ICG-Longbow Senior Secured UK Property Debt Investments Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 January 2015

Company Number: 55917

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Corporate Summary

Investment Objective

The investment objective of ICG-Longbow Senior Secured UK Property Debt Investments Limited (the "Company") and its wholly owned subsidiary, ICG-Longbow Senior Debt S.A. ("Luxco") (together "the Group"), is to construct a portfolio of good quality, defensive, senior debt investments secured by first ranking fixed charges predominantly against UK commercial property investments, providing target dividends of circa 6% per annum on the IPO issue price.

Structure

The Company is a non-cellular company limited by shares incorporated in Guernsey on 29 November 2012 under the Companies (Guernsey) Law, 2008 (as amended). The Company's registration number is 55917, and it has been authorised by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme. The Company's Ordinary Shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its initial public offering which completed on 5 February 2013. The issued capital during the year comprises the Company's Ordinary Shares denominated in pounds sterling.

Investment Manager

The Investment Manager during the year was Longbow Real Estate Capital LLP, which trades as ICG-Longbow, and is authorised and regulated by the Financial Conduct Authority.

General Information

Board of Directors
Jack Perry (Chairman)
Stuart Beevor
Patrick Firth
Mark Huntley
Paul Meader

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Sedol: B8C23S8
Ticker: LBOW
Website: www.lbow.co.uk

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Highlights

Investment Portfolio

- As at 31 January 2015 the Company's investment portfolio comprised 11 loans with a principal balance of £104.0 million (31 January 2014: £87.26 million).
- £18.00 million deployed in the first three months of the year through two new loan investments, completing the initial investment programme.
- Portfolio activity in the year included aggregate partial prepayments of £3.00 million of which £0.9 million was redeployed in April 2014 and £1.75 million redeployed in December 2014 through a new loan.
- Portfolio weighted average interest coupon 7.40% (31 January 2014: 7.28%) with weighted average gross investment IRR of 8.49% (31 January 2014: 8.38%).
- Portfolio weighted average LTV of 60.1% and ICR of 161% (31 January 2014: LTV 61.7% and ICR 165%).
- All investments are performing to business plan with no covenant breaches.

Financing

- 3.6 million new Ordinary Shares issued in April 2014 raising £3.67 million capital (£3.51 million net of issue costs) to complete investment programme.

Performance

- Profit after tax £7.57 million for the year ended 31 January 2015 (14 months to 31 January 2014: £1.35 million).
    - 7.05 pence per share (14 months to 31 January 2014 1.29 pence per share).
- Net Asset Value (NAV) £108.21 million (31 January 2014: £103.35 million)
    - 99.99 pence per share (31 January 2014: 98.79 pence per share).

Dividend

- Total dividends paid or declared for the year ended 31 January 2015 of 6.0 pence per share (14 months to 31 January 2014: 0.5 pence per share), made up as follows:
    - Interim dividends of 1.5 pence per share paid in respect of the three quarterly periods ending 30 April 2014, 31 July 2014 and 31 October 2014
    - 4th interim dividend of 1.5 pence per share declared in respect of quarter ended 31 January 2015.
- 4th interim dividend details:
    - Declared 22 April 2015
    - Amount 1.5 pence per share
    - Dividend ex-date 30 April 2015
    - Dividend payment date 22 May 2015.

Chairman's Statement

Introduction

On behalf of the Board, I am pleased to present the second Annual Report for ICG-Longbow Senior Secured UK Property Debt Investments Limited ("the Company") and its wholly owned subsidiary, ICG – Longbow Senior Debt S.S. ("Luxco") (together "the Group") for the year ended 31 January 2015.

During the year, the Group has performed strongly, completing its investment programme in the first quarter, contributing to strong revenue performance compared to the prior period and an increase in NAV.

Portfolio and Corporate Activity

Through its subsidiary, the Company completed the initial phase of its investment programme in the first quarter of the year, with the completion of two senior loan investments totalling approximately £18 million. These investments were part funded with prepayment proceeds from the LM real estate loan (£0.9 million) and proceeds from the placement of a further 3.6 million of new Ordinary Shares in April 2014, bringing the aggregate balance of the loan portfolio to £104.34 million as at the half year. During the second half of the year, a further £2.1 million was received following part pre-payments on two facilities, of which £1.75 million was re-deployed through a new loan made in December 2014. Such repayments have been made subject to the collection of income protection fees averaging 2.75 years' interest income together with exit fees, which were accretive to NAV.

Revenue and Dividend Performance

The Group's revenue performance year on year has improved substantially, reflecting the completion of the investment programme as referred to above and the material growth in interest income receivable from the Group's portfolio of loan investments. The Board is pleased to report a post-tax profit for the year of £7.57 million (7.05 pence per share), compared to £1.35 million (1.29 pence per share) in the prior period.

The Company has been able to pay a dividend of 1.5 pence per share for each of the first three quarters of the year (for the periods ending 30 April 2014, 31 July 2014 and 31 October 2014). On behalf of the Board I am now pleased to declare a further dividend of 1.5 pence per share for the fourth quarter, bringing dividends paid and payable for the full year to 6.0 pence per share.

NAV and Share Price Performance

Over the period the NAV per share has increased from 98.79 pence to 99.99 pence, whilst the Group's NAV growth from £103.35 million to £108.21 million also reflects the share issuance which took place during the year.

The Company's share price has shown limited volatility over the year, trading within a range of 100.5 pence to 106.75 pence per share and consistently at a small premium to NAV, which I believe is a good reflection of the stable and predictable potential dividend stream derived from the well secured underlying loan portfolio in this low interest rate environment.

Governance and Management

Effective governance remains at the heart of our work as a Board and our responsibilities are taken very seriously. During the year the Board has been very active. It met regularly to a formal timetable but also met for a number of additional ad-hoc meetings to monitor the performance of the underlying loans.

The Alternative Investment Fund Managers Directive became fully effective in the United Kingdom during the reporting period, with the transitional period ending in June 2014. Having reviewed the Company's status and activities, the Board has concluded that neither authorisation nor registration is required.

Manager Performance

The Management Engagement Committee of the Board has reviewed the performance of the Group's Investment Manager, Longbow Real Estate Capital LLP. In an increasingly competitive environment during the year, the Investment Manager completed the deployment of the funds raised in our IPO. In doing so they have met the Group's investment objectives and delivered the level of dividends envisaged in our prospectus. The Investment Manager is be commended on their performance.

Chairman's Statement

(continued)

Outlook

With a stable economic environment and strong property market fundamentals, the Group's senior loan portfolio remains well secured both from an income and capital perspective and with good levels of interest cover.

Over the coming year, we may see some further low level activity in the portfolio, as the Group's underlying borrowers rationalise their own portfolios. This may result in the part repayments of loans. As we have witnessed this year, such repayments would trigger additional fee income in the form of exit fees and pre-payment fees. As at 31 January 2015 the Group's loan portfolio had a weighted average unexpired term of 3.8 years and was protected by a weighted average of 2.6 years' interest income protection. Any such repayment in the near term should be accretive to NAV.

