ICG-Longbow Senior Secured UK Property Debt Investments Limited

Interim Report and Unaudited Condensed Interim Financial Statements

For the six months ended 31 July 2023

Company Number: 55917

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All capitalised terms are defined in the Glossary of Capitalised Defined Terms on page 22 unless separately defined.

ICG LONGBOW

FINANCIAL HIGHLIGHTS

KEY DEVELOPMENTS

- The Company is continuing to pursue an orderly realisation of its assets, although delays are occurring due to difficult market conditions. During the period, the Company returned £6.67 million of shareholder capital, equating to 5.50 pence per ordinary share.
- After period end, a further £9.00 million of shareholder capital was returned, equating to 7.40 pence per ordinary share. As at the date of this report, the Company has now returned capital of 44.90 pence per ordinary share to shareholders, equating to £54.46 million in total.
- Dividends were declared and paid totalling 0.50 pence per ordinary share for the six-month period to 31 July 2023.
- The Company is taking decisive action to seek to realise its remaining investments. As at the date of this report, all remaining loans other than Northlands are subject to formal enforcement processes.
- The Company has increased ECL provisions by £17.38 million to £21.32 million.
  - £5.13 million in respect of the Southport loan, increasing the total provision to £7.42 million.
  - £10.59 million in respect of the RoyaleLife loan, increasing the total provision to £12.22 million.
  - £1.66 million in respect of the Affinity loan, increasing the total provision to £1.68 million.
- Total loans outstanding at amortised cost plus interest receivable, excluding ECL adjustments, amount to £65.93 million as at 31 July 2023.

PERFORMANCE

- NAV of £55.37 million as at 31 July 2023 after ECL adjustments of £(21.32 million) (31 January 2023: £77.35 million after ECL adjustments of £(3.94 million)).
- NAV per share as at 31 July of 45.64 pence and 38.24 pence following capital repayment on 1 September 2023.
- (Loss)/profit after tax of £(14.71) million for the six months ended 31 July 2023 (31 July 2022: £2.73 million).
- (Loss)/Earnings per share for the period of (12.13) pence (31 July 2022: 2.25 pence).

DIVIDEND

- Total dividends paid and declared for the period ended 31 July 2023 of 0.50 pence per share (31 July 2022: 2.1 pence per share), comprising an interim dividend of 0.50 pence per share paid in respect of quarter ended 31 January 2023.

INVESTMENT PORTFOLIO

- As at 31 July 2023, the Company's investment portfolio comprised of four loans with an aggregate principal balance of £57.97 million, and a carrying value after provision for ECL of £44.61 million (31 January 2023: five loans with an aggregate principal balance of £67.44 million, and a carrying value of £68.96 million).*
- Weighted average portfolio LTV as at 31 July 2023 was 99.4% (31 January 2023: 80.9%).

* Unless stated otherwise, loan balances are stated gross of ECL provisions for impairment. A comparison to the carrying value of the loans is set out in Note 5 to the accounts.

CORPORATE SUMMARY

INVESTMENT OBJECTIVE

In line with the revised Investment Objective and Policy approved by shareholders at the Extraordinary General Meeting in January 2021, the Company is undertaking an orderly realisation of its investments.

STRUCTURE

The Company is a non-cellular company limited by shares incorporated in Guernsey on 29 November 2012 under the Companies Law. The Company's registration number is 55917, and it has been registered with the GFSC as a registered closed-ended collective investment scheme. The Company's ordinary shares were admitted to the premium segment of the FCA's Official List and to trading on the Main Market of the London Stock Exchange as part of its IPO which completed on 5 February 2013. The issued capital comprises the Company's ordinary shares denominated in Pounds Sterling. Following the dissolution of ICG Longbow Senior Debt S.A. on 18 January 2022, the Company assumed the assets and liabilities of its former subsidiary.

INVESTMENT MANAGER

The Company has appointed ICG Alternative Investment Limited as external discretionary investment manager, under the Alternative Investment Fund Managers Directive (AIFMD), within a remit set by the Board.

CHAIRMAN'S STATEMENT

JACK PERRY CHAIRMAN

"In difficult market conditions, the continued focus is on actively managing the remaining assets to protect and enhance value"

INTRODUCTION

On behalf of the Board, I present the Unaudited Interim Financial Statements for the Company for the six months ended 31 July 2023.

There is no doubt that this half year period has been difficult for the Company as it seeks to secure timely exits from its remaining portfolio of investments in what are extremely challenging market conditions. Through the Investment Manager, the Company has taken decisive action on all its remaining positions to seek to accelerate realisations. Shareholders will be aware that all three of the major remaining investments are now subject to enforcement processes to assist in procuring appropriate exits. Following the further deterioration in market conditions during the period, and in light of the enforcement actions being taken, significant additional impairment provisions have been made against these remaining loans. Detailed updates on the loan positions are provided below and in the Investment Manager's Report.

Current UK economic and property market conditions are not conducive to quick or easy asset sales. The sustained rise in UK interest rates, up four percentage points in a little over a year, has dramatically reduced liquidity in property and finance markets as well as affecting asset prices in many property sectors. The value of property transactions in the first half of 2023 was over 50% lower than the same period in the prior year, and 37% below the 10-year average. Hotel sales in the first half were at their lowest levels for over a decade. More recently, the data has trended weaker again: Colliers International reports that property investment transactions in July were less than £1bn, the lowest monthly level since 2008.

An illiquid and distressed market with few buyers is clearly not helpful for any seller. Compounding the problem are finance markets, where lenders are struggling with reduced interest coverage on new or maturing loans, and borrowers are facing all-in rates that often cannot be accretive to returns.

It is not clear how long it may take for liquidity to improve but it seems unlikely to be soon. The few buyers that exist are opportunistic, under no pressure to acquire assets and demand steep discounts. Accordingly, the environment for the Company to exit its remaining investments is expected to remain extremely challenging in the near term.

PORTFOLIO

The Company received partial repayments of the Northlands loan during the period, totalling over £9.0 million in aggregate. Following further partial repayments after the period end, the remaining balance is £0.1 million, plus a modest amount of interest and fees, and is expected to be repaid in full in the near term through further property sales.

We have already notified shareholders of the challenges experienced in the Company's RoyaleLife investment and, since our last report, administrators were appointed over all of the property-holding vehicles securing the Company's loan. The Board is aware that administrators have also been called in over many other entities within the wider Royale group, as other secured creditors have taken action to protect their positions in the same manner as the Company.

Shareholders will recall that the Company's loan is a part of a wider structure of lending to Royale. The Investment Manager, on behalf of the Company and its co-lenders, together with the administrator, is in discussion with credible parties who have expressed interest in acquiring the properties, but the complexity of the structure and various hurdles associated with the prior sponsor mean that challenges remain. We appreciate that it is frustrating for shareholders that we are unable to provide more details at this time due to necessary confidentiality. However, I wish to assure you that every effort is being made by the Board, Investment Manager and advisers to effect a good outcome. The valuation applied in these interim financial statements reflects the uncertainty.

In order to try to accelerate a repayment, the Investment Manager appointed a receiver over the asset securing the Affinity loan in September 2023. From an occupational perspective, the property's performance continues to be robust with interest covered in full by rental income. However, despite a lengthy period on the market for sale there have been no formal bids and it is hoped that a receivership-led sale will prompt renewed interest from potential buyers.

The hotel asset securing the Southport loan continues to trade under the administrator and has been profitable in the year to date despite the dramatic increases in energy and labour costs faced by hoteliers. The property was placed under conditional offer for sale by the administrator. However, after period end, the buyer withdrew owing to obstacles encountered in discharging some of its specific conditions for purchase. It is dissappointing that the anticipated transaction failed to complete but this is reflective of current property market conditions.

CHAIRMAN'S STATEMENT (CONTINUED)

PORTFOLIO (CONTINUED)

To try to generate further interest, a new joint selling agent has been brought in and both agents are now actively re-marketing the property, pointing to the potential for the asset to benefit from the proposed new Marine Lake Events Centre, due for completion in 2026, which will adjoin the hotel and where works started in August 2023.

We are acutely aware of the delays to loan redemptions encountered to date and the desire of shareholders to see capital returned to them at the earliest opportunity.

