Intermediate Capital Group PLC - ICP Notice of Results - Full Year Statement Tuesday 24 May 2016
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Strong performance and record AUM of €21.6bn

Intermediate Capital Group plc (ICG) announces its final results for the year ended 31 March 2016.

Operational highlights

- Total AUM up 20% to a record €21.6bn, with €5.2bn of new money raised; third party fee earning AUM up 28% to €15.8bn
- Strong fundraising performance driven by our established European strategies - European Mezzanine and Senior Debt Partners - raising a total of €2.7bn
- Fundraising across multiple strategies and geographies continues with four first time funds and five successor funds being marketed. As our fundraising focus turns to newer strategies, fundraising is expected to be lower in the new financial year
- All funds investing on target whilst maintaining credit discipline in a competitive market
- Investment Company portfolio performance robust, with net impairments in line with prior year at £39.4m (2015: £37.6m). At 2.3% of the opening Investment Company portfolio, it is below the 2.5% long term average

Financial highlights

- Group profit before tax of £158.8m (2015: £178.5m) due to a change in market value of derivatives held for hedging purposes. Adjusted Group profit before tax[1] was £175.6m (2015: £184.1m)

· Fund Management Company strategy delivering record profits, up 18% to £61.2m (2015: £52.0m)

· Investment Company profit of £97.6m (2015: £126.5m) due to a fair value loss on derivatives

· Return on equity of 12.9% (2015: 11.0%) and gearing of 0.70x (2015: 0.49x), both up on prior year

· Board proposes a £200m special dividend to be paid in July 2016, re-gearing the balance sheet to within a range of 0.8 - 1.2 times and increasing the Group's return on equity to over 13%. No further special dividends are anticipated thereafter

· Total ordinary dividends in the year up 4.5% to 23.0 pence per share, in addition to the £300m special dividend paid in July 2015. Final ordinary dividend up 4.6% to 15.8 pence per share

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

"Financial year 2016 has been another strong year of successful delivery. We raised €5.2bn of new funds during the year and

AUM is now at a record €21.6bn. The performance of our strategies is robust and we have generated record fund management profits. We are recommending a 4.6% increase in the final dividend, and as part of the process of maintaining an appropriate capital structure, we are proposing a further £200m capital return which will be distributed by a special dividend. This will re-gear the balance sheet to within our target range and contribute to the increase in our return on equity to over 13%. It will also take to £600m the amount returned to shareholders, in addition to the ordinary dividend, in the last three years.

"ICG now has a more diversified business than at any point in our history. The market environment continues to support our strategies; with strong demand from investors for diversified sources of higher yield and attractive investment opportunities for our funds and the development of new strategies. Many of our new strategies will take time to develop; however, we are confident that we have invested the appropriate resources to drive further growth and increase the diversity and long term profitability of our fund management business".

Financials

	Unaudited 31 March 2016	31 March 2015
Fund Management Company profit before tax	**£61.2m**	£52.0m
Investment Company profit before tax	**£97.6m**	£126.5m
Adjusted Investment Company profit before tax[1]	**£114.4m**	£132.1m
Adjusted Group profit before tax[1]	**£175.6m**	£184.1m
Group profit before tax	**£158.8m**	£178.5m
Average investment portfolio including assets held for syndication	**£1,957.6m**	£1,979.1m
Adjusted earnings per share[1]	**48.1p**	42.0p
Earnings per share	**41.9p**	50.3p
Dividend per share	**23.0p**	22.0p
Return on equity	**12.9%**	11.0%
Gearing	**0.70x**	0.49x
Net debt	**£753.7m**	£454.4m
Net asset value per share[2]	**£3.94**	£4.02

[1]As internally reported and excluding the impact of fair value movements on derivatives (FY16: £17.3m; FY15: £7.1m). Internally reported numbers exclude the impact of the EBT settlement, the movement in deferred consideration payable on the Longbow acquisition and the consolidation of nine credit funds following the adoption of IFRS 10.

[2]Net asset value per share has reduced as a result of the £300m (82.6 pence) special dividend paid in July 2015.

Assets under management

Investment portfolio	**€2,270m**	€2,340m
Third party assets under management	**€19,312m**	€15,672m
Total assets under management	**€21,582m**	€18,012m

The following foreign exchange rates have been used.

	31 March 2016 Average	**31 March 2015 Average**	**31 March 2016 Period end**	31 March 2015 Period end
GBP:EUR	**1.3624**	1.2852	**1.2624**	1.3833
GBP:USD	**1.5016**	1.6083	**1.4374**	1.4850

Enquiries

A presentation for investors and analysts will be held at 08:30 BST today at ICG's offices, Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU. The presentation will also be streamed live at 08:30 BST and be available on-demand from 14:00 BST at http://www.icgam.com/shareholders/Pages/shareholders.aspx

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About ICG

ICG is a specialist asset manager with over 27 years' history in private debt, credit and equity. Our objective is to generate income and consistently high returns whilst protecting against investment downside. 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 are committed to innovation and pioneering new strategies where we can deliver value to our investors. ICG has €21.6bn of assets under management globally (as at 31 March, 2016), we are listed on the London Stock Exchange (ticker symbol: ICP), and regulated in the UK by the Financial Conduct Authority (FCA). Intermediate Capital Group, Inc. is a wholly-owned subsidiary of ICG and is registered as an investment adviser under the U.S. Investment Advisers Act of 1940. Further information is available at: www.icgam.com.

Chairman's statement

I am pleased to report another strong year of successful delivery against our strategic objectives, reinforcing our confidence in the health of the business and our commitment to generating long term shareholder value.

Delivering our strategy

We continue to make significant progress in growing our specialist asset manager franchise across geographies and strategies. Highlights of the last financial year have included:

- Increasing funds under management, exceeding our fundraising target
- Delivering and growing our existing strategies
- Investing in new strategies that are expected to drive future growth
- Increasing fund management profits

- Returning surplus capital to shareholders

One key success has been the continued expansion of the Secondaries asset class. Initiated in November 2014 through the hire of a dedicated team; we have now completed three transactions and had a successful first close of our Strategic Secondaries Fund. Our commitment to this asset class was augmented in February 2016 with the acquisition of the management contract of the listed private equity investment trust, Graphite Enterprise Trust (since renamed ICG Enterprise Trust).

The growth in our fund management franchise has been driven primarily through supporting existing strategies, organic expansion into new strategies and team hires. However, the acquisition of the ICG Enterprise Trust management contract is an example of our willingness to make acquisitions where the right opportunity exists.

The market environment continues to offer attractive opportunities to grow, and further expand our range of long term value creating strategies, in the new financial year and beyond.

Dividend and capital return

The Board is focused on maintaining a capital structure that is appropriate to deliver our business strategy. In July 2014, the Board committed to re-gearing the balance sheet to between 0.8x and 1.2x by July 2016 and, with the planned growth of the fund management business, increasing return on equity to over 13%. Since May 2014 we have returned £400m to shareholders through special dividends and share repurchases, whilst maintaining sufficient resources to deliver attractive growth in our fund management business.

The Board recommends a final ordinary dividend for the year of 15.8p, making a total for the year of 23.0p (2015: 22.0p), an increase of 4.5% on prior year. The Board has decided to maintain the dividend reinvestment plan (DRIP). If approved by shareholders, the final dividend will be paid on 5 August 2016 to shareholders on the register as at 17 June 2016.

In addition the Board is recommending a further capital return of £200m to shareholders by way of special dividend of 63.4p per share. Once this proposed further capital return has been completed, subject to shareholder approval, we will have met the gearing and return on equity targets set out two years ago. We therefore do not anticipate any further special dividends thereafter.

The special dividend, with an associated share consolidation to maintain, as far as possible, the share price before and after the special dividend, will be subject to shareholder approval at the Annual General Meeting on 21 July 2016. The ex-dividend, record and payment dates for the special dividend and the share consolidation factor will be set out in the AGM circular to shareholders.

Changes to the Board

As announced in February 2016, I will be standing down as your Chairman at the Annual General Meeting. It has been an honour to have served on your Board for more than ten years, the last six as your Chairman. During my time as Chairman I am proud to have overseen the Company's successful transition from being primarily an investment company to becoming a leading specialist asset manager.

I will be succeeded as Chairman by Kevin Parry, our Senior Independent Director, subject to shareholder approval. Kevin has a wealth of relevant industry experience and deep knowledge of the Company's sector and business, which will contribute greatly to the future success of ICG.

Peter Gibbs will succeed Kevin as Senior Independent Director and a search is underway for a new Non-Executive Director who will be the new Chair of the Audit Committee.

Finally, on a personal note, I would like to thank my colleagues on the Board and in management, past and present, for their support, and wish Kevin and his team every success as they lead ICG's continued growth and development.

Chief Executive Officer's review

This has been another year of considerable achievement with total assets under management exceeding €20bn for the first time, and record Fund Management Company profits. Although, a fair value loss on derivatives has resulted in Group profits of £158.8m down from £178.5m in the prior year.

The Group has made substantial progress in its transformation into a diversified alternative asset manager. Our business model is to continue to increase the scale, profitability and sustainability of our fund management business and to optimise the use of our capital to support that of third party investors. We are confident that the success of our business model and the strategic direction of the Group will be further demonstrated in the coming year.

Strong fundraising year

Fundraising momentum has, as expected, remained strong throughout the financial year with €5.2bn of new money raised in a favourable fundraising environment. The appeal of alternative asset classes to investors remains unabated and attracts a number of new hopeful entrants to the market. Within this market, a track record built upon fund and investment performance and a diverse offering are immense competitive advantages which appeal to all investors and allow them to concentrate on a smaller number of relationships. In this context, our long established reputation for consistency and performance has enabled us to raise a total of €11.6bn of new money in the last two years.

During the year we had closes for our larger, well established European funds - European Mezzanine and Senior Debt Partners - at their €3.0bn maximum size, raising €2.7bn in the year. The remaining €2.5bn of fundraising was across ten strategies, including final closes for our North American and Japanese mezzanine funds. Whilst conditions for fundraising in Asia Pacific and for CLOs were more challenging, the 20% increase in total AUM demonstrates the growing diversity of our offering and the successful development of our fund management platform.

