director beyond the two specified. If it does so during the period of the policy, the Company will publish a scenario chart in a similar format for that new Executive Director in the next Annual Report.

#### STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee is responsible for the overall remuneration policy for all the Company's employees and ensures that the remuneration arrangements should take into account the long term interests of shareholders, investors and other stakeholders.

The Company recognises the importance of communication with its shareholders, particularly through interim and annual reports and the AGM. The Remuneration Committee Chairman and Company Secretary contacted the Company's major shareholders to offer a meeting or call to discuss the proposed changes to Directors' Remuneration Policy. Where shareholders accepted the offer, after discussions they were generally supportive of the proposals. The Remuneration Committee Chairman and the Company Secretary also met with a number of shareholder advisory groups, including the Investment Association, ISS and Glass Lewis, to seek their input on the changes. The Chief Executive, CFOO and the Chairmen of the Board and each of its Committees will be available to answer shareholders' questions at the AGM. The CEO and the CFOO meet institutional shareholders on a regular basis, and the Chairman periodically contacts the Company's major shareholders and offers to meet with them. 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.

## ANNUAL REPORT ON REMUNERATION

This section reports on remuneration paid during the financial year.

### DETERMINATION OF THE ANNUAL AWARD POOL (AUDITED)

The central feature of the Remuneration Policy is the Annual Award Pool (AAP). The AAP is determined by the Executive Committee and Remuneration Committee through an assessment of ICG's financial performance. Cash profit provides a link between income generation for shareholders and employee compensation, ensuring that excessive awards to employees are not made and that any awards that are made are affordable on a cash basis. Management information is provided to the Executive Committee and Remuneration Committee on performance to ensure that financial results are put into the context of wider performance and risk appetite.

All incentives are governed by an overall limit expressed in terms of cash profit. The table below includes the cost of incentives drawn from the AAP for the financial year under review and the four previous years.

£m	FY13	FY14	FY15	FY16	FY17	Cumulative
Cash profit	(10.7)	339.1	182.6	184.2	407.5	<b>1,102.7</b>
AAP, being 30% of cash profit	(3.2)	101.7	54.8	55.3	122.2	<b>330.9</b>
Spend on incentives	22.1	50.2	48.6	51.5	65.9	<b>238.2</b>
Cumulative percentage of cash profit spent	33.5%	20.6%	22.3%	23.5%	21.6%	<b>21.6%</b>

The AAP is limited to 30% of cash profit over a rolling five year period. This percentage may be exceeded in any year but must not be exceeded on an aggregate average basis over five years. Managing the AAP by reference to a five year rolling average is a shareholder protection to ensure that variable awards to employees are made in a considered long term way rather than as a reaction to a single year's exceptional performance. Realised cash profits are significantly driven by the realisation of investments, which is unpredictable and often beyond the Company's direct control. In a strong profit year, such as this year, the Committee may choose not to distribute the full AAP, but can instead choose to retain some of it for potential use in future years, while in a lower profit year (such as FY13) the Committee may choose to distribute some of the retained AAP.

This approach allows the Committee to plan over multiple years and smooth fluctuations in realisations. In strong profit years, the Committee is not compelled to make awards which may be excessive, while in years with a lower cash profit and/or no investment realisations, employees can still be appropriately incentivised to protect the long term interests of the business and mitigate the risk of undesirable loss of talent. In both cases due regard is given to projected results of future periods and to ongoing management and retention of employees. The amounts awarded therefore may not fully correlate to annual variations in cash profit, but this reflects the multi-year approach taken by the Committee. The Committee is mindful each year of the appropriate level of compensation to ensure the retention of employees at all levels, and seeks to ensure that employees are rewarded against appropriate benchmarks.

### EXECUTIVE DIRECTORS – KEY PERFORMANCE INDICATORS

An Executive Director's annual incentive award is governed by the size of the AAP and their individual performance as determined by the annual appraisal process. At the beginning of the financial year under review, the Committee assigned the Executive Directors a number of Key Performance Indicators (KPIs) broadly in the areas of fundraising and growth, investment portfolio performance, operational and risk management measures, performance management and financial performance.

# ANNUAL REPORT ON REMUNERATION

## ANNUAL REPORT ON REMUNERATION CONTINUED

### EXECUTIVE DIRECTORS – PERFORMANCE IN THE YEAR

A summary of the KPIs, and the Executive Directors' performance against these objectives is set out below:

KPI	Link to Strategic Objectives	Weighting	Target	Performance			Narrative
				Underperforming	Target	Outperforming	
Long Term Fundraising Objective (third party capital committed)		15%	4bn p.a.	<div></div>		<div></div>	The Group raised €4bn of gross inflows, in line with its long term target, taking the three year average to €4.4bn.
Short Term Fundraising Objective (third party capital committed)		15%	3.5bn	<div></div>		<div></div>	The target was exceeded by €500m in the year, with funds raised across 11 strategies including some of our newer strategies, such as Strategic Secondaries and Australian Senior Loans.
% of full realisations above fund hurdle rate		15%	80%	<div></div>		<div></div>	This has been an extremely strong year for realisations, 92% of which were above the relevant hurdle rate. In particular, we have successfully realised some of our older and more challenging vintage assets, which required significant management by our investment committee over many years.
Fund deployment in line with expectations		10%	50% of funds	<div></div>		<div></div>	The investment market remains highly competitive and it is therefore a considerable achievement to have maintained the investment pace of our funds with 86% meeting their deployment targets whilst continuing to apply our disciplined and rigorous approach to investing across all funds.
Impairments		15%	<2.5%	<div></div>			At 2.7%, impairments are slightly above our historic average and relate to a small number of specific assets. In general, the portfolios are performing well.
FMC profit margin		10%	>40%	<div></div>		<div></div>	At 41.2% we exceeded our target FMC profit margin. This was achieved whilst continuing to invest in our people and the systems necessary to grow the business and to meet the increasing demands of strong governance and regulation.
Gearing		10%	0.8x-1.2x	<div></div>		<div></div>	We have completed the structural regearing of our balance sheet with a £200m special dividend paid in August 2016. At 0.95x, gearing is well within our target range.
Target adjusted ROE		10%	>=13%	<div></div>		<div></div>	Adjusted ROE at 18.2% was materially above the long term objective of 13%.

LINK TO STRATEGY



Grow assets under management



Invest selectively



Manage portfolios to maximise value

In addition to the KPIs, each Executive Director is measured against the effective application of commercially appropriate risk management practices, metrics and controls. In some years, strategic initiatives may be too sensitive to be disclosed as KPIs. It is the intention of the Committee that these will be retrospectively disclosed in future years once they are less sensitive. There were no such KPIs this year. In addition, the Executive Directors are evaluated by the Board against 10 criteria in order to establish how effectively they are operating as a team in terms of their complementary knowledge and skills mix, their strategic thinking, decision making, communications, relationship and resource management. Overall, the Board assessed their performance in FY17 to be good and improved on the previous year. The Executive Directors are also fully appraised and that appraisal is informed by the Board evaluation, peer, HR and Compliance feedback.

### EXECUTIVE DIRECTORS – SETTING THE LEVEL OF AWARD

In considering the appropriate level of awards for the Executive Directors, the Committee first considers their collective performance against their KPIs. The Committee believes that this is necessary in order that the collaborative leadership structure and joint decision making of the Executive Committee, which has been so important to the overall success of the Group, is maintained and appropriately rewarded. This approach has, over many years, ensured that all Executive Directors are aligned with and jointly responsible for the Group's strategic direction and key decision making. This year the Committee was of the view that there has been extremely strong performance across the Executive Directors, taking into account all the feedback collated, and in particular the results achieved against the KPIs, and most notably, the growth in Fund Management Company profit, which was driven by the successful execution of the stated strategy, and outperforming on fundraising in a year in which the Group was raising for its less mature strategies. The Committee also gave careful consideration to the improvements made across the Group in terms of operational risk management practice and reporting and noted the continued improvement in these areas. This all combined to deliver record profits for the Group as a whole and both individual business segments independently (FMC and IC). The Committee noted that the impairment target was narrowly missed but were satisfied that the performance of the underlying portfolio remained strong.

The Pre-Incentive Cash Profits resulting largely from successful realisations, and strong fund management profitability were a record high (at £407.5m), up 121% over the prior year. As this is a core measure which aligns the interests of Executive Directors and employees with shareholders, the Committee considered that it was appropriate to increase overall spend on annual awards across the Group whilst also taking the opportunity to protect the future sustainability of the business. Against the backdrop of such strong financial results, the Committee considered that awards to each of the Executive Directors should be increased compared with last year to reflect their respective contributions to the overall achievements of the Group but have exercised some restraint in the magnitude of that increase, with spend for the Executive Directors increasing by 26%, and all other employees by 20%. The FY17 spend on awards to the Executive Directors represents a significantly reduced proportion of Pre-Incentive Cash profit as compared with the previous three years.

Additionally, the awards to both Christophe Evain and Benoît Durteste positively reflect the material contributions made by each of them to the significant realisations and successful fundraising achieved during the year. The Committee also chose to recognise the fact that both had maintained the investment discipline which is so important to the future success of the Group, particularly during such unpredictable economic conditions, and also considered the impact of the successful ICG Recovery Fund 2008 transaction. As a result of Philip Keller's contribution to the overall achievements of the Group and effective representation of the interests of the PLC's investments through his participation in the Investment Committees, his awards have been increased compared with last year. In arriving at this decision, we also recognised his role in effecting the significant development of risk management and operations, with a clear focus on quality and scalability. He was also instrumental in the structural regearing of the Group and its ongoing strong financial management.

The Executive Directors' KPIs for FY18 have been set in the same categories as those disclosed above. The specific short term targets are not disclosed due to commercial sensitivity but will be disclosed in next year's Annual Report.

+ You can read more about the Group's strategic objectives on [pages 4 and 5](#)

# ANNUAL REPORT ON REMUNERATION

## CONTINUED

### SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

The following table shows a single total figure of remuneration in respect of qualifying services for the financial year ended 31 March 2017 for each Executive Director, together with comparative figures for the previous financial year:

	Remuneration in respect of the financial year 2017						Total remuneration in respect of the financial year 2017 £000	Long term incentives <sup>4</sup> vested from prior years £000	Other remuneration <sup>5</sup> £000	Single total figure of remuneration £000
	Salaries and fees £000	Benefits <sup>1</sup> £000	Pension allowance £000	Short term incentives, available as cash <sup>2</sup> £000	Total emoluments £000	Short term incentives, deferred <sup>3</sup> £000				
Executive Directors										
<b>Christophe Evain</b>										
2017	375.0	11.5	56.3	400.0	842.8	3,850.0	4,692.9	2,195.0	–	6,887.9
2016	369.0	11.1	55.4	300.0	735.5	2,851.7	3,587.2	708.3	–	4,295.5
<b>Benoît Durteste</b>										
2017	375.0	10.6	56.3	330.0	771.9	2,658.4	3,430.3	5,539.5	–	8,969.8
2016	369.0	10.1	55.4	250.0	684.5	2,271.4	2,955.9	2,532.5	–	5,488.4
<b>Philip Keller</b>										
2017	375.0	8.9	56.3	281.0	721.2	2,208.0	2,929.2	1,297.2	–	4,226.4
2016	369.0	7.9	55.4	216.7	649.0	1,550.4	2,199.4	450.4	–	2,649.8

Total emoluments paid to all Directors were £2,903,800 (2016: £2,591,000). See page 95 for details of payments to Non Executive Directors.

#### Notes

- Each Executive Director receives medical insurance (taxable), life assurance (not taxable) and income protection (not taxable).
- This figure represents the cash element of the annual bonus that is not deferred.
- This figure represents the sum of the face values of each of the following awards made for the year ended 31 March 2017:
  - Deferred Share Award (50% of annual bonus in excess of £100,000).
  - PLC Equity Award.
- The long term incentive amounts are payments received during the year in respect of BSC and shadow carry awards made in prior years. In FY17, 59% of the long term incentive awards arose as a result of the ICG Recovery Fund 2008 transaction completed during the year and 90% related to awards made in 2013 or earlier.  
In the case of Benoît Durteste, 71.8% of the long term incentive payments received in the period relate to awards made in his role as an Investment Executive prior to his appointment as an Executive Director.
- Individuals are invited to participate in Third Party Carry and must pay the fair market value for their partnership share in the Third Party Carry partnership and therefore there is no remuneration value. The percentage of the total distributable Third Party Carry by fund awarded to the Executive Directors is shown on page 94.

### ADDITIONAL INFORMATION IN RESPECT OF THE SINGLE TOTAL FIGURE

In the financial year under review, in line with the Directors' remuneration policy, the base salary payable to each Executive Director was increased to £375,000 per annum from £369,000 per annum, a 1.6% increase. The percentage increase received is in line with other employees.



## SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED)

The following share scheme interests were granted to Executive Directors in relation to their performance in the prior financial year.

Scheme interest awarded	Basis on which award was made	Percentage of award for minimum performance	End of period over which performance measures and targets must be achieved	Face Value		
				Christophe Evain £	Philip Keller £	Benoît Durteste £
Deferred Share Award	50% of any annual bonus in excess of £100,000 is awarded in deferred shares	100	Vest one third at the end of the first, second and third years following the year of grant. There are no further performance conditions.	200,000	116,667	150,000
PLC Equity Award	Result of Director's annual appraisal	100	Vest one third at the end of the third, fourth and fifth years following the year of grant. There are no further performance conditions.	2,651,747	1,433,764	2,121,398

The share price on the date of award of PLC Equity and Deferred Share Awards was £6.552. This was the middle market quotation for the five dealing days prior to 24 May 2016.

## TOTAL PENSION ENTITLEMENTS (AUDITED)

No Executive Directors had a prospective entitlement to a defined benefit pension by reason of qualifying services.

### HOW DO WE BENCHMARK OUR COMPENSATION?

Remuneration awards are benchmarked against the following peers in the major jurisdictions where the Group operates:

- Listed financial service companies
- Listed asset managers
- Unlisted private equity firms
- Listed private equity firms
- Unlisted asset managers
- Other organisations as appropriate for the individual role
- Investment banks

The Group's Human Resources team carries out an extensive annual exercise to benchmark proposed salaries and deferred awards for all employees. This exercise covers employees at all levels and in all geographies and provides an assessment which shows how a particular employee is remunerated compared with the market in their particular field. Executive Director compensation is heavily benchmarked against a range of peers and the available data set has been discussed regularly by the Remuneration Committee (see page 73).

The benchmarking exercise draws on a wide variety of sources including information from recognised independent market data providers, our own insight from dealing with recruitment consultants and other advisers, experience from our own recruitment and staff turnover, and our understanding of market competitors.

Due to the unique nature of the Group's business as a listed entity which competes for talent against other asset managers and listed and unlisted private equity employers as well as investment banks, it is necessary to obtain a wide range of comparison sets. Hence, while we do consider other listed financial service companies in our benchmarking, they are not the only relevant comparator.

# ANNUAL REPORT ON REMUNERATION

## CONTINUED

### DIRECTORS' INTERESTS IN SHARES (AUDITED)

At 31 March 2017, Directors held the following interests in shares of the Company:

Directors	Shares held outright	DSA and PLC Equity Award interests	SAYE options subject to service condition	SAYE options vested but unexercised	Shareholding requirement met?
Christophe Evain	1,598,329	2,279,403	5,027	–	✓
Philip Keller	600,485	1,313,036	2,513	–	✓
Benoît Durteste	160,976	1,838,200	–	2,593	✓
Kevin Parry	14,922	–	–	–	N/A
Kathryn Purves	2,237	–	–	–	N/A
Peter Gibbs	–	–	–	–	N/A
Virginia Holmes	–	–	–	–	N/A
Rusty Nelligan	50,000	–	–	–	N/A
Kim Wahl	–	–	–	–	N/A

The Executive Directors are required to hold 102,418 shares, being 200% of their annual salary at the share price prevailing on 31 March 2017. There are no shareholding requirements for Non Executive Directors.

Subsequently, DSA and PLC Equity Awards were made to Executive Directors in respect of their prior year performance. A total of 477,666 interests over shares were awarded to Christophe Evain, a total of 329,827 interests over shares were awarded to Benoît Durteste and a total of 273,945 interests over shares were awarded to Philip Keller. Other than these awards, there were no changes to the shareholdings between the year end and the date of this report.

Changes in interests in shares during the year to 31 March 2017 were as follows:

- DSA and PLC Equity Award interests awarded in prior years vested on 1 and 2 June 2016. The shares held outright by Executive Directors increased as follows: Christophe Evain – 366,066; Philip Keller – 239,148; Benoît Durteste – 118,204.
- In June 2016 Philip Keller sold 200,000 shares in the market at a price of £6.491 per share, and Benoît Durteste sold 163,244 shares in the market at a price of £6.558 per share.
- In June 2016 Philip Keller exercised 77,579 options over shares awarded under a prior policy. The option price paid was £6.008 per share and the market price at exercise was £6.601. At the time of exercise 74,045 shares were sold to meet the option price and tax. 3,534 shares were retained and form a part of the shareholding disclosed above.
- The share consolidation which took place in July 2016 in association with the payment of a special dividend reduced the shares held outright by Directors as follows: Christophe Evain – 199,785; Philip Keller – 74,154; Benoît Durteste – 20,123; Kevin Parry – 1,866.
- In September 2016 Philip Keller exercised 25,396 options over shares awarded under a prior policy. The option price paid was £6.008 per share and the market price at exercise was £6.25. At the time of exercise 25,000 shares were sold to meet the option price and tax. 396 shares were retained and form a part of the shareholding disclosed above.
- In November 2016 Philip Keller exercised 78,464 options over shares awarded under a prior policy. The option price paid was £6.008 per share and the market price at exercise was £6.765. At the time of exercise 74,182 shares were sold to meet the option price and tax. 4,282 shares were retained and form a part of the shareholding disclosed above.
- In December 2016 Kathryn Purves purchased 2,237 shares in the market at a price of £6.699 per share.
- In January 2017 Philip Keller exercised 2,593 options over shares under a Save As You Earn scheme. The option price paid was £3.47 per share and the market price at exercise was £6.93. The shares have been retained and form a part of the shareholding disclosed above.

The share price at 31 March 2017 was £7.03.

## BALANCE SHEET CARRY AWARDS (AUDITED)

BSC awards cannot be accurately valued, as the value depends on performance over a multi-year period and, if a hurdle is not met, awards may never have any value. Amounts actually received under BSC awards are disclosed in the single figure table (under 'Long Term Incentives') in the year in which they arise (see page 90).

To allow budgeting and management of allocations from the AAP an internal assumption is made as to the potential investment performance of balance sheet investments at a money multiple of 1.5 times. Despite the uncertainty of both the value and timing of this return, no risk weighted discount is applied. While the actual outcome will inevitably be different, the below table shows the notional value of BSC that was allocated from the AAP for awards made to Executive Directors in respect of FY17. This is not included within the Single Figure Table.

Notional value as a charge to AAP  
£

Christophe Evain	–
Benoît Durteste	514,480
Philip Keller	344,043

Executive Directors' allocation of BSC represents 4.3% of the total available for allocation to employees in FY17.

## SHAREHOLDER IMPACT OF AWARDS

For all awards made during the 2010/11 financial year and subsequent financial years, the Company has used, and intends in the future to use, market purchased shares to satisfy any equity settled incentive awards. The Committee has set a dilution limit for FMC Equity Awards (the FMC Equity Pool) of 20% of the issued share capital of the FMC that may be made the subject of FMC Equity Awards.

The Company has established the ICG EBT 2015 which may be used to hold shares and cash in conjunction with employee incentive schemes established by the Company from time to time.

## EXECUTIVE DIRECTORS' CO-INVESTMENT IN THIRD PARTY FUNDS

Increasingly, fund investors expect Executive Directors to co-invest in funds. The following amounts have been committed by current Executive Directors from their own resources into third party funds operated by ICG:

Executive Director	EOS €000	ICG EF06 B Fund €000	ICG RF 08B Fund €000	ICG Europe Fund V €000	ICG Europe Fund VI €000	Intermediate Capital Asia Pacific Fund 2008 \$000	Intermediate Capital Asia Pacific III \$000
Christophe Evain	250	775	761	2,100	2,000	250	750
Benoît Durteste	400	617	1,000	2,250	2,000	–	1,000
Philip Keller	100	428	508	500	750	–	400

Executive Director	ICG Senior Debt Partners I €000	Strategic Secondaries Carbon Fund I \$000	Strategic Secondaries Fund II \$000	North America Private Debt Fund \$000	Total Credit €000	ICG Longbow III €000
Christophe Evain	250	375	506	1,000	–	–
Benoît Durteste	250	500	1,131	1,000	–	–
Philip Keller	–	375	396	1,000	116	200

# ANNUAL REPORT ON REMUNERATION

## CONTINUED

### CARRIED INTEREST ON THIRD PARTY FUNDS

The Company has established for its executives (including Executive Directors) carried interest arrangements under which between 60% and 90% 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. Those executives to whom allocations are made pay full market value for the interests at the time of acquisition hence no remuneration arises. The allocation of carried interest entitlements as at 31 March 2017 was as follows:

	Mezzanine Fund 2003	Intermediate Capital Asia Pacific Mezzanine Fund 2005	Intermediate Capital Asia Pacific Fund 2008
Executive Directors	12.4%	9.5%	21.3%
Former Executive Directors	25.1%	21.6%	4.3%
Other executives	37.5%	43.9%	54.4%
ICG	25.0%	25.0%	20.0%
Total	100.0%	100.0%	100.0%

	ICG Europe Fund V	ICG EF06 B Fund	ICG Europe Fund VI	ICG Senior Debt Partners I	ICG Senior Debt Partners II	ICG Strategic Secondaries Carbon Fund
Executive Directors	23.9%	30.3%	24.7%	20.0%	20.0%	18.0%
Other executives	56.1%	49.7%	55.3%	60.0%	60.0%	62.0%
ICG	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	Intermediate Capital Asia Pacific III	North America Private Debt Fund	Strategic Secondaries Carbon Fund I	Secondaries Velocity	Strategic Secondaries Fund II	ICG Longbow Development	ICG Longbow IV
Executive Directors	20.0%	20.0%	18.0%	17.7%	17.7%	6.0%	13.1%
Other executives	60.0%	60.0%	62.0%	62.3%	62.3%	74.0%	76.9%
ICG	20.0%	20.0%	20.0%	20.0%	20.0%	20%	10%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100%	100%

These carry holdings include third party carry and shadow carry.

Further details of each of these funds can be found on pages 18 and 19.

### THIRD PARTY CARRY (TPC) PURCHASES

The following allocation of TPC was made during the financial year.

	% of ICG Europe Fund VI points	% of ICG Strategic Secondaries Fund II points	% of ICG Longbow Development points	% of North America Private Debt Fund points	% of ICG Longbow IV points	% of ICG Senior Debt Partners II points
Christophe Evain	0.84%	8.19%	2.0%	8.19%	3.33%	9.33%
Benoît Durteste	0.84%	8.19%	2.0%	8.19%	3.33%	9.33%
Philip Keller	0.28%	1.34%	2.0%	3.62%	6.45%	1.34%

The percentages represent the individuals' share of the carry points available. Further details of these funds are available on pages 18 and 19.

## FEES PAID TO NON EXECUTIVE DIRECTORS (AUDITED)

In the financial year under review, Non Executive Directors' fees were as follows:

Non Executive Directors	Board membership fees £000	Board and Committee Chairman fees £000	Senior Independent Director fee £000	Audit Committee £000	Remuneration Committee £000	Risk Committee £000	Total for year ending 2017 £000	Total for year ending 2016 £000
Justin Dowley	0.0	66.2	0.0	0.0	0.0	0.0	66.2	195.0
Kevin Parry (Chairman)	18.6	153.0	3.2	0.0	2.9	2.9	180.6	94.1
Peter Gibbs	60.0	20.0	6.7	9.0	0.0	9.0	104.7	88.0
Kathryn Purves	60.0	15.0	0.0	9.0	0.0	0.0	84.0	71.9
Kim Wahl	60.0	0.0	0.0	9.0	9.0	9.0	87.0	73.0
Rusty Nelligan	32.8	8.2	0.0	0.0	0.0	4.9	45.9	–
Virginia Holmes	–	–	–	–	–	–	–	–

## PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments were made for loss of office in the financial year under review.