VALUATION AND IMPAIRMENT

As discussed in more detail in the notes to the accounts, and in the context of the current property market conditions, we have reviewed the valuation of the Company's remaining investments based on the latest property valuations, but also the desired short timeframe for returning capital to Investors.

The Company has recent valuations on all of the assets securing the three main loans. Adoption of these valuations, as the Company has often done in the past, would have reflected a much lower impairment charge than that now applied and, in the case of Affinity, a notable equity buffer. However, in recognition of current property market conditions, we developed alternative, negative scenarios and probability weighted each. This conclusion, now adopted in these accounts, might be viewed as "realistically pessimistic" but reflects considerable uncertainty in terms of eventual disposal values and timing. Accordingly, readers' attention is also drawn to the stress analysis discussed in note 4 (iv) to the accounts which illustrates the potential impact of any further deterioration in the market.

REVENUE AND PROFITABILITY

Income from the loan portfolio for the period totalled £0.89 million (31 July 2022: £3.61 million) as the Company's loan portfolio continued to reduce and interest recognition was suspended on certain of the loans. After accounting for impairments, the Company realised a loss for the period of (£14.71) million (31 July 2022: profit of £2.73 million).

Earnings per share for the period were negative 12.13 pence (31 July 2022: positive 2.25 pence), again reflecting additional expected credit losses recognised against the remaining portfolio loans. Details of these additional provisions are set out in the notes to the condensed accounts.

DIVIDEND AND RETURN OF CAPITAL

The Company paid a 0.50 pence per share dividend in May 2023, covering the three months to 31 January 2023. It did not declare a dividend for the quarter ended 31 April 2023 and will not declare a dividend for the quarter ended 31 July 2023.

As previously reported to shareholders, the Company will only look to declare dividends when cashflow and profits prudently allow. Currently the Board does not envisage that these conditions will be met.

The repayment of capital of £6.67 million or 5.50 pence per ordinary share, declared on 26 January 2023, was paid during the period.

After the period end and following the substantial repayment at par of the Northlands loan, a further return of capital of approximately £9.00 million or 7.40 pence per ordinary share to shareholders was made on 1 September 2023.

NAV AND SHARE PRICE PERFORMANCE

The Company's NAV reduced to £55.37 million as at 31 July 2023 (31 January 2023: £77.35 million), as a result of the partial repayment of the Northlands loan during the period and recognising the additional ECL provisions in the period.

The Company's share price ended the period at 36.1 pence per share, down from 52.25 pence as at 31 January 2023, during which time 5.5 pence per share has been returned to shareholders through capital repayments. The share price reflected, at period end, a 20.9% discount to the Company's NAV.

OUTLOOK

Property market conditions in the UK remain extremely challenging with very limited liquidity in many sectors. Where debt is available, pricing is often simply not accretive to borrower returns, with the result that bids, where they are made at all, are often not palatable to sellers. Bid-ask spreads remain wide in many sectors, and consequently transaction volumes are low.

This presents particular challenges for the Company as it seeks to realise its final investments. With a very limited number of active buyers in the market, many open market sale processes are resulting in no credible bids being forthcoming as buyers seek out the most distressed seller to maximise their future returns. Consequently, any suggestion that a sale is forced or time-sensitive tends to lead to low bid levels for assets, as buyers test the seller's resolve.

The Board expects to have to make difficult choices in the coming period. The stated investment objective of the Company is to conduct an orderly realisation of its assets, and the Board and Investment Manager continue to actively seek to accelerate repayments as far as they are able. Decisive action has been taken on all the three major investments to step in and oversee management of the assets and control sales processes. The acceleration of these processes does need to be balanced against the potential value to be realised.

The Board shares shareholders' frustration with the ongoing delays in realising loans, combined with the disappointment of having to recognise further impairment provisions. Regrettably there is no easy way for the Board, Investment Manager or any other party to accelerate realisations in a market with such a limited buyer pool. As a result, the continued focus is on actively managing the remaining assets to protect and enhance value, to control costs and to continue to seek the optimal recovery possible.

JACK PERRY
Chairman

2 October 2023

INVESTMENT MANAGER'S REPORT

SUMMARY

As at 31 July 2023 the Company had four investments remaining, the three largest of which (Affinity, Southport and RoyaleLife) are being managed and realised through enforcement processes. This report provides a summary update on the realisation process for each investment, and steps being taken by ICG Real Estate to secure those outcomes.

COMPANY PERFORMANCE

During the period, the Company received a series of partial repayments of the Northlands loan, following sales of certain of the portfolio properties as the sponsor works towards full repayment. These payments totalled £9.0 million in aggregate.

At the period end, the Company had £11.3 million of cash, of which £9.0 million was returned to shareholders in September 2023. The balance is sufficient to cover all the Company's expected working capital needs while maintaining a prudent liquidity buffer.

PORTFOLIO

Portfolio statistics	31 July 2023	31 July 2022
Number of loan investments	4	5
Aggregate principal advanced	£57,967,370	£74,749,557
Aggregate carrying value after ECL	£44,612,344	£77,976,950
Cash held	£11,348,746	£3,068,145

INVESTMENT UPDATE

Southport

The Company's Southport hotel loan continues to be run by the administrator, while maintaining the same local management team. Trading at the hotel is seasonal, with revenues strongest from April to October. Despite the administration, the hotel has continued to trade profitably albeit it is clear that the uncertainty around the long term future of the business has been and may continue to be a drag on results in the near term. Moreover, given the impact of administration and advisory costs, no interest payments are expected in the near term.

In the first quarter of 2023 the property was under conditional offer for sale to a large trade buyer. However, after the period end the proposed sale fell away as the purchaser was unable to satisfy themselves that that all conditions could be met in a reasonable timeframe and, despite significant diligence costs, withdrew from the process.

As a consequence, and to reinvigorate the sales process, through the administrator the Investment Manager has appointed a new joint selling agent for the property. The two in-place agents are now actively remarketing the asset to interested parties, pointing to the potential for the asset to benefit from the proposed new Marine Lake Events Centre, which will adjoin the hotel and where works started in August 2023. The local council hopes to open the centre in 2026 and forecasts it will bring over half a million new visitors to the town each year.

After period end, and following a request from the administrator, the Company prudently determined to provide a £0.3 million working capital facility to allow for continued investment in the asset during this sales process.

RoyaleLife

The RoyaleLife investment has been challenging. As disclosed in the Financial Statements as at 31 January 2023 and subsequent RNS announcements, the sponsor group behind the RoyaleLife loan was undergoing severe liquidity issues as a result of a slowdown in sales during, and following, the Covid-19 pandemic. Whilst sales resumed, the borrower was significantly behind its original business plan, and no longer able to fully support its operations.

As a result, and following a winding up petition issued by a third party creditor against some entities within the structure, the Company, acting together with its co-lenders, appointed an administrator over three group companies in May 2023, and over the remainder of the borrower structure in August 2023. The Company is aware that administrators have also been appointed by other lenders and creditors over other parts of the Royale group.

Prior to the appointment of the administrator, the Investment Manager had been in discussion with the borrower to restructure its loans and see fresh equity injected into the platform to re-activate the sales program. Since the appointment a number of parties have come forward and expressed an interest in acquiring the business or some, or all, of the sites. These include a number of highly credible, well-capitalised parties with experience in the sector and smaller local operators. The Investment Manager and administrator are continuing discussions with these parties and seeking a whole business exit as a priority, however the underlying portfolio and operations are complex, and no certainty can be given at this stage that these negotiations will lead to a satisfactory outcome, or when such an outcome might be achieved, and consequently all options are being pursued.

In parallel with these discussions the Investment Manager, on behalf of the Company and its co-lenders, continues to work with the administrator and advisors to stabilise the operations across the portfolio and has recently completed a partial restructure of the Investment in order to bring in a new operator and preserve value in the underlying property security.

Affinity

The office property securing the Affinity loan remains well occupied and we are aware of several existing tenants seeking to renew leases as well as active interest for the limited remaining vacant space at the property. Average rents in the building are in the region of £22 per sq ft with the most recent lettings at over £25 per sq ft and new deals under discussion at still higher levels. These represent a material discount to prime Bristol office rents in excess of £40 per sq ft. Net income from the asset continues to cover interest in full, at a 10.5% rate, and additional default interest is being accrued.