Barring unforeseen circumstances, we expect the Company to continue to pay a dividend in line with its target of 6.0 pence per share per annum whilst the portfolio remains fully invested.

Jack Perry
Chairman

22 April 2015

Investment Manager's Report

Investment Objective

The Investment objective of the Group is "...to construct a portfolio of good quality, defensive, senior debt investments secured by first ranking fixed charges predominantly against UK commercial property investments, providing target dividends of circa 6% pa, paid quarterly, with an underlying target portfolio IRR of 8% pa..."

Fund Facts

Fund Launch Date:	5th February, 2013
Fund Manager:	Longbow Real Estate Capital LLP
Base Currency:	GBP
Issued Shares:	108.2 Million
Management Fee:	1.0%

Fund Type:	Closed ended investment company
Domicile:	Guernsey
Listing:	London Stock Exchange
ISIN Code:	GG0B8C23581
LSE Code:	LBOW
Website:	www.lbow.co.uk

Share Price & NAV at 31 January 2015

Share Price (p)	105.0
NAV (p) (Ex Div)	99.99
Premium/(Discount)	5.0%
Market Cap.	£113.6m
Declared dividend (p) (1)	1.5 pence
Dividend payment date	22nd May 2015

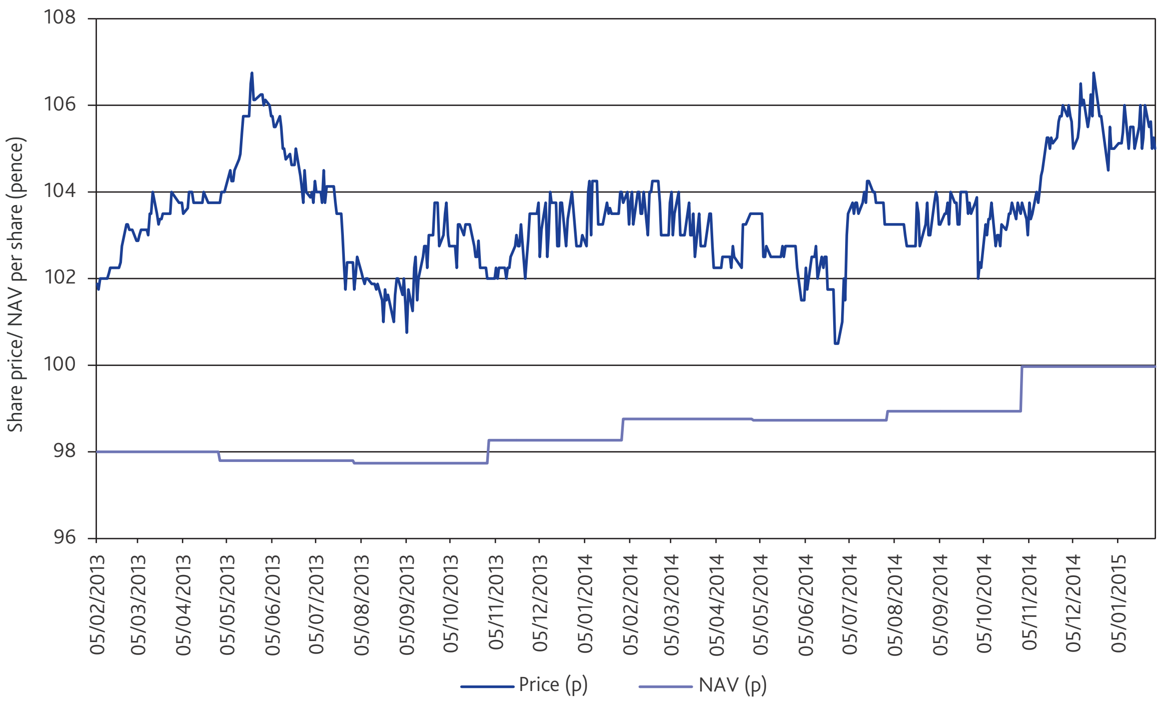
(1) For Quarter ending 31st January 2015

Key Portfolio Statistics at 31 January 2015

Number of Investments:	11
Percentage Capital Invested (2):	95%
Weighted average coupon:	7.40%
Weighted Avg. projected total return:	8.49%
Weighted Avg. LTV:	60.1%
Weighted Avg. interest coverage ratio:	161%

(2) Loans advances at amortised cost/Total Equity attributable to the owners of the company

Share Price v NAV (from IPO to 31 January 2015)



Investment Manager's Report

(continued)

Summary

With the initial investment programme having completed in April 2014 and the majority of prepayment proceeds received during the year having been reinvested, 95% of the Company's available capital was deployed as at 31 January 2015, bringing the Group's loan portfolio to £104.0 million (£87.255 million at 31 January 2014).

Over the year to 31 January 2015, the weighted average interest coupon receivable from the Company's investments has increased modestly from 7.28% to 7.40%, whilst the receipt of income protection and exit fees on the part-prepayments received during the year, together with the re-investment of capital received through the £1.75m loan to First Light Properties has increased the portfolio level gross expected IRR from 8.38% to 8.49% if held to contracted loan term maturity.

As at the year end, the 11 loans in the portfolio remain well secured from both a capital and income perspective, with a weighted risk exposure of 60.1% Loan to Value, reflecting a modest decrease over the year from 61.7%, whilst the weighted average Interest Coverage Ratio ("ICR") on the portfolio has remained broadly stable.

Group Performance

During the first quarter of the year the Group completed its initial investment programme through two new senior loan investments totalling £18 million, following the deployment of £37 million of capital in the final quarter of the prior year. This is reflected in the £8.50 million of interest income received from the Group's loan portfolio, up from £2.55 million in the prior period. This strong income performance has contributed to profit after tax increasing to £7.57million (7.05 pence per share) in the year to 31 January 2015, against £1.35 million (1.29 pence per share) in the prior reporting period. The Group benefitted from prepayment and ad-hoc income of £0.77 million related to loan prepayments received, of which £1.75 million has subsequently been reinvested. This will prove accretive to the Group.

The underlying recurring income derived from the investment portfolio will be sufficient, barring any unexpected circumstance, to produce post-tax profits at a level which will enable the Company to meet its dividend target of 6.0 pence per share from net operating cash-flows whilst the portfolio remains substantially fully invested.