We have previously indicated that the lead time for marketing new strategies is significantly longer than for established funds where we have built a long standing track record. This was demonstrated by the contrasting experiences we encountered this year in raising our successful North American Debt Fund and European Mezzanine Fund. For our European Mezzanine Fund, four initial meetings were sufficient to generate one investor, with three months separating first and final closes. In contrast, we held 12 initial meetings for every investor in our first North American Fund, resulting in 18 months between first and final closes. Whilst we are proud of the result, having raised a first fund ahead of our initial target, we are even more encouraged by the prospects for successor funds.

Going forward we would underline that the current focus of our fundraising is on our newer strategies and, while we are pleased with progress to date, we expect that total new money raised in financial year 2017 will likely be below the amount raised in each of the last two years.

A key focus remains developing our current strategies to profitable maturity; however, we will continue to seek new strategies to add to our portfolio. The most efficient add-ons will be developing new funds around existing teams but we will constantly review opportunities to bring new teams in. New strategies lay the foundations to increase the diversity and long term profitability of our fund management business.

Capital deployment on track

In this competitive investment market, we are delighted to have identified attractive opportunities to sustain an appropriate investment pace across all our direct investment funds, whilst maintaining investment discipline. Of our funds currently in investment mode, 77% of AUM charge fees on an invested capital basis. The successful deployment of this capital directly contributes to the growth in profitability of our fund management business.

Robust financial discipline

Creating value for our shareholders requires that we continue growing and broadening the product range of our business. To that end, we are committed to selectively hiring new teams, launching new products and strategies and allocating capital to these new strategies. To do this we need to maintain broad access to financing sources and debt markets, and ensure the Group can withstand periods of market stress.

In order to have consistent and stable access to financing, we have diversified our sources of financing with an appropriate mix of maturities. We raised £845m during the year, of which £270m was in US private placements, £421m extending facilities with existing relationship banks and £154m in bank facilities with three new relationship banks, continuing our approach of diversifying our funding sources.

Outlook

After two years that have benefitted from fundraising for our larger European funds, we are confident momentum will continue as we target final closes on Longbow Fund IV, Asia Pacific Fund III and Strategic Secondaries. In addition, we have a strong pipeline of new funds to raise. However, as these funds are smaller and strategies newer than those of funds raised in the last two years, we expect the total new money raised to be lower.
Our fundraising success generates substantial capital to deploy across our investment strategies and we continue to see attractive investment opportunities across our strategies and regions. We size our funds to the market opportunity and aim to deploy the capital in line with the required investment run rate. We are therefore highly confident that we will maintain our current deployment pace and find investment opportunities with the appropriate risk/return balance, without compromising on our investment discipline in this highly competitive market.

In addition, we do not expect any negative change in the performance of our assets and funds. We will continue to manage these investment portfolios actively, working with management and sponsors on the delivery of their business plans. This is critical to maximising the exit value of our portfolio assets. We will maximise returns in older funds by realising assets to crystallise value for our fund investors and our shareholders. Whilst the timing is not always in the Group's control and therefore remains uncertain, we foresee the pace of realisations that we have seen in the last 18 months continuing in the current year.

Overall, we are very confident in our ability to deliver on our strategic objectives and to increase long term shareholder value.

Market review

Increasingly, the role of alternative asset managers such as ICG is to channel capital from the large pools of savings managed by institutional investors, be they pension funds, insurance companies or sovereign wealth funds, towards higher return alternative investments that these investors cannot reach through their traditional networks. Our success will therefore equally result from our ability to access these investors and attract them into our growing number of strategies, and our skills at deploying this capital into attractive, well considered investments from a risk and return perspective.

Demand is growing in the institutional market mostly due to institutions finding it increasingly difficult to achieve their long-term investment objectives through traditional investment strategies, such as sovereign bonds and equities, when alternative assets offer high returns over the long term. We have seen central banks continuing with their quantitative easing policies during the year, keeping sovereign bond yields near historically low levels. Furthermore, global growth is expected to remain subdued as there remain unresolved structural issues in Europe and a slower pace of growth in China. With this backdrop, global bond yields are expected to remain low and returns from traditional asset classes lower than those achieved in the period before the global financial crisis. We expect the positive trend in favour of alternative asset classes to persist.

In addition, the growing demand for higher yielding alternative asset products is driven by the expected increase in the absolute size of institutional assets under management globally. There are two key trends underpinning this expectation. First, it is projected that 21 new sovereign investors will emerge as the wealth of developing nations increases. These new investors will require diversification in asset allocation. Secondly, the trend of ageing populations in developed nations requires pension funds to focus on capital preservation and generation of higher returns to meet their long term liabilities in the areas of retirement and healthcare. In this environment, investor demand for alternative sources of return is expected to remain strong.

Our funds offer access to challenging private and less liquid asset classes as well as high yielding liquid specialist markets where our teams have consistently generated high risk-adjusted returns. The growth and expansion of our business by investment strategy and geography provides a diversity of exposure allowing investors to choose a range of potential risk-reward and geographic profiles.

The attractiveness of the market is resulting in increasing competition as new entrants seek to capitalise on the growing demand for alternative assets. From a fundraising perspective, investors' selection processes are rigorous and preference is given to established managers, like ICG, with a strong track record, credibility and infrastructure. From an investment perspective, the inflow of capital into the alternative asset market means our investment markets remain competitive.

We believe the investment environment for alternative sources of capital is more attractive in the mid-market corporate sector, in which we specialise. Banks remain constrained in their ability to substantially increase lending due to increased regulatory controls and unresolved legacy bad debts from the global financial crisis, particularly in Europe. While the largest companies are able to access debt markets and bank financing, many mid-market companies do not have access to traditional funding markets and are a source of attractive opportunities.

The sourcing of deals in the mid-market sector, both corporate and real estate, relies on strong relationships, local networks, sector specialists and being highly selective. These are our core skills and, along with our ability to make larger investments than many of the newer entrants to the market, mean we are able to continue to source attractive deals in a competitive market.

Therefore, we are in a strong position to facilitate both the demand from institutional investors for higher yielding investments and the demand from global mid-market companies for non-bank sources of capital.

These macroeconomic trends influence each of our strategic asset classes in different ways.

Corporate investments

Demand for higher yielding assets has increased competition for our corporate investment funds. However, these investment markets are private and relationship driven and as a result there are significant hurdles for new entrants who may not be able to offer the certainty of funding or flexibility of approach of existing players. A consequence of the capital available for investment in this area is the increased opportunity for us to realise assets at attractive returns, although it does mean that the environment for investing in new assets is competitive. Our local knowledge and long-standing relationships are a real advantage in this market.

Our European funds have seen a good flow of opportunities, with a particularly strong conversion rate for our Senior Debt Partners Fund. In the US, our newly closed North American Fund has benefitted from the impact of the macroeconomic uncertainties on credit markets and has had a successful investment year. We have remained highly selective in Asia as we focus on fundraising Asia Pacific III and in view of the difficulties encountered by China and possible knock on effects across the region.

Capital markets

Leverage loan and high yield markets in the US and Europe have seen wide fluctuations since the summer of 2015. Negative perceptions of China, the fear of a global economic slowdown, a collapse in the price of commodities, and oil in particular, as well as the uncertainty surrounding Brexit have all had an impact on capital markets which has been countered by loose monetary policies.

In the US the low oil price has had a significant impact as oil and gas companies are a material part of these markets. Concerns about credit quality have reduced capital available for investment with a consequential increase in the cost of debt. CLO issuance dramatically reduced when the yields demanded by new investors increased and thus remained at lower levels compared to recent years.

In Europe the continued low interest rate environment has resulted in a broader range of companies seeking to capitalise on the demand for yield. Weaker than expected economic growth combined with some stretching financing structures has resulted in concerns that risk has been mispriced and has led to an increase in the returns being demanded by new investors. Loan and high yield issuance has reduced compared to prior years as a result. This has also impacted European CLO issuance which is significantly lower than in previous years.

Real assets

Our real assets focus is currently on the UK commercial real estate market which bears many of the characteristics of the wider European loan market. Substantial capital is available for investment while banks continue to reduce their overall exposure to real estate. As with our other investment strategies, competition for larger assets remains high. However, our smaller asset focus, deep knowledge of the UK market, strong industry relationships and flexible approach mean we are able to originate attractive deals.

The investment market benefits from strong occupier demand driven largely by record levels of employment and reduced levels of new developments. This has led to low vacancy rates, growing income and expectations of further growth. The strong investment market of calendar year 2015 has slowed in Q1 2016 with investors concerned by economic growth, linked to Brexit, and overpaying in the current market. Capital values have grown by over 8% in 2015 and by over 25% since April 2013, yet we believe the market as a whole remains fairly valued with good investment opportunities.

Secondary investments

There are approximately 2,644 private equity fund managers currently seeking capital for new funds, targeting new assets under management of $912bn. Our Enterprise Trust invests in mid-market private equity funds, part of this large sector. Whilst competition for the best performing funds is high, there are significant opportunities to deploy capital. The team has an excellent reputation and we believe in the potential to develop this business further.

The value of third party capital committed to private equity funds, either as undrawn or invested, is estimated to be $2.6tn. Of this, a significant proportion of assets are held in funds past their typical holding period, with little incentive for the incumbent manager to sell these assets in the M&A market. The value added end of the secondaries market, has evolved to give investors in underperforming funds the opportunity to exit their commitments, and enable new investors to access these assets thereby increasing the availability of investment opportunities. Our strategic secondaries strategy is designed specifically to address this opportunity and has developed a niche position in the highly complex and structured part of the market where we have abundant opportunities to invest.

Operating review

We continue to make good progress in creating long term shareholder value by delivering on our three strategic objectives.

We operate in four strategic asset classes, corporate investments, capital markets, real assets and secondaries. The funds within these asset classes are reported based on their financial profile, consistent with prior years. The principal difference between these two classifications is that the Senior Debt Partners strategy falls within the corporate investment asset class but, along with the capital markets funds is reported as credit funds below.