## PAYMENTS MADE TO PAST DIRECTORS (AUDITED)

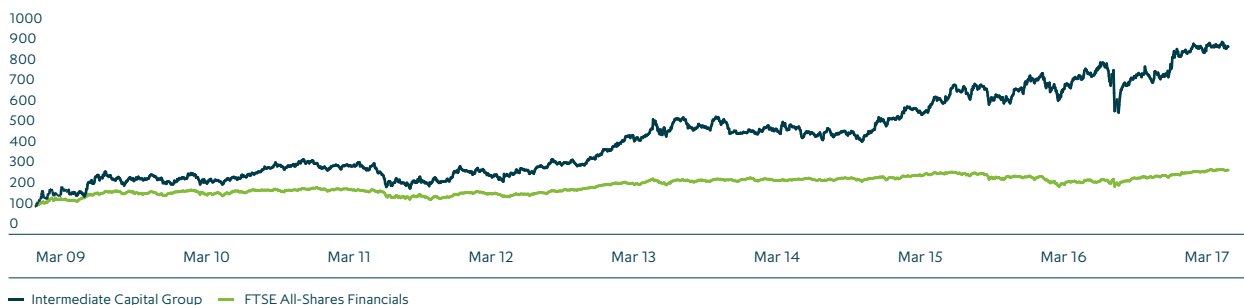
In the financial year ended 31 March 2017, the following payments were made to former Directors in respect of shadow carry and the vesting of PLC Equity awarded while they were Executive Directors.

Employee	PLC Equity Vesting £	Balance Sheet Carry £	Shadow Carry Payments £	Total £
Tom Attwood	1,049,858	162,245	21,032	1,233,135
François de Mitry	1,574,787	395,028	14,031	1,983,846
Andrew Phillips	–	–	136,552	136,552
Paul Piper	–	–	9,345	9,346

## ANNUAL REPORT ON REMUNERATION CONTINUED

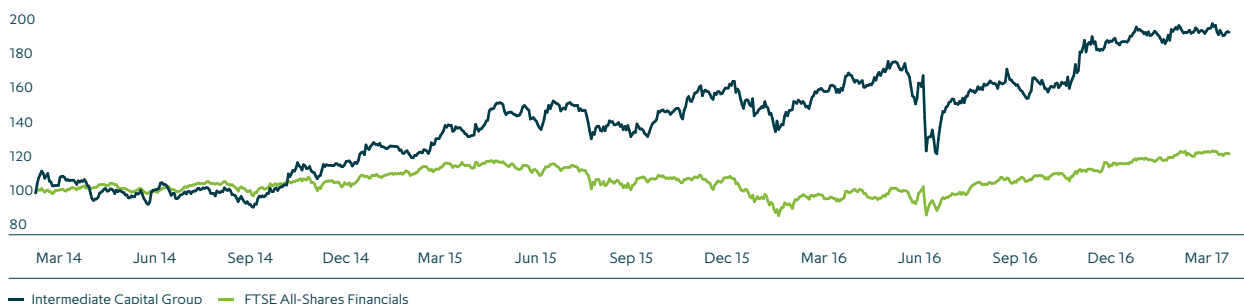
### PERFORMANCE GRAPH OF TOTAL SHAREHOLDER RETURN (EIGHT YEARS)

The graph below shows a comparison between the Company's total shareholder return performance and the total shareholder return for all the financial services companies in the FTSE All Share index. The graph compares the value, at 31 March 2009 of £100 invested in Intermediate Capital Group plc with the FTSE All Share Financial Index over the subsequent eight years. This index has been chosen to give a comparison with the average returns that shareholders could have received by investing in a range of other major financial services companies.



### THREE YEAR TOTAL SHAREHOLDER RETURN

The graph below shows a comparison between the Company's total shareholder return performance and the total shareholder return for all the financial services companies in the FTSE All Share Index over the last three years. Three years reflects the period over which we have returned excess capital to shareholders and seen the delivery of the fund management strategy.



## TOTAL REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The table below details the total remuneration (including the value of awards vesting in the current year, but awarded in prior years) of the Director holding the position of CEO of Intermediate Capital Group plc for the past eight years. This year's short term award to the CEO exceeds the maximum due to a portion of his final award being made in PLC Equity, reflecting his planned retirement, rather than in BSC. The long term award exceeding the maximum is significantly due to the one off gain arising from the unanticipated ICG Recovery Fund 2008 transaction.

	Financial year	Total remuneration £000	Percentage of maximum opportunity of short term incentives awarded	Percentage of maximum opportunity of long term incentives awarded
Christophe Evain	2017	6,888	102%	160%
	2016	4,295	76%	98%
	2015	5,103	80%	98%
	2014	4,797	97%	20%
	2013	1,492	24%	1%
	2012	2,973	43%	97%
	2011	5,941	44%	100%
Tom Attwood	2010	4,631	44%	100%

## PERCENTAGE CHANGE IN REMUNERATION OF DIRECTOR UNDERTAKING THE ROLE OF CHIEF EXECUTIVE

The table below details how changes to the CEO's pay compare with the change in the average pay across all employees of the Group. Each figure is a percentage change of the values between the previous financial year and the financial year under review. The total permanent workforce has been selected as the comparator for salaries and fees and short term incentives. The comparison of the increase in taxable benefits has been made for UK permanent employees only as their remuneration packages are most similar to that of the Chief Executive.

The short term incentive award to the CEO represents an award of PLC Equity, reflecting his planned retirement.

	Salaries and fees	Taxable benefits	Short term incentives
Chief Executive Officer	3.00%	9.94%	34.85%
All employees	3.88%	14.42%	14.41%

## RELATIVE IMPORTANCE OF SPEND ON PAY

The table below illustrates the relative importance of spend on pay compared with other disbursements from profit (namely distributions to shareholders) for the financial year under review and the previous financial year. A special dividend of £200m was paid in July 2016 and consequently shareholder distributions in the current financial year have fallen. The movement in staff costs reflects the increased headcount supporting the growth of the Group and the higher cost of awards due to a strong performance year.

	FY16 £m	FY17 £m	Percentage change
Ordinary dividend	72.5	75.7	4%
Special dividend	200.0	0.0	(100%)
<b>Total shareholder distributions</b>	272.5	75.7	(72%)
Permanent headcount	268	281	5%
<b>Employee costs</b>	103.4	139.3	35%

# ANNUAL REPORT ON REMUNERATION

## CONTINUED

### STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN FOLLOWING FINANCIAL YEAR

The growth in ICG, its increased complexity, the time commitment required from NEDs and market levels of remuneration have not been fully reflected in recent NED fee levels. In the coming years the NED burden will further increase due to the introduction of the senior managers' and certification regime to asset managers. ICG's fees have been benchmarked against median fees in the financial sector for FTSE 250 companies. Accordingly, with effect from 1 April 2017, fees have been increased but do not exceed a median benchmark.

The proposed salaries for the Executive Directors and fees for the NEDs for FY18 are set out below.

Annual salaries and fees £000

Role	Y/E 31 March 2018	Y/E 31 March 2017
Executive Director	386.0	375.0
Chairman	236.5	215.0
Non Executive Director (other than Chairman)	75.0	60.0
Senior Independent Director	15.0	10.0
Remuneration Committee Chairman	20.0	20.0
Audit Committee Chairman	20.0	15.0
Risk Committee Chairman	20.0	15.0
Member of the Audit Committee, Risk Committee or Remuneration Committee	12.0	9.0

Committee composition is set out on pages 42 and 43 and in the relevant Committee reports on pages 51 to 98.

For FY18, the AAP will be calculated as described in the Directors' remuneration policy. All incentives (excluding Third Party Carry and similar arrangements in respect of business acquisitions or ICG direct investment funds that do not give rise to a cost or liability to the Group) payable to employees of the Group will be funded out of the AAP.

The Executive Directors' annual bonus and other incentives will be dependent on them achieving specific objectives as set out on page 88.

### STATEMENT OF VOTING AT GENERAL MEETING

At the last AGM, votes on the remuneration report were cast as follows:

	Votes for	Votes against	Abstentions	Reasons for votes against, if known and actions taken by the Committee
Directors' Remuneration Report	91.06%	8.94%	568,840	While there were no particular concerns raised last year, the Committee has continued to engage with shareholders and their feedback has been incorporated into the proposed Policy.

At the AGM in July 2014, votes on the remuneration policy were cast as follows:

	Votes for	Votes against	Abstentions	Reasons for votes against, if known and actions taken by the Committee
Remuneration Policy	79.85%	20.15%	18,112,805	Directors of the Company met with a number of shareholders in the period subsequent to this vote; however, no material concerns in respect of the Policy were raised.



# DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the 12 months ended 31 March 2017. The risks to which the Group is subject and the policies in respect of such risks are set out on pages 27 to 34 and are incorporated into this report by reference. The Corporate Governance section set out on pages 39 to 98, is incorporated into this report by reference.

Throughout the year to 31 March 2017 the Group was in compliance with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council. A copy of the Code is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk).

## Significant shareholdings

As at 24 May 2017 the Company had been notified or otherwise become aware of the following interests pursuant to the Disclosure Rules and the Transparency Rules representing 3% or more of the issued share capital of the Company.

Institution	Number of shares	Percentage of voting rights
Aviva Investors	22,349,308	7.70
Schroders Plc	13,444,270	4.64
BlackRock Inc	12,118,384	4.18
Henderson Global Investors	10,217,560	3.52
Employee Share Scheme Trustees	10,153,592	3.50
Allianz Global Investors	9,589,800	3.31
Ameriprise Financial Inc	9,332,855	3.21
Legal & General Investment Mgmt Ltd	8,720,387	3.01

## DIRECTORS

The profiles of the Directors are shown on pages 42 and 43; those details are incorporated into this report by reference. In addition, Justin Dowley served as a Non Executive Director during the year, stepping down on 21 July 2016.

The composition of each of the Committees of the Board and the Chairman of each Committee are detailed in the report of each Committee, found on pages 51 to 98.

## Directors' interests

The interests of Directors who held office at 31 March 2017 and their connected persons, as defined by the Companies Act, are disclosed in the report of the Remuneration Committee on page 92.

Details of Directors' share options are provided in the report of the Remuneration Committee on page 92. During the financial year ending 31 March 2017, the Directors had no options over or other interests in the shares of any subsidiary company. No options over Company shares were issued to Directors under the Executive Share Option Schemes during the year.

## The roles of the Chairman and Chief Executive

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

The current Chairman, Kevin Parry, was considered independent at the date of his appointment as Chairman.

# DIRECTORS' REPORT

## CONTINUED

The Board has delegated the following responsibilities to the Executive Directors:

- The development and recommendation of strategic plans for consideration by the Board
- Delivery of objectives and priorities determined 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
- Developing and maintaining risk management systems

### Disclosure documents

The terms of reference of each of the Board Committees, together with the Directors' service agreements, the terms and conditions of appointment of Non Executive Directors and Directors' deeds of indemnity, are available for inspection at the Company's registered office during normal business hours.

### Committee proceedings

Each Committee has access to such external advice as it may consider appropriate. The terms of reference of each Committee are considered regularly by the respective Committee and referred to the Board for approval.

### Executive Committee

The Executive Committee consists of the three Executive Directors, each of whom has a specific area of responsibility. The Executive Committee has general responsibility for the Group's resources, determining strategy, financial and operational control and managing the business worldwide. Christophe Evain

is CEO and in addition to his strategic and operational remit he oversees the Group's Investment Committees in his role as the Chief Investment Officer. Philip Keller is CFOO and is responsible for finance, operations, IT, human resources, risk, compliance and legal. Benoît Durteste is Head of European Investments.

No one Executive Director is able to significantly affect the running of the Company without consulting his colleagues.

Following the change of Chief Executive, certain refinements to our management structures may be needed as we widen our management team.

### Board process

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, consider appropriate. A similar process is followed for each Committee.

### Advice for Directors

All Directors have access to the advice and services of the Company Secretary and the Secretaries to each of the Committees on which they serve, and may take independent professional advice at the Company's expense in the furtherance of their duties. The appointment or removal of the Company Secretary would be a matter for the Board.

### Meetings with the Chairman

The Non Executive Directors regularly hold meetings in the absence of the Executive Directors (at least five times per year and usually before or after each Board meeting) and, separately, in the absence of the Chairman.

### Senior Independent Director

Peter Gibbs currently holds the position of Senior Independent Director (SID) of the Company. In accordance with the Code, any shareholder concerns not resolved through the usual mechanisms for investor communication can be conveyed to the SID. The SID has met with a number of shareholders during the year.

The SID acts as a sounding board for the Chairman and a focus for any concerns or issues that other Directors or shareholders may have that are not being resolved. He also leads the annual appraisal of the Chairman.

### Directors' indemnity

The Company has entered into standard contractual indemnities with each of the Directors. The Company also provides Directors' and Officers' insurance for the Directors.

### Conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association allow the Directors to authorise conflicts of interest and the Board has adopted a policy and effective procedures for managing and, where appropriate, approving potential conflicts of interest. No material conflicts of interest exist.

### Internal control

The Board has overall responsibility for the Company's internal control system and monitoring risk management and internal controls for which we review their 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 detected within a timely period.

Through the regular meetings of the Board and the schedule of matters reserved to the Board or its duly authorised Committees, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues.

The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority.

The Board annually considers and approves a strategic plan and budget. In addition there are established procedures and processes in place for the making and monitoring of investments and the planning and controlling of expenditure. The Board also receives regular reports from the Executive Committee on the Company's operational and financial performance, measured against the annual budget as well as regulatory and compliance matters.

The Company has in place arrangements whereby individuals may raise matters of concern in confidence about possible improprieties in matters of financial reporting or other matters.

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

The Board confirms that an ongoing process for identifying, evaluating and managing the Group's significant risks has operated throughout the year and up to the date of the approval of the Directors' report and financial statements. For further details of the risks relating to the Group, please see pages 27 to 34 and the report of the Risk Committee on pages 60 to 64.

### Going concern statement

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore they have adopted the going concern basis of preparing the financial statements.

The Directors have made this assessment after reviewing the Group's latest forecasts for a period of three years, noting the £970.8m cash and unutilised committed debt facilities as at the end of FY17, no drawn debt facilities due to mature within the next 12 months and that 44% of committed (drawn and undrawn) facilities are due to mature within two years.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 38. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance and Operating Review on pages 20 to 26. In addition, note 5 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors believe that the Group and Company are well placed to manage the business risks successfully in the current economic environment.

### Forward-looking statements

This Annual Report includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking expressions, including the terms 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative or other variations or similar expressions, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include, but are not limited to, the following: statements regarding the intentions, beliefs or current expectations of the Directors, the Company and the Group concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, financial condition and liquidity, and the development of the countries and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Annual Report. In addition, even if the results of operations, financial condition and liquidity, and the development of the countries and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. Many of these factors are beyond the control of the Directors, the Company and the Group. Should one or more of these risks or uncertainties materialise, or should underlying assumptions on which the forward-looking statements are based prove incorrect, actual results may vary materially from those described in this Annual Report. Except to the extent required by laws and regulations, the Directors, the Company and the Group do not intend, and do not assume any obligation, to update any forward-looking statements set out in this Annual Report.

# 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, other than:

1. The Private Placement arrangements totalling £20m equivalent dated 26 June 2008, \$150m dated 8 May 2013, £258m equivalent dated 11 May 2015, \$292m dated 29 September 2016 and €74m dated 26 January 2017 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. Nine bilateral committed loan facility agreements totalling £440m and €98m entered into where a change of control gives lenders the right, but not the obligation, to cancel their commitments to the respective facility and declare the loans repayable on demand
3. The terms and conditions of the £35m retail bond issue which took place in December 2011, the £80m retail bond issue which took place in September 2012, the €50m wholesale bond issue which took place in March 2014, the €25m wholesale bond issue which took place in June 2014 and the £160m bond issue which took place in March 2015, each of which set out that following a change of control event, investors have the right but not the obligation to sell their notes to ICG if the change of control results in either a credit ratings downgrade from investment grade to sub-investment grade, or a downgrade of one or more notches if already sub-investment grade
4. The employee share schemes, details of which can be found in the Report of the Remuneration Committee on pages 69 to 98, awards and options under the 2001 Approved and Unapproved Executive Share Option Schemes and SAYE Plan 2004 become exercisable for a limited period following a change of control. Awards and options under the Omnibus Plan and the BSC Plan vest immediately on a change of control
5. Carried interest arrangements in respect of a number of funds vest fully in favour of ICG and certain of its employees following a change of control event

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 those described above and the usual payment in lieu of notice.

### Dividend

The Directors recommend a final net ordinary dividend payment in respect of the ordinary shares of the Company at a rate of 19.5p per share (2016: 15.8p), which when added to the interim net dividend of 7.5p per share (2016: 7.2p), gives a total net dividend for the year of 27.0p per share (2016: 23.0p). The recommendation is subject to the approval of shareholders at the Company's AGM on 25 July 2017.

The amount of ordinary dividend paid in the year was £70.9m (2016: £78.2m). In addition, a £200m special dividend payable at a rate of 63.4p per share was paid during the year and an associated share consolidation occurred.

### Disclosures required under UK Listing Rule 9.8.4

Dividend waivers have been issued in respect of shares which are held by the Group's EBT, or held as treasury shares; other than this, there are no disclosures required to be made under UK Listing Rule 9.8.4.

### Auditor

A resolution for the reappointment of the current auditor, Deloitte LLP, will be proposed at the forthcoming AGM. Details of auditor's remuneration for audit and non audit work are disclosed in note 11 to the accounts.

Further details are set out in the Audit Committee report on pages 51 to 59.

## DISCLOSURE OF INFORMATION TO THE AUDITOR

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

- (a) So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- (b) The Director has taken all reasonable steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information

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

## Post balance sheet events

Material events since the balance sheet date are described in note 35 and form part of the Directors' report disclosures.

## Political contributions

No contributions were made during the current and prior year for political purposes.

## Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions are detailed on page 38 which forms part of the Directors' report disclosures.

## Acquisition of shares by Employee Benefit Trust

Acquisitions of shares by the Intermediate Capital Group EBT 2015 purchased during the year are as described in note 22 to the financial statements.

## Share capital and rights attaching to the Company's shares

As at 31 March 2017 the issued share capital of the Company was 293,903,724 ordinary shares of 26¼p each (including 3,733,333 shares held in treasury). Certain key matters regarding the Company's share capital are noted below:

- Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise as the Company may from time to time by ordinary resolution determine or, in the absence of any such determination, as the Board may determine. All shares currently in issue are ordinary shares of 26¼p each carrying equal rights
- At a general meeting of the Company every member present in person or by a duly appointed proxy has one vote on a show of hands and on a poll one vote for each share held
- The Intermediate Capital Group EBT 2015 holds shares which may be used to satisfy options and awards granted under the Company's employee share schemes including its long term incentive plans. The voting rights of these shares are exercisable by the trustees in accordance with their fiduciary duties
- The notice of any general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting
- No shareholder is, unless the Board decides otherwise, entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if:
  - They 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)

- They or any interested person has failed to supply the Company with the information requested within 14 days where the shares subject to the notice (the 'default shares') represent at least 0.25% of their class or in any other case 28 days after delivery of the notice. Where the default shares represent 0.25% of their class, unless the Board decides otherwise, no dividend is payable in respect of those default shares and 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 Conduct Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly

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

- Certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws or the UK Takeover Code)
- Pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Company require approval of the Company to deal in the Company's shares

# DIRECTORS' REPORT

## CONTINUED

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

At the 2016 AGM the Directors were given the power to allot shares and grant rights to subscribe for, or convert any security into, shares: up to an aggregate nominal amount of £25,364,129 and, in the case of a fully pre-emptive rights issue only, up to a total amount of £50,728,259.

A resolution will be proposed to renew the Company's authority to allot further new shares at the forthcoming AGM. In accordance with applicable institutional guidelines, the proposed new authority will allow the Directors to allot ordinary shares equal to an amount of up to one third of the Company's issued ordinary share capital as at 24 May 2017 plus, in the case of a fully pre-emptive rights issue only, a further amount of up to an additional one third of the Company's issued share capital as at 24 May 2017. The authority for Directors to allot shares in the Company's shares is renewed annually and approval will be sought at the forthcoming AGM for its renewal.

The Directors' authority to effect purchases of the Company's shares on the Company's behalf is conferred by resolution of shareholders. At the 2016 AGM the Company was granted authority to purchase its own shares up to an aggregate value of approximately 10% of the issued ordinary share capital of the Company as at 31 May 2016. During the year no shares were bought back. The authority to effect purchases of the Company's shares is renewed annually and approval will be sought at the forthcoming AGM for its renewal.

### Powers of Directors

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

The Company's Articles of Association give power to the Board to appoint Directors. The Articles also require any Directors appointed by the Board to submit themselves for election at the first AGM following their appointment and for one third of the Company's Directors to retire by rotation at each AGM. Directors may resign or be removed by an ordinary resolution of shareholders. Notwithstanding the above, the Company has elected, in accordance with the UK Corporate Governance Code, to have all Directors reappointed on an annual basis.

### Election and re-election of Directors

The Company's current Articles of Association provide that a Director appointed by the Board shall retire at the AGM following their appointment and that at each AGM of the Company one third of the Directors must retire by rotation. The Board has decided that, in accordance with the Code, each of the Directors will retire and stand for re-election at each year's AGM.

In relation to the Directors who are standing for election or re-election, the Chairman is satisfied that, following the formal performance evaluation described above, each of the other Directors continues to be effective and demonstrates commitment to their role. In the case of the Chairman, the Non Executive Directors are satisfied that he continues to be effective and demonstrates commitment to his role.

### Relationships with shareholders

The Company recognises the importance of communication with its shareholders, particularly through interim and annual reports and the AGM. The Executive Directors, the SID and the Chairmen of the Board and each of its Committees will be available to answer shareholders' questions at the AGM. The number of proxy votes lodged in connection with the Company's AGM are announced following the conclusion of the relevant meeting. Please see page 50 for more details on engagement with shareholders.

## RESULTS OF RESOLUTIONS PROPOSED AT 2016 ANNUAL GENERAL MEETING

	Resolution	Votes for	Votes against	Votes withheld
To receive the financial statements and reports of the Directors and auditors for the financial year ended 31 March 2016.	1	250,378,998	173,403	59,737
To approve the Directors' remuneration report for the financial year ended 31 March 2016.	2	227,692,707	22,350,591	568,840
To declare a final dividend of 15.8 pence per ordinary share for the financial year ended 31 March 2016.	3	250,473,122	139,016	0
To reappoint Deloitte LLP as auditors of the Company to hold office as the Company's auditors until the conclusion of the Company's Annual General Meeting in 2017.	4	220,412,857	30,198,353	928
To authorise the Directors to set the remuneration of the auditors.	5	248,902,236	1,709,624	278
To reappoint Kevin Parry as a Director.	6	247,882,398	2,729,215	525
To reappoint Peter Gibbs as a Director.	7	249,317,417	1,294,196	525
To reappoint Kim Wahl as a Director.	8	245,291,608	1,914,726	3,405,804
To reappoint Kathryn Purves as a Director.	9	249,588,443	1,023,170	525
To reappoint Christophe Evain as a Director.	10	248,996,574	1,254,353	361,211
To reappoint Philip Keller as a Director.	11	247,364,906	3,246,707	525
To reappoint Benoît Durteste as a Director.	12	247,602,999	3,008,614	525
To grant the Directors authority to allot shares pursuant to section 551 of the Companies Act 2006.	13	240,987,824	9,622,314	2,000
Subject to the passing of resolution 13, to authorise the Directors to allot equity securities and to sell ordinary shares pursuant to sections 570 (1) and 573 of the Companies Act 2006.	14	220,174,077	19,106,825	11,331,236
To authorise the Company to make market purchases of its ordinary shares pursuant to section 701 of the Companies Act 2006.	15	246,681,581	3,930,528	29
To approve that a general meeting of the Company (other than the Annual General Meeting) may be called on less than 14 clear days' notice.	16	231,016,847	19,595,110	181
To declare a special dividend of 63.4 pence per ordinary share payable to holders of ordinary shares.	17	250,582,498	16,048	13,592
Subject to the passing of resolution 17, that every 9 existing ordinary shares be consolidated into 8 new ordinary shares of 26¼ pence each in the capital of the Company.	18	250,581,711	16,806	13,621
For the purposes of Article 97 of the Company's Articles of Association, to increase the maximum aggregate amount per annum which Directors shall be entitled by way of fees to £1,000,000.	19	245,852,345	4,751,827	7,966

The issued share capital of the Company at the date of the Annual General Meeting was 326,204,747 ordinary shares of 23½p each (excluding 4,200,000 treasury shares).