INVESTMENT MANAGER'S REPORT (CONTINUED)

The disconnect between the positive occupational conditions and the investment market appetite remains stark. The asset was on the market for sale throughout the reporting period and despite a number of inspections by potential buyers the ongoing lack of investor demand for regional offices has hampered the sales effort and no formal bids have been forthcoming. In terms of market competition, we are aware that in Q2 2023, there were 16 competing Bristol office assets being offered to the market as well as several further buildings available to buy off-market. There is a similar pattern in other UK regional cities.

Nonetheless, the Investment Manager is seeking to use every tool to try to accelerate the sales process and in September 2023 appointed a receiver over the asset with the aim of re-invigorating the marketing and flushing out potential buyers to try and achieve a realisation.

Northlands
The Northlands loan has been largely repaid through the sale of newly built residential properties and the break-up of the commercial portfolio on which it is secured. As at 31 July 2023, the outstanding loan balance was £0.09 million with a further £0.43 million of accrued interest and exit fees outstanding. Default interest continues to be charged.

INVESTMENT PORTFOLIO SUMMARY AS AT 31 JULY 2023

Project	Region	Sector	Balance outstanding (£m)[2]	Book Value after ECL (£m)	Book Value per share (p)	Current LTV (%)
Affinity	South West	Office	17.30	15.99	13.2	85.9%
Southport[1]	North West	Hotel	15.20	9.38	7.7	121.6%
Northlands	London	Mixed use	0.09	0.52	0.4	7.1%
RoyaleLife	National	Residential	25.38	18.72	15.4	95.6%
Total/weighted average			**57.97**	**44.61**	**36.7**	**99.4%**

[1] LTV reflects balance outstanding before adjustment for ECL.
[2] Balance outstanding excludes accrued interest. A comparison to the carrying value of the loans is set out in Note 5 to the accounts.

ECONOMY AND FINANCIAL MARKET UPDATE

The reporting period brought a constant stream of mixed economic signals, leaving participants watchful for a clear turning point in markets. While the September meeting of the Bank of England's Monetary Policy Committee kept rates stable, previously the UK had seen 14 successive interest rate rises, with inflation stubbornly high, and 'core' inflation now at over 6% per annum. Despite a gradual decline in inflation in recent months, markets remain nervous of a period of sustained 'higher for longer' interest rates ahead to control inflation.

The UK is seeing continued wage growth. Private sector nominal wage growth remained above expectations at 8.1% in July, higher than in the US or Europe. This contrasts with a gradual increase in unemployment, standing at 4.3% in July, up from 3.7% in January 2023. After the period end, real wage growth turned positive, as higher wage settlements took effect in a period of reducing inflation rates.

Consensus independent GDP forecasts published by the UK Treasury remain marginally positive for 2023 & 2024 at 0.3% and 0.6% respectively, and inflation rates are expected to ease to 4.5% at end of 2023 (albeit still above target levels). Public sector net borrowing remains elevated at £130bn, greater than 2022, however lower than pandemic year peaks.

OCCUPATIONAL DEMAND/SUPPLY

While many high profile corporate names advocate for an increased return to the office, occupational demand across the big six office markets in H1 2023 was approximately 20% down on the five year average, measured by take up.

The majority of leasing took place in the capital, though Central London vacancy ticked upward to 9.2%, driven by speculative completions. The flight to quality – a trend of occupiers seeking the best buildings – continues across all of the UK's regional markets, with regional H1 leasing down 13% year-on-year, but Grade A stock accounting for only 25% of regional stock available.

Industrial take up also dropped in H1, at 12.5m sq ft, being half of the last three years' average, and the lowest H1 since 2013. A contributing factor was a drop in 'big box logistic' deals, with the average deal size dropping to 50,000 sq ft. Demand for second hand space is said to be bouncing back, and agents' requirements indices suggest H2 will bring greater take up.

UK consumer confidence improved in the reporting period, albeit remaining negative and losing some of its earlier gains in July as inflation data showed to be persistently high, leading to expectations of further interest rate rises. Agency data indicated retail leases signed were down c. 30% in the first half of 2023, with retail rents in Q2 also dropping again for the first time since 2021, potentially due to the side effects of persistent inflation. Hotel markets reported a more favourable operating environment, with average daily rates (ADR) 23% ahead of 2019 over the first six months of the year, and occupancy up year on year and only slightly lagging 2019 on a trailing 12 month basis. Gross operating profit per available room (GOPPAR) in H1 2023 had fully recovered to 2019 levels, although hotels continue to face cost pressures ranging from energy to staffing.

INVESTMENT MANAGER'S REPORT (CONTINUED)

PROPERTY INVESTMENT MARKET

H1 2023 saw investment volumes remaining depressed across the board. Total commercial property investment volumes at c. £15bn were 55% down on H1 2022, reflecting an overall buyer-seller pricing mismatch, with no buyers under pressure to trade and a lack of forced sellers at current pricing. Successive interest rate rises and debt pricing are further fuelling transaction hesitation. The MSCI All Property index remained close to neutral over the reporting period, showing 1.2% growth with increased rental income offsetting declining capital values.

While the lack of deals makes average prime yields difficult to ascertain in many sectors or sub-markets, prime London office yields appeared to hold firm in July 2023, at 4.0% in the West End, and 5.0% in the City, whilst provincial yields continued to move slightly out in H1 2023 to c. 6.25%. Q2 2023 London office investment volumes were 38% below Q1, dipping to only £1.44bn, despite Q1's strong performance at £2.3bn.

The industrial investment market showed an inverse trend, registering a much stronger Q2 2023 at £2.1bn, following a weaker start to the year. Half year volumes more closely reflected pre-pandemic volumes however, at only 54% of 2022's bumper H1. Demand was focused on the regions, with 50% of Q2 investment in the North West, driven by heavyweight Blackstone's acquisition of two of the region's best-known industrial estates for c. £480m. Prime industrial yields stood at c. 5.0%, far from their peak however still tight.

Within the retail market, shopping centres continued to struggle, with retail parks and food stores anchoring the market. Foodstores have been one of the most resilient sectors over the last 12 months, with prime yields stabilising at 5.00%. H1 transactions were also inflated by a number of supermarket portfolios, including the Sainsbury's Reversion Portfolio trading twice in the period (£427m combined).

A lack of transactional evidence in the hotel market has also led to uncertainty about yields, with the H1 total of £1.3bn the lowest since 2012. Three quarters of all sales were in the regions, 69% of hotels transacting had less than 100 keys and 80% were sub-£25m lot sizes. Those assets that are trading appear to be modest in scale.

FINANCE MARKETS

Net UK bank lending to commercial property has been positive for five consecutive months since March, although there has been a fall back of development financing this year. This positive position, contrasted with dropping investment volumes, signals borrowers and lenders have been working through a backlog of refinancings. The proportion of total bank debt secured on commercial property remained stable at 7.1%.

Lower LTVs persist for new lending and, together with market wide valuation adjustments, have left a significant debt funding gap for sponsors, i.e. the difference between historic or in-place debt levels and those available in the market today. This is estimated at £16.3bn for the UK between now and 2026. Furthermore, in the next four and half years, around 80% of outstanding commercial real estate debt is due for repayment.

The industry is still grappling with the cost of debt outstripping valuation yields in many sectors, with the result that interest coverage levels are low, and, in many cases, debt is no longer accretive to returns. Lenders do have appetite to lend however this is at increasingly conservative levels and often higher credit margins than borrowers may be used to. We are also aware that many lenders have limited or no appetite for retail and office properties.

PORTFOLIO OUTLOOK

The data clearly suggests that property market conditions will remain difficult for sellers for the immediate future with some relief expected in 2024 as core inflation and interest rates are forecast to begin to fall, and economic growth begins to return.

Through the appointment of receivers and administrators, the Investment Manager and the Company are now better placed to control the repayment of the Affinity and Southport loans via marketing and ultimate sale of the underlying properties but will continue to work with the respective property managers and operators in the meantime to maximise performance, and protection and enhancement of income.

Whilst the companies operating the residential parks securing the RoyaleLife loan are also in administration, the operations are more complex and the Company will continue to work with its co-lenders, the administrator and their advisors first to stabilise operations and protect value, and secondly to secure an exit that will enable the Company to wind-up.

As discussed in this report, all potential routes to exit are being explored and progressed, however the complex nature of the business and niche sector in which it operates may present additional challenges to realising full value in the near term.