1. **Grow assets under management**

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

We have had another excellent fundraising year, raising €5.2bn of third party money spread across each of our strategic asset classes - corporate investments, capital markets, real assets and secondaries. Our strong track record and global investor demand for our European products enabled us to raise €2.7bn in the financial year for ICG Europe Fund VI and Senior Debt Partners II, allowing our two largest funds both to close at their maximum €3.0bn size.

Most of our closed end funds have a natural limit as we size them to the expected investment opportunity. Therefore our ability to meaningfully grow assets under management is dependent on optimising the size of our existing strategies, raising significant levels of third party money for our newer strategies and expanding the range of strategies on offer. We are therefore delighted with the progress made during the year and expect further progress to be made during FY17 when our focus will initially be on newer strategies. These typically have longer fundraising cycles than established strategies, despite the combined track record of ICG and the individual fund managers. We therefore expect, as previously indicated, that fundraising will be slower in FY17 but reiterate our target of raising an average of €4.0bn of new money per annum over the fundraising cycle.

We also increased assets under management by £524m (€661m) during the year with the acquisition of the management contract for the listed private equity investment trust, Graphite Enterprise Trust (since renamed ICG Enterprise Trust).

Realisations, for both our balance sheet and third party funds, of €2,289m were at a pace that was broadly in line with that of the second half of the last financial year. The income and capital return generated from these realisations provide cash for the Group to reinvest in developing its product range and, in doing so, enhancing the fund management business.

In the twelve month period to 31 March 2016, AUM increased 20% to €21.6bn as fundraising inflows more than offset the outflows from realisations. Third party funds have increased 23% to €19.3bn, with the balance sheet portfolio down 3% to €2.3bn, driven by realisations and foreign exchange movements.

Mezzanine funds
Third party mezzanine funds under management have increased by 14% to €6.0bn, with new AUM of €1.6bn outstripping the run off of our older funds.

ICG Europe Fund VI completed its successful fundraise in the first quarter of the financial year, only three months after its first close. The additional €1.2bn raised in the current year contributed to the fund reaching its maximum size of €3.0bn, including a €500m commitment from the balance sheet. Of the investors committing money to ICG Europe Fund VI, 41% committed money to an ICG fund for the first time, with 59% being existing investors, providing further evidence that our in house distribution team are broadening and deepening our client base.

Elsewhere, both our US Private Debt Fund and our domestic Japanese Mezzanine Fund had final closes during the year at or above target. At $790m (€694m), including $200m committed from the balance sheet, our US Private Debt Fund was the largest first time fund raised of its kind in the US during 2015.

Fundraising for our third Asia Pacific fund has, as previously indicated, been much slower than expected with investors cautious to make significant asset allocations to the Asian market. That said we have raised $484m (€425m) to date, including $200m from the balance sheet, and anticipate closing the fund in the first half of the new financial year.

Credit funds
Third party credit funds under management have increased 20% to €9.1bn, with new AUM of €2.5bn raised in the period.

Senior Debt Partners, our direct lending strategy, completed its successful fundraise during the financial year. The additional €1.5bn raised in the current year contributed to the fund reaching its maximum size of €3.0bn, including a reduced €25m commitment from the balance sheet. Senior Debt Partners II demonstrated our ability to have both an outstanding fundraise and at the same time be efficient with our capital allocation. The balance sheet allocated €50m of capital to Senior Debt Partners I, which represented 3% of the total raised, but this was reduced to only 1% in Senior Debt Partners II.

As detailed in the market review, macroeconomic conditions have restricted the number of CLOs we have been able to issue during the year. We closed two US CLOs totalling $822m (€755m), including $45m committed from the balance sheet during the financial year, further increasing the operating leverage of our US CLO business. Since the year end we have priced a €413m European CLO which is expected to close in June. Subject to market conditions, we expect to raise further European and US CLOs during FY17.

Elsewhere, we raised €319m across our Alternative Credit and European loans strategies. In March 2016 we announced a major investment in the development of our capital market capabilities with the appointment of Zac Summerscale from Babson Capital to head up our Credit Fund Management business. We anticipate that this investment will, in due course, lead to an increase in assets under management in this asset class.

Real Estate funds
Third party real estate funds under management have increased 22% in the period to €3.3bn with €897m raised in the period.

Our largest real estate strategy raised £356m (€483m) during the year for its successor fund, ICG Longbow Fund IV, taking the total amount raised for the fund to £720m including £50m committed from the balance sheet. A final close is expected in the first half of the new financial year. Elsewhere, £106m (€144m) was raised in segregated mandates for the real estate senior debt strategy. To date we have raised money for our senior debt strategy through segregated mandates, but preparatory work is underway for the launch of a senior debt fund which would further broaden our UK commercial real estate offering.

Secondary funds

Third party secondary funds under management have increased by €0.8bn in the period to €0.9bn. Our Strategic Secondaries Fund raised $167m (€154m) during the year, with a further close expected shortly. The acquisition of the ICG Enterprise Trust management contract added a further £524m (€661m) to funds under management.

2. **Invest selectively**

Local knowledge, sector specialists and long-standing relationships are our investment differentiators as a specialist asset manager. These, combined with the flexibility of the mandates given to us, have enabled us to maintain the pace of investment across our direct investment funds, whilst retaining a strong investment discipline, in an increasingly competitive environment.

The total amount of third party capital deployed on behalf of the direct investment funds was £2.4bn in the year, a 14% increase on the last financial year. This increase reflects recent fundraising achievements across an increased number of strategies and the resulting availability of capital to deploy. In addition, our Investment Company invested a total of £247m in the year, compared to £360m in the prior year. The investment rates for our Senior Debt Partners strategy, our Real Estate funds and our US Private Debt Fund have been particularly strong and have a direct impact on FMC income as fees are charged on an invested capital basis. Fee earning AUM has increased 28% to €15.8bn at the year end.

The direct investment funds are investing as follows:

Fund	% invested at 31 March 2016	% invested at 31 March 2015	Assets in fund at 31 March 2016	Deals completed in year
ICG Europe Fund V	98%[1]	88%	21	1
ICG Europe Fund VI	10%	n/a	3	3
Senior Debt Partners II	31%	n/a	14	14
Asia Pacific Fund III	29%	6%	3	1
North American Private Debt Fund	46%	19%	7	4
ICG Longbow Real Estate Fund IV	59%	14%	17	15

[1] ICG Europe Fund V completed its investment period during the financial year 2016

% invested is based on third party funds raised at 31 March 2016 for funds in their investment period.

In addition, we completed one Strategic Secondaries investment in the year and another after the year end. This takes the number of completed investments for that strategy to three. These assets continue to perform ahead of expectations.

3. **Manage portfolios to maximise value**

The availability of finance in the market during the year has resulted in the pace of realisations being maintained at the level seen during the second half of the prior financial year, with further realisations in the pipeline for the first half of the new financial year.

The performance of the Investment Company's mezzanine portfolio is robust, with only a small number of assets underperforming. By number, 69% of our portfolio companies (77% on a weighted average value basis) are recording EBITDA above or at the same level as the previous year. The valuation of the portfolio as at 31 March 2016 reflects the recovery in global stock markets in the final quarter of the financial year to end at similar levels to the beginning of the year, and the improved performance of a number of portfolio assets. Of the unrealised gains recognised in the year, 41% is in respect of Parkeon which has been exited since 31 March 2016.

The realisation of Parkeon illustrates the value that our active approach to monitoring investments with local teams can create. Following a sharp decline in EBITDA, our local team worked with management on a financial and operational restructuring of the company which enabled the company to refocus and grow. Following the restructuring the business grew EBITDA an average of 54% per year. Without our local team being actively involved in the asset, and our financial support, it is highly likely that we would have lost our initial investment rather than generating a 3.1x return on the original investment for our Investment Company.

During the year we took asset specific impairments against our weaker assets of £42.8m compared to £53.5m in the prior financial year. After write backs of £3.4m during the year, net impairments were £39.4m compared to £37.6m in the prior year. Aggregate net impairments are currently 2.3% of the opening Investment Company portfolio and this is in line with our target of less than 2.5%. While impairments are not predictable, we are actively monitoring our weaker assets and at this stage do not expect a significant change to the level of impairments.

As previously indicated, with the reduction in the concentration of the Investment Company portfolio, details of the top 20 assets are now to be found in the data pack on our website at http://www.icgam.com/shareholders/Pages/results-and-presentations.aspx?year=2016.

Chief Financial Officer's Review

The financial statements include the credit funds and CLOs required to be consolidated under IFRS 10, the increase in deferred consideration relating to the purchase of ICG Longbow, and the impact of the Employee Benefit Trust (EBT) settlement. Internally reported information excludes these items as the Board does not believe that these items assist shareholders in assessing the delivery of the Group's strategy through its financial performance.

A reconciliation between the internally reported management information and the financial statements is shown below with more detail in note 2 on page 30.

	2016 Internally reported - unadjusted £m	**2016 Consolidate structured entities and joint venture £m**	**2016 EBT settlement £m**	**2016 Longbow deferred consideration £m**	**2016 Financial statements £m**	2015 Internally reported - unadjusted £m	2015 Consolidate structured entities and joint venture £m	2015 EBT settlement £m	2015 Financial statements £m
Income Statement									
Revenue, net of finance costs	**340.6**	**(13.2)**	**-**	**-**	**327.4**	339.8	21.3	-	361.1
Profit before tax	**158.3**	**16.0**	**2.3**	**(17.8)**	**158.8**	177.0	19.4	(17.9)	178.5
Statement of financial position									
Total assets	**2,330.2**	**2,046.0**	**-**	**-**	**4,376.2**	2,335.1	1,464.1	-	3,799.2
Total equity and liabilities	**2,330.2**	**2,046.0**	**-**	**-**	**4,376.2**	2,335.1	1,464.1	-	3,799.2

In the prior year, the Group settled a claim for taxes in respect of an EBT which resulted in costs of £17.9m and the receipt of a tax credit of £38.2m. This was recognised in the prior year giving a net increase in profit after tax of £20.3m. In the current year, there was a net release of over-accrued costs in relation to this claim of £2.3m resulting in an increase in profit before tax of £2.3m.