Portfolio

Portfolio Statistics	31 January 2015	31 January 2014
Number of Loan Investments	11	8
Aggregate balance	£104,002,150	£87,255,000
Total Completed/Weighted average LTV	60.1%	61.7%
Weighted average unexpired Interest Income Protection	2.60 years	3.32 years
Total Completed/Weighted average ICR	161%	165%
Total Completed/Weighted average interest coupon	7.40% pa	7.28% pa
Total Completed/Weighted average projected gross IRR	8.49% pa	8.38% pa
Total Completed/Weighted average unexpired loan term	3.87 years	4.75 years
Cash held	£5,293,805	£17,696,629

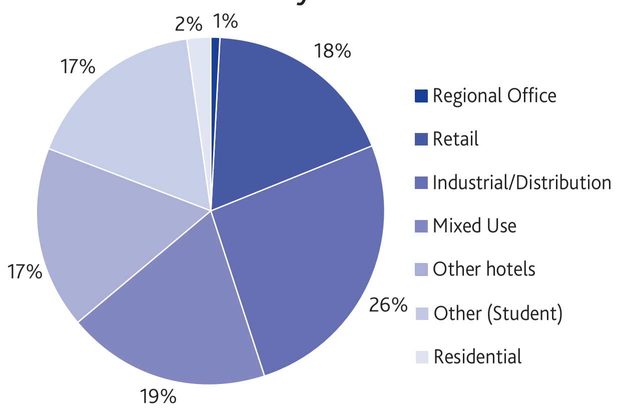
Investment Manager's Report
(continued)

Investment Portfolio as at 31 January 2015

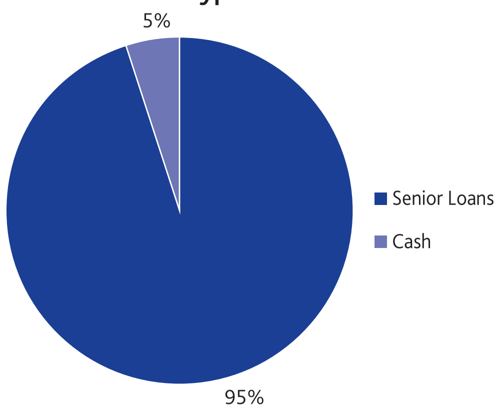
Project	Region	Sector	Term Start	Unexp term (yrs)	Day 1 Balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Balance Outstanding (£m)	Current LTV (%)	Current ICR (%)
Mansion	Midlands/Scotland	Other (Student)	Jun-13	4.36	18.07	54.8	204.0	18.07	46.5	249
IRAF Portfolio[(1)]	North West	Industrial/Distribution	Jul-13	3.84	14.20	59.3	193.0	11.94	55.3	188
Meadows RE Fund II	London	Retail	Sep-13	2.93	18.07	65.0	150.0	18.07	65.0	130
Northlands Portfolio	London	Mixed Use	Nov-13	3.83	7.20	61.7	192.0	6.48	60.6	123
Hulbert	Midlands	Industrial/Distribution	Dec-13	3.85	6.57	65.0	168.0	6.57	65.0	180
Halcyon Ground Rents	National	Industrial/Distribution	Dec-13	3.86	8.60	64.8	116.0	8.60	64.8	116
Cararra Ground Rents	North West	Regional Office	Dec-13	3.86	1.30	65.0	113.0	1.30	65.0	113
Raees	London	Mixed Use	Dec-13	3.87	13.25	65.0	122.0	13.25	64.6	126
Lanos (York)	Yorks/Humberside	Other (Hotel)	Mar-14	3.93	10.00	64.9	122.0	10.00	63.5	105
Gateshead Ramada	North East	Other (Hotel)	Apr-14	4.25	7.98	64.4	180.0	7.98	64.4	188
First Light Portfolio	London	Residential	Dec-14	3.97	1.75	65.0	174.0	1.75	65.0	173
Total Completed/Weighted Average				**3.87**	**107.0**	**61.8**	**162**	**104.0**	**60.1**	**161**

(1) IRAF portfolio loan is a replacement of the LM Real Estate loan. It is secured on substantially the same portfolio as the previous LM Real Estate loan but with a new borrower and on substanitally the same commercial terms. Day 1 figures represent LM Real Estate loan opening position

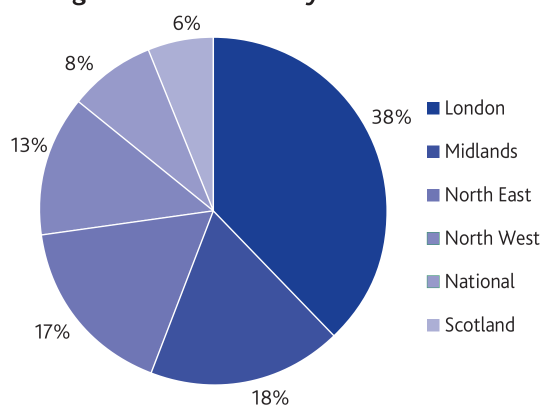
Sector Distribution by loan



Asset Type



Regional Distribution by Loan



Investment Manager's Report
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Market Update
Economy and Financial Markets
Whilst the pace of recovery in the economy eased over the last months of 2014, the UK still recorded 2.6% growth in GDP over last year – slightly lower than expectations. However, with record low inflation rates of 0%, the recovery is expected to strengthen over 2015, as the return of real wage growth and lower mortgage rates begin to contribute to the consumer sector and sustain the recovery in the lower end of the UK housing market. The reduction of oil prices is expected to boost both household spending and corporate growth over 2015. The level of employment continues to grow, with 30.9m people now in jobs and is expected to grow further over 2015, contributing to household spending growth, whilst also contributing to demand for commercial property accommodation.

Occupational Markets
Driven by the continuing strength of the recovery and job market, occupational demand drove rental values higher across the whole UK commercial property market, ending the year 2.7% higher than the year before, according to the CBRE monthly index. Strongest growth was seen in the central London office sectors (led by mid-town at 10.9%), with all UK offices recording 5.3% growth. Industrial showed 3.0% growth over the year, with retail at 0.5%. Even though the rate of retail rental growth is low, we have seen voids reduce in high street and shopping centre locations, which will feed through into material positive net income growth in the retail sector over 2015.

Investment Markets
Over the year to December 2014, transaction volumes in the commercial property market increased by 18% over the previous year to circa £60bn – the second highest volume recorded after 2006.

Driven in part by the weight of money seeking to invest in UK property, the recovery in capital values accelerated in 2014, with the IPD UK quarterly capital values index increasing by 12% over the year, producing total property returns for the year of circa 18%. Industrial and office sectors outperformed retail on the back of stronger capital and rental value growth. Notwithstanding the strong growth in 2014, we believe that capital values remain supported on the whole by economic fundamentals, with the recent strength of the UK economy and employment figures filtering through to rental growth, which began in London offices in Q1 2013 and has since spread across all regions, whilst property yields continue to show a historic spread over UK gilts.

Future expectations are that the rate of capital growth will fall significantly over coming years, as property returns become driven largely by income and rental growth, with Capital Economics projecting total returns averaging 9.3% pa for the years 2015-2019.

UK Commercial Property Debt Market
Currently the absolute supply of financing to all elements of the capital structure is high, with a large amount of capital available to chase market opportunities.