There are likely to be difficult decisions required as the Company balances the level of recovery with the speed of realisation and cost of running the Company through to its ultimate liquidation.

ICG REAL ESTATE

2 October 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing this Interim Financial Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- The Unaudited Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- The Chairman's Statement and Investment Manager's Report include a fair review of the information required by:
  - (i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Unaudited Condensed Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position and performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Financial Statements that could do so.

On behalf of the Board

JACK PERRY
Chairman

2 October 2023

PRINCIPAL RISKS AND UNCERTAINTIES

The Company invests primarily in UK commercial real estate loans of a fixed rate nature; as such, it is exposed to the performance of the borrower and the underlying property on which its loans are secured.

The principal risks and uncertainties of the Company were identified in detail in the Annual Report and Financial Statements for the year ended 31 January 2023.

In addition to regular risk reviews, emerging risks are considered as they arise, to assess any potential impact on the Company and to determine whether any actions are required.

As a result of such risks emerging, the Audit and Risk Committee regularly reviews its assessment of the key risks faced by the Company, which are currently identified as the following:

- The inability to secure the sale or refinancing of an underlying property will frustrate the timely repayment of capital;
- Imprecision of valuations will impact the Company's ability to accurately determine collateral values and to appropriately consider the potential impairment of any particular investment;
- A further deterioration in property market conditions or liquidity could likely result in a further reduction in shareholder value;
- Portfolio diversification: the effect on the Company of challenges experienced on the smaller number of remaining investments is magnified and could lead to increased volatility in cash flows or net asset values;
- Some of the Company's costs are fixed and will therefore consume a greater proportion of the Company's revenues as the Company shrinks, which will impact the amount of funds available for distribution to shareholders;
- Complications with the liquidation process could affect timing of the final distribution to shareholders.

CONDENSED STATEMENT OF **COMPREHENSIVE INCOME**

For the six month period to 31 July 2023

	Notes	1 February 2023 to 31 July 2023 £ (Unaudited)	1 February 2022 to 31 July 2022 £ (Unaudited)	1 February 2022 to 31 January 2023 £ (Audited)
Income				
Income from loans		1,060,573	3,611,439	7,136,574
Other fee income from loans		–	–	133,051
Income from cash and cash equivalents		29,280	–	2,864
Total income		**1,089,853**	**3,611,439**	**7,272,489**
Expenses				
Investment Management fees	9	369,261	519,039	761,047
Other expenses	10	310,566	280,736	451,438
Directors' remuneration	9	80,000	80,000	160,000
Finance costs		–	–	–
ECL provision on financial assets	4	15,039,979	–	3,940,181
Total expenses		**15,799,806**	**879,775**	**5,312,666**
(Loss)/Profit for the period/year before tax		**(14,709,953)**	**2,731,664**	**1,959,823**
Taxation charge		–	–	–
(Loss)/Profit for the period/year after tax		**(14,709,953)**	**2,731,664**	**1,959,823**
Total comprehensive (expense)/income for the period/year		**(14,709,953)**	**2,731,664**	**1,959,823**
Basic and diluted (Loss)/Earnings per Share (pence)	5	**(12.13)**	**2.25**	**1.62**

All items within the above statement have been derived from discontinuing activities on the basis of the orderly realisation of the Company's assets.

The Company has no recognised gains or losses for either period other than those included in the results above, therefore no separate statement of other comprehensive income has been prepared.

The accompanying notes form an integral part of these Interim Financial Statements.

CONDENSED STATEMENT OF **FINANCIAL POSITION**

As at 31 July 2023

	Notes	31 July 2023 £ (Unaudited)	31 January 2023 £ (Audited)	31 July 2022 £ (Unaudited)
Assets				
Loans advanced at amortised cost	4	44,612,344	68,963,675	77,976,950
Cash and cash equivalents		11,348,746	43,435	3,068,145
Trade and other receivables		13,193	9,209,494	529,620
Total assets		**55,974,283**	**78,216,604**	**81,574,715**
Liabilities				
Trade and other payables		607,452	861,653	1,021,864
Total liabilities		**607,452**	**861,653**	**1,021,864**
Net assets		**55,366,831**	**77,354,951**	**80,552,851**
Equity				
Share capital	6	73,626,766	80,298,419	80,298,422
Retained (loss)/earnings		(18,259,935)	(2,943,468)	254,429
Total equity attributable to the owners of the Company		**55,366,831**	**77,354,951**	**80,552,851**
Number of ordinary shares in issue at period/year end	6	**121,302,779**	**121,302,779**	**121,302,779**
Net Asset Value per ordinary share (pence)	5	**45.64**	**63.77**	**66.41**

The Interim Financial Statements were approved by the Board of Directors on 2 October 2023 and signed on their behalf by:

JACK PERRY
Chairman

FIONA LE POIDEVIN
Director

The accompanying notes form an integral part of these Interim Financial Statements.

CONDENSED STATEMENT OF **CHANGES IN EQUITY**

For the six month period to 31 July 2023

	Notes	Number of shares	Ordinary Share capital £ (Unaudited)	B Share capital £ (Unaudited)	Retained (loss) £ (Unaudited)	Total £ (Unaudited)
As at 1 February 2023		121,302,779	80,298,419	–	(2,943,468)	77,354,951
Loss for the period		–	–	–	(14,709,953)	(14,709,953)
Dividends paid	7	–	–	–	(606,514)	(606,514)
B Shares issued February 2023	6	121,302,779	(6,671,653)	6,671,653	–	–
B Shares redeemed & cancelled February 2023	6	(121,302,779)	–	(6,671,653)	–	(6,671,653)
As at 31 July 2023		**121,302,779**	**73,626,766**	**–**	**(18,259,935)**	**55,366,831**

For the six month period to 31 July 2022

	Notes	Number of shares	Ordinary Share capital £ (Unaudited)	B Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total £ (Unaudited)
As at 1 February 2022		121,302,779	87,576,589	–	191,426	87,768,015
Profit for the year		–	–	–	2,731,664	2,731,664
Dividends paid	7	–	–	–	(2,668,661)	(2,668,661)
B Shares issued May 2022	6	121,302,779	(7,278,167)	7,278,167	–	–
B Shares redeemed & cancelled May 2022	6	(121,302,779)	–	(7,278,167)	–	(7,278,167)
As at 31 July 2022		**121,302,779**	**80,298,422**	**–**	**254,429**	**80,552,851**

The accompanying notes form an integral part of these Interim Financial Statements.

CONDENSED STATEMENT OF **CASH FLOWS**

For the six month period to 31 July 2023

	Notes	1 February 2023 to 31 July 2023 £ (Unaudited)	1 February 2022 to 31 July 2022 £ (Unaudited)	1 February 2022 to 31 January 2023 £ (Audited)
Cash flows generated from operating activities				
(Loss)/Profit for the period/year		(14,709,953)	2,731,664	1,959,823
Adjustments for non-cash items and working capital movements:				
Movement in other receivables		30,242	(27,135)	459,050
Movement in other payables and accrued expenses		(254,201)	228,641	68,430
Loan amortisation		14,875,644	(513,291)	1,193,484
		(58,268)	2,419,879	3,680,787
Loans advanced, less arrangement fees		(8,400)	(162,434)	(487,610)
Arrangement fees received		–	–	64,740
Loans repaid at par	4	9,484,087	5,956,304	13,523,240
Net loans repaid less arrangement fees		9,475,687	5,793,870	13,100,370
Net cash generated from operating activities		**9,417,419**	**8,213,749**	**16,781,157**
Cash flows used in financing activities				
Dividends paid	7	(606,514)	(2,668,661)	(5,094,717)
Return of Capital paid	6	(6,671,653)	(7,278,167)	(7,278,170)
Net cash used in financing activities		**(7,278,167)**	**(9,946,828)**	**(12,372,887)**
Net movement in cash and cash equivalents		2,139,252	(1,733,079)	4,408,270
Cash and cash equivalents at the start of the period/year		9,209,494	4,801,224	4,801,224
Cash and cash equivalents at the end of the period/year		**11,348,746**	**3,068,145**	**9,209,494**

The accompanying notes form an integral part of these Interim Financial Statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM **FINANCIAL STATEMENTS**

For the six month period to 31 July 2023

1. GENERAL INFORMATION

ICG-Longbow Senior Secured UK Property Debt Investments Limited is a non-cellular company limited by shares and was incorporated in Guernsey under the Companies Law on 29 November 2012 with registered number 55917 as a closed-ended investment company. The registered office address is Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

The Company's shares were admitted to the Premium Segment of the Official List and to trading on the Main Market of the London Stock Exchange on 5 February 2013.