## 2017 ANNUAL GENERAL MEETING

The AGM of the Company will take place at the Head Office of the Company on 25 July 2017 at 11:30am. Details of the resolutions to be proposed at the AGM along with explanatory notes are set out in the circular to be posted to shareholders in June 2017 convening the meeting. In line with market practice, if votes of more than 20% of those voting are cast against a resolution, the Company will make a statement when announcing the results of the vote to explain any actions it intends to take to understand the reasons behind the vote result.



# DIRECTORS' RESPONSIBILITIES



**CHRISTOPHE EVAIN**  
Chief Executive Officer



**PHILIP KELLER**  
Chief Finance and Operating Officer

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRS as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, IAS 1 requires that Directors:

- 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 of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions or the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern

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

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

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with IFRS 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
- The management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Directors consider that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy

**CHRISTOPHE EVAIN**  
Chief Executive Officer  
24 May 2017

**PHILIP KELLER**  
Chief Finance and Operating Officer  
24 May 2017





# FINANCIAL

## STATEMENTS

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# AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERMEDIATE CAPITAL GROUP PLC

### Opinion on the parent company financial statements and the group financial statements of Intermediate Capital Group plc ('ICG')

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise:

- the Consolidated Income Statement;
- the Consolidated and Parent Company Statements of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Cash Flow;
- the Consolidated and Parent Company Statements of Changes in Equity; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 3 of the financial statements and the directors' statement on the longer-term viability of the Group contained within the corporate governance statement on page 34.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 30 to 33 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 3 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the director's explanation on page 34 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services to the Group as referred to in those standards.

### SUMMARY OF OUR AUDIT APPROACH

The key risks we identified are:

1. Valuation of unquoted equities, warrants and CLOs
2. Impairment of loans and equity investments classified as available for sale
3. Management fee recognition

We determined materiality for the Group to be £10.8 million (2016: £12.2 million). A lower materiality of £3.7 million (2016: £3.7 million) has been applied for the fund management revenue stream. We reported all audit differences in excess of £215,000 to the Audit Committee. In addition we also report audit differences in excess of £72,000 relating to the fund management revenue stream.

We performed a full scope audit on components representing 92% of the Group's profit before tax and 98% of the Group's net assets.

## OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

In the prior year, we identified a key risk relating to the application and interpretation of IFRS 10 Consolidated Financial Statements (IFRS 10). As there has been no significant change in the judgements relating to the application and interpretation of IFRS 10 during the reporting period, we have not reported on this risk this year.

We refined our risk assessment for interest income in the current year and focused on the significant judgements on changes to loan repayment dates and amounts. These have been addressed via our procedures performed on impairments of loans, which have been included in this audit report.

### 1. VALUATION OF UNQUOTED EQUITIES, WARRANTS AND CLOS

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	KEY OBSERVATIONS
<p>Unquoted equities, warrants and CLOs represented £297 million (25.3% of Group net assets) at 31 March 2017.</p> <p>Valuing unquoted equities, warrants and CLOs requires management to make a number of judgements, including valuation methodology and the discount or premium applied to unquoted equities and the prepayment rate or default rates applied to CLOs. As valuations are sensitive to these judgments, there is a risk that small changes in key assumptions can have a significant impact on fair value and therefore reported capital gains in the Consolidated Income Statement.</p> <p>The valuation techniques and inputs, as well as the significant unobservable inputs are disclosed in note 5 to the financial statements. The key sources of estimation uncertainty in relation to valuations are disclosed in note 4 to the financial statements.</p> <p>The description of this risk should be read conjunction with the significant issues considered by the Audit Committee discussed on page 55.</p>	<p>We assessed the Group's valuation methodology and challenged its appropriateness. We evaluated the design and implementation of related controls to determine that appropriate oversight from senior investment executives had been exercised within the valuations process. We also tested the operating effectiveness of controls around unquoted equity valuations.</p> <p>We tested a sample of unquoted equities and warrants by determining the appropriateness of the underlying data and assumptions, specifically including discount rates and comparable companies. We verified the inputs to the valuations (specifically to the management accounts and audited financial statements of the investee companies). We reviewed independent information, such as news stories, for the investee companies to identify any impact on management's valuation. We assessed the reasonableness of management estimates in previous valuations by performing a retrospective review of valuations based on recent exits. For the most material portfolio company investment, valued at £38million, we challenged management as to whether they have been too conservative in their valuation when taking into account news of a possible merger and debt write off in the portfolio company.</p> <p>We selected a sample of CLO loan notes, comprising different tranches of debt in CLO vehicles. For our sample, we recalculated the fair value with reference to an independent third party cash flow model. We used our internal specialists to challenge the significant assumptions; specifically: the CPR (Constant or Conditional Prepayment Rate), the CDR (Conditional Default Rate), the severity on defaulted loans and the interest margin on reinvestment amounts. These assumptions were obtained from an independent source. Where our base price was within a 5% threshold of the Group's we considered these valuations to be acceptable.</p>	<p>We determined the valuation methodology for the unquoted equity valuations, CLO loan notes and warrants to be appropriate, and are satisfied that the assumptions that management have made are appropriate and that the valuation at year end is acceptable. For the most material portfolio company investment, valued at £38million, we accepted management's valuation was appropriate and reflected the uncertainty in the relevant external factors. No CLO loan notes were outside of our 5% threshold.</p>

# AUDITOR'S REPORT

## CONTINUED

### 2. IMPAIRMENT OF LOANS AND EQUITY INVESTMENTS CLASSIFIED AS AVAILABLE FOR SALE

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	KEY OBSERVATIONS
<p>The Group's impairment charge represented £25.3 million for the year ending 31 March 2017. See note 10 to the financial statements.</p> <p>The identification of impairment events and the determination of the impairment charge require the application of significant judgment by management. There is a risk that management fail to identify an impairment event or that the impairment reported is overestimated.</p> <p>The Group's impairment policy is disclosed in note 3 to the financial statements. The key sources of estimation uncertainty in relation to impairment are disclosed in note 4 to the financial statements.</p> <p>The description of this risk should be read conjunction with the significant issues considered by the Audit Committee discussed on page 55.</p>	<p>We tested the design and implementation of key controls around impairments. We reviewed the whole loan portfolio for impairment indicators, including equity assets held at available for sale, and assessed the completeness of impairments for loans we deemed at high risk of impairment by reviewing independent information, such as publicly available information and investee financial reports for potential impairment triggers. Where changes to repayment dates negatively impacted the carrying value of assets, or where the equity value of an investee company was nil, we determined whether this indicated an impairment had occurred.</p> <p>For a sample of impairments that occurred during the year, we assessed management assumptions relating to the timing and recognition of the impairment events and charges and corroborated them to underlying data; such as enterprise valuations.</p> <p>We challenged management on one loan asset which had been impaired by £6.8 million; as there were indicators that management had been over conservative with the impairment charge. We also identified one portfolio company reflecting £30.2 million of assets, in which the Group has an equity and debt holding. The portfolio company had a negative cash position with debt covenants very close to being breached. We challenged management's judgement that an impairment event had not occurred by reviewing the portfolio company's performance and equity valuation.</p> <p>We also considered whether any impaired assets classified as available for sale have been correctly recycled through the Consolidated Income Statement.</p>	<p>We are satisfied that the impairment events occurred in the current financial year and with management's decision to impair these assets. We have found the judgements management have made in determining the quantum of the cash flows, which impact the impairment charge, to be appropriate.</p> <p>In respect of the £6.8 million loan asset we concluded that, considering significant uncertainties that could have a negative impact on the company's performance, management's impairment charge was acceptable. In respect of the portfolio company reflecting £30.2 million of assets, based on our additional procedures performed, we concurred with management's judgement that an impairment event had not occurred.</p> <p>We are satisfied that there is no material impairment event which occurred during the year that has not been identified by management.</p>

**3. MANAGEMENT FEE RECOGNITION**

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	KEY OBSERVATIONS
<p>Management fees represented £123.1 million (19.6% of the Group's revenue).</p> <p>There is a risk that there are errors in the amounts of the management fees reported as there is judgement around the interpretation and application of the terms of the investment management agreements.</p> <p>The Group's revenue accounting policy is disclosed in note 3 to the financial statements.</p> <p>The description of this risk should be read conjunction with the significant issues considered by the Audit Committee discussed on page 55.</p>	<p>We sampled the management fees across the Group's four asset classes, Corporate Investments, Capital Market Investments, Real Estate Investments and Secondary Investments, and tested £118 million (96%) of the total fees. We assessed the design and implementation of key controls around the management fee revenue cycle and the reliability of data provided by third party administrator of funds managed by the Group.</p> <p>We reviewed board minutes to identify any new fund launches to assess if management fees have been recognised on all funds under management. For our sample of management fees we obtained the most up to date management agreements and determined if the terms of the agreements were interpreted and applied correctly.</p>	<p>We are satisfied that management fees are not materially misstated.</p>

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# AUDITOR'S REPORT

## CONTINUED

### OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £10.8 million (2016: £12.2 million), which is approximately 1% of Net Assets (2016: 1% Net assets).

A lower materiality threshold of £3.7 million (2016: £3.7 million) has been applied to the Fund Management Company ('FMC') management fee income and FMC administrative expense account balances, transactions and disclosures. In the current year we revised our method of determining our lower materiality threshold to a more accurate reflection of FMC performance. The lower materiality has been based on 5% of profit before tax of the FMC segment adjusted to remove any management fees earned from the Investment Company segment.

We considered these measures to be suitable having compared to other industry benchmarks and consider them to be key measures that the users of the financial statements consider when assessing the performance of the Company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £215,000 (2016: £244,000) for all items except FMC management fee income and the FMC administrative expense revenue streams. For these balances we report all misstatements above £72,000 (2016: £72,000). We also report differences below these thresholds that, in our view warranted reporting on qualitative grounds. In addition, we report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group operates across Europe, Asia and America and is made up of entities within the Fund Management Company (FMC) and Investment Company (IC) businesses. All the key accounting records are maintained in the UK. We perform our Group scoping on an individual entity by entity basis to determine the significant components or specific balances which may be subject to testing. In performing this scoping we perform both a quantitative and qualitative assessment of all the entities consolidated into the Group. Group materiality is used for setting audit scope and the assessment of uncorrected misstatements. Component materialities, which are lower than Group materiality, are set for work on significant components – Audit testing for the significant components, was performed at component materiality ranging from £1.8 million – £7.3 million. (2016: £1.85 million – £6.1 million).

Our quantitative assessment was preliminary based on each entity's profit before tax (PBT), management fees and net assets. Further assessment is performed to ensure that reasonable coverage has been obtained across the entities. Our qualitative scoping is based on our understanding of the Group and its environment, including group-wide controls, current year events and our assessment of the risks of material misstatement at the Group level. Based on that assessment, we focused our group audit scope on the audit work associated with significant components subject to full scope audits for the year ended 31 March 2017.

### SIGNIFICANT COMPONENTS

Intermediate Capital Group PLC

Intermediate Capital Investments Ltd

ICG FMC Ltd

Intermediate Capital Managers Ltd

ICG Carbon Funding Limited

ICG Alternative Investment Limited

Intermediate Finance II PLC

ICG Global Investments UK Limited

We also performed full scope audits on an additional three components that were considered non-significant from a Group perspective as we perform our audit work on these entities at the same time as the Group audit in order to gain efficiencies.

Specified audit procedures were performed on another twelve non-significant components where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations within the components. The full scope components represent the most significant subsidiaries of the group, and account for approximately 98% (2016: 98%) of the group's net assets and 92% (2016: 93%) of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group engagement team is responsible for auditing the significant components.

### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

#### Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

#### Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

### Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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



**DAVID BARNES**  
(Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
24 May 2017

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £m	2016 £m
Finance and dividend income	8	204.2	207.3
Gains on investments	9	286.8	137.7
Fee and other operating income		134.1	104.3
<b>Total revenue</b>		<b>625.1</b>	449.3
Finance costs	8	(153.4)	(121.9)
Impairments	10	(25.3)	(8.9)
Administrative expenses	11	(194.3)	(141.9)
Change in deferred consideration estimate	7	–	(17.8)
Share of results of joint ventures accounted for using equity method	32	0.3	–
<b>Profit before tax</b>		<b>252.4</b>	158.8
Tax charge	13	(34.2)	(20.2)
<b>Profit for the year</b>		<b>218.2</b>	138.6
<b>Attributable to:</b>			
Equity holders of the parent		217.8	138.6
Non controlling interests	18	0.4	–
		<b>218.2</b>	138.6
<b>Earnings per share</b>	15	<b>74.5p</b>	41.9p
<b>Diluted earnings per share</b>	15	<b>74.5p</b>	41.9p

All activities represent continuing operations.

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



## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 MARCH 2017

Group	Notes	2017 £m	2016 £m
Profit for the year		<b>218.2</b>	138.6
Available for sale financial assets:			
– (Losses)/gains arising in the year which may be reclassified to profit or loss in future periods	9	<b>(2.6)</b>	42.6
– Reclassification adjustment for net gains recycled to profit	9	<b>(45.7)</b>	(18.0)
Exchange differences on translation of foreign operations		<b>23.0</b>	9.5
		<b>(25.3)</b>	34.1
Tax credit/(charge) on items taken directly to or transferred from equity	26	<b>6.3</b>	(2.4)
Other comprehensive (expense)/income for the year		<b>(19.0)</b>	31.7
<b>Total comprehensive income for the year</b>		<b>199.2</b>	170.3
<b>Attributable to:</b>			
Equity holders of the parent		<b>198.8</b>	170.3
Non controlling interests		<b>0.4</b>	–
		<b>199.2</b>	170.3

Company	Notes	2017 £m	2016 £m
(Loss)/profit for the year	6	<b>(94.6)</b>	127.7
Available for sale financial assets:			
– Gains arising in the year which may be reclassified to profit or loss in future periods		<b>1.6</b>	6.9
– Reclassification adjustment for gains recycled to profit		<b>(9.8)</b>	(6.1)
		<b>(8.2)</b>	0.8
Tax (charge)/credit on items taken directly to or transferred from equity	26	<b>(1.2)</b>	2.8
Other comprehensive (expense)/income for the year		<b>(9.4)</b>	3.6
<b>Total comprehensive (expense)/income for the year</b>		<b>(104.0)</b>	131.3

The Group's other comprehensive expense for the year of £19.0m (2016: income of £31.7m) and the Company's other comprehensive expense for the year of £9.4m (2016: income of £3.6m) may be reclassified to profit or loss in future periods.

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

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 Group £m	2016 Group £m	2017 Company £m	2016 Company £m
<b>NON CURRENT ASSETS</b>					
Intangible assets	16	20.7	23.6	16.3	19.1
Property, plant and equipment	17	9.2	8.1	8.2	6.4
Financial assets: loans, investments and warrants	19	4,886.7	3,715.9	1,476.6	1,412.4
Derivative financial assets	19	6.4	3.3	3.2	2.0
Deferred tax asset	26	0.3	0.4	–	–
		4,923.3	3,751.3	1,504.3	1,439.9
<b>CURRENT ASSETS</b>					
Trade and other receivables	20	208.3	216.4	530.1	630.0
Financial assets: loans and investments	21	89.7	182.6	89.6	182.6
Derivative financial assets	21	40.3	28.3	40.3	28.3
Current tax debtor		33.7	15.1	28.8	16.8
Cash and cash equivalents		780.9	182.5	443.9	48.0
		1,152.9	624.9	1,132.7	905.7
<b>Total assets</b>		<b>6,076.2</b>	<b>4,376.2</b>	<b>2,637.0</b>	<b>2,345.6</b>
<b>EQUITY AND RESERVES</b>					
Called up share capital	22	77.1	77.0	77.1	77.0
Share premium account		179.0	177.6	179.0	177.6
Capital redemption reserve		5.0	5.0	5.0	5.0
Own shares reserve	22	(82.2)	(77.0)	(21.3)	(21.3)
Other reserves		66.5	95.5	56.3	53.3
Retained earnings including Company loss of £94.6m (2016: £127.7m profit)		927.2	963.1	459.4	824.9
<b>Equity attributable to owners of the Company</b>		<b>1,172.6</b>	<b>1,241.2</b>	<b>755.5</b>	<b>1,116.5</b>
Non controlling interest	18	0.7	0.9	–	–
<b>Total equity</b>		<b>1,173.3</b>	<b>1,242.1</b>	<b>755.5</b>	<b>1,116.5</b>
<b>NON CURRENT LIABILITIES</b>					
Provisions	23	1.3	2.0	1.3	2.0
Financial liabilities	24	4,304.9	2,674.2	1,121.5	761.2
Derivative financial liabilities		33.6	31.6	32.7	31.6
Deferred tax liabilities	26	77.0	51.0	23.3	9.8
		4,416.8	2,758.8	1,178.8	804.6
<b>CURRENT LIABILITIES</b>					
Provisions	23	0.7	0.7	0.7	0.7
Trade and other payables	25	464.8	233.4	695.4	289.5
Financial liabilities	24	–	106.6	–	106.6
Current tax creditor		14.0	5.1	–	–
Derivative financial liabilities		6.6	29.5	6.6	27.7
		486.1	375.3	702.7	424.5
<b>Total liabilities</b>		<b>4,902.9</b>	<b>3,134.1</b>	<b>1,881.5</b>	<b>1,229.1</b>
<b>Total equity and liabilities</b>		<b>6,076.2</b>	<b>4,376.2</b>	<b>2,637.0</b>	<b>2,345.6</b>

Company Registration Number: 02234775. The accompanying notes are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 24 May 2017 and were signed on its behalf by:



**KEVIN PARRY**  
Director



**PHILIP KELLER**  
Director

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 Group £m	2016 Group £m	2017 Company £m	2016 Company £m
<b>Operating activities</b>					
Interest received		232.4	206.3	90.5	83.4
Fees received		140.4	77.9	24.0	8.2
Dividends received		158.5	28.4	15.1	27.8
Interest paid		(149.4)	(95.3)	(53.0)	(46.1)
Payments to suppliers and employees		(135.9)	(141.2)	(91.4)	(110.3)
Net proceeds/(purchase) from sale of current financial assets		153.7	(35.8)	98.2	7.8
Purchase of loans and investments		(2,344.6)	(1,378.3)	(37.1)	(85.1)
Recoveries on previously impaired assets		–	1.7	–	–
Proceeds from sale of loans and investments – principal		1,070.0	1,034.1	211.8	186.5
Proceeds from sale of loans and investments – gains on investments		797.4	66.6	95.3	34.1
<b>Cash (used in)/generated from operating activities</b>		<b>(77.5)</b>	<b>(235.6)</b>	<b>353.4</b>	<b>106.3</b>
Taxes paid		(7.7)	(3.9)	(6.4)	(0.8)
<b>Net cash (used in)/generated from operating activities</b>		<b>(85.2)</b>	<b>(239.5)</b>	<b>347.0</b>	<b>105.5</b>
<b>Investing activities</b>					
Cash flow on behalf of subsidiary undertakings		–	–	305.1	2.2
Purchase of property, plant and equipment	17	(4.1)	(4.2)	(4.0)	(3.3)
Purchase of intangible assets	16	–	(18.3)	–	(18.3)
Loss of control of subsidiary		–	(9.1)	–	–
<b>Net cash (used in)/generated from investing activities</b>		<b>(4.1)</b>	<b>(31.6)</b>	<b>301.1</b>	<b>(19.4)</b>
<b>Financing activities</b>					
Dividends paid	14	(270.9)	(378.2)	(270.9)	(378.2)
Increase in long term borrowings		1,931.1	679.1	648.1	309.2
Repayment of long term borrowings		(807.9)	(183.1)	(466.7)	(121.6)
Net cash outflow from derivative contracts		(150.2)	(40.5)	(132.1)	(52.5)
Purchase of remaining 49% of Longbow Real Estate Capital LLP	7	(41.7)	–	(41.7)	–
Net purchase of own shares		(23.6)	(27.4)	–	(5.5)
Proceeds on issue of shares		1.5	3.4	1.5	3.4
<b>Net cash generated from/(used in) financing activities</b>		<b>638.3</b>	<b>53.3</b>	<b>(261.8)</b>	<b>(245.2)</b>
<b>Net increase/(decrease) in cash</b>		<b>549.0</b>	<b>(217.8)</b>	<b>386.3</b>	<b>(159.1)</b>
Cash and cash equivalents at beginning of year		182.5	391.9	48.0	206.8
Effect of foreign exchange rate changes		49.4	8.4	9.6	0.3
<b>Net cash and cash equivalents at end of year</b>		<b>780.9</b>	<b>182.5</b>	<b>443.9</b>	<b>48.0</b>
<b>Presented on the statements of financial position as:</b>					
Cash and cash equivalents		780.9	182.5	443.9	48.0

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

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 MARCH 2017

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m	Non controlling interest £m	Total equity £m
Balance at 1 April 2016	77.0	177.6	5.0	43.6	51.9	(77.0)	963.1	<b>1,241.2</b>	0.9	<b>1,242.1</b>
Profit for the year	–	–	–	–	–	–	217.8	<b>217.8</b>	0.4	<b>218.2</b>
Available for sale financial assets (note 9)	–	–	–	–	(48.3)	–	–	<b>(48.3)</b>	–	<b>(48.3)</b>
Exchange differences on translation of foreign operations	–	–	–	–	–	–	23.0	<b>23.0</b>	–	<b>23.0</b>
Tax on items taken directly to or transferred from equity	–	–	–	(2.8)	9.1	–	–	<b>6.3</b>	–	<b>6.3</b>
Total comprehensive (expense)/income for the year	–	–	–	<b>(2.8)</b>	<b>(39.2)</b>	–	<b>240.8</b>	<b>198.8</b>	<b>0.4</b>	<b>199.2</b>
Movement in control of subsidiary	–	–	–	–	–	–	0.6	<b>0.6</b>	(0.6)	–
Own shares acquired in the year	–	–	–	–	–	(23.7)	–	<b>(23.7)</b>	–	<b>(23.7)</b>
Options/awards exercised	0.1	1.4	–	(12.1)	–	18.5	(6.4)	<b>1.5</b>	–	<b>1.5</b>
Credit for equity settled share schemes	–	–	–	25.1	–	–	–	<b>25.1</b>	–	<b>25.1</b>
Dividends paid	–	–	–	–	–	–	(270.9)	<b>(270.9)</b>	–	<b>(270.9)</b>
<b>Balance at 31 March 2017</b>	<b>77.1</b>	<b>179.0</b>	<b>5.0</b>	<b>53.8</b>	<b>12.7</b>	<b>(82.2)</b>	<b>927.2</b>	<b>1,172.6</b>	<b>0.7</b>	<b>1,173.3</b>

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total equity £m
Balance at 1 April 2016	77.0	177.6	5.0	41.4	11.9	(21.3)	824.9	<b>1,116.5</b>
Loss for the year	–	–	–	–	–	–	(94.6)	<b>(94.6)</b>
Available for sale financial assets	–	–	–	–	(8.2)	–	–	<b>(8.2)</b>
Tax on items taken directly to or transferred from equity	–	–	–	(2.8)	1.6	–	–	<b>(1.2)</b>
Total comprehensive expense for the year	–	–	–	<b>(2.8)</b>	<b>(6.6)</b>	–	<b>(94.6)</b>	<b>(104.0)</b>
Options/awards exercised	0.1	1.4	–	(11.7)	–	–	–	<b>(10.2)</b>
Credit for equity settled share schemes	–	–	–	24.1	–	–	–	<b>24.1</b>
Dividends paid	–	–	–	–	–	–	(270.9)	<b>(270.9)</b>
<b>Balance at 31 March 2017</b>	<b>77.1</b>	<b>179.0</b>	<b>5.0</b>	<b>51.0</b>	<b>5.3</b>	<b>(21.3)</b>	<b>459.4</b>	<b>755.5</b>