In the senior debt market, we have seen increased competition over 2014 and market pricing tighten for UK real estate senior debt. According to De Montfort University research, pricing had tightened by 25-30bps between December 2013 and June 2014 and, based on what we have seen in the market, this trend continued into the second half of the year, resulting in a contraction of margins of circa 50-75bp during the year. This has resulted in typical margins in the range 200-250bps being offered in the first quarter of 2015. However, at the prime end of the market, especially for large assets, we are seeing intense competition amongst UK and international lenders, resulting in margins as low as 140bps but typically in the range 150-175bps. With five year GBP interest swap rates of circa 1.25%, total interest costs are in the range 2.75% to 4.0% – historically cheap, even at the less prime end of the spectrum.

The mezzanine and whole loan markets are also seeing polarisation. Typical “market-bid” mezzanine debt can be found in the range 7-9% total IRR, especially for larger assets with whole loan financing, such as in support of loan buy-backs, priced in low double digit IRR returns (10-12%) with, typically, a 9% pa coupon.

Investment Manager's Report

(continued)

2014 also showed a significant increase in the sale of commercial real estate loan books, with circa €30bn of UK real estate loans sold, according to research by Cushman & Wakefield – over double that recorded in the previous year. As these loan portfolios are realised by the purchasers over the coming years, this will contribute both to the volume of property sale transactions and lending volumes.

Portfolio Profile

With the initial investment programme having completed in April 2014 and substantially all prepayment proceeds received having been reinvested including through a new £1.75m loan secured against a portfolio of tenanted residential flats located in London, 95% of the Group's available capital was deployed as at 31 January 2015. Given the multi-let nature of the majority of the Group's 11 loan portfolio and the fact that seven of the loans are themselves underpinned by portfolios of properties, further low level change in the security portfolio can be expected from quarter to quarter but, given the material income protection on the loans, any such changes are expected to be accretive to returns. As at the year end, the 11 loans in the portfolio had a weighted coupon of 7.40%, whilst the projected portfolio IRR has increased over the year from 8.38% to 8.49% as a result of the redeployment of prepaid capital and associated prepayment fees.

The current weighted risk exposure of 60.1% Loan to Value reflects a modest decrease over the year (from 61.7%). This was principally driven by the positive performance of the Mansion Student Fund security properties and the de-gearing of the IRAF loan exposure, following the sale of the underlying security portfolio from the former borrower, LM Real Estate, offset by two of the three loans completed in the financial year ending 31 January 2015 being at LTV ratios of between 64% and 65%.

The weighted average Interest Coverage Ratio ("ICR") on the portfolio was in aggregate broadly stable over the year, in part a function of the lower weighted average ICR of the three investments closed in the financial year ending January 2015. Additionally, within the portfolio there has been movement in ICR at individual loan level, with the most significant movements over the year being:

1. Mansion Student fund – ICR increased to 249% from 204% as at January 2014 as a result of near 100% occupancy and increased room rates, offset in the final quarter of the year by increased operating costs;

2. Meadows – ICR decreased from 150% as at January 2014 to 130%, as a result of the expiry of the major leases at the retail warehouse park, pending reconfiguration of the units, with the current debt service now primarily derived from a funded interest reserve account;

3. Northlands- reported ICR down from 192% as at January 2014 to current 123%, primarily due to exclusion of a material charged cash deposit from calculations (ICR was 127% as at 31 July 2014); and

4. Lanos (York hotel) – ICR decreased from 122% to 105% due to lower occupancy during the final quarter of the year associated with the construction of a 27 bedroom extension and refurbishment of the existing hotel. This is expected to recover in the near term as the works have now been substantially completed.

Overall, the Investment Manager believes the Group's loan portfolio to be strongly secured, given the conservative leverage, the first and only charge, together with the diversification of risk at portfolio level by sector, region and at the loan level through the exposure predominantly to multi-property or multi-tenanted security. All of the loans are fully compliant with parameters set out in the Prospectus.

Investment Manager's Report

(continued)

Portfolio Activity

Through the funding of the £8.0m Ramada Gateshead loan and the £10.0m Lanos (York Hotel) loan at the beginning of the period, the Group completed its initial investment programme, creating an initial portfolio of ten loans.

During the financial year the principal activity within the loan portfolio has been:

During the first quarter, LM Real Estate sold a property from its north-west industrial portfolio, the proceeds of which were fully applied to the payment of exit and break fees to the Group and a £0.9 million partial repayment of their loan. The capital proceeds were redeployed into the Ramada Gateshead loan.

In the second half of the year, LM Real Estate sold the majority of its property portfolio to an institutionally backed borrower (IRAF Catch Ltd), managed by Infrared Capital Partners. The Group entered into a new £11.94 million senior loan on substantially the same terms and secured on the residual portfolio. As a result the Group received a net repayment of £1.37 million on which exit and pre-payment fees were received, in addition to a consent fee for facilitating the transaction.

The Northlands Portfolio borrower completed a small disposal from its London residential and retail portfolio, resulting in a £0.7m part prepayment of the loan, again triggering prepayment and exit fees.

A new loan of £1.75m completed in December 2014 (the "First Light portfolio"), re-investing cash proceeds received from the partial repayments of the LM Real Estate and Northlands loans. The new loan is secured against three properties, predominantly located in West London, comprising 14 flats all let on AST's ("assured shorthold tenancy"). The loan is satisfactorily secured with a 65% LTV and an ICR of 173%.

Whilst the coupon on the new loan is below the weighted average of the existing portfolio, the transaction is accretive both in terms of NAV and dividend coverage, given that pre-payment fees averaging the equivalent of 2.75 years interest were charged on the £2.26 m of capital repayments from the LM Real Estate part repayment.

Outlook

Underpinned by the favourable economic conditions and property market discussed above, and given the continued performance of the 11 loan portfolio, we expect that the Company should be able to maintain the quarterly dividend payment level of 1.5p per share, whilst the earning streams from the loans are substantially protected by the loan pre-payment fees. The Board and the Investment Manager will continue to monitor the portfolio's performance to seek to maintain earnings without any increase in the risk profile.

Loan Portfolio

As set out above, as at 31 January 2015, the Group's portfolio comprised of 11 loans with an aggregate balance outstanding of £104.00 million.

The Investment Manager believes the Group's loan portfolio to be satisfactorily secured, given the senior secured position with a weighted exposure of 60.1% Loan to Value and 161% ICR. In addition risk is diversified at portfolio level by sector and geography and at loan level through exposure to predominantly multi-property or multi-tenanted security. All of the loans are fully compliant with the parameters set out in the Prospectus.

Investment Manager's Report

(continued)

A summary of each of the individual loans as at 31 January 2015 is set out below:

Loan 1 – Mansion Student Fund

An £18.07 million senior loan secured on two student accommodation blocks located in Birmingham and Glasgow, providing over 1000 purpose built student bedrooms. The loan proceeds were used to refinance part of the borrower's equity which funded the cash purchase of the properties.

The loan benefits from security against two well located, purpose built (and now fully refurbished) student blocks, which offers conservative gearing against capital and income, whilst the Company's counterparty is managed by a highly experienced sector specialist. Following completion of the refurbishment of the Birmingham property, the valuation of the portfolio has increased from £33.00 million to £38.90 million, reducing the LTV ratio from 55% to 46.5%.