The unaudited condensed financial statements comprise the financial statements of the Company as at 31 July 2023.

In line with the revised Investment Objective and Policy approved by shareholders in the Extraordinary General Meeting in January 2021, the Company is undertaking an orderly realisation of its investments. As sufficient funds become available the Board returns capital to shareholders, taking account of the Company's working capital requirements and funding commitments.

ICG Alternative Investment Limited is the external discretionary investment manager.

2. ACCOUNTING POLICIES

a) Basis of preparation

The Interim Financial Statements included in this Interim Report, have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU, and the Disclosure and Transparency Rules of the FCA.

The Interim Financial Statements have not been audited or reviewed by the Company's Auditor.

The Interim Financial Statements do not include all the information and disclosures required in the Annual Report and Financial Statements and should be read in conjunction with the Company's Annual Report and Financial Statements for the year ended 31 January 2023, which are available on the Company's website (www.lbow.co.uk). The Annual Report and Financial Statements have been prepared in accordance with IFRS as adopted by the EU.

Other than as set out above, the same accounting policies and methods of computation have been followed in the preparation of these Interim Financial Statements as in the Annual Report and Financial Statements for the year ended 31 January 2023.

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2023 that had a significant effect on the Company's financial statements. Furthermore, none of the amendments to standards that are effective from 1 January 2023, had a significant effect on the Company's interim condensed financial statements. It is not anticipated that any standard which is not yet effective, will have a material impact on the Company's financial position or on the performance of the Company's statements.

b) Going concern

The Directors, at the time of approving the Financial Statements, are required to satisfy themselves that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and whether there is any threat to the going concern status of the Company. At the EGM of the Company on 14 January 2021, following a recommendation from the Board published in a circular on 16 December 2020, shareholders voted by the requisite majority in favour of a change to the Company's Objectives and Investment Policy which would lead to an orderly realisation of the Company's assets and a return of capital to shareholders.

It is intended that the investments will be realised over time and the Directors expect that some investments will be held past the formal maturity date of the last loan, currently due for repayment by the end of 2023. The Company may take actions with the consequence of accelerating or delaying repayment in order to optimise shareholder's returns in the context of the Company's size and position at that time.

Whilst the Directors are satisfied that the Company has adequate resources to continue in operation throughout the remaining realisation period and to meet all liabilities as they fall due, given the Company is now in a managed wind down, the Directors consider it appropriate to adopt a basis other than going concern in preparing the financial statements.

In the absence of a ready secondary market in real estate loans by which to assess market value, the basis of valuation for investments is amortised cost net of impairment, recognising the anticipated realisable value of each investment in the orderly wind down of the Company. In accordance with the Company's IFRS 9 Policy there has been a change in the carrying value of some investments following the increase of the lifetime ECL allowances on the stage three loans, as detailed in Note 4. No material adjustments have arisen solely as a result of ceasing to apply the going concern basis.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors as a whole. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's Net Asset Value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the Financial Statements.

For management purposes, the Company is organised into one main operating segment, being the provision of a diversified portfolio of UK commercial property backed senior debt investments.

The majority of the Company's income is derived from loans secured on commercial and residential property in the United Kingdom.

Due to the Company's nature, it has no employees.

The Company's results do not vary significantly during reporting periods as a result of seasonal activity.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

The preparation of the Financial Statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, including the Company's timeframe for orderly realisation of investments in order to return capital to shareholders. These factors help form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements

In assessing the ECL, the Board has made critical judgements in relation to the staging of the loans and assessments which impact the loss given default. In assessing whether the loans have incurred a significant increase in credit risk the Investment Manager, on behalf of the Board, assesses the credit risk attaching to each of the loans and the realisable value of the underlying property on which the loans are secured. Realisable value is an estimate informed by third party valuations, but also taking into consideration property market liquidity, availability of debt funding and the timeframes in which the Company is seeking to return capital to its shareholders.

The Company has adopted the Investment Manager's Internal credit rating methodology and has used its loss experience to benchmark investment performance and potential impairment for Stage 1, Stage 2 and Stage 3 loans under IFRS 9 considering both probability of default and loss given default. It is noted that the Company's remaining loans are either past due or have a residual contractual maturity of less than one year.

In the case of past due loans, the Investment Manager and the Board will also take into consideration the likely repayment term of such loans and of actions taken to repay such loans. Consequently, a loan which is past due, but otherwise performing, may continue to be assessed as Stage 1 where there is an active repayment plan in place, or supporting evidence that the loan can be repaid in full and the Company has given a period of forbearance whilst reserving its rights to, or charging, default interest.

The sustained rise in UK interest rates, up four percentage points in a little over a year, has dramatically reduced liquidity in property and finance markets as well as affecting asset prices in many property sectors. As a result, the number of UK commercial property transactions in the first half of 2023 was over 50% lower than the same period in the prior year, and 37% below the 10-year average. Hotel sales in the first half were at their lowest levels for over a decade. More recently, the data has trended weaker: Colliers International reports that investment transactions in July were less than £1bn, the lowest level since 2008.

Against this backdrop the Investment Manager and Board agree that, other than the Northlands loan, all remaining investments have a heightened credit risk. At the reporting date all three loans are subject to enforcement action and, in the absence of an active and liquid property market, are considered as Stage 3 assets with a material risk of credit loss.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE COMPANY'S ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates

The measurement of both the initial and ongoing ECL allowance for loan receivables measured at amortised cost is an area that requires the use of significant assumptions about credit behaviour such as the ability of borrowers to refinance; the likelihood of them defaulting; the realisable value of the secured properties; and the resulting losses. In assessing the probability of default and ECL, the Board has taken note of the experience and loss history of the Investment Manager which may not be indicative of future losses in changing market conditions. The default probabilities are based on a number of factors including rental income trends, interest cover and LTV headroom and sectoral trends which the Investment Manager believes to be a good predictor of the probability of default, in accordance with recent market studies of European commercial real estate loans.

In line with the Company's investment strategy at the time, all loans benefited from significant LTV headroom at origination, with business plans designed to deliver further value increases over time. This combined with tight covenants had enabled the Investment Manager to manage risk over the term of the loans. Following the change in Investment Strategy to one of orderly wind down, the Investment Manager and the Board have placed greater emphasis on the source and delivery of repayment over the residual term of each loan when assessing valuation of the Company's loans and the risk of capital loss.

The Board's valuation of Stage 3 assets (those loans considered to have a material risk of credit loss), is first informed by third party property valuations and supporting comparative transactional evidence. The Investment Manager and the Board will then overlay property level cashflows, expected sales costs and other factors considered necessary to achieve exits within the target timeframes for returning capital to shareholders.

Since the Russian invasion of Ukraine in February 2022, UK inflation has been rising, and UK monetary policy has tightened. Inflation and therefore interest rate expectations have remained high driven by rising fuel and food costs and, more recently, wage settlements. These factors have combined to make the UK's economic outlook less certain, with GDP growth of less than 1% per annum forecast for the next two years.

As such, investor confidence in the UK commercial property markets is low as reflected by market transaction volumes discussed above. Higher inflation and interest rates are also now beginning to impact consumer spending patterns and filter through to house prices.

All of the Company's Stage 3 assets were either past due or subject to enforcement action in the form of administration or receivership at the reporting date. As a result, the Company has considered the likelihood of achieving sales at the most recent third-party valuation or at discounts to reflect the current lack of liquidity in the relevant property sector and the Company's target timeframes and the probability of such outcomes. These probabilities and discounts are further informed by prospective purchasers' offers or expressions of interest where properties have been marketed.

In arriving at the investment valuations, the Investment Manager has overlayed the expected costs of sale and exit timeframes to determine a weighted average valuation of each loan under the expected interest rate method and, thereby, the expected credit loss for each loan that may result.