The deferred consideration in relation to the purchase of the remaining 49% of our real estate business, ICG Longbow, during the prior year was determined with reference to the performance of the business as at 31 March 2016. The outstanding success of this business has resulted in a £17.8m increase, to £41.7m, in the amount that will be paid as deferred consideration. The increase has been recognised through the income statement in the current year as a one off cost.

The information in this review is presented on an internally reported basis and excludes the impact of these adjustments.

Overview

The Group's profit before tax, when excluding the impact of the fair value charge on derivatives, was below last year at

£175.6m (2015: £184.1m). This is driven by lower IC profits as borrowing costs have increased as a result of re-gearing. 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 record FMC profits in the year.

	2016 Internally reported unadjusted £m	**2016 Fair value charge on derivatives £m**	**2016 Internally reported adjusted £m**	2015 Internally reported unadjusted £m	2015 Fair value charge on derivatives £m	2015 Internally reported adjusted £m
Fund Management Company	**61.2**	**-**	**61.2**	52.0	-	52.0
Investment Company	**97.1**	**17.3**	**114.4**	125.0	7.1	132.1
Profit before tax	**158.3**	**17.3**	**175.6**	177.0	7.1	184.1
Tax	**(16.7)**	**-**	**(16.7)**	(26.1)	-	(26.1)
Profit after tax	**141.6**	**17.3**	**158.9**	150.9	7.1	158.0

The adjusted profit of the IC and Group in the above table excludes the adverse impact of the fair value charge on hedging derivatives of £17.3m (2015: £7.1m). Throughout this review all numbers are presented on an adjusted basis.

The effective tax rate for the period was 11% (2015: 15%). The Group's effective tax rate is lower than the current 20% rate of UK corporation tax. This reflects the mix of the Group's balance sheet with investment returns in the year being weighted towards non UK sourced dividend income and capital gains rather than interest income. As dividend income is exempt from UK corporation tax it has the impact of reducing the Group's effective tax rate.

Based on the adjusted profit above, the Group generated an ROE of 12.9% (2015: 11.0%), an increase on prior year reflecting lower shareholders' funds following the £300m special dividend paid during the year. Adjusted earnings per share for the period were 48.1p (2015: 42.0p).

The Group had net current assets of £229.8m (2015: £419.4m) at the end of the year. The decrease in net current assets is principally driven by lower cash due to the special dividend paid in July 2015.

The Board has recommended a final ordinary dividend of 15.8p per share (2015: 15.1p), taking the full year ordinary dividend to 23.0p per share (2015: 22.0p). In addition the Board has recommended a £200m special dividend.

Assets under management

AUM as at 31 March 2016 increased to €21,582m (2015: €18,012m), driven by strong fundraising across our European funds, the raising of two US CLOs and the acquisition of the management contract of Graphite Enterprise Trust. AUM by business line is detailed below, where all figures are quoted in €m.

	As at 31 March 2016 €m	As at 31 March 2015 €m	Change %
Mezzanine funds	**6,008**	5,255	14%
Credit funds	**9,060**	7,575	20%
Real estate funds	**3,305**	2,703	22%
Secondaries funds	**939**	139	576%
Total third party AUM	**19,312**	15,672	23%
IC investment portfolio	**2,270**	2,340	(3)%
Total AUM	**21,582**	18,012	20%

The increase in AUM during the year is principally the result of another strong period of fundraising, with the pace of realisations similar to the second half of last year. This is detailed in the AUM bridge below:

	Credit	Real estate	Secondaries	Total

	Mezzanine funds €m	funds €m	funds €m	funds €m	Third Party AUM €m
At 1 April 2015	5,255	7,575	2,703	139	15,672
Additions	1,597	2,531	897	807	5,832
Realisations	(789)	(836)	(22)	-	(1,647)
FX and other	(55)	(210)	(273)	(7)	(545)
At 31 March 2016	**6,008**	**9,060**	**3,305**	**939**	**19,312**

The €5,832bn of new AUM includes €2,689m in respect of our ICG Europe Fund VI and Senior Debt Partners II as our two largest funds both closed at their maximum €3.0bn size. In addition, €1,568m relates to strategies developed in the last two years. The new strategies have introduced new long term revenue streams to the business. Furthermore, given that a strategy will typically reach profitable maturity on its third fund, the fee stream growth from our new strategies will become more visible into the medium term. We also increased AUM by €661m with the acquisition of the management contract of the listed private equity investment trust, Graphite Enterprise Trust (since renamed ICG Enterprise Trust).

Fee earning AUM increases as new funds are raised that charge fees on committed capital and as funds that charge fees on invested capital are invested. This can be seen in the fee earning AUM bridge below:

	Mezzanine funds €m	Credit funds €m	Real estate funds €m	Secondaries funds €m	Total Third Party Fee Earning AUM €m
At 1 April 2015	4,925	5,447	1,766	139	12,277
Additions	1,625	2,511	1,014	572	5,722
Realisations	(858)	(953)	(30)	-	(1,841)
FX and other	(32)	(137)	(229)	(3)	(401)
At 31 March 2016	**5,660**	**6,868**	**2,521**	**708**	**15,757**

Profit and loss account

Fund Management Company

Fee income
Third party fee income increased 14% in the year to £108.9m (2015: £95.8m), and total fee income increased by 11% in the year to £127.3m (2015: £114.5m), driven by the investment of our credit and real estate funds and the successful fund raise of ICG Europe Fund VI. This was partially offset by a reduction in performance fees from £26.6m to £14.0m. Excluding performance fees, third party income increased 37% to £94.9m (2015: £69.2m) in the year. Details of movements are shown below:

	31 March 2016 £m	31 March 2015 £m	Change %
Mezzanine funds	**57.8**	61.8	(6)%
Credit funds	**29.9**	22.9	31%
Real estate funds	**19.1**	10.7	79%
Secondaries funds	**2.1**	0.4	425%
Total third party funds	**108.9**	95.8	14%
IC management fee	**18.4**	18.7	(2)%
Total fee income	**127.3**	114.5	11%

Mezzanine third party fees include £9.7m (2015: £26.6m) of performance fees earned as the realisation of assets from older vintages helped trigger the performance hurdles, primarily in respect of Recovery Fund 2008. The prior year included £21.6m recognised on European Mezzanine Fund 2006 resulting from the sale of the fund's remaining assets to a new secondary fund. Although an integral part of the fee income profile and profitability stream of the Group, the quantum of performance fees in any particular year is unpredictable. Excluding performance fees, mezzanine third party fees increased by 37% from £35.2m to £48.1m, principally due to the raising of ICG Europe Fund VI which charges fees on committed capital and is €500m larger than its predecessor fund. This is partially offset by reduced income on ICG Europe Fund V which now charges fees on invested capital from the end of its investment period in May 2015.

Credit funds third party fee income increased 31% with fees from new funds partially offset by the decrease in fees on older credit funds that are in their realisation phase. The increase in fees is principally due to the investment of our Senior Debt Partners strategy plus the combination of the annualisation of fees earned on US CLOs raised in the prior year and two new CLOs raised in the current year.

Fees for our Real Estate and Senior Debt Partners funds are typically charged on an invested basis, although this has little impact for the CLOs which are invested quickly. The 79% increase in Real estate third party fee income reflects the investment of money raised for ICG Longbow Fund III and IV and senior debt mandates.

Secondaries third party fees increased by £1.7m in the year due to a full year of fees on the Diamond Castle fund and two months of fees from the ICG Enterprise Trust management contract. Secondaries fees are expected to grow in FY17 following the first close of our Strategic Secondaries Fund which charges fees on committed capital.

The weighted average fee rate, excluding performance fees, across our fee earning AUM is 0.88% (2015: 0.91%) as our senior debt funds, which charge lower fees, are invested.

Dividend income

Dividend receipts of £19.3m (2015: £13.2m) are higher than prior year due to the increased number and improved performance of CLOs.

Operating expenses

Operating expenses of the FMC were £85.0m (2015: £75.3m), including salaries and incentive scheme costs. Salaries were £30.4m (2015: £27.4m) as average FMC headcount increased from 190 to 215. This increase is directly related to investing in the growth areas of the business namely Secondaries, Real Estate and our operations infrastructure. Incentive scheme costs have increased to £24.5m (2015: £19.0m) reflecting higher awards made in May 2015, which are being expensed to the income statement over their vesting period. Other administrative costs of £30.1m (2015: £28.9m) were 4% above prior year.

The FMC operating margin was 41.9%, up from 40.8% in the prior year.

Investment Company

Balance sheet investments

The balance sheet investment portfolio increased 6% in the period to £1,798.0m at 31 March 2016, as the realisation of older assets was more than offset by new investments and fair value gains. The impact of this is illustrated in the investment portfolio bridge below:

	£m
At 1 April 2015	1,691
New and follow on investments	247
Net transfer from funds for syndication	56
Accrued interest income	75
Realisations	(471)
Impairments	(39)
Fair value gains	146
FX and other	93
At 31 March 2016	**1,798**

Realisations comprise the return of £312.0m of principal, the crystallisation of £83.3m of rolled up interest and £76.1m of realised capital gains.

In the period £180.1m was invested alongside our mezzanine funds for new and follow on investments. In addition, £67.1m was invested across our CLOs and credit funds. The investment in our credit funds is lower risk as the funds are principally investing in senior debt assets.

The sterling value of the portfolio decreased by £102.0m due to foreign exchange movements. The portfolio is 49% Euro denominated and 26% US dollar denominated. Sterling denominated assets account only for 14% of the portfolio. The Group minimises foreign exchange impact of non sterling assets through non sterling liabilities and derivative transactions.