The borrower comprises two SPV companies, which are subsidiaries of the Mansion Student Accommodation Fund ("MSAF"). The Group's loan is fully ring fenced from the wider MSAF group and is secured by way of a first ranking charge over the subject properties; consequently the on-going suspension of trading in MSAF units does not have any impact on the performance of the Group's loan.

The properties continue to perform in line with our underwritten expectations. The ICR increased from 204% as at January 2014 ICR to 249% as a result of near 100% occupancy and increased room rates, offset in the final quarter of the year by increased operating costs as a result of increased utility costs.

Property Profile	
Number of Properties	2
Property Value (£)	£38,900,000
Property Value (£/bed)	£38,553
Bedrooms	1,009
Number of tenants	1,009
Weighted lease length	n/a

Debt Profile	
Day One Debt	£18,070,000
Debt Outstanding	£18,070,000
Original term	6 years
Maturity	June 2019
Current LTV	46.5%
Current ICR	248.5%
Loan exposure per bed	£17,909

Investment Manager's Report
(continued)

Loan 2 – IRAF Catch Limited

Initially a £14.20 million advance was made to LM Real Estate, to refinance a portfolio of five multi-let industrial and distribution warehouse units located in the North West of England, following which the borrower disposed of one of the properties resulting in a £0.90 million prepayment.

LM Real Estate sold the majority of the remaining portfolio in September 2014 to an institutionally backed borrower (IRAF Catch Ltd), managed by Infrared Capital Partners. A new £11.94 million senior loan was made to IRAF Catch on substantially the same terms secured on the residual portfolio, resulting in a net repayment of £1.365 million to reflect the excluded properties.

InfraRed Capital Partners have introduced improved reporting which has highlighted additional non-recoverable costs at property level, thereby reducing the ICR in the final quarter of the year. However, at 187.7% ICR and 55.3% LTV the loan remains strongly secured.

Property Profile	
Number of Properties	4
Property Value (£)	£21,580,000
Property Value (£/sq ft)	£45
Property Area sq ft	483,294
Number of tenants	31
Weighted lease length	4.1 years

Debt Profile	
Day One Debt	£14,200,000
Debt Outstanding	£11,940,000
Original term	5.4 years
Maturity	December 2018
Current LTV	55.3%
Current ICR	187.7%
Loan exposure per sq ft	£28

Loan 3 – Meadow Partners

An £18.07 million senior loan facility used to assist financing an established and well supported international real estate fund in the acquisition of a highly prominent retail park in north London.

The borrower is an SPV owned by Meadow Real Estate Fund II LP and is managed by Meadow Partners, an international real estate investor and asset manager. Meadow Partners' management team has significant real estate investment experience and a proven track record, investing across various transaction structures, geographic locations and property types.

The borrower's business plan has been to reconfigure the layout of the units to increase rents on expiry of the three main existing leases. A planning application has now been submitted to re-configure the existing retail space into six separate units. The borrower reports strong interest from a number of retailers for the completed units. They anticipate works to the site to be completed by the end of the year.

As expected, the ICR decreased from 150% to 130% over the year as a result of the expiry of the major leases pending reconfiguration of the units. However, debt service is primarily derived from a pre-funded interest reserve account and the loan has maintained compliance with all covenants.

Property Profile	
Number of Properties	1
Property Value (£)	£27,800,000
Property Value (£/sq ft)	£299
Property Area sq ft	92,882
Number of tenants	4
Weighted lease length	1.0 year

Debt Profile	
Day One Debt	£18,070,000
Debt Outstanding	£18,070,000
Original term	4.3 years
Maturity	December 2017
Current LTV	65%
Current ICR	130%
Loan exposure per sq ft	£195

Investment Manager's Report
(continued)

Loan 4 – Northlands Portfolio

A £7.20 million senior loan facility used to refinance existing senior debt secured on a mixed use portfolio of high street retail and tenanted residential units located predominantly in London and the South East. The borrower is Northlands Holdings and group affiliates on a cross-collateralised basis.

The security portfolio comprises 15 properties with a highly diverse income stream from 39 retail and 57 residential tenants, with the largest tenants being Argos Distributors Ltd and Tesco Stores Ltd, accounting for 10.3% and 8.5% of total rent respectively. The borrower completed a small disposal from the property portfolio in July 2014, resulting in a £0.7m part prepayment of the loan, triggering prepayment and exit fees.

The diversified tenant profile provides strong security of debt service, which is enhanced by an interest shortfall reserve of £350,000. Reported ICR down from 192% as at January 2014 to current 123%, primarily reflects the exclusion of a material, charged cash deposit from calculations (ICR was 127% as at 31 July 2014 on an equivalent basis). However, new lettings have now been agreed following the refurbishment of four previously vacant flats, which will enhance income and improve the ICR from Q1 2015.

Whilst the portfolio is secondary in quality, the loan is satisfactorily secured from both a value and income perspective, with demand for the underlying security from both an occupational and investment perspective.

Property Profile	
Number of Properties	15
Property Value (£)	£10,690,000
Property Value (£/sq ft)	£130.92
Property Area sq ft	81,656
Number of tenants	96
Weighted lease length	2.5 years

Debt Profile	
Day One Debt	£7,200,000
Debt Outstanding	£6,477,250
Original term	5.0 years
Maturity	November 2018
Current LTV	60.6%
Current ICR	123%
Loan exposure per sq ft	£79.32

Loan 5 – Hulbert Properties

A £6.57 million loan to refinance a well let portfolio of industrial units predominantly located in Dudley in the West Midlands, with 80% by value being the 270,000sq ft Grazebrook Industrial Estate.

The borrower, Hulbert Properties Ltd, is a West Midlands based private property company. The multi-let portfolio benefits from high occupancy and provides strong interest coverage at 180%, whilst the 65% LTV provides a low (£19) capital exposure per sq ft, materially below vacant possession trading values.

ICR improved over the year to 31 January 2015 from 168% to 180% following the re-letting of two units at higher rents in the final quarter.

Property Profile	
Number of Properties	4
Property Value (£)	£10,100,000
Property Value (£/sq ft)	£35.26
Property Area sq ft	286,454
Number of tenants	19
Weighted lease length	3.5 years

Debt Profile	
Day One Debt	£6,565,000
Debt Outstanding	£6,565,000
Original term	5.0 years
Maturity	December 2018
Current LTV	65%
Current ICR	180%
Loan exposure per sq ft	£22.92

Investment Manager's Report
(continued)

Loan 6 – Halcyon Ground Rents
A £8.6 million senior loan facility utilised to refinance a portfolio of freehold ground rents.

The Halcyon security comprises a diversified portfolio of 21 freehold ground rent investments with a weighted unexpired lease term of 89 years, of which 72% are industrial with leasehold rents receivable geared to 22-25% of open market rentals, with the balance being leisure uses at leasehold gearings of 50%.

At 65% LTV and with 116% ICR, the gearing is at the top of the Group's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loan benefits from very strong security.

No material activity on the loan or security portfolio took place during reporting period.