Revenue recognition is considered a significant accounting judgement and estimate that the Directors make in the process of applying the Company's accounting policies. In respect of the Company's Stage 3 loans, Interest Income will be recognised through in the Statement of Comprehensive Income as and when it is received. In view of the trading conditions of the Southport hotel and liquidity challenges facing the RoyaleLife loan, the Directors consider it unlikely that interest payments will be received in the near term. The Affinity loan is also a Stage 3 asset, however the property remains well occupied and the Directors expect interest will continue to be paid in full and such receipts will be recognised as and when received.

Following the period end, the remaining companies within the RoyaleLife loan's security structure were placed into administration, and a partial restructure of the investment has taken place. These actions have been taken together with the Company's co-lenders in order to preserve the value of the underlying property security, to stabilise operations and to protect corporate cashflows. The property securing the Affinity loan was placed into receivership following the period end and is now being remarketed for sale. The properties and companies securing the Southport Hotel loan were placed into administration in September 2022.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. LOANS ADVANCED

(i) Loans advanced

	1 February 2023 to 31 July 2023 £	1 February 2022 to 31 January 2023 £
Loans Advanced:	65,932,533	72,903,856
Less: Expected Credit Losses	(21,320,189)	(3,940,181)
	44,612,344	68,963,675

	31 July 2023 Principal advanced £	31 July 2023 Fair value (at amortised cost) £	31 January 2023 Principal advanced £	31 January 2023 Fair value (at amortised cost) £
Northlands	85,389	517,935	9,561,076	9,829,286
Affinity	17,299,963	17,667,277	17,299,963	17,774,436
Southport	15,200,000	16,799,773	15,200,000	15,988,651
RoyaleLife	25,382,017	30,947,548	25,382,017	29,311,483
	57,967,369	65,932,533	67,443,056	72,903,856

(ii) Valuation considerations

As noted above, the Company is now in the process of an orderly wind down. It had been the intention of the Investment Manager and Directors to hold loans through to their repayment date, and seek a borrower led repayment in order to maximise value for the shareholders. Economic and property market conditions have not enabled this, with commercial property transactions in some sectors at their lowest levels for 15 years.

The carrying value amounts of the loans, recorded at amortised cost in the Financial Statements have been adjusted for expected credit losses. For further information regarding the status of each loan and the associated risks see the Investment Manager's Report.

Amortised cost is calculated using the effective interest rate method which takes into account all contractual terms (including arrangement and exit fees) that are an integral part of the loan agreement. As these fees are taken into account when determining initial net carrying value, their recognition in profit or loss is effectively spread over the life of the loan.

As loans have fallen past due and enforcement actions have been taken, the Directors have reassessed the likelihood and timing of receipt of such exit fees in the context of the current underlying property value and weak market conditions.

Each property on which investments are secured was subject to an independent, third-party valuation at the time the investment was entered into and updated valuations are obtained as deemed appropriate. All investments are made on a hold to maturity basis. Each investment is being closely monitored including a review of the performance of the underlying property security.

Third party property valuations are typically based on the specific particulars of the property (rent, Weighted Average Unexpired Lease Term (WAULT), vacancy, condition and location) and assume a normal marketing period and sales process. Valuers benchmark against comparative evidence from recent transactions in similar properties.

Other than the Northlands loan, the remaining Investments are considered to be Stage 3 assets and were at period end, or are now, subject to enforcement action. Accordingly, the carrying value of each loan has been reviewed and further provisions for expected credit loss raised. The carrying value of each Stage 3 investment has been calculated to reflect the net present value of the expected net proceeds from, and timing of, exit under a range of scenarios reflecting the latest property valuation, the cost of disposal (including enforcement action taken), and potential discount to valuation that a willing buyer may offer in the current market for a purchase out of administration/receivership in an accelerated process.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. LOANS ADVANCED (CONTINUED

(iii) IFRS 9 – Impairment of Financial Assets

As discussed above, during 2023 the UK commercial property market has experienced a period of historically low transaction volumes, as buyers adjust their pricing in order to generate target returns in a higher interest rate environment with uncertain occupational demand in many sectors. Conversely, unless forced, sellers are inclined to hold properties where they can in the expectation of improved liquidity as the economic outlook stabilises and medium-term interest rates fall. In this context, valuation and, therefore, the ECL of each investment has been recalculated based on the underlying property performance and valuations together with any sales/marketing experience to date and is discussed further below.

The internal credit rating of each loan as at 31 July 2023 has been reviewed. One loan was identified as a Stage 3 asset at 31 January 2023, and the loan has remained a Stage 3 asset, with an ECL provision of £7,418,760 (31 January 2023: £2,288,651). Of the two loans that were identified as Stage 2 assets at 31 January 2023, RoyaleLife is now identified as a Stage 3 asset, with an ECL provision of £12,224,576 (31 January 2023: £1,638,828). Affinity is also now identified as a Stage 3 asset, with an ECL provision of £1,676,853 (31 January 2023: £12,702).

As at 31 July 2023

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	85,389	–	57,881,980	57,967,369
Gross carrying value	517,935	–	65,414,598	65,932,533
Less ECL allowance	–	–	(21,320,189)	(21,320,189)
	517,935	–	44,094,409	44,612,344

As at 31 January 2023

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	9,561,076	42,681,981	15,200,000	67,443,056
Gross carrying value	9,829,286	47,085,919	15,988,651	72,903,856
Less ECL allowance	–	(1,651,530)	(2,288,651)	(3,940,181)
	9,829,286	45,434,389	13,700,000	68,963,675

The Northlands loan has been largely repaid through the sale of newly built residential properties and the break-up of the commercial portfolio on which it is secured. As at 31 July 2023, the outstanding loan balance was £85,737 with a further £432,198 of accrued interest and exit fees outstanding. Two further property sales have completed since period end with proceeds applied against interest, and the loan is expected to be fully repaid from a series of further property sales which are currently under offer. As a result, the look-through LTV is below 10% and the loan is expected to repay in full.

The Southport hotel was placed into administration in September 2022, following a failed marketing and refinancing exercise by the sponsor. The hotel has continued to trade throughout this period and following a refreshed marketing process, was placed under conditional offer in the first quarter of 2023. The purchaser has not been able to satisfy themselves that all conditions could be met in a reasonable timeframe and, despite significant diligence costs, withdrew from the process following period end. The property was last valued in late March 2023 at £12.5 million. The hotel has been brought back to the market and new bids are being solicited. The Company has provided a working capital facility to the administrator. Whilst trading has been profitable, it is insufficient to meet administrative and advisor costs and no interest payments are expected. Based on an expected remarketing period, sales and administration costs and the likelihood of achieving valuation in the current market environment, a further ECL of £5,130,109 has been recognised in the period.

Occupational demand for the Affinity office property has remained strong, with discussion underway in respect of the only remaining vacant space. Interest at 10.5% has been paid in full and further default interest is being accrued. The borrower engaged an agent to sell the property in February 2023 but, despite a number of inspections, no formal offer has been forthcoming. After a period of forbearance, the Company appointed a receiver over the property in September 2023 who has re-engaged with the sales agent to re-launch the property. The property was last valued in April 2023 at £20.15 million representing an LTV of 85.8%. The regional office market remains difficult as investors contemplate the ongoing occupational demand, with changing working practices following the Covid-19 pandemic. The Investment Manager and Board have adopted a probability-based approach to achieving full valuation and discounts thereto, whilst taking into account the full costs of receivership and eventual sale. As a result, the Company has made a provision for ECL of £1,676,853 against the carrying value of the loan.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. LOANS ADVANCED (CONTINUED

As disclosed in the Financial Statements as at 31 January 2023 and subsequent RNS announcements, the sponsor group behind the RoyaleLife loan was undergoing severe liquidity issues as a result of a slowdown in sales during, and following, the Covid-19 pandemic. Whilst sales resumed, the borrower was circa 2 years behind its original business plan, and no longer able to fully support its operations. As a result, and following a winding up petition issued by a third party creditor against some entities within the structure, the Company, acting together with its co-lenders, appointed an administrator over three group companies in May 2023, and over the remainder of the borrower structure in August 2023.

The Investment Manager on behalf of the lenders continues to work with the administrator and advisors to stabilise the park operations and has recently completed a partial restructure in order to bring in a new operator and preserve value in the underlying property security.