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

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017 **CONTINUED**

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total £m	Non controlling interest £m	Total equity £m
Balance at 1 April 2015	80.6	674.3	1.4	45.8	32.5	(162.0)	783.8	<b>1,456.4</b>	2.2	<b>1,458.6</b>
Profit for the year	–	–	–	–	–	–	138.6	<b>138.6</b>	–	<b>138.6</b>
Available for sale financial assets (note 9)	–	–	–	–	24.6	–	–	<b>24.6</b>	–	<b>24.6</b>
Exchange differences on translation of foreign operations	–	–	–	–	–	–	9.5	<b>9.5</b>	–	<b>9.5</b>
Tax on items taken directly to or transferred from equity	–	–	–	2.8	(5.2)	–	–	<b>(2.4)</b>	–	<b>(2.4)</b>
Total comprehensive income for the year	–	–	–	<b>2.8</b>	<b>19.4</b>	–	<b>148.1</b>	<b>170.3</b>	–	<b>170.3</b>
Loss of control of subsidiary	–	–	–	–	–	–	(13.4)	<b>(13.4)</b>	(1.3)	<b>(14.7)</b>
Movement in control of subsidiary	–	–	–	–	–	–	10.2	<b>10.2</b>	–	<b>10.2</b>
Own shares acquired in the year	–	–	–	–	–	(24.7)	–	<b>(24.7)</b>	–	<b>(24.7)</b>
Options/awards exercised	–	3.3	–	(22.3)	–	30.4	(8.1)	<b>3.3</b>	–	<b>3.3</b>
Credit for equity settled share schemes	–	–	–	17.3	–	–	–	<b>17.3</b>	–	<b>17.3</b>
Reduction in share premium	–	(500.0)	–	–	–	–	500.0	–	–	–
Cancellation of shares	(3.6)	–	3.6	–	–	79.3	(79.3)	–	–	–
Dividends paid	–	–	–	–	–	–	(378.2)	<b>(378.2)</b>	–	<b>(378.2)</b>
<b>Balance at 31 March 2016</b>	<b>77.0</b>	<b>177.6</b>	<b>5.0</b>	<b>43.6</b>	<b>51.9</b>	<b>(77.0)</b>	<b>963.1</b>	<b>1,241.2</b>	<b>0.9</b>	<b>1,242.1</b>

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Available for sale reserve £m	Own shares £m	Retained earnings £m	Total equity £m
Balance at 1 April 2015	80.6	674.3	1.4	43.7	11.1	(97.6)	654.7	<b>1,368.2</b>
Profit for the year	–	–	–	–	–	–	127.7	<b>127.7</b>
Available for sale financial assets	–	–	–	–	0.8	–	–	<b>0.8</b>
Tax on items taken directly to or transferred from equity	–	–	–	2.8	–	–	–	<b>2.8</b>
Total comprehensive income for the year	–	–	–	<b>2.8</b>	<b>0.8</b>	–	<b>127.7</b>	<b>131.3</b>
Own shares acquired in the year	–	–	–	–	–	(3.0)	–	<b>(3.0)</b>
Options/awards exercised	–	3.3	–	(21.4)	–	–	–	<b>(18.1)</b>
Credit for equity settled share schemes	–	–	–	16.3	–	–	–	<b>16.3</b>
Reduction in share premium	–	(500.0)	–	–	–	–	500.0	–
Cancellation of shares	(3.6)	–	3.6	–	–	79.3	(79.3)	–
Dividends paid	–	–	–	–	–	–	(378.2)	<b>(378.2)</b>
<b>Balance at 31 March 2016</b>	<b>77.0</b>	<b>177.6</b>	<b>5.0</b>	<b>41.4</b>	<b>11.9</b>	<b>(21.3)</b>	<b>824.9</b>	<b>1,116.5</b>

In December 2015, the High Court granted a £500m reduction in the Company's share premium account. This resulted in £500m being transferred to retained earnings and increased the distributable reserves of the Company at 31 March 2016 by £500m.

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

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 1. GENERAL INFORMATION

Intermediate Capital Group plc is incorporated in England and Wales with Company registration number 02234775. The registered office is Juxon House, 100 St Paul's Churchyard, London EC4M 8BU.

The nature of the Group's operations and its principal activities are detailed in the Directors' report.

#### 2. ADOPTION OF NEW AND REVISED STANDARDS

At the date of signing of these financial statements, certain new standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group. The Directors are in the process of assessing the impact of the forthcoming standards on the operations of the Group.

##### International Financial Reporting Standards (IAS/IFRS)

		Accounting periods commencing on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 10/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Amendments to IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018

IFRS 9: Financial Instruments is effective for implementation during the financial year ending 31 March 2019. A detailed analysis of the Group's financial instruments and how these will be affected by the requirements of IFRS 9 has been undertaken. At this stage, there is not expected to be a material impact on the financial statements, although the ongoing assessment of IFRS 9 is continuing.

IFRS 15: Revenue from Contracts with Customers is effective for implementation during the financial year ending 31 March 2019. A preliminary assessment of IFRS 15 indicates that this will not have a material impact on the financial statements of the Group.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU and in compliance with Article 4 of the EU IAS Regulation.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments and non derivative financial instruments valued at fair value through profit or loss and available for sale financial assets, valued at fair value through equity.

The functional and presentational currency of the Group and Company is Sterling.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

##### Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of preparing the financial statements.

The Directors have made this assessment in light of the £970.8m cash and unutilised debt facilities following a period of high realisations, no significant drawn bank facilities maturing in the next 12 months, and after reviewing the Group's latest forecasts for a period of three years from the reporting date.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 38. This includes on pages 20 to 26 the Finance and Operating Review detailing the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 5 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors continually monitor the debt profile of the Group and Company, and seek to refinance senior facilities a substantial period before they mature. The Group and Company have no significant drawn facilities due to mature within the next 12 months.

### Basis of consolidation

The Group's financial statements consolidate the results of Intermediate Capital Group plc and entities controlled by the Company for the period to 31 March each year.

Subsidiaries are all entities over which the Company has control. The Company controls an investee when it has power over the relevant activities, exposure to variable returns from the investee, and the ability to affect those returns through its power over the investee.

The assessment of control is based on all relevant facts and circumstances and the Company reassesses its conclusion if there is an indication that there are changes in facts and circumstances. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Each component of other comprehensive income and profit or loss is attributed to the owners of the Company and to the non controlling interests.

Adjustments are made to the financial statements of subsidiaries for consistency with the accounting policies of the Group. All intra-group transactions, balances, unrealised income and expenses are eliminated on consolidation.

### Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of all assets, liabilities and contingent liabilities of the acquired business at their fair value at the acquisition date. Contingent consideration is measured at fair value on the date of acquisition. Subsequent changes in contingent consideration resulting from events after the date of acquisition is recognised through the income statement.

The excess of the fair value at the date of acquisition of the cost of investments in subsidiaries over the fair value of the net assets acquired which is not allocated to individual assets and liabilities is determined to be goodwill. When the Group acquires additional shares in an entity it already controls, any excess of the fair value of consideration over the non controlling interest acquired is immediately deducted from equity and attributed to the owners of the Company.

### Investment in subsidiaries

Investments in subsidiaries in the Parent Company statement of financial position are recorded at cost less provision for impairments or at fair value through profit or loss.

### Investment in associates

An associate is an entity over which the Group has significant influence, but no control, over the financial and operating policy decisions of the entity. As the investments in associates are held for venture capital purposes they are designated at fair value through profit or loss.

### Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangements. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting from the date on which the investee becomes a joint venture except when the investment is held for venture capital purposes in which case they are designated as fair value through profit and loss. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost, and adjusted thereafter to recognise the Group's share of the joint venture's profit or loss.

### Employee Benefit Trust

The Employee Benefit Trust (EBT) acts as a special purpose vehicle, with the purpose of purchasing and holding shares of the Company for the hedging of future liabilities arising as a result of the employee share based compensation scheme. The EBT is consolidated into the Group's financial statements.

### Own shares held

Shares of the Company acquired by the EBT for the purpose of hedging share based payment transactions, or repurchased directly by the Company, are recognised and held at cost in the reserve for own shares. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own shares.

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### Income recognition

Finance income includes interest income and dividend income. Interest income on financial assets held at amortised cost is measured using the effective interest rate method.

Dividend income is recognised in the income statement when the Group's right to receive income is established.

Gains on investments movements comprise gains on disposal of available for sale financial assets and fair value gains and losses on both financial assets and financial liabilities at fair value through profit or loss. Movements are recognised as incurred.

Fund management fees and commissions are recognised in the income statement when the related service has been performed.

The Group receives carried interest from the third party funds it manages once those funds exceed a performance target. Carried interest is recognised only when there is a reasonable expectation that performance conditions will be met and the amounts will be paid in cash.

#### Finance costs

Finance costs comprise interest expense on financial liabilities, fair value losses on derivatives and net foreign exchange losses.

Interest expense on financial liabilities held at amortised cost is measured using the effective interest rate method. The expected life of the liability is based upon the maturity date.

Interest expense on financial liabilities held at fair value through profit or loss is recognised when the obligation to pay interest is established.

Changes in the fair value of derivatives are recognised in the income statement as incurred.

#### Operating leases

Operating lease payments, net of lease incentives, are recognised as an expense in the income statement on a straight line basis over the lease term.

#### Employees' benefits

Contributions to the Group's defined contribution pension schemes are charged to the income statement as incurred.

The Group issues compensation to its employees under equity settled share based payment plans. Equity-settled share-based payments are measured at the fair value of the awards at grant date. The fair value includes the effect of non market based vesting conditions. The fair value determined at the date of grant is expensed on a straight line basis over the vesting period. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of non market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

#### Taxation

Tax expense comprises current and deferred tax.

#### Current tax

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

#### Deferred tax

Deferred tax is provided in respect of temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction, other than a business combination, that affects neither the tax nor the accounting profit.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to be applied to their respective period of realisation, provided they are enacted or substantially enacted at the reporting date.

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

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.



## Foreign currencies

Transactions denominated in foreign currencies are translated using the exchange rates prevailing at the date of the transactions. At each reporting date, monetary assets and liabilities denominated in a foreign currency are retranslated at the rates prevailing at the reporting date. Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the date the fair value was determined. Non monetary items that are measured at historical cost are translated using rates prevailing at the date of the transaction.

The assets and liabilities of the Group's foreign operations are translated using the exchange rates prevailing at the reporting date. Income and expense items are translated using the average exchange rates during the year. Exchange differences arising from the translation of foreign operations are taken directly to the translation reserve.

## Financial assets

Financial assets are classified into the following categories, financial assets 'at fair value through profit or loss' (FVTPL), 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets.

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include held for trading derivative financial instruments and debt and equity instruments designated as fair value through profit or loss. A financial asset is classified as at FVTPL if:

- it is a derivative that is not designated and effective as a hedging instrument; or
- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is managed, evaluated and reported internally on a fair value basis, in accordance with the Group's documented risk management or investment strategy.

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value on a recurring basis with gains or losses arising from changes in fair value recognised through gains in investments in the income statement. Dividends or interest earned on the financial asset are excluded from the gains on investments and recognised separately within finance income.

### *Loans and receivables*

Loans and receivables are held at amortised cost, less any impairment. They 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.

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. The carrying value of loans and receivables is considered a reasonable approximation of fair value. Any premium or discount on disposal of a loan or receivable to a third party is recognised through gains on investments.

### *Available For Sale*

AFS financial assets are financial assets not classified elsewhere and include listed bonds and listed and unlisted equity instruments.

AFS financial assets are initially recognised at fair value. They are subsequently measured at fair value on a recurring basis with gains and losses arising from changes in fair value included as a separate component of equity until its sale or impairment, at which time the cumulative gain or loss previously recognised in equity is recognised through gains in investments in the income statement. Dividend income earned on the financial asset is excluded from the gains on investments and recognised separately within finance income.

## Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when substantially all the risks and rewards of ownership of the asset are transferred to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying value amount and the sum of the consideration received and receivable, and the cumulative gain or loss previously recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

## Offsetting of financial assets

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

##### Impairment of financial assets

With the exception of financial assets classified as fair value through profit or loss, the Group assesses whether there is objective evidence that financial assets may be impaired at each reporting date such as a covenant breach or restructuring. A financial asset is impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future flows.

For an investment in an equity instrument held as an AFS financial asset, a significant or prolonged decline in its fair value below cost is considered objective evidence of impairment.

If an impairment event has occurred on financial assets measured at amortised cost, 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 original effective interest rate.

Impairment losses are recognised in the income statement. If the impairment relates to AFS financial assets, the loss is recycled from other comprehensive income to the income statement.

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

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

##### Financial assets held for sale

The Group classifies non current financial assets that are expected to be recovered primarily from sale as held for sale. This condition is regarded as met only when the asset is available for immediate sale, the Directors are committed to the sale, and the sale is expected to be completed within one year from date of classification.

Non current assets held for sale are initially recognised at cost, and subsequently measured at the lower of their carrying amount and fair value less costs to sell.

##### Financial liabilities

Financial liabilities which include borrowings, with the exception of financial liabilities designated as FVTPL, are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

Financial liabilities at FVTPL include derivative liabilities and other financial liabilities designated as FVTPL. A financial instrument is classified as at FVTPL if it is a derivative that is not designated and effective as a hedging instrument, or the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial liabilities at FVTPL are initially recognised and subsequently measured at fair value on a recurring basis with gains or losses arising from changes in fair value recognised through gains in investments in the income statement. Interest paid on the financial instruments is excluded from the gains on investments and recognised separately within finance costs.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire.

##### Derivative financial instruments for hedging

The Group holds derivative financial instruments to hedge foreign currency and interest rate exposures. Derivatives, including embedded derivatives which are not considered to be closely related to the host contract, are recognised at fair value determined using independent third party valuations or quoted market prices on a recurring basis. Changes in fair values of derivatives are recognised immediately in the income statement.

A derivative with a positive fair value is recognised as a financial asset whilst a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non current asset or non current liability if the remaining maturity of the instrument is more than 12 months, otherwise a derivative will be presented as a current asset or current liability.

## Intangible assets

### *Goodwill*

Goodwill is initially recognised and measured as set out in the Business Combinations accounting policy and is reviewed at least annually for impairment. Any impairment is recognised immediately in the Group's income statements and is not subsequently reversed.

### *Other intangible assets*

Intangible assets with finite useful lives that are acquired separately, including investment management contracts and contact databases, are carried at cost less accumulated depreciation and impairment losses. These are measured at cost and are being amortised on a straight line basis over the expected life of the contract, currently three to eight years.

## Dividends paid

Dividends paid to the Company's shareholders are recognised in the period in which the dividends are declared. In the case of final dividends, this is when they are approved by the Company's shareholders at the AGM. Dividends paid are recognised as a deduction from equity.

## Cash and cash equivalents

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less.

## 4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of judgement

#### *Control and significant influence*

When assessing whether ICG controls any entities it is necessary to determine whether ICG acts in the capacity of principal or agent for the third party investor. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties, whereas a principal is primarily engaged to act for its own benefit. This is an area of significant judgement and is determined with reference to decision-making authority, rights held by other parties, remuneration and exposure to returns.

A significant judgement when determining that ICG acts in the capacity of principal or agent is the kick-out rights of the third party shareholders. Across each of the funds where ICG has a significant ownership interest (greater than 15%) we have reviewed these kick-out rights. Where the investors have substantive rights to remove ICG as the investment adviser it has been concluded that ICG is an agent to the fund and thus the fund does not require consolidation into the Group. However, we consider ICG to have significant influence over these funds and have therefore recognised them as associates. Where the conclusion is that ICG acts in the capacity of principal the fund has been consolidated into the Group.

Further details of this analysis are outlined in notes 31 and 32.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Determination of fair values*

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's-length transaction at measurement date.

The following methods and assumptions are used to estimate the fair values:

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

##### *AFS financial assets and financial assets at FVTPL*

The fair value of equity investments and warrants are based on quoted prices, where available. Where quoted prices are not available, the fair value is based on recent significant transactions using an earnings based valuation technique or, where the Group holds an investment in an unlisted fund, the net asset value of the fund. We have reviewed the underlying valuation techniques of these funds and consider them to be in line with those of the Group.

The valuation techniques applied follow the International Private Equity and Venture Capital valuation guidelines (December 2015) and include some assumptions which are not supportable by observable market prices or rates. The majority of the portfolio of unquoted shares and warrants is valued using an earnings based technique.

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

The Group's policy is to use reported earnings based on the latest management accounts available from the company, adjusted for non recurring items. For each company being valued, the earnings multiple is derived from a set of comparable listed companies or relevant market transaction multiples that have been approved by the Investment Committee. A premium or discount is applied to the earnings multiple to adjust for points of difference relating to risk and earnings growth prospects between the comparable company set and the private company being valued. The adjusted multiple is the key valuation input which could change fair values significantly if a reasonably possible alternative assumption was made. The sensitivity analysis of this input is disclosed in note 5.

##### *Other derivatives*

The fair value of the derivatives used for hedging purposes is derived from pricing models which take account of the contract terms, as well as quoted market parameters such as interest rates and volatilities. The Group has loans and receivables with a conversion option embedded. Given the low probability of conversion by the Group, the value attributed to these embedded derivatives is nil.

##### *Impairment*

On a quarterly basis the Investment Committee reviews each asset in the Group's portfolio. Assets which are underperforming or which the Committee wishes to receive regular updates on are added to the watch list. During the quarterly review the Committee will identify any impairment events and subsequently determine the level of impairment required. Typical impairment events include, but are not limited to, non payment of cash interest, covenant breach, deterioration in trading, a restructuring or a significant and prolonged decline in the value of the investment.

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 flow. 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 initially recognised in the financial statements.

#### 5. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. There are systems of controls in place to create an acceptable balance between the potential costs, should such a risk occur, and the cost of managing those risks. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities.

The Group has exposure to the following risks arising from financial instruments:

- market risk
- liquidity risk
- credit risk

This section provides details of the Group's approach to financial risks and describes the methods used by the Board to mitigate and control such risk.

##### **Market risk**

Market risk includes exposure to interest rates and foreign currency.

### 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 its shareholders' funds, bank borrowings, private placement notes, public bonds, and fixed and floating rate notes. The Group manages its exposure to market interest rate movements by matching, to the extent possible, the interest rate profiles of assets and liabilities and by using derivative financial instruments. As a result, the Group does not have material financial exposure to interest rate movements. The sensitivity of assets and liabilities to interest rate risk is disclosed below. The Group's sensitivity to movements is assumed by applying 100 basis points sensitivity to interest rates to the Group's forecast model.

### Sensitivity to interest rate risk

	2017			2016		
	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Financial assets	4,336.0	1,629.6	5,965.6	2,581.4	1,716.0	4,297.4
Financial liabilities	(3,227.0)	(1,544.7)	(4,771.7)	(1,968.1)	(1,048.8)	(3,016.9)
	1,109.0	84.9	1,193.9	613.3	667.2	1,280.5

The sensitivity of floating rate financial assets to the 100 basis points interest rate increase is £43.4m (2016: £25.8m) and the sensitivity of financial liabilities to the same interest rate increase is £32.3m (2016: £19.7m). There is no interest rate risk exposure on fixed rate financial assets or liabilities.

### Foreign exchange risk

The Group is exposed to currency risk in relation to currency transactions and the translation of net assets, and income statement of foreign subsidiaries. The Group's most significant exposures are to the Euro and the US Dollar. Exposure to market currency risk is managed by matching assets with liabilities 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 Group is also exposed to currency risk arising on the translation of fund management fee income receipts, which are primarily denominated in Euro and US Dollar. Fund management fee income is hedged to provide more certainty over the value of future cash inflows.

The sensitivity to movements in exchange rates is assumed by applying a percentage measure, based on the volatility of the applicable currency, as defined in the Group's treasury policy, to the net currency asset or liability at the balance sheet date.

The effect of fluctuations in other currencies is considered by the Directors to be insignificant in the current and prior year. The net assets/ (liabilities) by currency and the sensitivity of the balances to foreign exchange rates are shown below:

	2017				
	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Increase in net assets £m
Sterling	153.9	851.6	1,005.5	–	–
Euro	730.2	(617.2)	113.0	15%	17.0
US Dollar	56.8	(6.7)	50.1	20%	10.0
Other currencies	253.0	(221.2)	31.8	10–25%	–
	1,193.9	6.5	1,200.4	–	27.0

	2016				
	Net statement of financial position exposure £m	Forward exchange contracts £m	Net exposure £m	Sensitivity to strengthening %	Increase in net assets £m
Sterling	(147.6)	1,079.1	931.5	–	–
Euro	960.4	(700.9)	259.5	15%	38.9
US Dollar	205.7	(214.9)	(9.2)	20%	(1.8)
Other currencies	262.0	(192.8)	69.2	10–25%	–
	1,280.5	(29.5)	1,251.0	–	37.1

The weakening of the above currencies would have resulted in an equal but opposite impact, being a decrease in net assets.

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 5. FINANCIAL RISK MANAGEMENT CONTINUED

##### Liquidity risk

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

The table below shows the liquidity profile of the Group's financial liabilities, based on contractual repayment dates of principal and interest payments. Future interest and principal cash flows have been calculated based on exchange rates and floating rate interest rates as at 31 March 2017. It is assumed that Group borrowings under its senior debt facilities remain at the same level as at 31 March 2017 until contractual maturity. Included in financial liabilities maturing in less than one year are contractual interest payments.

##### Liquidity profile

	Contractual maturity analysis				Total £m
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	
As at 31 March 2017					
<b>Non derivative financial liabilities</b>					
Private placements	34.5	120.5	361.5	411.3	927.8
Listed notes and bonds	18.2	117.1	111.5	168.0	414.8
Unsecured bank debt	0.7	43.1	–	–	43.8
Structured entities controlled by the Group	76.6	76.6	229.7	3,658.5	4,041.4
<b>Derivative financial instruments</b>					
Derivative financial instruments	(1.8)	(4.7)	(6.8)	12.8	(0.5)
	128.2	352.6	695.9	4,250.6	5,427.3

As at 31 March 2017 the Group has unutilised debt facilities of £970.8m (2016: £781.3m) which consists of undrawn debt of £480.9m (2016: £669.0m) and £489.9m (2016: £112.3m) of unencumbered cash. Unencumbered cash excludes £291.0m (2016: £70.2m) of restricted cash held principally by structured entities controlled by the Group.

	Contractual maturity analysis				Total £m
	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	
As at 31 March 2016					
<b>Non derivative financial liabilities</b>					
Private placements	107.1	19.5	273.0	191.7	591.3
Listed notes and bonds	18.0	18.0	214.6	176.0	426.6
Unsecured bank debt	25.0	0.8	32.6	–	58.4
Structured entities controlled by the Group	47.4	47.4	142.2	2,364.8	2,601.8
<b>Derivative financial instruments</b>					
Derivative financial instruments	9.0	(5.5)	(8.6)	10.0	4.9
	206.5	80.2	653.8	2,742.5	3,683.0

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. During the financial year, \$292m and €74m of US private placements were raised with five, eight and 10 year maturities, enabling the repayment of maturing private placements and a reduction in existing bank facilities.

##### Credit risk

Credit risk is the risk of financial loss to the Group as a result of a counterparty failing to meet its contractual obligations. This risk is principally in connection with the Group's loans and receivables due from portfolio companies.

This risk is mitigated by the disciplined credit procedures that the Investment Committees have in place prior to making an investment and the ongoing monitoring of that investment throughout its lifespan. In addition, the risk of significant credit loss is further mitigated by the Group's policy to diversify its investment portfolio in terms of geography and industry sector and to limit the amount invested in any single company.

*Exposure to credit risk*

	2017 £m	2016 £m
Senior mezzanine and senior debt	271.9	386.2
Junior mezzanine	211.4	181.6
Interest bearing equity	154.6	115.4
Non interest bearing equity	452.2	530.6
<b>Co-investment portfolio</b>	<b>1,090.1</b>	<b>1,213.8</b>
Investment in equity funds	151.7	103.7
Investment in credit funds	168.2	224.9
Investment in CLOs	196.9	131.3
Investment in real estate funds	107.1	124.3
Investments within structured entities controlled by the Group	3,172.7	1,917.9
<b>Non current financial assets</b>	<b>4,886.7</b>	<b>3,715.9</b>

Included within the co-investment portfolio is £653.4m (2016: £508.3m) of assets invested through ICG Europe Fund V Limited, ICG Europe Fund VI Limited, ICG North America Private Debt Fund and ICG Asia Pacific Fund III which are accounted for as associates designated as FVTPL. The Group minimises its surplus operational cash balance by the regular forecasting of cash flow requirements, debt management and cash pooling arrangements. Credit risk exposure on cash and derivative instruments is managed in accordance with the Group's treasury policy which provides limits on exposures with any single financial institution.