Property Profile	
Number of Properties	21
Property Value (£)	£13,264,000
Property Value (£/sq ft)	£32
Number of tenants	415,430
Weighted lease length	88.9 years

Debt Profile	
Day One Debt	£8,600,000
Debt Outstanding	£8,600,000
Original term	5.0 years
Maturity	December 2018
Current LTV	64.8%
Current ICR	116%
Loan exposure per sq ft	£21

Loan 7 – Carrara Ground Rents
A £1.3 million senior loan facility was used to refinance an individual ground rent investment.

The Carrara security comprises a single virtual freehold ground rent investment located in Leeds with an unexpired lease term of 98 years, subject to a 25% rental gearing. The property is a modern office building located on an established business park accessed from the M1 motorway, which is fully let to a strong covenant until 2018.

At 65% LTV and 113% ICR the gearing is at the top of the Group's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loan benefits from very strong security.

No material activity on the loan or security portfolio took place during reporting period.

Property Profile	
Number of Properties	1
Property Value (£)	£2,000,000
Property Value (£/sq ft)	£82
Property Area sq ft	24,470
Number of tenants	1
Weighted lease length	86.4 years

Debt Profile	
Day One Debt	£1,300,000
Debt Outstanding	£1,300,000
Original term	5.0 years
Maturity	December 2018
Current LTV	65%
Current ICR	113%
Loan exposure per sq ft	£53

Investment Manager's Report
(continued)

Loan 8 – RAEES International

A £13.25 million refinance of a mixed retail and residential portfolio in good locations in North East London.

The borrower is 100% owned and controlled by an offshore investor, with asset management provided by a UK asset manager.

Given the low yielding nature of the portfolio, which reflects the London retail and residential uses, interest cover is relatively low at 126% but the loan is satisfactorily secured at 65% LTV, due to the liquid nature of the security portfolio and strong occupational demand.

Over the year to 31 January 2015, ICR has improved modestly from 122% to 126%. A slight reduction in ICR in the second half (from 132%) should be reversed in the next quarter follow the granting of two new leases.

Property Profile	
Number of Properties	24
Property Value (£)	£20,510,000
Property Value (£/sq ft)	£249
Property Area sq ft	82,530
Number of tenants	150
Weighted lease length	n\a

Debt Profile	
Day One Debt	£13,250,000
Debt Outstanding	£13,250,000
Original term	5.0 years
Maturity	December 2018
Current LTV	64.60%
Current ICR	126%
Loan exposure per sq ft	£161

Loan 9 – Lanos York

A £10.0 million loan to Lanos (York) Limited, which has a maturity date of December 2018. The £10.0m advance included the funding of a £2.5m capital expenditure reserve, charged to the lender, to meet the costs of construction and extension and a refurbishment.

The borrower, part of a specialist hotel development and management group, operates the hotel under a franchise agreement from Best Western.

The facility is secured by a first and only charge on the Best Western York Monkbar Hotel, which is located close to the city centre of York. The established, mid-market 99 bed hotel benefits from a stabilised income profile and offers the potential to grow income and value through a planned refurbishment and 27 bedroom extension, which is to be funded through a ring-fenced element of the facility.

Works on the construction of the extension commenced in August 2014. The 27 new bedrooms were handed over to the hotel for letting at the end of February 2015 and are of high quality. The refurbishment of the existing rooms is on-going and expected to be fully completed by April 2015. ICR decreased from 122% to 105% over the year due to lower occupancy during the final quarter of the year associated with the construction of the 27 bedroom extension and refurbishment of the existing hotel. This is expected to recover in the near term as the works have now been substantially completed and the new rooms are now available for occupation.

Property Profile	
Number of Properties	1
Property Value (£)	£15,435,000
Property Value (£/bed)	146,000
Bedrooms	99
*net of charged capex reserve	

Debt Profile	
Day One Debt	£10,000,000
Debt Outstanding	£10,000,000
Original term	4.8 years
Maturity	December 2018
Current LTV(*)	63.5%
Current ICR	105%
Loan exposure per bed(*)	£75,758

Investment Manager's Report

(continued)

Loan 10 – Ramada Gateshead

A £7.983 million loan to Quay Hotels Limited, which has a maturity date of March 2019.

The Investment is secured by a first and only charge over the Ramada Encore hotel in Gateshead, a modern 200 bedroom hotel which was constructed in 2012. The secured property, which is operated by Wyndham Hotels Group, is situated in a highly visible location in Gateshead Quays, adjacent to the Baltic Centre for Contemporary Art and within a short walk of the Sage Gateshead concert venue and the Millennium footbridge which links Gateshead and Newcastle quayside areas.

The loan was advanced in April 2014 and ICR has improved modestly over the intervening period from improved trading as the hotel matures. Otherwise, no material activity on the loan or security portfolio took place during reporting period.

Property Profile	
Number of Properties	1
Property Value (£)	£12,400,000
Property Value (£/bed)	£62,000
Bedrooms	200

Debt Profile	
Day One Debt	£7,982,500
Debt Outstanding	£7,982,500
Original term	5.5 years
Maturity	April 2019
Current LTV	64.4%
Current ICR	188%
Loan exposure per bed	£39,900

Loan 11 – First Light Portfolio

A £1.75m loan to First Light Properties Limited, advanced in December 2014 with a maturity date of January 2019.

The investment is secured against 14 flats in three locations in North West London. All but one of the flats are let on ASTs ("assured shorthold tenancy"). The remaining flat has been refurbished and is expected to let during the next quarter.

Property Profile	
Number of Properties	3
Property Value (£)	£2,696,000
Property Value (sq ft)	£743.52
Property area sq ft	3,626
Number of tenants/Occupancy	100%
Weighted lease length	n/a

Debt profile	
Day One Debt	£1,752,400
Debt Outstanding	£1,752,400
Original term	4.0 years
Maturity	January 2019
Current LTV	65.0%
Current ICR	173%
Loan exposure per sq ft	£483

Longbow Real Estate Capital LLP
22 April 2015

Investment Policy

The Group's investment policy is to invest in a loan portfolio comprised of senior loans to property investors secured on UK commercial property with some potential exposure to UK investment residential property. The individual loans that comprise the Portfolio will be between £1 million and £40 million with four to six year terms. The Portfolio will target a 6.5% to 7.5% per annum loan coupon (paid quarterly) with arrangement and exit fees, each of approximately 2%, paid by the borrower. All costs directly associated with entering into the loan transaction will be paid for by the borrower.

The Group will only invest in loans that:

- are originated by ICG-Longbow;
- benefit from a first ranking fixed charge over the relevant properties, including in respect of any receivable income;
- are bilateral, non-syndicated and senior and which have no subordinated debt;
- have a maximum LTV of 65%; and
- benefit from loan covenants structured to ensure that a material decrease in the income or value from the underlying property will trigger an event of default, providing control to the lender and the opportunity to: (i) decrease the risk through the introduction of new borrower equity; and/or (ii) capture additional pricing.