The analysis of the portfolio by instrument is outlined below:

	As at 31 March 2016 £m	**% of total**	As at 31 March 2015 £m	% of total
Senior mezzanine and senior debt	386	21%	433	26%
Junior mezzanine	182	10%	169	10%
Interest bearing equity	115	6%	164	10%
Non interest bearing equity	531	30%	414	24%
Co-investment portfolio	1,214	67%	1,180	70%
Investment in secondaries funds	104	6%	14	1%
Investment in credit funds	225	13%	274	16%
Investment in CLOs	131	7%	134	8%
Investment in real estate funds	124	7%	89	5%
Total balance sheet portfolio	1,798	100%	1,691	100%

In addition to the balance sheet portfolio, there were £182.6m (2015: £243.9m) of current assets being held on the balance sheet at 31 March 2016 that will be 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 fundraising as potential investors can see the types of assets they will be investing in. This is illustrated by the year end balance which includes £66.7m of assets held for syndication into Asia Pacific Fund III and £37.6m of assets being warehousing for future CLOs.

Net interest income
Net interest income of £80.1m (2015: £118.8m) comprised interest income of £126.0m (2015: £158.6m), less interest expense of £45.9m (2015: £39.8m). Interest income was below the prior period due to a decrease in the average IC portfolio and a reduction in the proportion of interest bearing assets from 46% to 37%. Cash interest income represented 30% (2015: 30%) of the total. The Group has increased its borrowings to re-gear the balance sheet, resulting in an increase in interest expense.

Dividend income
Dividend income of £16.4m (2015: £3.4m) was higher than the prior year due to a distribution received from the investment in Diamond Castle of £12.8m by the secondaries team.

Operating expenses
Operating expenses of the IC amounted to £57.9m (2015: £49.9m), of which incentive scheme costs of £39.7m (2015: £30.5m) were the largest component. The increase in incentive scheme costs is in part due to a higher national insurance cost in the current year reflecting the share price at the date of vesting and higher headcount increasing the cash bonus accrual.

Other staff and administrative costs were £18.2m compared to £19.4m last year, a £1.2m decrease. Of these costs, £3.0m (2015: £5.2m) related to the cost of business development, including the establishment of Alternative Credit and Australian Senior Loans teams. Excluding business development, costs increased £1.0m due to the cost of expanding our risk and compliance function with the addition of a Chief Risk Officer and internal audit capability.

The management fee on IC investments managed by the FMC reduced to £18.4m (2015: £18.7m) as a result of the reduction in the average size of the loan book.

Capital gains
Net realised capital gains in the year were £75.2m (2015: £46.7m), of which £51.2m (2015: £21.9m) had previously been recognised as unrealised gains in the P&L with the remaining £24.0m (2015: £24.8m) recognised in the current year.

Fair valuing the equity and warrants gave rise to a further £144.4m (2015: £84.7m) of unrealised gains in the current year reflecting the improved performance of our portfolio companies during the year. Of this, £104.6m (2015: £86.8m) is recognised in the income statement, including £42.8m on our largest asset Parkeon which was realised in April 2016, and £39.8m (2015: £(2.1)m) as a movement in reserves.

Impairments
Net impairments for the year were £39.4m compared with £37.6m in the prior year. Gross impairments amounted to £42.8m (2015: £53.5m) and recoveries were £3.4m (2015: £15.9m) in the year.

Group cash flow, debt and capital position

The Group has continued to actively manage its sources of financing, extending debt facilities and

lowering pricing where possible. During the year £845m was raised, of which £270m was in US private placements, £421m extending facilities with existing relationship banks and £154m in bank facilities with three new relationship banks. The balance sheet remains strong, with £781.3m of available cash and debt facilities at 31 March 2016. The movement in the Group's unutilised cash and debt facilities during the period is detailed below:

	£m
Headroom at 31 March 2015	758.4
Increase in drawn bank facilities	173.2
Increase in private placements	269.7
Secured floating rate notes matured	(33.9)
Private placements repaid	(97.8)
Movement in cash	(140.4)
Movement in drawn debt	(158.9)
Other (including FX)	11.0
Headroom at 31 March 2016	**781.3**

Total drawn debt at 31 March 2016 was £866m compared to £707m at 31 March 2015, with unencumbered cash of £112m compared to £253m at 31 March 2015.

Cashflow

Operating cash inflow for the year was £185.6m (2015: £150.1m), reflecting that our operating model is highly cash generative. The increase in the cash inflows is a result of a reduction in cash outflows relating to assets held for syndication partially offset by an increase in operating expenses, as analysed below:

	31 March 2016 £m	31 March 2015 £m
Cash in from realisations	394.3	505.6
Cash in from dividends	45.7	35.1
Cash in from fees	86.3	94.4
Cash in from cash interest	124.3	124.8
Total cash receipts	650.6	759.9
Cash interest paid	(47.0)	(33.8)
Cash paid to purchase loans and investments	(247.1)	(359.8)
Cash movement in assets held in warehouse or for syndication	(35.8)	(126.4)
Operating expenses paid	(135.1)	(89.8)
Total cash paid	(465.0)	(609.8)
Total cash generated from operating activities	185.6	150.1

Interest paid was 39% higher, in line with higher average borrowings, but a lower average cost of debt.

Capital position

Shareholders' funds decreased by 15% to £1,241.2m (2015: £1,456.4m) in the year, principally due to the £300m special dividend paid during the year. Total debt to shareholders' funds (gearing) as at 31 March 2016 increased to 0.70x from 0.49x. Adjusted return on equity of 12.9% is up 1.9% points from 31 March 2015.

ICG's strong balance sheet positions the Group to generate and realise shareholder value through co-investing into our existing and new funds and investing in new opportunities, whilst maintaining the appropriate level of regulatory capital. The Board believes that a gearing range of 0.8x-1.2x remains appropriate and therefore is recommending that a further £200m of capital is returned to shareholders by means of a special dividend, with an associated share consolidation. On a pro-forma basis, assuming the proposed special dividend had been paid at the beginning of the financial year, gearing would have been 0.93x at 31 March 2016 and return on equity over 16%.

Principal risks and uncertainties

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

Our approach
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 establishes the culture of effective risk management throughout the business by identifying and monitoring the material risks, setting risk appetite and determining the risk tolerances of the Group.

The Board is responsible for establishing and maintaining appropriate systems and controls to manage risk within the Group and to ensure compliance with regulation.

The Group's risk management systems are regularly monitored by the Risk Committee under delegation from the Board. The Risk Committee is responsible for overseeing the effectiveness of the internal control environment of the Group. Following the appointment of the Chief Risk Officer (CRO) during the year, the Group's risk management framework, systems and reporting were reviewed and, as a result of this review, a number of enhancements to the Group's risk management framework, endorsed by the Risk Committee, have since been made.

Identifying principal and emerging risks
Principal risks are identified 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 assessment).

The Risk Committee leads the top down review of business risks and determines the principal risks. This review focuses on those risks that could threaten the business model, future performance, solvency 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 developments. The review also considers emerging risks.

The Risk Committee monitors these processes, reviewing the principal risk register, material risk events, the activities of the Operational Risk Group and the Investment Committees, and reporting material risks to the Board. The materiality and severity of each risk is assessed through a combination of an assessment of each risk's likelihood of an adverse outcome and its impact. In assessing impact, consideration is given to financial, reputational and regulatory factors, the impact on management resources and risk mitigation plans are established where appropriate. An updated risk language was implemented during the year to enhance consistency of reporting.

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 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. The reputation and brand risk is carefully managed as part of the risk management framework.

Changes in the year
The top down review of risks carried out during the year resulted in a number of refinements to the identified principal risks to the business. Existing principal risks were clarified, certain principal risks were consolidated and the overall composition of the principal risk register was reviewed to ensure that it adequately reflected the ongoing changes to the Group as it continues to pursue its strategic objectives. The Risk Committee considers that the potential business impact of risks relating to information security and oversight of third party providers has increased in our industry and therefore these risks have now been included within the principal risks.

Executive responsibility for each of the principal risks to the business was reviewed and agreed by the Risk Committee.

Emerging risks are regularly considered to assess any potential impacts on the Group and to determine whether any actions are required. Emerging risks include the risks related to regulatory change and macroeconomic and political change, including the ongoing discussions regarding Britain's membership of the European Union.

Risk Governance Framework
The Group operates a risk governance framework consistent with the principles of the 'three lines of defence' model. Since its establishment in 2014, the internal audit function has provided independent assurance that the Group's risk management, governance and internal control processes are operating effectively.

Monitoring the effectiveness of controls
During the year, the Group 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. Following identification of material controls, additional reporting on those controls was introduced to enable the Board and Risk Committee to review the effectiveness of controls in managing the principal risks in line with the requirements of the UK Corporate Governance Code.

The Board is provided with a number of risk reports 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. The reports include assurance from the Executive Committee on the effectiveness of the Group's system of internal controls. 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.

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.

Principal risks and uncertainties

Strategic and business risks

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR	KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR
Loss or missed opportunity as a result of major external change (including macroeconomic, regulatory, political and/or competitive impact)	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. Adverse macroeconomic conditions could also reduce demand from investors for the	Deterioration of Group performance compared to plan Impairment rate as a percentage of the opening loan book	The Board regularly receives detailed market reports, reviewing the latest developments in the Group's key markets. The Investment Committees receive ongoing detailed and specific market reviews for each investment. The Board receives regular updates on regulatory developments.	During the year the risk of loss has increased as the economic indicators in Europe and other key markets have become significantly more volatile and the regulatory environment has become more complex.

	Group's funds. 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.			
Failure to maintain acceptable relative investment performance	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.	Performance of fund portfolio companies Performance of certain funds compared to benchmark	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. Continued focus by senior management and executives ensures maximum recovery is achieved.	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.
Failure to raise new third party funds	A failure to raise new funds would reduce the Group's long term income and ability to launch new strategies.	Forecast fund inflows	The Group has built dedicated fundraising and scalable infrastructure teams to grow and diversify its institutional client base by geography and type. The Group has expanded its product portfolio to address a range of investor requirements and continues to build a strong product pipeline.	The fundraising market is supportive for the Group's strategies, but remains highly competitive. During the year the Group has delivered on its targets to raise new third party funds .
Failure to deploy committed capital in a timely manner	Failure to deploy capital reduces the value of future management fees, investment income and performance fees.	The proportion of a fund's capital forecast to be available for investment in the final year of the investment period	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.	The investment market is highly competitive with the appeal of alternative asset classes generating significant pools of capital to be deployed.