The Directors consider the Group's credit exposure to trade and other receivables and current assets held for sale to be low and as such no further analysis has been presented. The Directors consider the credit risk of the investments within the structured entities controlled by the Group to be low. The investments principally comprise senior loans, and the recourse is limited to within the structured entities that the Group controls.

The carrying amount of financial assets represents the Directors' assessment of the maximum credit risk exposure of the Group and Company at the balance sheet date. Impairment losses taken during the year reflect the decline in recoverability on individual assets, either as a result of company specific or of general macroeconomic conditions.

The Directors believe that credit risk as a result of the concentration of significant counterparties is low as there is no individual counterparty comprising more than 10% of the Group's total exposure. The Group's largest individual exposure at 31 March 2017 was £114.5m to Diamond Castle Partners 2014 LP, a portfolio of investments (2016: £110.1m to Parkeon).

**Fair value measurements recognised in the statement of financial position**

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 5. FINANCIAL RISK MANAGEMENT CONTINUED

##### Fair value measurements recognised in the statement of financial position CONTINUED

This is followed by a more detailed analysis of the financial instruments which are based on unobservable inputs (Level 3 assets).

The following tables provide reconciliations of movements in their fair value during the year split by asset category and by geography.

The Group is required to provide disclosures at a more detailed level than by asset category, segregating each asset category by sector or geography. The Group has chosen to present financial instruments by geography as the diverse nature of the Group's assets makes any disclosure of assets by industry less meaningful to the Group's risk profile than geographical factors.

Financial assets/ financial liabilities	Fair value as at 31 March 2017 £m	Fair value as at 31 March 2016 £m	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Listed portfolio investments	4.3	62.1	1	A small number of assets have been listed on various stock exchanges around the world, providing an external basis for valuing the Group's holdings	n/a	n/a
Listed credit fund investments	50.2	64.2	1	Quoted bid prices in an active market	n/a	n/a
<b>Level 1 assets</b>	<b>54.5</b>	<b>126.3</b>				
Listed portfolio investments	38.0	33.1	2	Internally modelled valuation based on combination of market prices and observable inputs	n/a	n/a
Level 2 assets within structured entities controlled by the Group	3,337.2	2,048.7	2	The fair value has been determined using independent broker quotes based on observable inputs	n/a	n/a
Current and non current derivative assets	46.7	31.6	2	The Group uses widely recognised valuation models for determining the fair values of over the counter interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The valuations are market observable, internally calculated and verified to externally sourced data and are therefore included within Level 2	n/a	n/a
<b>Level 2 assets</b>	<b>3,421.9</b>	<b>2,113.4</b>				
Level 3 investments	204.1	308.7	3	Earnings based technique. The earnings multiple is derived from a set of comparable listed companies or relevant market transaction multiples. A premium or discount is applied to the earnings multiple to adjust for points of difference relating to risk and earnings growth prospects between the comparable company set and the private company being valued. Earnings multiples are applied to the maintainable earnings to determine the enterprise value. From this, the value attributable to the Group is calculated based on its holding in the company after making deductions for higher ranking instruments in the capital structure. To determine the value of warrants, the exercise price is deducted from the equity value	The discount applied is generally in the range of 11% to 35% and exceptionally as high as 55%. A premium has been applied to four assets in the range of 2% to 79%. The earnings multiple is generally in the range of 8 to 13, and exceptionally as high as 16 and as low as 4	The higher the adjusted multiple, the higher the valuation



Financial assets/ financial liabilities	Fair value as at 31 March 2017 £m	Fair value as at 31 March 2016 £m	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Illiquid debt investments within structured entities controlled by the Group	62.5	40.9	3	Where there are no recent transactions, fair value may be determined from the last market price adjusted for all changes in risks and information since that date. Where a close proxy instrument is quoted in an active market, then fair value is determined by adjusting the proxy value for differences in the risk profile of the instruments	A premium/discount is applied taking into account market comparisons, seniority of debt, credit rating, current debt, interest coupon, maturity of the loan and jurisdiction of the loan	The higher the premium, the higher the valuation. The higher the discount, the lower the valuation
Investments in unlisted funds	916.2	678.3	3	The net asset value (NAV) of the fund is based on the underlying investments which are held either as FVTPL assets or as loans and receivables initially recognised at fair value and subsequently valued at amortised cost. The carrying value of loans and receivables held at amortised cost are considered a reasonable approximation of fair value. We have reviewed the underlying valuation techniques of the funds and consider them to be in line with those of the Group	The NAV of the underlying fund, typically calculated under IFRS	The higher the NAV, the higher the fair value
Investments in unlisted CLOs	54.9	33.4	3	Discounted cash flow at a discount rate of 11%. The following assumptions are applied to each investment's cashflows: 3% annual default rate, 20% annual prepayment rate, 70% recovery rate	Discounted cash flows	The higher the cash flows, the higher the fair value. The higher the discount, the lower the fair value
<b>Level 3 assets</b>	<b>1,237.7</b>	<b>1,061.3</b>				
Level 2 liabilities within structured entities controlled by the Group	(3,183.4)	(1,913.0)	2	The fair value of debt securities issued at FVTPL is dependent upon the fair value of investment securities and derivative financial instruments. Any changes in the valuation have a direct impact to the fair value of debt securities issued	n/a	n/a
Current and non current derivative liabilities	(40.2)	(61.1)	2	The Group uses widely recognised valuation models for determining the fair values of over the counter interest rate swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The valuations are market observable, internally calculated and verified to externally sourced data and are therefore included within Level 2	n/a	n/a
<b>Level 2 liabilities</b>	<b>(3,223.6)</b>	<b>(1,974.1)</b>				

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 5. FINANCIAL RISK MANAGEMENT CONTINUED

##### Fair value measurements recognised in the statement of financial position CONTINUED

				2017
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets at FVTPL</b>				
Designated as FVTPL				
– US	–	2,327.2	227.4	2,554.6
– UK	51.0	151.3	703.1	905.4
– France	3.5	243.8	131.8	379.1
– Germany	–	176.3	8.0	184.3
– Netherlands	–	134.0	4.3	138.3
– Other	–	304.6	104.8	409.4
	54.5	3,337.2	1,179.4	4,571.1
Derivative financial instruments – warrants				
– Germany	–	–	6.2	6.2
– France	–	–	3.4	3.4
– Other	–	–	0.6	0.6
	–	–	10.2	10.2
AFS financial assets held at fair value				
– US	–	38.0	1.6	39.6
– France	–	–	26.3	26.3
– UK	–	–	13.8	13.8
– Italy	–	–	2.9	2.9
– Other	–	–	3.5	3.5
	–	38.0	48.1	86.1
Other derivative financial instruments	–	46.7	–	46.7
	54.5	3,421.9	1,237.7	4,714.1
<b>Financial liabilities at FVTPL</b>				
– Structured entities controlled by the Group	–	3,183.4	–	3,183.4
Other derivative financial instruments	–	40.2	–	40.2
	–	3,223.6	–	3,223.6

	Level 1 £m	Level 2 £m	Level 3 £m	2016 Total £m
<b>Financial assets at FVTPL</b>				
Designated as FVTPL				
– US	–	1,368.9	147.7	1,516.6
– UK	67.3	98.2	592.6	758.1
– France	–	137.0	168.3	305.3
– Germany	–	119.2	3.3	122.5
– Netherlands	–	95.3	2.1	97.4
– Other	11.9	230.1	48.3	290.3
	79.2	2,048.7	962.3	3,090.2
Derivative financial instruments – warrants				
– France	–	–	12.3	12.3
– Germany	–	–	7.5	7.5
	–	–	19.8	19.8
AFS financial assets held at fair value				
– Australia	40.7	–	4.5	45.2
– France	–	–	42.3	42.3
– US	–	33.1	14.1	47.2
– UK	–	–	18.1	18.1
– Other	6.4	–	0.2	6.6
	47.1	33.1	79.2	159.4
Other derivative financial instruments	–	31.6	–	31.6
	126.3	2,113.4	1,061.3	3,301.0
<b>Financial liabilities at FVTPL</b>				
– Structured entities controlled by the Group	–	1,913.0	–	1,913.0
Other derivative financial instruments	–	61.1	–	61.1
	–	1,974.1	–	1,974.1

#### Reconciliation of Level 3 fair value measurements of financial assets

The tables detail the movements in financial assets valued using the Level 3 basis of measurement in aggregate.

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

	Financial assets at FVTPL £m	Derivative financial instruments – warrants £m	AFS assets £m	Total £m
At 1 April 2016	962.3	19.8	79.2	1,061.3
<b>Total gains or losses in the income statement</b>				
– Realised gains	(87.1)	(10.3)	(12.4)	(109.8)
– Fair value gains/(losses)	173.8	(0.6)	–	173.2
– Foreign exchange	77.9	1.3	5.1	84.3
<b>Total gains or losses in other comprehensive income</b>				
– Unrealised losses	–	–	(0.4)	(0.4)
Purchases	261.5	–	0.3	261.8
Realisations	(224.4)	–	(23.7)	(248.1)
Transfer between assets	15.4	–	–	15.4
At 31 March 2017	1,179.4	10.2	48.1	1,237.7

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 5. FINANCIAL RISK MANAGEMENT CONTINUED

##### Fair value measurements recognised in the statement of financial position CONTINUED

##### Reconciliation of Level 3 fair value measurements of financial assets CONTINUED

	Financial assets at FVTPL £m	Derivative financial instruments – warrants £m	AFS assets £m	Total £m
At 1 April 2015	679.8	13.8	117.1	810.7
<b>Total gains or losses in the income statement</b>				
– Realised gains	(22.4)	(10.0)	(0.9)	(33.3)
– Fair value gains	89.6	15.0	–	104.6
– Foreign exchange	49.2	1.0	1.9	52.1
<b>Total gains or losses in other comprehensive income</b>				
– Unrealised gains	–	–	23.8	23.8
Purchases	192.3	–	0.4	192.7
Realisations	(69.5)	–	(19.3)	(88.8)
Transfer between assets	61.8	–	–	61.8
Transfers between levels	(18.5)	–	(43.8)	(62.3)
<b>At 31 March 2016</b>	<b>962.3</b>	<b>19.8</b>	<b>79.2</b>	<b>1,061.3</b>

Transfer between assets relate principally to movements between current and non current financial assets. During the prior year one of the Group's Level 3 assets was listed on the Australian Securities Exchange resulting in £56.8m being transferred to Level 1.

The Level 3 fair value movements by geography are as follows:

Financial assets at FVTPL	US £m	UK £m	France £m	Singapore £m	Australia £m	Other £m	Total £m
At 1 April 2016	147.7	592.6	168.3	10.5	12.8	30.4	962.3
<b>Total gains or losses in the income statement</b>							
– Realised gains	(3.2)	(76.4)	–	–	–	(7.5)	(87.1)
– Fair value gains	23.5	80.3	49.4	3.5	5.9	11.2	173.8
– Foreign exchange	21.9	39.4	5.6	4.8	2.3	3.9	77.9
Purchases	50.3	178.2	1.8	9.2	6.4	15.6	261.5
Realisations	(16.1)	(105.2)	(93.3)	–	–	(9.8)	(224.4)
Transfer between assets	3.3	(5.8)	–	16.2	1.2	0.5	15.4
<b>At 31 March 2017</b>	<b>227.4</b>	<b>703.1</b>	<b>131.8</b>	<b>44.2</b>	<b>28.6</b>	<b>44.3</b>	<b>1,179.4</b>

Derivative financial instruments – warrants	France £m	Germany £m	Other £m	Total £m
At 1 April 2016	12.3	7.5	–	19.8
<b>Total gains or losses in the income statement</b>				
– Realised gains	(10.3)	–	–	(10.3)
– Fair value gains/(losses)	0.6	(1.8)	0.6	(0.6)
– Foreign exchange	0.8	0.5	–	1.3
<b>At 31 March 2017</b>	<b>3.4</b>	<b>6.2</b>	<b>0.6</b>	<b>10.2</b>

AFS assets	France £m	Australia £m	US £m	UK £m	Other £m	Total £m
At 1 April 2016	42.3	4.5	14.1	18.1	0.2	79.2
<b>Total gains or losses in the income statement</b>						
– Realised gains	(3.9)	–	(8.5)	–	–	(12.4)
– Foreign exchange	3.0	0.6	0.4	1.1	–	5.1
<b>Total gains or losses in other comprehensive income</b>						
– Unrealised (losses)/gains	(2.8)	(2.8)	(1.0)	2.3	3.9	(0.4)
Purchases	–	–	–	0.3	–	0.3
Realisations	(12.3)	–	(3.4)	(8.0)	–	(23.7)
<b>At 31 March 2017</b>	<b>26.3</b>	<b>2.3</b>	<b>1.6</b>	<b>13.8</b>	<b>4.1</b>	<b>48.1</b>

Financial assets at FVTPL	US £m	UK £m	France £m	Singapore £m	Australia £m	Other £m	Total £m
At 1 April 2015	37.9	464.3	120.2	2.4	24.2	30.8	679.8
<b>Total gains or losses in the income statement</b>							
– Realised gains	–	(15.7)	–	–	–	(6.7)	(22.4)
– Fair value gains	18.5	36.6	29.8	1.6	2.3	0.8	89.6
– Foreign exchange	1.4	34.0	13.6	0.1	(0.7)	0.8	49.2
Purchases	30.6	132.3	11.3	6.4	–	11.7	192.3
Realisations	(9.6)	(44.3)	(2.9)	–	–	(12.7)	(69.5)
Transfer between assets	70.7	(14.6)	–	–	–	5.7	61.8
Transfer between levels	(1.8)	–	(3.7)	–	(13.0)	–	(18.5)
<b>At 31 March 2016</b>	<b>147.7</b>	<b>592.6</b>	<b>168.3</b>	<b>10.5</b>	<b>12.8</b>	<b>30.4</b>	<b>962.3</b>

Derivative financial instruments – warrants	France £m	UK £m	Germany £m	Total £m
At 1 April 2015	5.4	4.8	3.6	13.8
<b>Total gains or losses in the income statement</b>				
– Realised gains	–	(10.0)	–	(10.0)
– Fair value gains	6.4	5.2	3.4	15.0
– Foreign exchange	0.5	–	0.5	1.0
<b>At 31 March 2016</b>	<b>12.3</b>	<b>–</b>	<b>7.5</b>	<b>19.8</b>

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 5. FINANCIAL RISK MANAGEMENT CONTINUED

##### Fair value measurements recognised in the statement of financial position CONTINUED

##### Reconciliation of Level 3 fair value measurements of financial assets CONTINUED

AFS assets	France £m	Australia £m	US £m	UK £m	Other £m	Total £m
At 1 April 2015	37.8	38.9	12.5	25.9	2.0	117.1
Transfer between levels	–	(43.8)	–	–	–	(43.8)
<b>Total gains or losses in the income statement</b>						
– Realised gains	(0.9)	–	–	–	–	(0.9)
– Foreign exchange	3.3	(3.5)	0.5	1.5	0.1	1.9
<b>Total gains or losses in other comprehensive income</b>						
– Unrealised gains/(losses)	10.0	12.9	1.1	1.7	(1.9)	23.8
Purchases	–	–	–	0.4	–	0.4
Realisations	(7.9)	–	–	(11.4)	–	(19.3)
<b>At 31 March 2016</b>	<b>42.3</b>	<b>4.5</b>	<b>14.1</b>	<b>18.1</b>	<b>0.2</b>	<b>79.2</b>

#### Fair value

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

Financial assets at fair value	Sensitivity of financial asset to adjusted earnings multiple		
	Value in accounts £m	+10% £m	–10% £m
<b>2017</b>			
Financial assets designated as FVTPL	1,179.4	1,309.3	1,049.4
Derivative financial instruments held at fair value – warrants	10.2	12.2	8.2
AFS financial assets held at fair value	48.1	55.6	40.8
	<b>1,237.7</b>	<b>1,377.1</b>	<b>1,098.4</b>
<b>2016</b>			
Financial assets designated as FVTPL	962.3	1,071.5	820.3
Derivative financial instruments held at fair value – warrants	19.8	25.2	14.3
AFS financial assets held at fair value	79.2	86.3	72.2
	<b>1,061.3</b>	<b>1,183.0</b>	<b>906.8</b>

#### Derivatives

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

	Group 2017			Group 2016		
	Contract or underlying principal amount £m	Fair values		Contract or underlying principal amount £m	Fair values	
		Asset £m	Liability £m		Asset £m	Liability £m
<b>Foreign exchange derivatives</b>						
Forward foreign exchange contracts	885.1	7.1	(7.5)	1,172.8	5.6	(24.6)
Cross currency swaps	382.6	38.2	(32.7)	456.5	23.8	(36.5)
Interest rate swaps	20.0	1.4	–	20.0	2.2	–
<b>Total</b>	<b>1,287.7</b>	<b>46.7</b>	<b>(40.2)</b>	<b>1,649.3</b>	<b>31.6</b>	<b>(61.1)</b>

Included in derivative financial instruments is accrued interest on swaps of £1.9m (2016: £1.9m).

	Company 2017			Company 2016		
	Contract or underlying principal amount £m	Fair values		Contract or underlying principal amount £m	Fair values	
		Asset £m	Liability £m		Asset £m	Liability £m
Foreign exchange derivatives						
Forward foreign exchange contracts	757.9	3.9	(6.6)	1,077.1	4.3	(22.8)
Cross currency swaps	382.6	38.2	(32.7)	456.5	23.8	(36.5)
Interest rate swaps	20.0	1.4	–	20.0	2.2	–
Total	1,160.5	43.5	(39.3)	1,553.6	30.3	(59.3)

### 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 Conduct Authority and ensure that the Group maximises the return to shareholders through the optimisation of the debt and equity balance. The Group's strategy has remained unchanged from the year ended 31 March 2016.

The capital structure comprises debts, which include the borrowings disclosed in note 24, cash and cash equivalents, and capital and reserves of the Parent Company, comprising called up share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Group has complied with the imposed minimum capital throughout the year. The full Pillar 3 disclosures are available on the Company's website: [www.icgplc.com](http://www.icgplc.com).

### 6. PROFIT OF PARENT COMPANY

As permitted by section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's loss for the year amounted to £94.6m (2016: profit of £127.7m).

### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into the Fund Management Company (FMC) and the Investment Company (IC). Segment information about these businesses is presented below and is reviewed by the Executive Committee.

The Group reports the profit of the FMC separately from the profits generated by the IC. The FMC is defined as the operating unit and as such incurs the majority of the Group's costs, including the cost of the investment network, i.e. the Investment Executives and the local offices, as well as the cost of most support functions, primarily information technology, human resources and marketing. In the current period external fee income has been shown by strategic asset class and interest income and interest expense have been shown separately whereas previously these were disclosed as net interest income. The prior periods have been restated to reflect these changes.

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

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### Reconciliation of financial statements reported to the Executive Committee to the position reported under IFRS

Included in the table below are statutory adjustments made to the Investment Company for the following:

- For internal reporting purposes, the interest earned and impairments charged on assets where the Group co-invests in funds (ICG Europe Fund V, ICG Europe Fund VI, ICG Asia Pacific Fund III and ICG North America Private Debt Fund) and where the investment is in a fund where the underlying assets are interest bearing (real estate, liquid credit and senior debt funds) is presented within interest income/impairments whereas under IFRS it is included within the value of the investment/dividends
- The structured entities controlled by the Group are presented as fair value investments for internal reporting purposes, whereas the statutory financial statements present these entities on a fully consolidated basis
- Other adjustments relate to the joint venture investment in Nomura ICG KK which is presented internally on a proportional consolidation basis, whereas it is equity accounted under IFRS and Questus Energy Pty Limited where the costs are included on a line by line basis in the income statement for internal reporting purposes whereas in the IFRS financial statements these are collapsed into a single line, administrative expenses, to reflect its status as a non-controlled entity. In the prior year the one-off impacts of the change to the Longbow deferred consideration estimate and EBT settlement were excluded for internal reporting purposes

#### Consolidated income statement

Year ended 31 March 2017	Internally reported £m	Reclass of interest to dividends and gains £m	Consolidated structured entities £m	Other adjustments £m	Total adjustments £m	Financial statements £m
Fund management fee income	138.6	–	(15.0)	(0.9)	(15.9)	122.7
Other operating income	8.0	–	3.4	–	3.4	11.4
Gains on investments	201.4	51.3	34.6	(0.5)	85.4	286.8
Interest income	144.5	(77.3)	130.6	–	53.3	197.8
Dividend income	29.9	3.3	(26.8)	–	(23.5)	6.4
Total revenue	522.4	(22.7)	126.8	(1.4)	102.7	625.1
Share of results of joint venture accounted for using equity method	–	–	–	0.3	0.3	0.3
Interest expense	(53.9)	–	(99.0)	–	(99.0)	(152.9)
Net fair value (loss)/gain on derivatives	(1.3)	–	0.8	–	0.8	(0.5)
Impairment	(48.0)	22.7	–	–	22.7	(25.3)
Staff costs	(53.4)	–	–	2.1	2.1	(51.3)
Incentive scheme costs	(88.0)	–	–	–	–	(88.0)
Other administrative expenses	(41.6)	–	(12.0)	(1.4)	(13.4)	(55.0)
<b>Profit before tax</b>	<b>236.2</b>	<b>–</b>	<b>16.6</b>	<b>(0.4)</b>	<b>16.2</b>	<b>252.4</b>



## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

### Analysis of income and profit before tax

Year ended 31 March 2017	Corporate Investments £m	Capital Market Investments £m	Real Asset Investments £m	Secondary Investments £m	Total FMC £m	IC £m	Total £m
External fee income	78.2	23.7	21.9	14.8	138.6	–	138.6
Inter-segmental fee	12.7	2.1	1.7	1.6	18.1	(18.1)	–
<b>Fund management fee income</b>	<b>90.9</b>	<b>25.8</b>	<b>23.6</b>	<b>16.4</b>	<b>156.7</b>	<b>(18.1)</b>	<b>138.6</b>
Other operating income					–	8.0	8.0
Gains on investments					–	201.4	201.4
Interest income					(0.2)	144.7	144.5
Dividend income					23.2	6.7	29.9
<b>Total revenue</b>					<b>179.7</b>	<b>342.7</b>	<b>522.4</b>
Interest expense					–	(53.9)	(53.9)
Net fair value loss on derivatives					–	(1.3)	(1.3)
Impairment					–	(48.0)	(48.0)
Staff costs					(39.0)	(14.4)	(53.4)
Incentive scheme costs					(33.8)	(54.2)	(88.0)
Other administrative expenses					(32.9)	(8.7)	(41.6)
<b>Profit before tax</b>					<b>74.0</b>	<b>162.2</b>	<b>236.2</b>

Year ended 31 March 2016	Corporate Investments £m	Capital Market Investments £m	Real Asset Investments £m	Secondary Investments £m	Total FMC £m	IC £m	Total £m
External fee income	70.0	17.7	19.1	2.1	108.9	–	108.9
Inter-segmental fee	13.5	2.0	1.7	1.2	18.4	(18.4)	–
<b>Fund management fee income</b>	<b>83.5</b>	<b>19.7</b>	<b>20.8</b>	<b>3.3</b>	<b>127.3</b>	<b>(18.4)</b>	<b>108.9</b>
Other operating income					–	5.0	5.0
Gains on investments					–	128.6	128.6
Interest income					(0.4)	126.0	125.6
Dividend income					19.3	16.4	35.7
<b>Total revenue</b>					<b>146.2</b>	<b>257.6</b>	<b>403.8</b>
Interest expense					–	(45.9)	(45.9)
Net fair value loss on derivatives					–	(17.3)	(17.3)
Impairment					–	(39.4)	(39.4)
Staff costs					(30.4)	(8.8)	(39.2)
Incentive scheme costs					(24.5)	(39.7)	(64.2)
Other administrative expenses					(30.1)	(9.4)	(39.5)
<b>Profit before tax</b>					<b>61.2</b>	<b>97.1</b>	<b>158.3</b>

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Year ended 31 March 2016	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Longbow deferred consideration £m	EBT settlement £m	Other adjustments £m	Total adjustments £m	Financial statements £m
Fund management fee income	108.9	–	(9.9)	–	–	(0.7)	(10.6)	98.3
Other operating income	5.0	–	1.0	–	–	–	1.0	6.0
Gains on investments	128.6	(6.0)	15.5	–	–	(0.4)	9.1	137.7
Interest income	125.6	(24.5)	87.8	–	–	–	63.3	188.9
Dividend income	35.7	–	(17.3)	–	–	–	(17.3)	18.4
Total revenue	403.8	(30.5)	77.1	–	–	(1.1)	45.5	449.3
Interest expense	(45.9)	–	(57.7)	–	–	–	(57.7)	(103.6)
Net fair value loss on derivatives	(17.3)	–	(1.0)	–	–	–	(1.0)	(18.3)
Impairment	(39.4)	30.5	–	–	–	–	30.5	(8.9)
Staff costs	(39.2)	–	–	–	–	0.4	0.4	(38.8)
Incentive scheme costs	(64.2)	–	–	–	–	–	–	(64.2)
Other administrative expenses	(39.5)	–	(2.2)	–	2.3	0.5	0.6	(38.9)
Change in deferred consideration estimate	–	–	–	(17.8)	–	–	(17.8)	(17.8)
Profit before tax	158.3	–	16.2	(17.8)	2.3	(0.2)	0.5	158.8

#### Employee Benefit Trust

In the prior year, the Group utilised £1.3m of a £3.6m accrual held on the balance sheet as at 31 March 2015 in relation to a claim for taxes in respect of the Employee Benefit Trust (EBT), with the remaining £2.3m released to the income statement.