The Investment Manager is in discussion with a number of parties who have expressed an interest in acquiring the borrower group and these discussions are continuing. The property valuations have been updated since period end and following the appointment of the administrator. Based upon this, the Company's current exposure is at 95.6% LTV, an increase from 72.4% as at January 2023. As previously reported, the borrower group is not expected to service interest in the near term and, at the lower valuation, exit fees in excess of £4 million are no longer likely to be received. In valuing the investment, the Investment Manager and Board have considered a number of scenarios based on discussions in hand and a full workout and have discounted the projected cashflow in each scenario to the reporting date. As a result, the Board has increased the ECL from £1,638,828 to £12,224,576, which includes a provision for impairment against exit fees previously recognised under the amortised cost accounting policy, as well as the accrued default interest.

A reconciliation of the ECL allowance is presented as follows:

	Expected Credit Loss Allowances At 31 January 2023 £	Movement in ECL Allowance during period £	At 31 July 2023 £
Affinity	(12,702)	(1,664,151)	(1,676,853)
Southport	(2,288,651)	(5,130,109)	(7,418,760)
RoyaleLife	(1,638,828)	(10,585,748)	(12,224,576)
	(3,940,181)	**(17,380,008)**	**(21,320,189)**

(iv) IFRS 9 Impairment – Stress Analysis

The carrying values of the remaining investments above contemplate sales in a difficult market and have been adjusted for expected credit losses, making allowance for the potential impact sales out of receivership/administration on the properties' underlying liquidity and attractiveness to buyers, as well as the timeframe in which the Company is seeking to realise its investments.

Other than the Northlands loan, the remaining loans are subject to enforcement processes, which may be an additional factor in the liquidity of and buyer pools for the subject assets. Following the additional provision for ECL, all three of those loans are held at 100% LTV. Two of the loans (Southport and RoyaleLife) are secured against operating assets which brings additional complexity for buyers when compared to, say, single tenant investment properties, and in the case of RoyaleLife, operates in a new and emerging sector of retirement living.

The Investment Manager and the Board have considered the impact of a further 10%, 20% and 30% reduction in the underlying property values, broadly reflecting a one, two and three stage credit deterioration as previously presented, and recalculated its probability weighted valuations on this basis. The impact of these further declines in property values on the portfolio as a whole is set out below.

Stress test impact on Expected Credit Loss at 31 July 2023

	31 July 2023	31 July 2022
One grade deterioration in credit rating	£3,685,000	£236,000
Two grade deterioration in credit rating	£8,124,000	£857,000
Three grade deterioration in credit rating	£12,562,000	£3,023,000

All efforts continue to be made by the Investment Manager and the Board to crystalise the value in the remaining investments in a reasonable time frame in order to return capital to shareholders and proceed to the liquidation of the Company. However, as discussed above, in the current market many properties for sale are not receiving any bids, even where they are considered distressed, and the limited number of buyers active in the market are seeking out the maximum distress in order achieve best relative value and maximise their potential returns. Accordingly, the timing of the final realisation of the Company's remaining assets cannot be predicted with certainty.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

(Loss)/Earnings per share

	1 February 2023 to 31 July 2023	1 February 2022 to 31 July 2022
(Loss)/Profit for the period after tax (£)	(14,709,953)	2,731, 664
Weighted average number of ordinary shares in issue	121,302,779	121,302,779
Basic and diluted (Loss)/EPS (pence)	(12.13)	2.25

The calculation of basic and diluted (Loss)/Earnings per share is based on the (loss)/profit for the period and on the weighted average number of ordinary shares in issue during the period.

There are no dilutive shares at 31 July 2023 (31 January 2023: £Nil).

Net Asset Value per share

	31 July 2023	31 January 2023
NAV (£)	55,366,831	77,354,951
Number of ordinary shares in issue	121,302,779	121,302,779
NAV per share (pence)	**45.64**	**63.77**

The calculation of NAV per share is based on Net Asset Value and the number of ordinary shares in issue at the period/year end.

After the period end and following the substantial repayment at par of the Northlands loan, a further return of capital of £9.0 million or 7.40 pence per ordinary share to shareholders was made on 1 September 2023.

6. SHARE CAPITAL

The authorised share capital of the Company is represented by an unlimited number of ordinary shares with or without a par value which, upon issue, the Directors may designate as (a) ordinary shares; (b) B shares; and (c) C shares, in each case of such classes and denominated in such currencies as the Directors may determine.

	31 July 2023 Number of shares	31 January 2023 Number of shares
Authorised		
Ordinary Shares of no par value	Unlimited	Unlimited
B Shares of no par value	Unlimited	Unlimited

	Total No	Total No
Issued Ordinary Shares	121,302,779	121,302,779
B Shares		
B Shares issued May 2022	–	121,302,779
B Shares redeemed and cancelled May 2022	–	(121,302,779)
B Shares issued February 2023	121,302,779	–
B Shares redeemed and cancelled February 2023	(121,302,779)	–
B shares	–	–

	31 July 2023 £	31 January 2023 £
Share capital brought forward	80,298,419	87,576,589
Repaid in the period/year	(6,671,653)	(7,278,170)
Share capital carried forward	73,626,766	80,298,419

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. SHARE CAPITAL (CONTINUED)

Return of Capital

Return of Capital is recognised by the Company in the quarterly NAV calculation following the declaration date.

The Directors announced one return during the period ended 31 July 2023 and have returned an amount of 5.50 pence per Ordinary Share to shareholders, being £6,671,653 in total based on the current number of ordinary shares in issue. This return of capital was effected by way of an issue of redeemable B Shares to existing shareholders pro rata to their shareholding on the record date set out below and the subsequent redemption of those B Shares.

1 February 2023 to 31 July 2023	Return of Capital per share Pence	Total Return of Capital £
Return of Capital February 2023	5.50	6,671,653
	5.50	6,671,653

After period end, a further £9.00 million of shareholder capital was returned, equating to 7.40 pence per ordinary share.

7. DIVIDENDS

Dividends are recognised by the Company in the quarterly NAV calculation following the declaration date. A summary of the dividends declared and/or paid during the period/year ended 31 July 2023 and 31 January 2023 is set out below:

1 February 2023 to 31 July 2023	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2023	0.50	606,514
Interim dividend in respect of quarter ended 30 April 2023	–	–
	0.50	606,514

1 February 2022 to 31 January 2023	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2022	1.10	1,334,331
Interim dividend in respect of quarter ended 30 April 2022	1.10	1,334,331
Interim dividend in respect of quarter ended 31 July 2022	1.00	1,213,028
Interim dividend in respect of quarter ended 31 October 2022	1.00	1,213,027
	4.20	5,094,717

Following shareholder approval of proposed changes to the Company's Investment Objectives and Investment Policy which allows an orderly realisation of the Company's assets and return of capital to shareholders, the Board has made it clear that payment of quarterly dividends would continue only whilst it remained prudent to do so.

As three of the remaining investments have significant ECL provisions, there is projected to be a significantly reduced level of operating cashflow.

The Company has a predictable cost base and the ability to hold back capital from the imminent (contracted) and prospective future repayments to meet costs and preserve working capital over the medium to long-term. However, it is no longer considered appropriate to distribute a regular dividend.

The Company has a single class of ordinary shares which are not entitled to a fixed dividend. The company had one issue of redeemable B shares which were redeemed throughout the period ended 31 July 2023 on a Return of Capital payment to shareholders of the redeemable B shares. At any General Meeting of the Company each ordinary shareholder is entitled to have one vote for each share held. The ordinary shares also have the right to receive all income attributable to those shares and participate in distributions made and such income shall be divided pari passu among the holders of ordinary shares in proportion to the number of ordinary shares held by them.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. DIVIDENDS (CONTINUED)

The Company's Articles include a B Share mechanism for returning capital to shareholders and following shareholder approval on 14 January 2021, the Company has and will continue to utilise this mechanism in future. When the Board determines to return capital to shareholders, the Company has issued B Shares, paid up out of the Company's assets, to existing shareholders pro rata to their holding of ordinary shares at the time of such issue. The amount paid up on the B Shares will be equal to the cash distribution to be made to shareholders via the B Share mechanism. The B Shares shall be redeemable at the option of the Company following issue and the redemption proceeds (being equal to the amount paid up on such B Shares) paid to the holders of such B Shares on such terms and in such manner as the Directors may from time to time determine. It is, therefore, expected that the B Shares will only ever be in issue for a short period of time and will be redeemed for cash shortly after their issue in order to make the return of capital to shareholders.