Market, credit and liquidity risks

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR	KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR
Loss as a result of adverse market fluctuations arising primarily from exposure to interest rates and foreign exchange rates	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	Value of net unhedged assets Percentage of loan book unhedged	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	During the year the Group has applied its hedging policy consistently.

	performance of the Group. 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.		and reviewed by the Group's Treasury Committee.	
Loss as a result of exposure to a failed counterparty	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. The Group's counterparties are national or multinational banks. Should a financial counterparty of the Group fail the Group would be exposed to loss.	Counterparty exposure relative to trading limits	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.	During the year the Group has applied its policy to manage counterparty credit risk consistently.
Failure to meet the Group's financial obligations as they fall due	An ongoing failure to refinance its liabilities could result in the Group failing to meet its payment obligations as they fall due. As a result the Group would not be a going concern.	Forecast breach of financing principles	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.	The Group has continued to renew and increase its sources of funding when suitable opportunities arise, maintaining sufficient debt headroom to support its activities. However, during the year the Group paid a special dividend of £300m and has proposed a further special dividend of £200m, which, combined with the £100m share buy back completed during FY15, has returned £600m to shareholders, reducing debt capacity and increasing gearing.

Operational risks

PRINCIPAL RISK	IMPACT	KEY RISK INDICATOR	KEY CONTROLS AND MITIGATION	MOVEMENT IN THE YEAR
Loss of a 'key person' and inability to recruit into key roles	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.	Loss of a key man on a material fund Instances of dissatisfied employees	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. The Group has an appraisal and development process for all its employees to ensure that individuals remain sufficiently	During the year the Group undertook its latest Employee Engagement Survey and from which the Board concluded that there was no evidence that this risk had changed. There was no significant impact in the year as a result of

	Loss of an individual key 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.		motivated and appropriately competent to ensure the ongoing operation and development of the business.	the loss of any employee.
Negative financial or reputational impact arising from regulatory or legislative failing	The Group's ability to raise new funds and operate its fund management business would be impaired as a result of a regulatory failing.	Any material breach of regulations Status of compliance monitoring programme	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.	During the year the continued expansion of the Group's product portfolio and increasing product complexity and geographic span has led to increased regulatory risk. In addition, continued, widespread regulatory change brings the risk of inadvertent breaches.
Technology/Information Security inadequate or fails to adapt to changing business requirements and/or external threats	The Group's ability to raise new funds and operate its fund management business would be impaired as a result of any reputational damage arising from a security failing.	Any material breach or severe disruption due to systems failure Any material loss or reputational damage arising from external threats	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.	As the Group expands the potential reputational damage from an information security breach or other cyber attack has increased.
Loss or missed opportunities arising from failure of key business processes, including third party supplier management, valuation and external reporting	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.	Any failure of business process resulting in significant business disruption, financial or reputational damage	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. Key valuation processes are subject to independent Board review on a semi-annual basis.	As the Group's fund management business grows the impact of a failure of a third party supplier on the Group has increased.

Responsibility statement

The responsibility statement below has been prepared in connection with the Company's full annual report for the year ending 31 March 2016. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 24 May 2016 and is signed on its behalf by:

Christophe Evain	Philip Keller
CEO	CFO

Consolidated Income Statement

For the year ended 31 March 2016

Audited	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Finance and dividend income	**207.3**	193.3
Gains on investments	**137.7**	137.9
Fee and other operating income	**104.3**	95.0
Total revenue	**449.3**	426.2
Finance costs	**(121.9)**	(65.1)
Impairments	**(8.9)**	(37.6)
Administrative expenses	**(141.9)**	(144.5)
Share of results of joint ventures accounted for using equity method	**-**	(0.5)
Change in deferred consideration estimate	**(17.8)**	-
Profit before tax	**158.8**	178.5
Tax (charge)/credit	**(20.2)**	12.1
Profit for the year	**138.6**	190.6

Attributable to		
Equity holders of the parent	**138.6**	189.3
Non controlling interests	**-**	1.3
	138.6	190.6

Earnings per share	**41.9p**	50.3p
Diluted earnings per share	**41.9p**	50.3p

All activities represent continuing operations

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

Audited	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Profit for the year	**138.6**	190.6
Available for sale financial assets:		
Gains /(losses) arising in the year which may be reclassified to profit or loss in future periods	**42.6**	(7.3)
Reclassification adjustment for gains recycled to profit	**(18.0)**	(16.1)
Exchange differences on translation of foreign operations	**9.5**	(3.7)
	34.1	(27.1)
Tax on items taken directly to or transferred from equity	**(2.4)**	4.9
Other comprehensive income/(expense) for the year	**31.7**	(22.2)
Total comprehensive income for the year	**170.3**	168.4

Consolidated Statement of Financial Position

As at 31 March 2016

Audited	**31 March 2016 £m**	31 March 2015 £m
Non current assets		
Intangible assets	**23.6**	6.8
Property, plant and equipment	**8.1**	6.6
Financial assets: loans, investments and warrants	**3,715.9**	2,981.4
Derivative financial assets	**3.3**	15.6
Deferred tax asset	**0.4**	-
	3,751.3	3,010.4
Current assets		
Trade and other receivables	**216.4**	127.8
Financial assets: loans and investments	**182.6**	243.9
Derivative financial assets	**28.3**	11.3
Current tax debtor	**15.1**	13.9
Cash and cash equivalents	**182.5**	391.9
	624.9	788.8
Total assets	**4,376.2**	3,799.2

Equity and reserves		
Called up share capital	**77.0**	80.6
Share premium account	**177.6**	674.3
Capital redemption reserve	**5.0**	1.4
Own shares reserve	**(77.0)**	(162.0)
Other reserves	**95.5**	78.3
Retained earnings	**963.1**	783.8
Equity attributable to owners of the Company	**1,241.2**	1,456.4
Non controlling interest	**0.9**	2.2
Total equity	**1,242.1**	1,458.6
Non current liabilities		
Provisions	**2.0**	2.6
Financial liabilities	**2,674.2**	2,038.8
Derivative financial liabilities	**31.6**	0.7
Deferred tax liabilities	**51.0**	33.9
	2,758.8	2,076.0
Current liabilities		
Provisions	**0.7**	0.6
Trade and other payables	**233.4**	208.8
Financial liabilities	**106.6**	40.9
Current tax creditor	**5.1**	1.6
Derivative financial liabilities	**29.5**	12.7
	375.3	264.6
Total liabilities	**3,134.1**	2,340.6
Total equity and liabilities	**4,376.2**	3,799.2

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

Audited	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Operating activities		
Interest received	**206.3**	183.4
Fees received	**77.9**	90.3
Dividends received	**28.4**	25.0
Interest paid	**(95.3)**	(67.3)
Payments to suppliers and employees	**(141.2)**	(97.8)
Net purchase of current financial assets	**(35.8)**	(126.4)
Purchase of loans and investments	**(1,378.3)**	(1,684.0)
Recoveries on previously impaired assets	**1.7**	0.7
Proceeds from sale of loans and investments - principal	**1,034.1**	1,245.3
Proceeds from sale of loans and investments - gains on investments	**66.6**	42.3
Cash used in operations	**(235.6)**	(388.5)
Taxes paid	**(3.9)**	(5.2)
Net cash used in operating activities	**(239.5)**	(393.7)

Investing activities		
Purchase of property, plant and equipment	**(4.2)**	(3.8)
Purchase of intangible assets	**(18.3)**	(2.1)
Purchase of remaining 49% of Longbow Real Estate Capital LLP	**-**	(14.0)
Loss of control of subsidiary	**(9.1)**	-
Net cash used in investing activities	**(31.6)**	(19.9)
Financing activities		
Dividends paid	**(378.2)**	(81.0)
Increase in long term borrowings	**679.1**	677.5
Repayment of long term borrowings	**(183.1)**	(84.9)
Net cash (outflow)/inflow from derivative contracts	**(40.5)**	152.9
Purchase of own shares	**(27.4)**	(124.0)
Proceeds on issue of shares	**3.4**	1.0
Net cash generated from financing activities	**53.3**	541.5
Net (decrease)/increase in cash	**(217.8)**	127.9
Cash and cash equivalents at beginning of year	**391.9**	273.5
Effect of foreign exchange rate changes	8.4	(9.5)
Net cash and cash equivalents at end of year	**182.5**	391.9

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

Audited	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**	**1,456.4**	**2.2**	**1,458.6**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**138.6**	**138.6**	**-**	**138.6**
Available for sale financial assets	**-**	**-**	**-**	**-**	**24.6**	**-**	**-**	**24.6**	**-**	**24.6**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**9.5**	**9.5**	**-**	**9.5**
Tax on items taken directly to or transferred from equity	**-**	**-**	**-**	**2.8**	**(5.2)**	**-**	**-**	**(2.4)**	**-**	**(2.4)**
Total comprehensive income for the year	**-**	**-**	**-**	**2.8**	**19.4**	**-**	**148.1**	**170.3**	**-**	**170.3**
Loss of control of subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**(13.4)**	**(13.4)**	**(1.3)**	**(14.7)**
Movement in control of subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**10.2**	**10.2**	**-**	**10.2**
Own shares acquired in the year	**-**	**-**	**-**	**-**	**-**	**(24.7)**	**-**	**(24.7)**	**-**	**(24.7)**

Options/awards exercised	**-**	**3.3**	**-**	**(22.3)**	**-**	**30.4**	**(8.1)**	**3.3**	**-**	**3.3**
Credit for equity settled share schemes	**-**	**-**	**-**	**17.3**	**-**	**-**	**-**	**17.3**	**-**	**17.3**
Reduction in share premium	**-**	**(500.0)**	**-**	**-**	**-**	**-**	**500.0**	**-**	**-**	**-**
Cancellation of shares	**(3.6)**	**-**	**3.6**	**-**	**-**	**79.3**	**(79.3)**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(378.2)**	**(378.2)**	**-**	**(378.2)**
Balance at 31 March 2016	**77.0**	**177.6**	**5.0**	**43.6**	**51.9**	**(77.0)**	**963.1**	**1,241.2**	**0.9**	**1,242.1**

The adjustment of £13.4m to retained earnings on loss of control of the subsidiary ICG European Loan Fund relates to the reclassification of liabilities of a consolidated structured entity which had been incorrectly recorded in reserves. The correction of this item has no impact on the income statement in either the current or prior period, or the internally reported numbers in either year.