#### Longbow deferred consideration

In the prior year, the Group acquired the remaining 49% of Longbow Real Estate Capital LLP, thereby giving it 100% of the equity of the UK real estate debt specialist. The final deferred consideration amount was calculated at £41.7m following the outstanding success of this business, resulting in a £17.8m increase to the original estimate. This was recognised through the income statement.

#### Consolidated statement of financial position

	2017					
	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Other adjustments £m	Total adjustments £m	Financial statements £m
Non current financial assets	1,711.6	1.1	3,172.7	1.3	3,175.1	4,886.7
Other non current assets	36.6	–	–	–	–	36.6
Cash	490.3	–	293.5	(2.9)	290.6	780.9
Current financial assets	89.7	–	–	–	–	89.7
Other current assets	172.9	(1.1)	111.9	(1.4)	109.4	282.3
Total assets	2,501.1	–	3,578.1	(3.0)	3,575.1	6,076.2
Non current financial liabilities	1,121.5	–	3,183.4	–	3,183.4	4,304.9
Other non current liabilities	106.5	–	5.4	–	5.4	111.9
Current liabilities	158.8	–	329.8	(2.5)	327.3	486.1
Total liabilities	1,386.8	–	3,518.6	(2.5)	3,516.1	4,902.9
Equity	1,114.3	–	59.5	(0.5)	59.0	1,173.3
Total equity and liabilities	2,501.1	–	3,578.1	(3.0)	3,575.1	6,076.2

	2016					
	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Other adjustments £m	Total adjustments £m	Financial statements £m
Non current financial assets	1,798.0	(2.9)	1,919.7	1.1	1,917.9	3,715.9
Other non current assets	34.1	–	1.3	–	1.3	35.4
Cash	112.7	–	72.2	(2.4)	69.8	182.5
Current financial assets	182.6	–	–	–	–	182.6
Other current assets	202.8	2.9	55.1	(1.0)	57.0	259.8
<b>Total assets</b>	<b>2,330.2</b>	<b>–</b>	<b>2,048.3</b>	<b>(2.3)</b>	<b>2,046.0</b>	<b>4,376.2</b>
Non current financial liabilities	761.2	–	1,913.0	–	1,913.0	2,674.2
Other non current liabilities	84.6	–	–	–	–	84.6
Current financial liabilities	106.6	–	–	–	–	106.6
Other current liabilities	161.7	–	93.8	13.2	107.0	268.7
<b>Total liabilities</b>	<b>1,114.1</b>	<b>–</b>	<b>2,006.8</b>	<b>13.2</b>	<b>2,020.0</b>	<b>3,134.1</b>
Equity	1,216.1	–	41.5	(15.5)	26.0	1,242.1
<b>Total equity and liabilities</b>	<b>2,330.2</b>	<b>–</b>	<b>2,048.3</b>	<b>(2.3)</b>	<b>2,046.0</b>	<b>4,376.2</b>

### Consolidated statement of cash flows

	2017				
	Internally reported £m	Reclass of dividends from realisations £m	Consolidated structured entities £m	Other adjustments £m	Financial statements £m
Interest, fees and dividends received	321.0	122.4	87.9	–	531.3
Interest paid	(53.0)	–	(96.4)	–	(149.4)
Net proceeds from current financial assets	153.7	–	–	–	153.7
Purchase of loans and investments	(366.0)	–	(1,978.6)	–	(2,344.6)
Cash in from realisations	716.5	(122.4)	1,273.3	–	1,867.4
Other operating expenses	(115.0)	–	(20.8)	(0.1)	(135.9)
<b>Cash generated from/(used in) operating activities</b>	<b>657.2</b>	<b>–</b>	<b>(734.6)</b>	<b>(0.1)</b>	<b>(77.5)</b>
<b>Taxes paid</b>	<b>(7.7)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(7.7)</b>
<b>Net cash generated from/(used in) operating activities</b>	<b>649.5</b>	<b>–</b>	<b>(734.6)</b>	<b>(0.1)</b>	<b>(85.2)</b>
<b>Net cash used in investing activities</b>	<b>(4.1)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4.1)</b>
Dividends paid	(270.9)	–	–	–	(270.9)
Net increase in long term borrowings	181.4	–	941.8	–	1,123.2
Net cash flow from derivatives	(132.1)	–	(18.1)	–	(150.2)
Purchase of remaining 49% of Longbow Real Estate Capital LLP	(41.7)	–	–	–	(41.7)
Purchase of own shares	(23.6)	–	–	–	(23.6)
Proceeds on issue of shares	1.5	–	–	–	1.5
<b>Net cash (used in)/generated from financing activities</b>	<b>(285.4)</b>	<b>–</b>	<b>923.7</b>	<b>–</b>	<b>638.3</b>
<b>Net increase/(decrease) in cash</b>	<b>360.0</b>	<b>–</b>	<b>189.1</b>	<b>(0.1)</b>	<b>549.0</b>
Cash and cash equivalent at beginning of year	112.7	–	72.2	(2.4)	182.5
FX impact on cash	17.6	–	32.2	(0.4)	49.4
<b>Cash and cash equivalent at end of year</b>	<b>490.3</b>	<b>–</b>	<b>293.5</b>	<b>(2.9)</b>	<b>780.9</b>

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

	2016			
	Internally reported £m	Consolidated structured entities £m	Other adjustments £m	Financial statements £m
Interest, fees and dividends received	256.3	58.8	(2.5)	312.6
Interest paid	(47.0)	(48.3)	–	(95.3)
Net purchase of current financial assets	(35.8)	–	–	(35.8)
Purchase of loans and investments	(247.1)	(1,131.2)	–	(1,378.3)
Cash in from realisations	394.3	708.1	–	1,102.4
Other operating expenses	(140.3)	(2.3)	1.4	(141.2)
<b>Cash generated from/(used in) operating activities</b>	<b>180.4</b>	<b>(414.9)</b>	<b>(1.1)</b>	<b>(235.6)</b>
Taxes paid	(3.9)	–	–	(3.9)
<b>Net cash generated from/(used in) operating activities</b>	<b>176.5</b>	<b>(414.9)</b>	<b>(1.1)</b>	<b>(239.5)</b>
<b>Net cash used in investing activities</b>	<b>(22.5)</b>	<b>(9.1)</b>	<b>–</b>	<b>(31.6)</b>
Dividends paid	(378.2)	–	–	(378.2)
Net increase in long term borrowings	131.1	364.9	–	496.0
Net cash flow from derivatives	(52.5)	12.0	–	(40.5)
Purchase of own shares	(27.4)	–	–	(27.4)
Proceeds on issue of shares	3.4	–	–	3.4
<b>Net cash (used in)/generated from financing activities</b>	<b>(323.6)</b>	<b>376.9</b>	<b>–</b>	<b>53.3</b>
<b>Net decrease in cash</b>	<b>(169.6)</b>	<b>(47.1)</b>	<b>(1.1)</b>	<b>(217.8)</b>
Cash and cash equivalent at beginning of year	278.5	115.3	(1.9)	391.9
FX impact on cash	3.8	4.0	0.6	8.4
<b>Cash and cash equivalent at end of year</b>	<b>112.7</b>	<b>72.2</b>	<b>(2.4)</b>	<b>182.5</b>

#### Analysis of non current financial assets by geographical segment

	2017 £m	2016 £m
Europe	2,092.5	1,897.6
Asia Pacific	152.3	177.2
North America	2,641.9	1,641.1
	<b>4,886.7</b>	<b>3,715.9</b>

#### Group revenue by geographical segment

	2017 £m	2016 £m
Europe	395.4	304.0
Asia Pacific	73.5	47.5
North America	156.2	97.8
	<b>625.1</b>	<b>449.3</b>

## 8. FINANCE AND DIVIDEND INCOME AND FINANCE COSTS

	2017 £m	2016 £m
<b>Group finance and dividend income</b>		
Interest income recognised under the amortised cost method	67.1	100.7
Interest income recognised under the FVTPL method in structured entities controlled by the Group	130.6	87.2
Dividend income from equity investments	6.4	18.4
Interest on bank deposits	0.1	1.0
	<b>204.2</b>	<b>207.3</b>

Interest income recognised under the amortised cost method includes £5.4m (2016: £0.9m) accrued on impaired loans.

	2017 £m	2016 £m
<b>Group finance costs</b>		
Interest expense recognised under the amortised cost method	44.0	34.6
Interest expense recognised under FVTPL method in structured entities controlled by the Group	99.0	57.7
Net fair value movements on derivatives	0.5	18.3
Arrangement and commitment fees	9.9	11.3
	<b>153.4</b>	<b>121.9</b>

## 9. GAINS AND LOSSES ARISING ON INVESTMENTS

### Gains and losses arising on AFS financial assets recognised in other comprehensive income

	2017 £m	2016 £m
Realised gains on ordinary shares recycled to profit	(54.4)	(19.8)
Impairments of AFS financial assets recycled to profit	8.7	1.8
<b>Reclassification adjustment for net gains recycled to profit</b>	<b>(45.7)</b>	<b>(18.0)</b>
Gains and losses arising on AFS financial assets		
– Fair value movement on equity instruments	(3.4)	38.4
– Fair value movement on other assets	(1.1)	1.4
Foreign exchange	1.9	2.8
<b>(Losses)/gains arising in the AFS reserve in the year which may be reclassified to profit or loss in future periods</b>	<b>(2.6)</b>	<b>42.6</b>
<b>Net movement in the AFS reserve in the year</b>	<b>(48.3)</b>	<b>24.6</b>

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 9. GAINS AND LOSSES ARISING ON INVESTMENTS CONTINUED

##### Gains and losses arising on investments recognised in the income statement

	2017 £m	2016 £m
Realised gains on warrants	–	0.3
Realised gains/(losses) on assets designated as FVTPL	13.2	(1.0)
Realised gains in structured entities controlled by the Group	7.7	5.7
Realised gains of AFS financial assets recycled from AFS reserves	54.4	19.8
Realised gains on assets held for sale	16.8	2.1
	92.1	26.9
<b>Unrealised gains/(losses) on assets designated as FVTPL</b>		
– On equity instruments excluding those held within structured entities controlled by the Group	169.2	95.9
– On warrants	0.7	17.1
– In structured entities controlled by the Group	109.8	(81.8)
	279.7	31.2
<b>Unrealised (losses)/gains on liabilities designated as FVTPL</b>		
– In structured entities controlled by the Group	(95.7)	70.9
<b>Realised gains on liabilities designated as FVTPL</b>		
– In structured entities controlled by the Group	10.7	8.8
<b>Fair value movements on FVTPL financial assets</b>	286.8	137.8
Realised losses on amortised cost assets	–	(0.1)
<b>Gains on investments</b>	286.8	137.7

#### 10. IMPAIRMENT OF ASSETS

##### Impairment on loans and receivables

	2017 £m	2016 £m
New and increased	15.9	10.3
Write offs	11.0	2.0
Recoveries	(1.6)	(3.4)
<b>Net impairment on loans and receivables</b>	25.3	8.9

#### 11. ADMINISTRATIVE EXPENSES

Administrative expenses include:	2017 £m	2016 £m
Staff costs	139.3	103.0
Amortisation and depreciation	6.0	4.3
Operating lease expenses	4.3	4.9
Auditor's remuneration	1.2	1.3

Auditor's remuneration includes fees for audit and non audit services payable to the Company's auditor, Deloitte LLP, and are analysed as follows:

	2017 £m	2016 £m
<b>AUDIT FEES</b>		
Group audit of the annual accounts	0.5	0.5
The audit of subsidiaries' annual accounts	0.4	0.4
<b>Total audit fees</b>	<b>0.9</b>	<b>0.9</b>
<b>Non audit fees in capacity as auditor</b>	<b>0.1</b>	<b>0.1</b>
<b>OTHER NON AUDIT FEES</b>		
Taxation compliance services	0.1	0.1
Other taxation advisory services	–	0.2
Other non audit services not covered above	0.1	–
<b>Total other non audit fees</b>	<b>0.2</b>	<b>0.3</b>
<b>Total auditor's remuneration</b>	<b>1.2</b>	<b>1.3</b>

Details of the Company's policy on the use of auditors for non audit services, the reasons the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 58. No services were provided pursuant to contingent fee arrangements.

## 12. EMPLOYEES AND DIRECTORS

	2017 £m	2016 £m
<b>Directors' emoluments</b>	<b>2.3</b>	<b>2.6</b>
<b>Employee costs during the year including Directors:</b>		
Wages and salaries	126.1	95.1
Social security costs	9.7	5.1
Pension costs	3.5	2.8
	<b>139.3</b>	<b>103.0</b>
The average number of employees (including Directors) was:		
	2017	2016
Investment Executives	146	130
Infrastructure	127	118
Directors	3	3
	<b>276</b>	<b>251</b>

The performance related element included in wages and salaries is £88.0m (2016: £64.2m) which is derived as a result of the annual bonus scheme, Omnibus Scheme and the Balance Sheet Carry Scheme. Please refer to the report of the Remuneration Committee on pages 69 to 98. In addition, former and current employees received £46.4m (2016: £9.2m) of carried interest directly from the funds.

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 13. TAX EXPENSE

	2017 £m	2016 £m
<b>Analysis of tax on ordinary activities</b>		
<b>Current tax</b>		
Corporate tax	11.6	3.1
Prior year adjustment	(9.7)	2.8
	1.9	5.9
<b>Deferred taxation</b>		
Current year	26.8	16.4
Prior year adjustment	5.5	(2.1)
	32.3	14.3
<b>Tax charge on profit on ordinary activities</b>	34.2	20.2
	2017 £m	2016 £m
<b>Profit on ordinary activities before tax</b>	252.4	158.8
Profit before tax multiplied by the rate of corporation tax in the UK of 20%	50.5	31.8
Effects of:		
Non deductible expenditure	6.7	4.7
Non taxable income	(3.3)	(3.4)
Overseas withholding tax suffered	–	0.6
Different tax rates of overseas subsidiaries	(16.5)	(13.4)
Current year risk provision charge – current tax	2.9	–
Changes in statutory tax rates	(1.9)	(0.8)
Prior year adjustment to current tax	(9.7)	2.8
Prior year adjustment to deferred tax	5.5	(2.1)
<b>Current tax charge for the year</b>	34.2	20.2

The Group's effective tax rate is lower than the standard rate of UK corporation tax of 20%. This is principally due to the impact of differences in overseas tax rates where we invest directly into funds which are based offshore. The Group is currently reviewing its transfer pricing policies and documentation in the light of the revised 'Base Erosion Profit Shifting' (BEPS) guidelines issued by the OECD. While the Group has low tax risk status in the UK, and no open enquiries elsewhere, a provision has been recorded until the review is finalised and the application of the BEPS guidelines by the tax authorities is known. The adjustments in respect of prior years relate to the carry back of UK tax losses into a prior period.

#### 14. DIVIDENDS

	2017	2016
	Per share pence	Per share pence
	£m	£m
<b>Ordinary dividends paid</b>		
Final	15.8	15.1
Interim	7.5	7.2
	23.3	22.3
	49.9	55.5
	70.9	78.2

The proposed final ordinary dividend for the year ended 31 March 2017 is 19.5 pence per share (2016: 15.8 pence per share), which will amount to £54.7m (2016: £49.9m).

Of the £70.9m (2016: £78.2m) of ordinary dividends paid during the year, £1.2m were reinvested under the dividend reinvestment plan that was offered to shareholders (2016: £1.1m). In addition, a special dividend of £200m was paid in August 2016, which amounted to 63.4 pence per share (2016: a special dividend of £300m was paid in July 2015, which amounted to 82.6 pence per share).



## 15. EARNINGS PER SHARE

Earnings	2017 £m	2016 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	217.8	138.6
<b>Number of shares</b>	<b>2017</b>	<b>2016</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	292,255,497	330,685,568
Effect of dilutive potential ordinary shares share options	13,654	42,077
Weighted average number of ordinary shares for the purposes of diluted earnings per share	292,269,151	330,727,645
Earnings per share	74.5p	41.9p
Diluted earnings per share	74.5p	41.9p

## 16. INTANGIBLE ASSETS

Group	Goodwill		Investment management contract		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
<b>Cost</b>						
At 1 April	4.3	4.3	25.5	7.2	29.8	11.5
Additions	–	–	–	18.3	–	18.3
<b>At 31 March</b>	<b>4.3</b>	<b>4.3</b>	<b>25.5</b>	<b>25.5</b>	<b>29.8</b>	<b>29.8</b>
<b>Amortisation and impairment losses</b>						
At 1 April	–	–	6.2	4.7	6.2	4.7
Charge for the year	–	–	2.9	1.5	2.9	1.5
<b>At 31 March</b>	<b>–</b>	<b>–</b>	<b>9.1</b>	<b>6.2</b>	<b>9.1</b>	<b>6.2</b>
<b>Net book value at 31 March</b>	<b>4.3</b>	<b>4.3</b>	<b>16.4</b>	<b>19.3</b>	<b>20.7</b>	<b>23.6</b>

Company	Investment management contract	
	2017 £m	2016 £m
<b>Cost</b>		
At 1 April	19.9	1.6
Additions	–	18.3
<b>At 31 March</b>	<b>19.9</b>	<b>19.9</b>
<b>Amortisation and impairment losses</b>		
At 1 April	0.8	0.2
Charge for the year	2.8	0.6
<b>At 31 March</b>	<b>3.6</b>	<b>0.8</b>
<b>Net book value at 31 March</b>	<b>16.3</b>	<b>19.1</b>

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 16. INTANGIBLE ASSETS CONTINUED

In December 2010, the Group acquired a 51% equity interest in Longbow Real Estate Capital LLP for a consideration of £4.3m. There were no identifiable assets or liabilities acquired, resulting in goodwill of £4.3m. This is assessed annually for impairment. Also in December 2010, Intermediate Capital Managers Limited, a subsidiary company, paid €5.9m (£5.1m) to acquire an investment management contract from Resource Europe which is now fully amortised.

In May 2014, Intermediate Capital Managers Limited paid £0.6m to acquire an investment management contract from Credos Capital Management LLP to support its Alternative Credit strategy. This was followed, in December 2014, by Intermediate Capital Group plc paying \$2.5m (£1.6m) to acquire an investment management contract from Newglobe Capital Partners LLP to support its PE Secondaries strategy.

In February 2016, Intermediate Capital Group plc purchased an investment management contract from Graphite Capital Management LLP for a consideration of £18.3m. The management contract related to the Graphite Enterprise Trust, renamed the ICG Enterprise Trust which has been listed on the London Stock Exchange since 1981. The Directors assessed the useful economic life as eight years.

Amortisation is charged to the Statement of Comprehensive Income, included in administrative expenses, on a straight line basis over the estimated useful life of the fund management contract, typically three to eight years.

#### 17. PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
<b>Furniture and equipment</b>				
<b>Cost</b>				
At 1 April	22.3	18.3	19.6	16.3
Transfer from short leasehold premises	0.5	–	0.2	–
Additions	3.9	4.0	3.9	3.3
Exchange differences	0.4	–	–	–
<b>At 31 March</b>	<b>27.1</b>	<b>22.3</b>	<b>23.7</b>	<b>19.6</b>
<b>Depreciation</b>				
At 1 April	15.2	12.7	13.4	11.4
Charge for the year	2.8	2.5	2.2	2.0
Exchange differences	0.2	–	–	–
<b>At 31 March</b>	<b>18.2</b>	<b>15.2</b>	<b>15.6</b>	<b>13.4</b>
<b>Net book value</b>	<b>8.9</b>	<b>7.1</b>	<b>8.1</b>	<b>6.2</b>
<b>Short leasehold premises</b>				
<b>Cost</b>				
At 1 April	5.9	5.6	4.3	4.3
Transfer to furniture and equipment	(0.5)	–	(0.2)	–
Additions	0.2	0.3	0.1	–
Exchange differences	0.1	–	–	–
<b>At 31 March</b>	<b>5.7</b>	<b>5.9</b>	<b>4.2</b>	<b>4.3</b>
<b>Depreciation</b>				
At 1 April	4.9	4.6	4.1	3.9
Charge for the year	0.3	0.3	–	0.2
Exchange differences	0.2	–	–	–
<b>At 31 March</b>	<b>5.4</b>	<b>4.9</b>	<b>4.1</b>	<b>4.1</b>
<b>Net book value</b>	<b>0.3</b>	<b>1.0</b>	<b>0.1</b>	<b>0.2</b>
<b>Total net book value</b>	<b>9.2</b>	<b>8.1</b>	<b>8.2</b>	<b>6.4</b>

## 18. NON CONTROLLING INTERESTS

The Group has consolidated the following companies which have non controlling interests. The amounts shown in the table represent the share of net assets and profit relating to the non controlling interests:

	2017		2016	
	%	£m	%	£m
LREC Partners Investments No.2 Ltd	41%	0.7	41%	0.3
US CLO 2014-2	44%	–	44%	–
US CLO 2014-3	49%	–	49%	–
US CLO 2015-1	50%	–	50%	–
US CLO 2015-2	43%	–	43%	–
US CLO 2016-1	44%	–	–	–
US CLO 2017-1	40%	–	–	–
St Paul's CLO II	66%	–	66%	–
St Paul's CLO III	51%	–	51%	–
St Paul's CLO VI	47%	–	–	–
ICG High Yield Bond Fund	–	–	14%	0.6
<b>At 31 March</b>		<b>0.7</b>		<b>0.9</b>

	2017 £m	2016 £m
Profit retained for the year	<b>0.4</b>	–
Non controlling interests recycled to retained earnings	<b>(0.6)</b>	(1.3)
	<b>(0.2)</b>	(1.3)

## 19. FINANCIAL ASSETS – NON CURRENT

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Loans and receivables held at amortised cost	<b>218.0</b>	445.4	<b>195.1</b>	304.5
Investment in subsidiaries	–	–	<b>937.5</b>	721.0
AFS financial assets held at fair value	<b>86.1</b>	159.4	<b>12.7</b>	27.8
Financial assets designated as FVTPL	<b>3,768.4</b>	2,457.2	<b>285.0</b>	297.7
Associates designated as FVTPL	<b>802.7</b>	633.0	<b>39.8</b>	54.0
Investments in equity accounted joint ventures	<b>1.3</b>	1.1	–	–
Derivative financial instruments held at fair value – warrants	<b>10.2</b>	19.8	<b>6.5</b>	7.4
	<b>4,886.7</b>	3,715.9	<b>1,476.6</b>	1,412.4
Other derivative financial instruments held at fair value	<b>6.4</b>	3.3	<b>3.2</b>	2.0
	<b>4,893.1</b>	3,719.2	<b>1,479.8</b>	1,414.4

Included within associates designated as FVTPL £653.4m (2016: £508.3m) is related to the Group's investment in ICG Europe Fund V Limited, ICG North America Private Debt Fund, ICG Asia Pacific Fund III and ICG Europe Fund VI Limited.