Investment Restrictions

The following investment restrictions apply to the Portfolio, in each case measured at the time an investment is made:

1. the maximum percentage of gross assets allocated to a single loan shall be 10%, provided that the limit may be increased to 20% for loans benefiting from diversified and/or Investment Grade Tenants (as determined by MIS and/or S&P, being credit rating agencies registered in accordance with Regulation (EC) No 1060/2009);

2. the maximum percentage of gross assets allocated to a single borrower (together with its parents, subsidiaries and/or affiliates) shall be 20%;

3. following the Investment Period, the maximum exposure of the gross rents receivable on all investments to a single underlying tenant shall be 10%, except:

   – in the case of an Investment Grade Tenant (as determined by MIS and/or S&P, being credit rating agencies registered in accordance with Regulation (EC) No 1060/2009), the maximum exposure shall be 20%; and

   – in the case of the UK Government (including any of its ministries, departments and/or executive agencies), the maximum exposure shall be 50%;

4. the maximum exposure to a Property Sector shall be 50% of gross assets, on the basis that:

   – where 60% or more of the value of a loan's collateral real estate assets falls in a Single Property Sector, 100% of the value of the relevant loan will be attributed to that Single Property Sector; and

   – where less than 60% of the value of a loan's collateral real estate assets falls in any Single Property Sector, then the value of the relevant loan will be attributed to the Mixed Portfolio Property Sector; and

5. the maximum exposure to residential property shall be 15% of gross assets and any such exposure shall be restricted to multi-family investment properties.

Report of the Directors

The Directors hereby submit the Annual Report and Audited Consolidated Financial Statements for the Company and its wholly-owned subsidiary (together "the Group") for the year ended 31 January 2015.

General Information

The Company is a non-cellular company limited by shares incorporated on 29 November 2012 under the Companies (Guernsey) Law, 2008 (as amended). The Company's registration number is 55917, and it has been authorised by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme. The Company's Ordinary Shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange on 5 February 2013.

Principal Activities

The principal activity of the Group is to invest in senior secured debt investments. The Group's investment objective is to construct a portfolio of good quality, defensive, senior debt investments secured by first ranking fixed charges predominantly against UK commercial property investments, providing target dividends of circa 6% per annum on the IPO issue price.

Business Review

A review of the Group's business and its likely future development is provided in the Chairman's Statement on pages 5 and 6 and in the Investment Manager's Report on pages 7 to 18.

Listing Requirements

Throughout the year the Company has complied with the applicable Listing Rules.

Results and Dividends

The results for the year are set out in the Financial Statements on pages 41 to 44.

During the year and since the year end the Directors declared the following dividends:

Quarter Ended	Date of Declaration	Payment Date	Amount per Ordinary Share (pence)
31 January 2014	25 April 2014	23 May 2014	1.25
30 April 2014	19 June 2014	11 July 2014	1.5
31 July 2014	23 September 2014	17 October 2014	1.5
31 October 2014	8 December 2014	20 January 2015	1.5
31 January 2015	22 April 2015	22 May 2015	1.5

Share Capital

At incorporation on 29 November 2012, the Company issued one founding Ordinary Share of no par value. On 5 February 2013 the Company issued a further 104,619,249 Ordinary Shares of no par value at £1 per Ordinary Share in an initial public offering. During the year, on 24 April 2014, the Company issued 3.6 million new Ordinary Shares following a placing under the authority granted at launch at 102 pence per share, a premium of 2 pence per share.

The Company has one class of Ordinary Shares. The issued nominal value of the Ordinary Shares represents 100% of the total issued nominal value of all share capital. Under the Company's Articles of Incorporation, on a show of hands, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every share held.

Shareholders are entitled to all dividends paid by the Company and, on a winding up, providing the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the surplus assets of the Company. The Ordinary Shares have no right to fixed income.

Report of the Directors

(continued)

Board of Directors

Jack Perry – *Non-Executive Chairman*

Jack was Chief Executive Officer of Scottish Enterprise between 2004 and 2009. He is a chartered accountant and became an office managing partner in 1995 with Ernst & Young LLP and a regional industry leader for the firm in 1999. Jack was a member of the council of CBI Scotland between 1996 and 2001 before being appointed Chairman, a position he held for two years. Since leaving Scottish Enterprise in 2009 Jack has been pursuing a career as a non-executive director and adviser to a variety of public and private companies. Jack was appointed 16 October 2014 as a non-executive director of European Assets Trust NV, a Company admitted to trading on the London Stock Exchange and Euronext Amsterdam Stock Market.

Stuart Beevor

Stuart is an Independent Consultant with various roles advising clients in real estate fund management, investment, development and asset management. From 2004 to 2013 he was a non-executive director at Unite Group Plc. From 2002 to 2011 he was Managing Director of Grosvenor Fund Management Limited and a member of the Board of Grosvenor Group Limited, the international property group. Prior to joining Grosvenor, he was Managing Director at Legal and General Property Limited, having previously held a number of roles at Norwich Union (now Aviva). Stuart is a Chartered Surveyor with over 30 years' experience in real estate both in the UK and overseas.

Patrick Firth

Patrick qualified as a Chartered Accountant with KPMG Guernsey in 1991 and is also a member of the Chartered Institute for Securities and Investment. He has worked in the fund industry in Guernsey since joining Rothschild Asset Management (CI) Limited in 1992 before moving to become Managing Director at Butterfield Fund Services (Guernsey) Limited (subsequently Butterfield Fulcrum Group (Guernsey) Limited), a company providing third party fund administration services, where he worked from April 2002 until June 2009. He is a non-executive director of a number of investment funds and management companies, including the following listed companies; DW Catalyst Fund Limited (formerly BH Credit Catalysts Limited), Riverstone Energy Limited, JZ Capital Partners Limited and NextEnergy Solar Fund Limited. Patrick is the current Chairman of the Guernsey International Business Association.

Mark Huntley

Mark has over 30 years' experience in the fund and fiduciary sector and much of his involvement in the fund and private asset sectors has involved real estate and private equity investments. He holds a number of board appointments on listed and private funds and property advisory boards, and has been actively involved in real estate investment in the UK and internationally. He also has experience of a number of debt structures.

Mark is an associate of the Institute of Financial Services (Trustee Diploma). He is the Head of the Financial Services Group of Heritage Group; one of the largest independently owned financial services businesses in Guernsey. He is Managing Director of the Administrator.

Paul Meader

Paul is an independent director of investment and insurance funds and companies. Until the autumn of 2012 he was Head of Portfolio Management for Collins Stewart based in Guernsey, prior to which he was Chief Executive of Corazon Capital. He has 28 years' experience in financial markets in London, Dublin and Guernsey holding senior positions in portfolio management and trading, with particular expertise in fixed income investments. Prior to joining Corazon he was Managing Director of Rothschild's Swiss private-banking subsidiary in Guernsey. He is a non-executive director of the following listed companies; Bluecrest All Blue Fund Limited, Guaranteed Investment Products 1 PCC Limited, The Spitfire Funds (Bermuda) Limited, Volta Finance Limited and JP Morgan Global Convertibles Income Fund Limited..