In December 2015, the High Court granted a £500m reduction in the Company's share premium account. This has resulted in £500m being transferred to retained earnings and has increased the distributable reserves of the Company at 31 March 2016 by £500m.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

Audited	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 2014	80.4	672.4	1.4	53.3	51.0	(62.4)	713.3	1,509.4	4.7	1,514.1
Profit for the year	-	-	-	-	-	-	189.3	189.3	1.3	190.6
Change in ownership of non controlling interest	-	-	-	-	-	-	3.3	3.3	(3.3)	-
Available for sale financial assets	-	-	-	-	(23.4)	-	-	(23.4)	-	(23.4)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3.7)	(3.7)	-	(3.7)
Tax on items taken directly to or transferred from equity	-	-	-	-	4.9	-	-	4.9	-	4.9
Total comprehensive income for the year	-	-	-	-	(18.5)	-	188.9	170.4	(2.0)	168.4
Own shares acquired in the year	-	-	-	-	-	(126.0)	-	(126.0)	-	(126.0)
Options/awards exercised	0.2	1.9	-	(26.1)	-	26.4	-	2.4	-	2.4
Credit for equity settled share schemes	-	-	-	18.6	-	-	-	18.6	-	18.6
Acquisition of remaining 49% of Longbow Real Estate Capital LLP	-	-	-	-	-	-	(37.4)	(37.4)	(0.5)	(37.9)
Dividends paid	-	-	-	-	-	-	(81.0)	(81.0)	-	(81.0)

Balance at 31 March 2015	80.6	674.3	1.4	45.8	32.5	(162.0)	783.8	1,456.4	2.2	1,458.6

Notes to the Financial Statements

For the year ended 31 March 2016

1. **Basis of preparation**

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 March 2016 or 2015. The financial information for the years ended 31 March 2015 and 2016 is derived from the statutory accounts for those years. The statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s498(2) or (3) Companies Act 2006.

The financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union, and on the basis of the accounting policies set out in the 2015 Annual Report. However, this announcement does not itself contain sufficient information to comply with IFRSs.

2. **Business 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.

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 Managing Directors is allocated equally to the FMC and the IC.

Notes to the Financial Statements continued

For the year ended 31 March 2016

Analysis of income and profit before tax

Year ended 31 March 2016 Audited	**Mezzanine £m**	**Credit Funds £m**	**Real Estate £m**	**Secondaries £m**	**Total FMC £m**	**IC £m**	**Total £m**
External fee income	**57.8**	**29.9**	**19.1**	**2.1**	**108.9**	**-**	**108.9**
Inter-segmental fee	**12.7**	**2.8**	**1.7**	**1.2**	**18.4**	**(18.4)**	**-**
Fund management fee income	**70.5**	**32.7**	**20.8**	**3.3**	**127.3**	**(18.4)**	**108.9**

Other operating income	**-**	**5.0**	**5.0**
Gains on investments	**-**	**128.6**	**128.6**
Net interest income	**(0.4)**	**80.1**	**79.7**
Dividend income	**19.3**	**16.4**	**35.7**
Net fair value loss on derivatives	**-**	**(17.3)**	**(17.3)**
	146.2	**194.4**	**340.6**
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)**
Profit before tax	**61.2**	**97.1**	**158.3**

Year ended 31 March 2015 Audited	Mezzanine £m	Credit Funds £m	Real Estate £m	Secondaries £m	Total FMC £m	IC £m	Total £m
External fee income	61.8	22.9	10.7	0.4	95.8	-	95.8
Inter-segmental fee	14.0	3.3	1.0	0.4	18.7	(18.7)	-
Fund management fee income	75.8	26.2	11.7	0.8	114.5	(18.7)	95.8
Other operating income					-	4.5	4.5
Gains on investments					-	111.6	111.6
Net interest income					(0.4)	118.8	118.4
Dividend income					13.2	3.4	16.6
Net fair value loss on derivatives					-	(7.1)	(7.1)
					127.3	212.5	339.8
Impairment					-	(37.6)	(37.6)
Staff costs					(27.4)	(9.3)	(36.7)
Incentive scheme costs					(19.0)	(30.5)	(49.5)
Other administrative expenses					(28.9)	(10.1)	(39.0)
Profit before tax					52.0	125.0	177.0

Notes to the Financial Statements continued

For the year ended 31 March 2016

Reconciliation of financial statements reported to the Executive Committee to the position reported under IFRS

Included in the table below are statutory adjustments made for the co-investment in funds, the structured entities controlled by the Group, the joint venture investment in Nomura ICG KK, the change in the Longbow deferred consideration estimate and the Employee Benefit Trust (EBT) settlement.

For internal reporting purposes the interest earned and impairments taken on assets where we co-invest in funds (ICG Europe Fund V, ICG Europe Fund VI, ICG Asia Pacific Fund III and ICG North America Private Debt Fund) is presented within interest income and impairments whereas under IFRS it is included within the value of the investment. 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. The joint venture investment in Nomura ICG KK is presented internally on a proportional consolidation basis, whereas it is equity accounted under IFRS. The one off impacts of the change to the Longbow deferred consideration estimate and of the EBT settlement were excluded for internal reporting purposes.

Consolidated Income Statement

Year ended 31 March 2016 Audited	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Japan joint venture £m	Longbow deferred consideration £m	EBT settlement £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**
Net interest income	**79.7**	**(24.5)**	**30.1**	**-**	**-**	**-**	**5.6**	**85.3**
Dividend income	**35.7**	**-**	**(17.3)**	**-**	**-**	**-**	**(17.3)**	**18.4**
Net fair value (loss)/gain on derivatives	**(17.3)**	**-**	**(1.0)**	**-**	**-**	**-**	**(1.0)**	**(18.3)**
	340.6	**(30.5)**	**18.4**	**(1.1)**	**-**	**-**	**(13.2)**	**327.4**
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)**	**0.5**	**-**	**2.3**	**0.6**	**(38.9)**
Change in deferred consideration estimate	**-**	**-**	**-**	**-**	**(17.8)**	**-**	**(17.8)**	**(17.8)**
Profit before tax	**158.3**	**-**	**16.2**	**(0.2)**	**(17.8)**	**2.3**	**0.5**	**158.8**

Notes to the Financial Statements continued

For the year ended 31 March 2016

Year ended 31 March 2015 Audited	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Japan joint venture £m	EBT settlement £m	Total adjustments £m	Financial statements £m
Fund management fee income	95.8	-	(6.9)	(0.2)	-	(7.1)	88.7
Other operating income	4.5	-	1.8	-	-	1.8	6.3
Gains on investments	111.6	14.5	12.0	(0.2)	-	26.3	137.9
Net interest income	118.4	(14.5)	15.2	-	-	0.7	119.1
Dividend income	16.6	-	(10.2)	-	-	(10.2)	6.4
Net fair value (loss)/gain on derivatives	(7.1)	-	9.8	-	-	9.8	2.7

	339.8	-	21.7	(0.4)	-	21.3	361.1
Share of results of joint ventures accounted for using equity method	-	-	-	(0.5)	-	(0.5)	(0.5)
Impairment	(37.6)	-	-	-	-	-	(37.6)
Staff costs	(36.7)	-	-	0.3	(17.6)	(17.3)	(54.0)
Incentive scheme costs	(49.5)	-	-	-	-	-	(49.5)
Other administrative expenses	(39.0)	-	(2.6)	0.9	(0.3)	(2.0)	(41.0)
Profit before tax	177.0	-	19.1	0.3	(17.9)	1.5	178.5

Employee Benefit Trust

In the prior year the Group settled a claim for taxes in respect of the Employee Benefit Trust (EBT). Under the terms of the settlement the participating employees met the income tax and employees' national insurance (NI) payable on contributions to the EBT which were allocated into dependent funds for their benefit. The Group settled the employer NI due together with other costs of the settlement including interest on late paid tax, totalling £25.9m, with a further £3.6m accrual held on the balance sheet as at 31 March 2015. In the current year, £1.3m of this accrual was utilised with the remaining £2.3m released to the income statement.

Longbow Deferred Consideration

On 1 October 2014, 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. Cash consideration of £14.0m was paid on acquisition with a further £23.9m recognised as the fair value of contingent consideration. The contingent consideration arrangement is based on a multiple of adjusted net income as at 31 March 2016, less the £14.0m paid to acquire the 49% equity holding.

The final deferred consideration amount has been calculated at £41.7m following the outstanding success of this business, thereby resulting in a £17.8m increase to the original estimate. This has been recognised through the income statement.