It is intended that following each return of capital the Company will publish a revised estimated Net Asset Value and Net Asset Value per Ordinary Share based on the prevailing published amounts adjusted to take into account the return of capital. The number of ordinary shares in issue will remain unchanged.

8. FINANCIAL RISK MANAGEMENT

The Company through its investment in senior loans is exposed to a variety of financial risks. The main risks arising from the Company's financial instruments are: market risk (including currency risk and interest rate risk), credit risk and liquidity risk and are fully disclosed on pages 53 to 56 of the Annual Report and Financial Statements for the year ended 31 January 2023 in addition to the principal risks as set out on page 8 of this Interim Report.

The Company's principal risk factors were also discussed in the Company's Prospectus, available on the Company's website (www.lbow.co.uk) and should be reviewed by shareholders.

9. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

In the opinion of the Directors, on the basis of shareholdings advised to them, the Company has no immediate or ultimate controlling party.

Directors

The Company Directors' fees for the period amounted to £80,000 (31 July 2022: £80,000) with outstanding fees at 31 July 2023 of £31,250 due to the Directors (31 January 2023: £31,250).

Investment Manager

Investment management fees for the period amounted to £369,261 (31 July 2022: Investment management/advisory fees £519,039) of which £233,198 was outstanding at the period/year end (31 January 2023: £517,343).

10. OTHER EXPENSES

The other expenses shown in the Statement of Comprehensive Income are made up as shown below.

	1 February 2023 to 31 July 2023 £ (Unaudited)	1 February 2022 to 31 July 2022 £ (Unaudited)	1 February 2022 to 31 January 2023 £ (Audited)
Broker fees	25,825	–	25,550
Administration fees	107,307	125,843	155,832
Regulatory fees	8,246	10,947	21,415
Listing fees	5,175	8,248	15,239
Legal & professional fees	73,148	44,832	71,296
Audit fees	40,438	23,161	42,353
Other expenses	50,427	67,705	119,753
Total expenses	**310,566**	**280,736**	**451,438**

11. SUBSEQUENT EVENTS

After period end and following the substantial repayment of the Northlands loan, a further return of capital of £9.0 million or 7.40 pence per ordinary share to shareholders was made on 1 September 2023.

In September 2023 the Company appointed a receiver over the asset securing the Affinity loan, in order to seek to accelerate ultimate repayment of that investment.

GLOSSARY OF **CAPITALISED DEFINED TERMS**

"**Administrator**" means Ocorian Administration (Guernsey) Limited;

"**Affinity**" means Impact Spectrum Limited;

"**AIFMD**" means the Alternative Investment Fund Managers Directive;

"**Annual Report**" or "**Annual Report and Financial Statements**" means the annual publication of the Company provided to the shareholders to describe their operations and financial conditions, together with their Financial Statements;

"**Board**" or "**Directors**" or "**Board of Directors**" means the directors of the Company from time to time;

"**B shares**" means a redeemable Ordinary Share of no par value in the capital of the Company issued and designated as a B Share of such class, and denominated in such currency, as may be determined by the Directors at the time of issue. Issued for the purpose of returning capital in accordance with Article 8;

"**CMBS**" means commercial mortgage-backed security;

"**Companies Law**" means the Companies (Guernsey) Law, 2008, (as amended);

"**Company**" means ICG-Longbow Senior Secured UK Property Debt Investments Limited;

"**Covid-19**" means the global coronavirus pandemic;

"**ECL**" means expected credit losses;

"**EPS**" or "**Earnings per share**" means Earnings per Ordinary Share of the Company and is expressed in Pounds Sterling;

"**EU**" means the European Union;

"**Euro**" or "**€**" means Euro;

"**FCA**" means the UK Financial Conduct Authority (or its successor bodies);

"**Financial Statements**" means the audited financial statements of the Company, including the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and associated notes;

"**GDP**" means gross domestic product;

"**GFSC**" means the Guernsey Financial Services Commission;

"**GIIN**" means Global Intermediary Identification Number;

"**GFSC Code**" means the GFSC Finance Sector Code of Corporate Governance;

"**IAS**" means international accounting standards as issued by the Board of the International Accounting Standards Committee;

"**ICG**" means Intermediate Capital Group PLC;

"**IFRS**" means the International Financial Reporting Standards, being the principles-based accounting standards, interpretations and the framework by that name issued by the International Accounting Standards Board;

"**Interest Cover Ratio**" or "**ICR**" means the debt/profitability ratio used to determine how easily a company can pay interest on outstanding debt;

"**Interim Report**" means the Company's interim report and unaudited interim condensed financial statements for the period ended 31 July;

"**Investment Manager**" or "**ICG-Longbow**" or "**ICG Real Estate**" means ICG Alternative Investment Limited or its associates;

"**IPO**" means the Company's initial public offering of shares to the public which completed on 5 February 2013;

"**ISIN**" means an International Securities Identification Number;

"**London Stock Exchange**" or "**LSE**" means London Stock Exchange plc;

"**LTV**" means Loan to Value ratio;

"**Main Market**" means the main securities market of the London Stock Exchange;

"**NAV per share**" means the Net Asset Value per Ordinary Share divided by the number of Shares in issue (other than shares held in treasury);

"**Net Asset Value**" or "**NAV**" means the value of the assets of the Company less its liabilities, calculated in accordance with the valuation guidelines laid down by the Board, further details of which are set out in the 2017 Prospectus;

"**Northlands**" means London & Guildford Properties Limited, London & Weybridge Properties Limited, Lamborfore Limited, Northlands Holdings Limited, Peeble Stone Limited, Auldana Limited, Felixstow Limited, Richmond Lodge Construction Limited, Piperton Finance Limited and Alton & Farnham Properties Limited;

"**Official List**" is the Premium Segment of the FCA's Official List;

"**ONS**" means Office for National Statistics;

"**Registrar**" means Link Asset Services (Guernsey) Limited;

"**RoyaleLife**" means the Time GB Properties LendCo Limited;

"**Southport**" means the Waterfront Southport Properties Limited and Waterfront Hotels (Southport) Limited – now in administration;

"**Sq ft**" means square feet;

"**UK**" or "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland; and

"**£**" or "**Pounds Sterling**" means British pound sterling and "**p**" or "**pence**" means British pence.

DIRECTORS AND **GENERAL INFORMATION**

Board of Directors
Jack Perry *(Chair)*
Stuart Beevor
Paul Meader
Fiona Le Poidevin

Audit and Risk Committee
Fiona Le Poidevin *(Chair)*
Stuart Beevor
Paul Meader

Management Engagement Committee
Jack Perry *(Chair)*
Paul Meader
Fiona Le Poidevin
Stuart Beevor

Nomination Committee
Jack Perry *(Chair)*
Stuart Beevor
Paul Meader
Fiona Le Poidevin

Remuneration Committee
Paul Meader *(Chair)*
Jack Perry
Stuart Beevor
Fiona Le Poidevin

Investment Manager
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Independent Auditor
Deloitte LLP
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Regency Court
Glategny Esplanade
St. Peter Port
Guernsey
GY1 3HW

Guernsey Administrator and Company Secretary
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Les Banques
St Peter Port
Guernsey
GY1 4LY

Depositary
Ocorian Depositary (UK) Limited
5th Floor
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England
EC3M 3BY

Registrar
Link Asset Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampsons
Guernsey
GY2 4LH

Corporate Broker and Financial Adviser
Cavendish Securities plc
(formerly Cenkos Securities plc)
6-8 Tokenhouse Yard
London
United Kingdom
EC2R 7AS

Identifiers

GIIN:	6IG8VS.99999.SL.831
ISIN:	GG00B8C23S81
Sedol:	B8C23S8
Ticker:	LBOW
Website:	www.lbow.co.uk

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Bankers
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St Peter Port
Guernsey
GY1 3BE

Lloyds Bank International Limited
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The Royal Bank of Scotland
International Limited
Royal Bank Place
1 Glategny Esplanade
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CAUTIONARY STATEMENT

The Chairman's Statement and the Investment Manager's Report have been prepared solely to provide additional information for shareholders to assess the Company's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Chairman's Statement and Investment Manager's Report may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager, concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

Subject to their legal and regulatory obligations, the Directors and the Investment Manager expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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