Included within financial assets designated as FVTPL is £3,403.2m (2016: £2,092.7m) relating to the structured entities controlled by the Group and in the prior year £94.6m relating to the Group's joint venture investments in Parkeon and Via Location which were sold during the year.

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 19. FINANCIAL ASSETS – NON CURRENT CONTINUED

The movement in AFS financial assets during the year is set out below:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
<b>AFS financial assets</b>				
Balance at 1 April	159.4	158.3	27.8	50.6
Realised gains recycled to the income statement	(54.4)	(19.8)	(9.8)	(6.1)
Unrealised gains	4.2	40.5	0.8	5.8
Purchases	0.3	0.4	0.3	0.2
Realisations	(25.6)	(25.5)	(7.9)	(24.1)
Impairments	(8.7)	(1.8)	–	–
Foreign exchange	10.9	7.3	1.5	1.4
<b>Balance at 31 March</b>	<b>86.1</b>	<b>159.4</b>	<b>12.7</b>	<b>27.8</b>

#### 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Other receivables	196.6	196.9	39.7	48.3
Amount owed by Group companies	–	–	486.2	575.0
Prepayments	11.7	19.5	4.2	6.7
	<b>208.3</b>	<b>216.4</b>	<b>530.1</b>	<b>630.0</b>

Included within other receivables are £114.9m (2016: £57.2m) relating to structured entities controlled by the Group and in the prior year £52.4m relating to the sale of financial assets where the cash was received after year end.

#### 21. FINANCIAL ASSETS – CURRENT

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Loans and investments held for sale	89.7	182.6	89.6	182.6
Other derivative financial instruments held at fair value	40.3	28.3	40.3	28.3
	<b>130.0</b>	<b>210.9</b>	<b>129.9</b>	<b>210.9</b>

#### 22. CALLED UP SHARE CAPITAL AND OWN SHARES RESERVE

Group and Company	2017 £m	2016 £m
<b>Allotted, called up and fully paid</b>		
293,903,724 ordinary shares of 26½p (2016: 330,310,239 ordinary shares of 23½p)	77.1	77.0

The own share reserve represents the cost of shares in ICG plc purchased in the market and held by the EBT to hedge future liabilities arising under long term incentive plans and includes 3,733,333 shares purchased by ICG plc through share buy backs. The movement in the year is as follows:

Group	2017 £m	2016 £m	2017 Number	2016 Number
At 1 April	77.0	162.0	15,010,728	39,586,992
Purchased	23.7	24.7	3,611,309	4,209,858
Options/awards exercised	(18.5)	(30.4)	(3,587,843)	(8,033,081)
Cancellation of treasury shares	–	(79.3)	–	(18,241,423)
Share consolidation	–	–	(1,670,466)	(2,511,618)
As at 31 March	<b>82.2</b>	<b>77.0</b>	<b>13,363,728</b>	<b>15,010,728</b>

The number of shares held by the Group at the balance sheet date represented 4.5% (2016: 4.5%) of the Parent Company's allotted, called up and fully paid share capital.

	Total number of shares allotted, called up and in issue
<b>Reconciliation of total number of shares allotted, called up and in issue</b>	
As at 1 April 2016	330,310,239
Purchased	–
Options/awards exercised	120,681
	330,430,920
Share consolidation	(36,714,547)
	293,716,373
Purchased	187,351
As at 31 March 2017	293,903,724

On 1 August 2016, the Company undertook a share consolidation issuing eight new ordinary shares at 26¼ pence each for each holding of nine existing ordinary shares of 23¼ pence each, reducing shares in issue to 293,716,373.

## 23. PROVISIONS

	Onerous lease £m
<b>Group and Company</b>	
At 1 April 2016	2.7
Utilisation of provision	(0.8)
Unwinding of discount	0.1
<b>As at 31 March 2017</b>	<b>2.0</b>

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

	2017 £m	2016 £m
<b>Group and Company</b>		
Less than one year	0.7	0.7
One to five years	1.3	2.0
<b>As at 31 March</b>	<b>2.0</b>	<b>2.7</b>

The Group holds onerous lease provisions of £2.0m (2016: £2.7m) against certain leaseholds in connection with surplus space. The provision for these onerous lease contracts has been made taking into account residual lease commitments, other outgoings and sub-letting arrangements. It is envisaged that the provisions will be utilised on an even basis until 2021.

## 24. FINANCIAL LIABILITIES

	2017		2016	
Group	Current £m	Non current £m	Current £m	Non current £m
Liabilities held at amortised cost:				
– Private placements	–	743.5	82.6	398.7
– Listed notes and bonds	–	335.5	–	330.5
– Unsecured bank debt	–	42.5	24.0	32.0
Liabilities held at FVTPL:				
– Structured entities controlled by the Group	–	3,183.4	–	1,913.0
	–	4,304.9	106.6	2,674.2

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 24. FINANCIAL LIABILITIES CONTINUED

Company	2017		2016	
	Current £m	Non current £m	Current £m	Non current £m
Liabilities held at amortised cost:				
– Private placements	–	743.5	82.6	398.7
– Listed notes and bonds	–	335.5	–	330.5
– Unsecured bank debt	–	42.5	24.0	32.0
	–	1,121.5	106.6	761.2

#### 25. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Trade payables	2.6	1.0	2.2	2.1
Accruals	454.8	231.3	109.0	78.5
Amounts owed to Group companies	–	–	577.1	208.0
Social security tax	7.4	1.1	7.1	0.9
	464.8	233.4	695.4	289.5

Included within accruals are £332.2m (2016: £91.8m) relating to structured entities controlled by the Group and in the prior year £41.7m deferred consideration recognised on the acquisition of the remaining 49% interest in Longbow Real Estate Capital.

#### 26. DEFERRED TAX

Group	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2015	8.3	22.9	(12.0)	14.7	33.9
Prior year adjustment	–	(0.9)	(0.3)	0.1	(1.1)
Prior year adjustment – rate change	(0.3)	(0.7)	0.5	(0.5)	(1.0)
(Credit)/charge to equity	–	5.2	(2.8)	–	2.4
(Credit)/charge to income	(3.0)	8.6	5.6	5.2	16.4
At 31 March 2016	5.0	35.1	(9.0)	19.5	50.6
Prior year adjustment	–	2.7	–	3.3	6.0
Prior year adjustment – rate change	(0.1)	(0.3)	0.1	(0.1)	(0.4)
(Credit)/charge to equity	–	(9.1)	2.8	–	(6.3)
(Credit)/charge to income	0.7	17.2	(1.2)	10.1	26.8
At 31 March 2017	5.6	45.6	(7.3)	32.8	76.7

Company	Other derivatives £m	Warrants and investments £m	Remuneration deductible as paid £m	Other temporary differences £m	Total £m
At 31 March 2015	8.3	6.4	(6.5)	2.6	10.8
Prior year adjustment	–	(0.1)	(0.3)	–	(0.4)
Prior year adjustment – rate change	(0.3)	(0.3)	0.3	–	(0.3)
Credit to equity	–	–	(2.8)	–	(2.8)
(Credit)/charge to income	(3.0)	2.4	4.4	(1.3)	2.5
At 31 March 2016	<b>5.0</b>	<b>8.4</b>	<b>(4.9)</b>	<b>1.3</b>	<b>9.8</b>
Prior year adjustment	–	2.4	–	3.1	5.5
Prior year adjustment – rate change	(0.1)	(0.1)	–	–	(0.2)
(Credit)/charge to equity	–	(1.6)	2.8	–	1.2
(Credit)/charge to income	0.4	8.8	1.1	(3.3)	7.0
<b>At 31 March 2017</b>	<b>5.3</b>	<b>17.9</b>	<b>(1.0)</b>	<b>1.1</b>	<b>23.3</b>

The Group's net deferred tax balance of £76.7m (2016: £50.6m) consists of £77.0m (2016: £51.0m) of non current liabilities and £0.3m (2016: £0.4m) of non current assets. The Company's deferred tax balance of £23.3m (2016: £9.8m) consists solely of non current liabilities.

Deferred tax has been accounted for at the substantively enacted corporation tax rate of 19%.

As at 31 March 2017 the value of losses unrecognised for deferred tax is nil.

## 27. SHARE-BASED PAYMENTS

All share-based payment transactions are equity settled. The total charge to the income statement for the year was £25.1m (2016: £17.3m) and this was credited to the share based payments reserve in equity.

### Intermediate Capital Group plc 2001 approved and unapproved executive share option scheme

All options under the Intermediate Capital Group plc 2001 scheme have vested, and no new options will be awarded as the scheme is now closed. Analysis of movements in the number and weighted average exercise price of options is set out below:

	Number		Weighted average exercise price (£)	
	2017	2016	2017	2016
Outstanding at 1 April	<b>323,064</b>	1,161,722	<b>5.15</b>	4.57
Forfeited	<b>(68,922)</b>	(88,471)	<b>5.05</b>	4.10
Exercised	<b>(228,541)</b>	(750,187)	<b>5.42</b>	4.38
Outstanding at 31 March	<b>25,601</b>	323,064	<b>2.95</b>	5.15
Of which are currently exercisable	<b>25,601</b>	323,064	<b>2.95</b>	5.15

The weighted average remaining contractual life is 2.5 years (2016: 1.00 year).

Exercise price	2017 Number	2016 Number
£2.230	–	30,173
£2.947	<b>25,601</b>	25,601
£6.008	–	181,439
£4.844	–	16,929
£5.048	–	68,922
	<b>25,601</b>	323,064

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 27. SHARE BASED PAYMENTS CONTINUED

##### Intermediate Capital Group plc Omnibus Plan

Details of all the different types of awards under the Omnibus Plan are provided in the Remuneration Committee report on pages 69 to 98.

Share awards outstanding under the Omnibus Plan were as follows:

	Number		Weighted average fair value (£)	
	2017	2016	2017	2016
<b>Deferred Share Awards</b>				
Outstanding at 1 April	1,140,049	1,057,780	4.99	4.20
Granted	962,285	734,024	6.55	5.47
Vested	(492,679)	(456,020)	4.86	3.92
Forfeited	(26,141)	(4,908)	4.73	5.35
Share consolidation reduction	(177,388)	(190,827)	5.97	4.99
Outstanding at 31 March	1,406,126	1,140,049	5.98	4.99

	Number		Weighted average fair value (£)	
	2017	2016	2017	2016
<b>PLC Equity Awards</b>				
Outstanding at 1 April	4,916,580	6,672,897	4.07	3.34
Granted	1,129,709	1,335,214	6.55	5.47
Vested	(1,293,320)	(2,272,098)	3.06	2.74
Share consolidation reduction	(528,106)	(819,433)	4.93	4.07
Outstanding at 31 March	4,224,863	4,916,580	4.93	4.07

	Number		Weighted average fair value (£)	
	2017	2016	2017	2016
<b>FMC Equity Awards</b>				
Outstanding at 1 April	69,082	83,989	360.00	284.00
Granted	19,631	26,996	515.00	425.00
Vested	(13,737)	(38,627)	310.00	246.00
Forfeited	(3,875)	(3,276)	365.00	313.00
Outstanding at 31 March	71,101	69,082	412.00	360.00

The fair values of awards granted under the ICG plc Omnibus Plan are determined by the average share price for the five business days prior to grant, except for the FMC equity awards which are determined by an independent third party valuation.

##### Intermediate Capital Group plc Buy Out Awards

Buy out awards outstanding were as follows:

	Number		Weighted average fair value (£)	
	2017	2016	2017	2016
<b>Buy Out Awards</b>				
Outstanding at 1 April	–	–	–	–
Granted	508,604	–	6.51	–
Outstanding at 31 March	508,604	–	6.51	–

The fair values of the buy out awards granted are determined by the average share price for the five business days prior to grant.



## 28. FINANCIAL COMMITMENTS

At the balance sheet date, the Company had outstanding commitments which can be called on over the next five years, as follows:

	2017 £m	2016 £m
ICG Senior Debt Partners	9.6	10.3
ICG Europe Fund V	33.2	48.7
ICG Europe Fund VI	255.3	356.4
ICG North American Private Debt Fund	89.0	92.9
ICG Asia Pacific Fund III	86.2	99.2
Nomura ICG Investment Business Limited Partnership A	52.4	50.7
ICG Senior Debt Partners II	12.7	16.7
ICG Strategic Secondaries Fund II	136.0	152.9
ICG-Longbow UK Real Estate Debt Investments IV	12.4	17.0
Longbow Development Fund	4.7	6.5
	<b>691.5</b>	<b>851.3</b>

## 29. OPERATING LEASES

At the balance sheet date, the Group and Parent Company had outstanding commitments for future minimum lease payments under non cancellable operating leases, falling due as follows:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Within one year	5.8	5.2	2.6	2.4
Two to five years	16.1	18.1	7.4	9.7
After five years	1.4	3.3	–	0.6

## 30. 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 18, 20 and 25.

Aggregated significant transactions with subsidiary undertakings related to dividends received of £5.4m (2016: £192.9m).

Management consider key management personnel to be the Executive Committee, who are also members of the Board of Directors, and all related party transactions are disclosed in the Directors' remuneration report.

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 31. SUBSIDIARIES

The Group consists of a Parent Company, ICG plc, incorporated in the UK and a number of subsidiaries held directly or indirectly by ICG plc, which operate and are incorporated around the world. The subsidiary undertakings of the Group are shown below.

All are wholly-owned and the ICG Group's holding is in the ordinary share class, except where stated.

Name	Country of incorporation	Principal activity
Intermediate Capital Investments Limited	United Kingdom	Investment company
Intermediate Capital Managers Limited	United Kingdom	Advisory company
Intermediate Finance II PLC	United Kingdom	Provider of mezzanine
JOG Partners Limited*	United Kingdom	Investment company
Intermediate Investments LLP <sup>1</sup>	United Kingdom	Holding company for loans and investments
Intermediate Investments Jersey Limited	Jersey	Investment company
Intermediate Capital Asia Pacific Limited	Hong Kong	Advisory company
Intermediate Capital Group SAS	France	Advisory company
Intermediate Capital Group España SL	Spain	Advisory company
Intermediate Capital Nordic AB	Sweden	Advisory company
Intermediate Capital Group Beratungsgesellschaft GmbH	Germany	Advisory company
Intermediate Capital Group Benelux B.V.	Netherlands	Advisory company
Intermediate Capital Australia Pty Limited	Australia	Advisory company
Intermediate Capital Group Inc	United States of America	Advisory company
Intermediate Capital Group (Singapore) Pte. Limited	Singapore	Advisory company
ICG FMC Limited <sup>2</sup>	United Kingdom	Holding company for funds management
Longbow Real Estate Capital LLP <sup>1</sup>	United Kingdom	Advisory company
ICG Global Investment Jersey Limited	Jersey	Investment company
ICG Fund Advisors LLC	United States of America	Advisory company
ICG Debt Advisors LLC	United States of America	Advisory company
ICG Alternative Investment Limited	United Kingdom	Advisory company
Intermediate Capital Group Dienstleistungsgesellschaft mbH	Germany	Service company
Intermediate Capital Limited	United Kingdom	General partner
ICG European Fund 2006 GP Limited	Jersey	General partner
Intermediate Capital GP 2003 Limited	Jersey	General partner
Intermediate Capital GP 2003 No.1 Limited	Jersey	General partner
Intermediate Capital Asia Pacific Mezzanine 2005 GP Limited	Jersey	General partner
Intermediate Capital Asia Pacific Mezzanine Opportunities 2005 GP Limited	Jersey	General partner
ICG European Fund 2006 GP Limited	Jersey	General partner
Intermediate Capital Asia Pacific 2008 GP Limited	Jersey	General partner
ICG Recovery Fund 2008 GP Limited	Jersey	General partner
ICG Minority Partners Fund 2008 GP Limited	Jersey	General partner
LREC Partners Investments No.2 Limited <sup>3</sup>	United Kingdom	Real estate investment company
ICG Global Investment UK Limited	United Kingdom	Holding company
ICG Europe Fund V GP Limited	Jersey	General partner
Intermediate Capital Managers (Australia) Pty Limited	Australia	Advisory company
ICG North America Associates LLC	United States of America	General partner

Name	Country of incorporation	Principal activity
ICG Japan KK	Japan	Advisory company
Intermediate Capital Group Korea Limited	Republic of Korea	Advisory company
ICG ASFL Limited	United Kingdom	Advisory company
ICG Senior Debt Partners UK GP Limited	United Kingdom	General partner
ICG Carbon Funding Limited	United Kingdom	Investment company
ICG Longbow Development (Brighton) Limited	United Kingdom	Holding company
ICG Japan (Funding) Limited	United Kingdom	Holding company
ICG Asia Pacific Fund III GP Limited	Jersey	General partner
ICG Alternative Credit (Luxembourg) GP Sarl	Luxembourg	General partner
ICG Alternative Credit LLC	United States of America	Advisory company
ICG Alternative Credit (Cayman) GP Limited	Cayman Islands	General partner
ICG Senior Debt Partners Sarl	Luxembourg	General partner
ICG Japan (Funding 2) Limited	United Kingdom	Holding company
Nomura ICG KK	Japan	Joint venture
ICG-Longbow Investment 3 LLP <sup>1</sup>	United Kingdom	Limited liability partnership
ICG Strategic Secondaries Advisors LLC	United States of America	Advisory company
ICG Strategic Secondaries Carbon Associates LLC	United States of America	General partner
ICG European Fund 2006 B GP Limited	Jersey	General partner
ICG Debt Administration LLC	United States of America	Service company
ICG-Longbow B Investments LP <sup>1</sup>	United Kingdom	Limited partner
Intermediate Investments Guarantee Limited	United Kingdom	Holding company for loans and investments
ICG Japan (Funding 3) Limited	United Kingdom	Special purpose vehicle
ICG Re Holding (Germany) GmbH	Germany	Special purpose vehicle
ICG Longbow IV GP Sarl	United Kingdom	General partner
ICG Europe Fund VI GP Limited	Jersey	General partner
ICG Strategic Secondaries Associates LLC	United States of America	General partner
ICG Total Credit (Global) GP Sarl	Luxembourg	General partner
ICG Longbow Development GP LLP <sup>1</sup>	United Kingdom	General partner
ICG Nominees 2015 Limited	United Kingdom	Nominee company
ICG Financing (Luxembourg) Sarl	Luxembourg	Special purpose vehicle
ICG Financing (Ireland) Limited	Ireland	Special purpose vehicle
ICG Enterprise Co-Investment GP Limited	United Kingdom	General partner
Intermediate Capital Nominees Limited	United Kingdom	Nominee company
Intermediate Capital Hong Kong Limited	Hong Kong	Advisory company/provider of mezzanine capital
ICG Alternative Investment (Netherlands) B.V.	Netherlands	Advisory company
ICG Europe Fund VI Lux GP Sarl	Luxembourg	General partner
ICG Velocity Co-Investor Associates LLC	United States of America	General partner
ICG NA Debt Co-Invest Limited	United Kingdom	Investment company

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 31. SUBSIDIARIES CONTINUED

Name	Country of incorporation	Principal activity
ICG Asia Pacific III Scotland GP Limited	United Kingdom	General partner
ICG Asia Pacific III Scotland General Partner LLP <sup>1</sup>	United Kingdom	General partner
ICG EFV MLP Limited	Jersey	General partner
ICG EFV MLP GP Limited	United Kingdom	General partner
ICG Senior Debt Partners Performance GP Limited	Jersey	General partner
ICG EF 2006 EGP Limited	Jersey	General partner
ICG EF 2006 EGP 2 Limited	Jersey	General partner
ICG RF 2008 EGP Limited	Jersey	General partner
ICG MF 2003 No. 1 EGP 1 Limited	Jersey	General partner
ICG MF 2003 No. 1 EGP 2 Limited	Jersey	General partner
ICG MF 2003 No. 3 EGP 1 Limited	Jersey	General partner
ICG MF 2003 No. 3 EGP 2 Limited	Jersey	General partner
ICG Strategic Secondaries Associates II LLC	United States of America	General partner
Intermediate Capital Inc	United States of America	Dormant company
Intermediate Finance Inc	United States of America	Dormant company
Intermediate Finance Limited	United Kingdom	Dormant company
ICG America Capital Limited	United Kingdom	Dormant company
Intermediate Finance Guarantee Limited	United Kingdom	Dormant company
ICG Mezzanine 2003 No 1 Nominee Limited	United Kingdom	Dormant company
ICG Mezzanine 2003 No 3 Nominee Limited	United Kingdom	Dormant company
ICG Minority Partners Limited	United Kingdom	Dormant company
ICG Debt Advisors (Cayman) Limited	Cayman Islands	Advisory company
ICG Debt Advisors LLC – Holdings Series	United States of America	Investment company
ICG Debt Advisors LLC – Manager Series	United States of America	Advisory company
Intermediate Capital Group Polska SZOO	Poland	Service company
ICG Luxembourg Sarl	Luxembourg	Advisory company
ICG Centre Street Partnership GP Limited	Jersey	General partner

All companies listed above have a reporting date of 31 March, with the exception of the entities incorporated in the United States of America which have a 31 December reporting date.

\* JOG Partners Limited is a member of Intermediate Investments LLP.

<sup>1</sup> Holding in partnership investment.

<sup>2</sup> Holding in A ordinary share class.

<sup>3</sup> Holding of 59% in A, B and C ordinary share class.

When assessing whether ICG controls any structured entities (funds) it is necessary to determine whether ICG acts in the capacity of principal or agent for the third party investor. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties, whereas a principal is primarily engaged to act for its own benefit. This is determined with reference to decision making authority, rights held by other parties, remuneration and exposure to returns.

The table below shows details of structured entities that the Group is deemed to control:

Name of subsidiary	Country of incorporation	% of ownership interests and voting rights 2017
US CLO 2014-1	United States of America	100.00%
US CLO 2014-2	United States of America	56.00%
US CLO 2014-3	United States of America	51.30%
US CLO 2015-1	United States of America	50.30%
US CLO 2015-2	United States of America	57.50%
US CLO 2016-1	United States of America	55.60%
US CLO 2017-1	United States of America	59.90%
St Paul's CLO II (i)	Ireland	33.90%
St Paul's CLO III (ii)	Ireland	49.40%
St Paul's CLO VI	Ireland	53.20%
ICG High Yield Bond Fund	Ireland	100.00%
ICG Global Total Credit Fund	Ireland	100.00%

(i)/(ii) The Capital Requirements Directive requires the originator of any securitisation transaction to hold a minimum 5% of the net economic exposure of the transaction. ICG holds (i) 33.9% of St Paul's CLO II and (ii) 49.4% of St Paul's CLO III and is the largest individual shareholder of both CLOs. The kick out rights of third party shareholders are protective in nature as they result from a breach of contract, and therefore not indicative of an agent relationship. ICG is also the collateral manager and as a result management has concluded that ICG is acting as principal.

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities of its subsidiary holdings, with the exception of the structured entities controlled by the Group.

ICG has not provided contractual or non-contractual financial or other support to a consolidated structured entity during the period. It is not the current intention to provide such support, including the intention to assist the structured entity in obtaining financial support.

### 32. ASSOCIATES AND JOINT VENTURES

ICG's investment strategy is to invest across a range of funds and investments. In assessing whether ICG controls any individual fund it is necessary to determine whether ICG acts in the capacity of principal or agent for the third party investors. An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties, whereas a principal is primarily engaged to act for its own benefit. This is determined with reference to decision making authority, rights held by other parties, remuneration and exposure to returns.

As such, depending on the fundraising or investment in a company's capital structure, ICG could end up with significant influence and such entities would be considered either associates or joint ventures.

The nature of some of the activities of ICG plc's associates and joint ventures are investment related which are seen as complementing the Group's operations and contributing to achieving the Group's overall strategy. The remaining associates and joint ventures are portfolio companies not involved in investment activities.