Notes to the Financial Statements continued

For the year ended 31 March 2016

Consolidated Statement of Financial Position

31 March 2016 Audited	**Internally reported £m**	**Reclass of interest to gains £m**	**Consolidated structured entities £m**	**Japan joint venture £m**	**Longbow deferred consideration £m**	**EBT settlement £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**
Total assets	**2,330.2**	**-**	**2,048.3**	**(2.3)**	**-**	**-**	**2,046.0**	**4,376.2**

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**	**(2.3)**	**17.8**	**(2.3)**	**107.0**	**268.7**
Total liabilities	**1,114.1**	**-**	**2,006.8**	**(2.3)**	**17.8**	**(2.3)**	**2,020.0**	**3,134.1**
Equity	**1,216.1**	**-**	**41.5**	**-**	**(17.8)**	**2.3**	**26.0**	**1,242.1**
Total equity and liabilities	**2,330.2**	**-**	**2,048.3**	**(2.3)**	**-**	**-**	**2,046.0**	**4,376.2**

31 March 2015 Audited	Internally reported £m	Reclass of interest to gains £m	Consolidated structured entities £m	Japan joint venture £m	Total adjustments £m	Financial Statements £m
Non current financial assets	1,690.7	(2.2)	1,291.8	1.1	1,290.7	2,981.4
Other non current assets	28.7	-	0.3	-	0.3	29.0
Cash	278.5	-	115.3	(1.9)	113.4	391.9
Current financial assets	243.9	-	-	-	-	243.9
Other current assets	93.3	2.2	58.8	(1.3)	59.7	153.0
Total assets	2,335.1	-	1,466.2	(2.1)	1,464.1	3,799.2
Non current financial liabilities	665.4	-	1,373.4	-	1,373.4	2,038.8
Other non current liabilities	37.7	-	(0.8)	0.3	(0.5)	37.2
Current financial liabilities	40.9	-	-	-	-	40.9
Other current liabilities	155.4	-	70.8	(2.5)	68.3	223.7
Total liabilities	899.4	-	1,443.4	(2.2)	1,441.2	2,340.6
Equity	1,435.7	-	22.8	0.1	22.9	1,458.6
Total equity and liabilities	2,335.1	-	1,466.2	(2.1)	1,464.1	3,799.2

Notes to the Financial Statements continued

For the year ended 31 March 2016

Consolidated Statement of Cash Flows

	Internally	**Consolidated structured**	**Japan joint**	**Financial**

31 March 2016 Audited	reported £m	entities £m	venture £m	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	**(144.2)**	**(2.3)**	**1.4**	**(145.1)**
Net cash generated from/(used in) operating activities	**176.5**	**(414.9)**	**(1.1)**	**(239.5)**
Net cash used in investing activities	**(22.5)**	**(9.1)**	**-**	**(31.6)**
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**
Net cash from financing activities	**(323.6)**	**376.9**	**-**	**53.3**
Net decrease in cash	**(169.6)**	**(47.1)**	**(1.1)**	**(217.8)**
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**
Cash and cash equivalent at end of year	**112.7**	**72.2**	**(2.4)**	**182.5**

Notes to the Financial Statements continued

For the year ended 31 March 2016

31 March 2015 Audited	Internally reported £m	Consolidated structured entities £m	Japan joint venture £m	Financial Statements £m
Interest, fees and dividends received	254.4	45.7	(1.4)	298.7
Interest paid	(33.8)	(33.5)	-	(67.3)
Net purchase of current financial assets	(126.4)	-	-	(126.4)
Purchase of loans and investments	(359.8)	(1,324.2)	-	(1,684.0)
Cash in from realisations	505.6	782.7	-	1,288.3
Other operating expenses	(95.0)	(7.6)	(0.4)	(103.0)
Net cash generated from/(used in) operating activities	145.0	(536.9)	(1.8)	(393.7)
Net cash used in investing activities	(19.9)	-	-	(19.9)
Dividends paid	(81.0)	-	-	(81.0)
Net increase in long term borrowings	110.8	481.8	-	592.6
Net cash flow from derivatives	135.4	17.5	-	152.9
Purchase of own shares	(124.0)	-	-	(124.0)
Proceeds on issue of shares	1.0	-	-	1.0
Net cash from financing activities	42.2	499.3	-	541.5

Net increase/(decrease) in cash	167.3	(37.6)	(1.8)	127.9
Cash and cash equivalent at beginning of year	114.9	158.6	-	273.5
FX impact on cash	(3.7)	(5.7)	(0.1)	(9.5)
Cash and cash equivalent at end of year	278.5	115.3	(1.9)	391.9

3. **Dividends**

The proposed final ordinary dividend for the year ended 31 March 2016 is 15.8 pence per share (2015: 15.1 pence per share), which will amount to £49.8m (2015: £54.9m). In addition to the final ordinary dividend, the Directors recommend a special dividend of £200m, which will amount to 63.4 pence per share.

Of the £78.2m (2015: £81.0m) of ordinary dividends paid during the year, £1.1m were reinvested under the dividend reinvestment plan that was offered to shareholders (2015: £0.4m). In addition, a special dividend of £300m was paid in July 2015, which amounted to 82.6 pence per share.

Notes to the Financial Statements continued

For the year ended 31 March 2016

4. **Earnings per share**

Audited	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to the equity holders of the Parent	**138.6**	189.3
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**330,685,568**	376,175,974
Effect of dilutive potential ordinary share options	**42,077**	37,402
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**330,727,645**	376,213,376

Earnings per share	**41.9p**	50.3p
Diluted earnings per share	**41.9p**	50.3p

Reconciliation of total number of shares allotted, called up and in issue

	Total number of shares allotted, called up and in issue	**Number of shares in own share reserve**
As at 1 April 2015	402,804,840	39,586,992
Purchased	-	4,209,858
Options/awards exercised	619,303	(7,974,109)
	403,424,143	35,822,741
Cancellation of treasury shares	(18,241,423)	(18,241,423)
	385,182,720	17,581,318
Options/awards exercised	53,767	-
	385,236,487	17,581,318
Share consolidation	(55,033,784)	(2,511,618)
	330,202,703	15,069,700

Options/awards exercised	107,536	(58,972)
As at 31 March 2016	**330,310,239**	**15,010,728**

On 23 July 2015, the Company undertook a share consolidation issuing six new ordinary shares at 23 and a third pence each for each holding of seven existing ordinary shares of 20 pence each, reducing shares in issue to 330,202,703.

Notes to the Financial Statements continued

For the year ended 31 March 2016

5. **Impairments**

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

Audited	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Balance at 1 April	**306.0**	341.7
Charged to income statement	**12.3**	53.5
Recovery of previously impaired assets	**(3.4)**	(15.9)
Assets written off in year	**(138.8)**	(43.9)
Foreign exchange	**20.8**	(29.4)
Balance at 31 March	**196.9**	306.0

6. **Tax expense**

Analysis of tax on ordinary activities Audited	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Current tax		
Current year	**3.1**	23.0
Prior year adjustment - EBT settlement	**-**	(38.2)
Prior year adjustment - other	**2.8**	(14.7)
	5.9	(29.9)
Deferred tax		
Current year	**16.4**	16.5
Prior year adjustment	**(2.1)**	1.3
	14.3	17.8
Tax charge/(credit) on profit on ordinary activities	**20.2**	(12.1)

The Group's effective tax rate is lower than the current 20% rate of UK corporation tax. This reflects the mix of the Group's balance sheet investment returns in the year being weighted towards non UK sourced dividend income and capital gains rather than interest income. As dividend income is exempt from UK corporation tax it has the impact of reducing the Group's effective tax rate.

Notes to the Financial Statements continued

For the year ended 31 March 2016

7. Gains and losses arising on investments

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

Audited	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Realised gains on ordinary shares recycled to profit	**(19.8)**	(18.0)
Impairments of AFS financial assets recycled to profit	**1.8**	1.9
Net gains recycled to profit	**(18.0)**	(16.1)
Gains and losses arising on AFS financial assets		
- Fair value movement on equity instruments	**38.4**	(4.3)
- Fair value movement on other assets	**1.4**	1.5
Foreign exchange	**2.8**	(4.5)
Gains/(losses) arising in the AFS reserve in the year	**42.6**	(7.3)
Net movement in the AFS reserve in the year	**24.6**	(23.4)

a. Gains and losses on investments recognised in the income statement

Audited	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Realised gains on warrants	**0.3**	0.1
Realised gains on assets designated as FVTPL	**(1.0)**	6.6
Realised gains in structured entities controlled by the Group	**5.7**	11.2
Realised gains on AFS financial assets recycled from AFS reserves	**19.8**	18.0
Realised gains on other assets	**2.1**	0.3
	26.9	36.2
Unrealised gains and losses on assets designated as FVTPL		
- On equity instruments excluding those held within structured entities controlled by the Group	**95.9**	117.9
- On warrants	**17.1**	(1.9)
- In structured entities controlled by the Group	**(81.8)**	(1.7)
- On other assets	**-**	(0.9)
	31.2	113.4
Unrealised gains and losses on liabilities designated as FVTPL		
- In structured entities controlled by the Group	**70.9**	(7.4)
Realised gains and losses on liabilities designated as FVTPL		
- In structured entities controlled by the Group	**8.8**	(4.0)
Fair value movements on FVTPL financial assets	**137.8**	138.2
Realised losses on amortised cost assets	**(0.1)**	(0.3)
Gains on investments	**137.7**	137.9

Glossary

Term	**Short form**	**Definition**
Adjusted earnings per share	Adjusted EPS	Adjusted profit after tax divided by the weighted average number of ordinary shares.

Adjusted profit after tax		Profit after tax (annualised when reporting a six month period's results), adjusted for fair value movements on derivatives, changes to the estimate of Longbow deferred consideration and the impact of the settlement of the employee benefit trust.
Adjusted return on equity	Adjusted ROE	Adjusted profit after tax divided by average shareholders' funds for the period.
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.
Cash core income	CCI	Profit before tax excluding fair value movement on derivatives, capital gains, impairments and unrealised rolled up interest.
Catch up fees		Fees not previously recognised as either the fund commitment had not been contractually agreed or the income was otherwise uncertain.
Closed end fund		A fund where the amount of investable capital is fixed.
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 service 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.
Gearing		Gross borrowings divided by shareholders' 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 business of ICG plc. It co-invests alongside third party funds.

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.
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.
Operating margin		Total fee income less operating expenses divided by total fee income.
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		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.
Profit margin		Profit divided by total income.
Proforma return on equity		Adjusted profit after tax divided by average shareholders' funds for the period, assuming any special dividends were paid at the beginning of the reporting period.
Return on assets	ROA	Returns divided by the average IC investment portfolio. Returns comprise interest and dividend income, plus net gains on investments, less impairments.
Return on equity	ROE	Profit after tax (annualised when reporting a six month period's results) divided by average shareholders' funds for the period.
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 above 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		