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

### 32. ASSOCIATES AND JOINT VENTURES CONTINUED

#### Details of associates and joint ventures

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Country of incorporation	Proportion of ownership interest/voting rights held by the Group 2017
Longbow UK Real Estate Debt Investment II	Real estate fund	United Kingdom	20.00%
Gerflor Group (i)	Manufacturer of PVC flooring	France	11.76%
Interbest Holding BV	Roadside advertising masts	Netherlands	31.26%
ICG Total Credit Fund (ii)	Credit fund	Ireland	21.75%
ICG Europe Fund V Jersey Limited (iii)	Investment company	Jersey	20.00%
ICG Europe Fund VI Jersey Limited (iv)	Investment company	Jersey	16.67%
ICG North American Private Debt Fund (v)	Investment company	United States of America	20.00%
ICG Asia Pacific Fund III Singapore Pte. Limited (vi)	Investment company	Singapore	20.00%

All associates are accounted for at fair value in accordance with the Group's accounting policy as outlined in note 3 to the financial statements.

#### Notes

- (i) 11.76% represents ICG's holding in ordinary shares in Gerflor Group. One ICG employee is appointed to the four-member supervisory board of Gerflor on behalf of the Group and third party funds and therefore ICG has the power to participate in the financial and operating decisions of the Company.
- (ii) The fund manager can be removed without cause by only three investors who together hold more than 60% of the issued units. Although this would indicate an agent relationship, as ICG has a 21.75% interest in this entity it has been considered an associate.
- (iii) Through a co-investment structure ICG has a 20% shareholding in ICG Europe Fund V Jersey Limited. ICG appoints the General Partner (GP) to the fund. However, the investors have substantive rights to remove the General Partner without cause by Special Investor Consent, which would only require 24% of investors. The Fund also has an Advisory Council, nominated by the investors, whose function is to ensure that the General Partner is acting in the interest of investors. The Advisory Council could influence investors to invoke Special Investor Consent and remove the GP, and as such ICG acts in the capacity of agent. However, as ICG has a 20% holding, and therefore significant influence in this entity, it has been considered an associate.
- (iv) Through a co-investment structure ICG has a 16.67% shareholding in ICG Europe Fund VI Jersey Limited. ICG appoints the General Partner (GP) to the fund. However, the investors have rights to remove the General Partner without cause by Special Investor Consent, which would only require 33% of investors. The Fund also has an Advisory Council, nominated by the investors, whose function is to ensure that the General Partner is acting in the interest of investors. The Advisory Council could influence investors to invoke Special Investor Consent and remove the GP, and as such ICG acts in the capacity of agent. However, as ICG has a 16.67% holding, and therefore significant influence in this entity, it has been considered an associate.
- (v) Through a co-investment structure ICG has a 20% shareholding in ICG North American Private Debt Fund. ICG appoints the General Partner (GP) to the fund. However, the investors have rights to remove the General Partner without cause by 80% Combined Limited Partner Consent, which would only require 34% of investors. The Fund also has an Advisory Council, nominated by the investors, whose function is to ensure that the General Partner is acting in the interest of investors. The Advisory Council could influence investors to invoke Combined Limited Partner Consent and remove the GP, and as such ICG acts in the capacity of agent. However, as ICG has a 20% holding and therefore significant influence in this entity, it has been considered an associate.
- (vi) Through a co-investment structure ICG has a 20% shareholding in ICG Asia Pacific Fund III Singapore Pte. Limited. ICG appoints the General Partner (GP) to the fund. However, the investors have rights to remove the General Partner without cause by Special Investor Consent, which would only require eight investors. The Fund also has an Advisory Council, nominated by the investors, whose function is to ensure that the General Partner is acting in the interest of investors. The Advisory Council could influence investors to invoke Special Investor Consent and remove the GP, and as such ICG acts in the capacity of agent. However, as ICG has a 20% holding and therefore significant influence in this entity it has been considered an associate.

During the year ICG Group received income distributions of £73.3m (2016: £10.0m) from the four investment companies above.

There were no changes in the Group's ownership interests in an associate in the year.

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Country of incorporation	Proportion of ownership interest/voting rights held by the Group 2017
Nomura ICG KK	Advisory company	Japan	50.00%
HMY	Manufacturing	France	50.00%

Nomura ICG KK is equity accounted as a joint venture in accordance with IFRS 11. HMY is accounted for at fair value in accordance with the Group's accounting policy in note 3 to the financial statements. ICG's policy is to fair value investments in a portfolio company on a consistent basis with all other portfolio assets regardless of their classification in the financial statements. Nomura ICG KK is not a portfolio company and was established to operate the Group's core business of fund management activities in Japan. Management therefore consider it more appropriate to equity account for this entity in the financial statements.

The Group's investments in Parkeon, Via Location and Viadom, which were previously classified as joint ventures, have been sold during the year. There were no other changes in the Group's ownership interests in a joint venture.

### Significant restriction

There are no significant restrictions on the ability of associates and joint ventures to transfer funds to the Group other than having sufficient distributable reserves.

### Summarised financial information for associates material to the reporting entity

The Group's only material associates or joint ventures are ICG Europe Fund V Jersey Limited and ICG Europe Fund VI Jersey Limited, which are associates. The information below is derived from the IFRS financial statements of the entities. Materiality has been determined by the carrying value of the associate or joint venture as a percentage of total Group assets.

	ICG Fund VI Jersey Limited		ICG Fund V Jersey Limited	
	2017 £m	2016 £m	2017 £m	2016 £m
Current assets	0.5	3.8	–	0.2
Non current assets	1,219.6	263.5	1,759.4	2,083.0
Current liabilities	(0.1)	(0.2)	(7.5)	–
Non current liabilities	–	–	–	–
	1,220.0	267.1	1,751.9	2,083.2
Revenue	163.1	27.7	205.2	90.9
Profit from continuing operations	160.9	26.7	204.9	90.6
Total comprehensive income	160.9	26.7	204.9	90.6

### Summarised financial information for equity accounted joint ventures

Nomura ICG KK made a profit from continuing operations and total comprehensive income of £0.3m for the year end 31 March 2017 (2016: £nil).

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31 MARCH 2017

#### 33. UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. ICG has determined that where ICG holds an investment, loan, fee receivable, guarantee or commitment with an investment fund, CLO or CDO, that this represents an interest in a structured entity. ICG does not have any exposure to loans, guarantees or commitments. Where ICG does not hold an investment in the structured entity, management has determined that the characteristics of control are not met.

ICG acts in accordance within pre-defined parameters set out in various agreements and the decision making authority is well defined, including third party rights in respect of the investment manager. These agreements include management fees that are commensurate with the services provided and performance fee arrangements that are industry standard. As such ICG is acting as agent on behalf of these investors and therefore these entities are not consolidated into ICG's results. Consolidated structured entities are detailed in note 31.

At 31 March 2017, ICG's interest in and exposure to unconsolidated structured entities including outstanding management and performance fees is detailed in the table below, and recognised within financial assets: loans, investments and warrants and trade and other receivables in the statement of financial position:

Funds	Investment in Fund £m	Management fees receivable £m	Management fees %	Performance fees receivable £m	Performance fees %	Maximum exposure to loss £m
CLOs	62.3	1.7	0.35% to 0.60%	–	0.05% to 0.20%	64.0
Credit Funds	39.8	0.4	0.50% to 0.75%	–	N/A	40.2
Corporate Investment Funds	61.3	23.7	0.75% to 2.0%	5.3	20% – 25% of total performance fee of 20% of profit over the threshold	90.3
Real Asset Funds	92.5	8.7	0.40% to 1.33%	2.7	20% of returns in excess of 9% IRR	103.9
Secondaries Funds	152.1	7.2	1.15% to 1.40%	0.5	20% of total performance fee of 12.5% of profit over the threshold	159.8
Total	408.0	41.7		8.5		458.2

Management fees are charged on third party money managed by ICG on either a committed or invested basis dependent on the fund. The accounting policy for the recognition of performance fees is included in note 3.

ICG's maximum exposure to loss is equal to the value of any investments held and unpaid management fees and performance fees.

ICG has not provided non-contractual financial or other support to the unconsolidated structured entities during the year. It is not the current intention to provide such support, including the intention to assist the structured entity in obtaining financial support.

#### 34. CONTINGENT LIABILITIES

The Company and its subsidiaries may be party to legal claims arising in the course of business. The Directors do not anticipate that the outcome of any such potential proceedings and claims will have a material, adverse effect on the Group's financial position and at present there are no such claims where their financial impact can be reasonably estimated. The Company and its subsidiaries may be able to recover any monies paid out in settlement of claims from third parties.

#### 35. POST BALANCE SHEET EVENTS

There have been no material events since the balance sheet date.



## GLOSSARY

This document contains non IFRS GAAP alternative performance measures. These are defined below:

TERM	SHORT FORM	DEFINITION										
Adjusted earnings per share	Adjusted EPS	Adjusted profit after tax (annualised when reporting a six month period's results) divided by the weighted average number of ordinary shares as detailed in note 15.										
Adjusted Group profit before tax		<p>Group profit before tax adjusted for the impact of the consolidated structured entities, the presentation of Nomura ICG KK and Questus Energy Pty Limited (other adjustments) and the fair value movements on derivatives. In the prior year profit was also adjusted for changes to the estimate of Longbow deferred consideration and the impact of the settlement of the Employee Benefit Trust.</p> <p>As at 31 March 2017, this is calculated as follows:</p> <table><tr><td>Profit before tax</td><td>£252.4m</td></tr><tr><td>Plus other adjustments</td><td>£0.4m</td></tr><tr><td>Plus fair value movement of derivatives</td><td>£1.3m</td></tr><tr><td>Less consolidated structured entities</td><td>(£16.6m)</td></tr><tr><td><b>Adjusted Group profit before tax</b></td><td><b>£237.5m</b></td></tr></table>	Profit before tax	£252.4m	Plus other adjustments	£0.4m	Plus fair value movement of derivatives	£1.3m	Less consolidated structured entities	(£16.6m)	<b>Adjusted Group profit before tax</b>	<b>£237.5m</b>
Profit before tax	£252.4m											
Plus other adjustments	£0.4m											
Plus fair value movement of derivatives	£1.3m											
Less consolidated structured entities	(£16.6m)											
<b>Adjusted Group profit before tax</b>	<b>£237.5m</b>											
Adjusted Investment Company profit before tax		<p>Investment Company profit adjusted for the impact of the consolidated structured entities, the presentation of Nomura ICG KK and Questus Energy Pty Limited (other adjustments) and the fair value movements on derivatives. In the prior year profit was also adjusted for changes to the estimate of Longbow deferred consideration and the impact of the settlement of the Employee Benefit Trust.</p> <p>As at 31 March 2017, this is calculated as follows:</p> <table><tr><td>Investment Company profit before tax</td><td>£178.4m</td></tr><tr><td>Plus other adjustments</td><td>£0.4m</td></tr><tr><td>Plus fair value movement of derivatives</td><td>£1.3m</td></tr><tr><td>Less consolidated structured entities</td><td>(£16.6m)</td></tr><tr><td><b>Adjusted Investment Company profit before tax</b></td><td><b>£163.5m</b></td></tr></table>	Investment Company profit before tax	£178.4m	Plus other adjustments	£0.4m	Plus fair value movement of derivatives	£1.3m	Less consolidated structured entities	(£16.6m)	<b>Adjusted Investment Company profit before tax</b>	<b>£163.5m</b>
Investment Company profit before tax	£178.4m											
Plus other adjustments	£0.4m											
Plus fair value movement of derivatives	£1.3m											
Less consolidated structured entities	(£16.6m)											
<b>Adjusted Investment Company profit before tax</b>	<b>£163.5m</b>											
Adjusted return on equity		<p>Adjusted profit after tax divided by average shareholders' funds for the period.</p> <p>As at 31 March 2017, this is calculated as follows:</p> <table><tr><td>Adjusted profit after tax</td><td>£202.6m</td></tr><tr><td>Average shareholders' funds</td><td>£1,115.8m</td></tr><tr><td><b>Adjusted return on equity</b></td><td><b>18.2%</b></td></tr></table>	Adjusted profit after tax	£202.6m	Average shareholders' funds	£1,115.8m	<b>Adjusted return on equity</b>	<b>18.2%</b>				
Adjusted profit after tax	£202.6m											
Average shareholders' funds	£1,115.8m											
<b>Adjusted return on equity</b>	<b>18.2%</b>											
Balance sheet investment portfolio		The balance sheet investment portfolio represents non current financial assets from the Statement of Financial Position, adjusted for the impact of the consolidated structured entities and the presentation of Nomura ICG KK (other adjustments). See note 7 for a full reconciliation.										
Capital gains		Capital gains represent the increase in value of equity investments. Capital gains reported on an internal basis excludes the impact of the consolidated structured entities and excludes capital gains where the Group's investment is through a fund structure, but the underlying assets are interest bearing. See note 7 for a full reconciliation.										
Dividend income		Dividend income represents distributions received from equity investments. Dividend income reported on an internal basis excludes the impact of the consolidated structured entities and includes dividends on assets where the Group's co-investment is through a fund structure. See note 7 for a full reconciliation.										
Earnings per share		Profit after tax (annualised when reporting a six month period's results) divided by the weighted average number of ordinary shares as detailed in note 15.										

## GLOSSARY

### CONTINUED

TERM	SHORT FORM	DEFINITION										
Gearing		<p>Gross borrowings, excluding the consolidated structured entities, divided by closing shareholders' funds. Gross borrowings represent the cash amount repayable to debt providers.</p> <p>As at 31 March 2017, this is calculated as follows:</p> <table><tr><td>Gross borrowings</td><td>£1,119m</td></tr><tr><td>Shareholders' funds</td><td>£1,173m</td></tr><tr><td><b>Gearing</b></td><td><b>0.95x</b></td></tr></table>	Gross borrowings	£1,119m	Shareholders' funds	£1,173m	<b>Gearing</b>	<b>0.95x</b>				
Gross borrowings	£1,119m											
Shareholders' funds	£1,173m											
<b>Gearing</b>	<b>0.95x</b>											
Impairments		<p>Impairments are recognised on debt instruments to the extent that the debt is deemed irrecoverable. Impairments are reported on an internal basis and includes impairments on assets where the Group's co-investment is through a fund structure, but the underlying assets are interest bearing. See note 7 for a full reconciliation.</p>										
Interest expense		<p>Interest expense excludes the cost of financing associated with the consolidated structured entities. See note 7 for a full reconciliation.</p>										
Interest income		<p>Interest income is contractual income earned on debt investments. Interest income reported on an internal basis excludes the impact of the consolidated structured entities and includes interest income on assets where the Group's co-investment is through a fund structure, but the underlying assets are interest bearing. See note 7 for a full reconciliation.</p>										
Investment income		<p>Investment income is the total of interest income, capital gains and dividend and other income.</p>										
Net asset value per share		<p>Total equity from the Statement of Financial Position divided by the closing number of ordinary shares.</p> <p>As at 31 March 2017, this is calculated as follows:</p> <table><tr><td>Total equity</td><td>£1,173m</td></tr><tr><td>Closing number of ordinary shares</td><td>280,539,996</td></tr><tr><td><b>Net asset value per share</b></td><td><b>418p</b></td></tr></table>	Total equity	£1,173m	Closing number of ordinary shares	280,539,996	<b>Net asset value per share</b>	<b>418p</b>				
Total equity	£1,173m											
Closing number of ordinary shares	280,539,996											
<b>Net asset value per share</b>	<b>418p</b>											
Net current assets		<p>The total of cash, plus current financial assets, plus other current assets, less current liabilities as internally reported. This excludes the consolidated structured entities and the presentation of Nomura ICG KK and Questus Energy Pty Limited (other adjustments).</p> <p>As at 31 March 2017, this is calculated as follows:</p> <table><tr><td>Cash</td><td>£490.3m</td></tr><tr><td>Current financial assets</td><td>£89.7m</td></tr><tr><td>Other current assets</td><td>£172.9m</td></tr><tr><td>Current liabilities</td><td>(£158.8m)</td></tr><tr><td><b>Net current assets</b></td><td><b>£594.1m</b></td></tr></table>	Cash	£490.3m	Current financial assets	£89.7m	Other current assets	£172.9m	Current liabilities	(£158.8m)	<b>Net current assets</b>	<b>£594.1m</b>
Cash	£490.3m											
Current financial assets	£89.7m											
Other current assets	£172.9m											
Current liabilities	(£158.8m)											
<b>Net current assets</b>	<b>£594.1m</b>											
Net debt		<p>Total drawn debt less unencumbered cash of the Group, excluding the consolidated structured entities and the presentation of Nomura ICG KK and Questus Energy Pty Limited (other adjustments).</p> <p>As at 31 March 2017, this is calculated as follows:</p> <table><tr><td>Total drawn debt</td><td>£1,119.0m</td></tr><tr><td>Less unencumbered cash</td><td>(£489.9m)</td></tr><tr><td><b>Net debt</b></td><td><b>£629.1m</b></td></tr></table>	Total drawn debt	£1,119.0m	Less unencumbered cash	(£489.9m)	<b>Net debt</b>	<b>£629.1m</b>				
Total drawn debt	£1,119.0m											
Less unencumbered cash	(£489.9m)											
<b>Net debt</b>	<b>£629.1m</b>											

TERM	SHORT FORM	DEFINITION														
Operating cash flow		Operating cash flow represents the cash generated from operating activities from the Statement of Cash Flows, adjusted for the impact of the consolidated structured entities, the presentation of Nomura ICG KK (other adjustments). See note 7 for a full reconciliation.														
Operating expenses of the Investment Company		Investment Company operating expenses are adjusted for the impact of the consolidated structured entities, the presentation of Nomura ICG KK and Questus Energy Pty Limited (other adjustments). See note 7 for a full reconciliation.														
Operating profit margin		<p>Fund Management Company profit divided by Fund Management Company total revenue.</p> <p>As at 31 March 2017 this is calculated as follows:</p> <table><tr><td>Fund Management Company Profit</td><td>£74.0m</td></tr><tr><td>Fund Management Company Total Revenue</td><td>£179.7m</td></tr><tr><td><b>Operating profit margin</b></td><td><b>41.2%</b></td></tr></table>	Fund Management Company Profit	£74.0m	Fund Management Company Total Revenue	£179.7m	<b>Operating profit margin</b>	<b>41.2%</b>								
Fund Management Company Profit	£74.0m															
Fund Management Company Total Revenue	£179.7m															
<b>Operating profit margin</b>	<b>41.2%</b>															
Return on assets	ROA	<p>Returns divided by the average balance sheet investment portfolio. Returns comprise interest and dividend income, plus net capital gains, less impairments (as defined in this glossary) on the balance sheet investment portfolio, i.e. excluding assets held for sale.</p> <p>As at 31 March 2017 this is calculated as follows:</p> <table><tr><td>Interest income</td><td>£127.2m</td></tr><tr><td>Dividend and other income</td><td>£37.9m</td></tr><tr><td>Capital gains</td><td>£184.6m</td></tr><tr><td>Net impairments</td><td>(£48.0m)</td></tr><tr><td><b>Total returns</b></td><td><b>£301.7m</b></td></tr><tr><td>Average balance sheet</td><td>£1,755m</td></tr><tr><td><b>Return on assets</b></td><td><b>17.2%</b></td></tr></table>	Interest income	£127.2m	Dividend and other income	£37.9m	Capital gains	£184.6m	Net impairments	(£48.0m)	<b>Total returns</b>	<b>£301.7m</b>	Average balance sheet	£1,755m	<b>Return on assets</b>	<b>17.2%</b>
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<b>Return on assets</b>	<b>17.2%</b>															
Return on equity	ROE	Profit after tax (annualised when reporting a six month period's results) divided by average shareholders' funds for the period.														
Third party fee income		Fees generated on fund management activities as reported in the Fund Management Company including fees generated on consolidated structured entities which are excluded from the IFRS consolidation position. See note 7 for a full reconciliation.														
Weighted average fee rate		An average fee rate across all strategies based on fee earning AUM in which the fees earned are weighted based on the relative AUM.														

## GLOSSARY

### CONTINUED

Other definitions which have not been identified as non IFRS GAAP alternative performance measures are as follows:

TERM	SHORT FORM	DEFINITION
AIFMD		The EU Alternative Investment Fund Managers Directive.
Assets under management	AUM	Value of all funds and assets managed by the FMC. During the investment period third party (external) AUM is measured on the basis of committed capital. Once outside the investment period third party AUM is measured on the basis of cost of investment. AUM is presented in Euros, with non Euro denominated at the period end closing rate.
Catch up fees		Fees charged to investors who commit to a fund after its first close. This has the impact of backdating their commitment thereby aligning all investors in the fund.
Closed end fund		A fund where investor's commitments are fixed for the duration of the fund and the fund has a defined investment period.
Co-investment	Co-invest	A direct investment made alongside or in a fund taking a pro-rata share of all instruments.
Collateralised Debt Obligation	CDO	Investment grade security backed by a pool of non mortgage based bonds, loans and other assets.
Collateralised Loan Obligation	CLO	CLO is a type of CDO, which is backed by a portfolio of loans.
Close		A stage in fundraising whereby a fund is able to release or draw down the capital contractually committed at that date.
Direct investment funds		Funds which invest in self-originated transactions for which there is a low volume, inactive secondary market.
EBITDA		Earnings before interest, tax, depreciation and amortisation.
Employee Benefit Trust	EBT	Special purpose vehicle used to purchase ICG plc shares which are used to satisfy share options and awards granted under the Group's employee share schemes.
Financial Conduct Authority	FCA	Regulates conduct by both retail and wholesale financial services firms in provision of services to consumers.
Financial Reporting Council	FRC	UK's independent regulator responsible for promoting high quality corporate governance and reporting.
Fund Management Company	FMC	The Group's fund management business, which sources and manages investments on behalf of the IC and third party funds.
HMRC		HM Revenue & Customs, the UK tax authority.
IAS		International Accounting Standards.
IFRS		International Financial Reporting Standards as adopted by the European Union.
Illiquid assets		Asset classes which are not actively traded.
Internal Capital Adequacy Assessment Process	ICAAP	The ICAAP allows companies to assess the level of capital that adequately supports all relevant current and future risks in their business.
Investment Company	IC	The Investment Company invests the Group's capital in support of third party fundraising and funds the development of new strategies.
Internal Rate of Return	IRR	The annualised return received by an investor in a fund. It is calculated from cash drawn from and returned to the investor together with the residual value of the asset.
Key Man		Certain funds have designated Key Men. The departure of a Key Man without adequate replacement triggers a contractual right for investors to cancel their commitments.
Key performance indicator	KPI	A business metric used to evaluate factors that are crucial to the success of an organisation.
Key risk indicator	KRI	A measure used to indicate how risky an activity is. It is an indicator of the possibility of future adverse impact.

TERM	SHORT FORM	DEFINITION
Liquid assets		Asset classes with an active, established market in which assets may be readily bought and sold.
Open ended fund		A fund which remains open to new commitments and where an investor's commitment may be redeemed with appropriate notice.
Payment in kind	PIK	Also known as rolled up interest. PIK is the interest accruing on a loan until maturity or refinancing, without any cash flows until that time.
Performance fees	Carry	Share of profits that the fund manager is due once it has returned the cost of investment and agreed preferred return to investors.
Realisation		The return of invested capital in the form of principal, rolled up interest and/or capital gain.
Securitisation		A form of financial structuring whereby a pool of assets is used as security (collateral) for the issue of new financial instruments.
Senior debt		Senior debt ranks ahead of mezzanine and equity.
Total AUM		The aggregate of the third party external AUM and the Investment Company's balance sheet.
UK Corporate Governance Code	The Code	Sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.
UNPRI		UN Principles for Responsible Investing.
Weighted average		An average in which each quantity to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average.

## SHAREHOLDER AND COMPANY INFORMATION

### TIMETABLE

EVENT	Date
Ex dividend date	15 June 2017
Record date for financial year 2017 final ordinary dividend	16 June 2017
Last date for dividend reinvestment election	14 July 2017
AGM	25 July 2017
Payment of ordinary dividend	4 August 2017
Half year results announcement for the six months to 30 September 2017	14 November 2017

### COMPANY INFORMATION

#### Stockbrokers

##### ***JPMorgan Cazenove***

25 Bank Street  
Canary Wharf  
London  
E14 5JP

##### ***Numis Securities Limited***

The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

#### Auditor

##### ***Deloitte LLP***

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

#### Registrars

##### ***Computershare Investor Services PLC***

PO Box 92  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 7NH

#### Registered office

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

#### Company registration number

02234775

### WEBSITE

The Company's website address is **[www.icgam.com](http://www.icgam.com)**

Copies of the Annual and Interim Reports and other information about the Company are available on this site.