Paul is a Chartered Fellow of the Chartered Institute of Securities & Investments and is past Chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford.

Report of the Directors
(continued)

Shareholdings of the Directors
The Directors of the Company and their beneficial interests in the shares of the Company as at 31 January 2015 and 2014 are detailed below:

Director	Ordinary shares of £1 each held 31 January 2015	Per cent. holding at 31 January 2015	Ordinary shares of £1 each held 31 January 2014	Per cent. holding at 31 January 2014
Jack Perry	20,000	0.02	20,000	0.02
Stuart Beevor	20,000	0.02	20,000	0.02
Patrick Firth	10,000	0.01	10,000	0.01
Mark Huntley	10,000	0.01	10,000	0.01
Paul Meader	10,000	0.01	10,000	0.01

There have been no changes to the Directors' shareholdings since 31 January 2015.

Directors' Authority to Buy Back Shares
The Directors believe that the most effective means of minimising any discount to Net Asset Value which may arise on the Company's share price, is to deliver strong, consistent performance from the Company's investment portfolio in both absolute and relative terms. However, the Board recognises that wider market conditions and other considerations will affect the rating of the Shares in the short term and the Board may seek to limit the level and volatility of any discount to Net Asset Value at which the Shares may trade. The means by which this might be done could include the Company repurchasing Shares. Therefore, subject to the requirements of the Listing Rules, the Companies Law, the Articles and other applicable legislation, the Company may purchase Shares in the market in order to address any imbalance between the supply of and demand for Shares or to enhance the Net Asset Value of Shares.

In deciding whether to make any such purchases the Directors will have regard to what they believe to be in the best interests of Shareholders and in accordance with the applicable Guernsey legal requirements which require the Directors to be satisfied on reasonable grounds that the Company will, immediately after any such repurchase, satisfy a solvency test prescribed by the Companies Law and any other requirements in its Memorandum and Articles of Incorporation. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of the Shareholders. Any such repurchases would only be made through the market for cash at a discount to Net Asset Value.

On incorporation the Company passed a written resolution granting the Directors' general authority to purchase in the market up to 14.99% of the Shares in issue immediately following Admission at a price not exceeding the higher of (i) 5% above the average mid-market values of Shares for the five Business Days before the purchase is made or (ii) the higher of the last independent trade or the highest current independent bid for Shares. The Directors intend to seek renewal of this authority from the Shareholders at the Annual General Meeting.

Pursuant to this authority, and subject to the Companies Law and the discretion of the Directors, the Company may purchase Shares in the market on an on-going basis with a view to addressing any imbalance between the supply of and demand for Shares.

Shares purchased by the Company may be cancelled or held as treasury shares. The Company may borrow and/or realise investments in order to finance such Share purchases.

The Company did not purchase any shares for treasury or cancellation during the year or to date.

Directors' and Officers' Liability Insurance
The Group maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Group. Insurance is in place, having been renewed on 30 December 2014.

Report of the Directors
(continued)

Substantial Shareholdings
As at 31 March 2015, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following substantial voting rights as shareholders of the Company.

Shareholder	Shareholding	Per cent. Holding
Arbuthnot Latham (Nominees) Limited	11,414,629	10.55
SG Hambros Bank Limited	10,087,000	9.32
Intermediate Capital Group plc.	10,000,000	9.24
Schroder & Co Bank AG	8,325,000	7.69
Investec Wealth & Investment Limited	7,616,411	7.04
Premier Fund Managers Limited	7,550,000	6.98
Old Mutual Plc	6,481,327	5.99
AXA Investment Managers S.A.	5,500,000	5.08

The Directors confirm that there are no securities in issue that carry special rights with regards to the control of the Company.

Independent External Auditor
Deloitte LLP has been the Company's external auditor since the Company's incorporation. A Resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as auditor and authorise the Directors to determine the auditor's remuneration for the ensuing year.

The Audit and Risk Management Committee ("Audit Committee") periodically reviews the appointment of Deloitte LLP and the Board recommends their appointment. Further information on the work of the auditor is set out in the Report of the Audit and Risk Management Committee on pages 33 to 36.

Articles of Incorporation
The Company's Articles of Incorporation may only be amended by special resolution of the shareholders.

Non-mainstream Pooled Investments
The Board notes the changes to the Financial Conduct Authority ("FCA") rules regarding the restrictions on the promotion to retail investors of unregulated collective investment schemes and close substitutes (referred to as "non-mainstream pooled investments"), which came into effect on 1 January 2014.

The Board has been advised that the Company would qualify as an investment trust if it was resident in the UK, and, therefore, the Board believes that the retail distribution of its shares should be unaffected by the proposed changes. It is the Board's intention that the Company will make all reasonable efforts to conduct its affairs in such a manner so that its shares can be recommended by Independent Financial Advisors ("IFAs") to ordinary retail investors in accordance with the FCA's rules relating to non-mainstream investment products.

Alternative Investment Fund Managers Directive ("AIFMD")
The Directors have considered the impact of the EU AIFMD (no. 2011/61/EU), which became effective in the United Kingdom on 22 July 2013 with the transitional period ending in June 2014, on the Company and its operations.

The Company is a non-EU domiciled Alternative Investment Fund which does not currently intend to market its shares within Europe or indeed in any jurisdiction due to the fund being effectively closed to new investors. Accordingly neither authorisation nor registration are required.

Report of the Directors
(continued)

Foreign Account Tax Compliance Act ("FATCA")
FATCA became effective on 1 January 2013 and is being gradually implemented internationally. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US Tax compliance with respect to those assets. The Board is in discussion with the Company's service providers and advisors to ensure that the Company will comply with the Act's requirements to the extent relevant to the Company. ICG Longbow Senior Secured UK Property Debt Investments Limited has been approved and registered on 19 December 2014 with the IRS ("Internal Revenue Service"). The Global Intermediary Identification Number ("GIIN") is 6IG8VS.99999.SL.831.

Change of Control
There are no agreements that the Company considers significant and to which the Company is party that would take effect, alter or terminate upon change of control of the Company following a takeover bid.

Going Concern
The Directors, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. The Company is now fully invested with a total loan portfolio representing 95% of the net capital raised and expects that the loan portfolio will generate enough cash flows to pay on-going expenses and returns to shareholders. The Directors have considered the cash position and performances of current investments made by the Group and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Financial Risk Management Policies and Objectives
Financial Risk Management Policies and Objectives are disclosed in Note 12.

Principal Risks and Uncertainties
Principal Risks and Uncertainties are discussed in the Corporate Governance Report on pages 31 to 32.

Subsequent Events
On 22 April 2015, the Company declared a dividend of 1.5 pence per Ordinary Share in respect of the quarter ended 31 January 2015, payable on 22 May 2015.

Annual General Meetings
The Annual General Meeting ("AGM") of the Company will be held at 10.00 am BST on 22 May 2015 at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey. Details of the resolutions to be proposed at the AGM, together with explanations, will appear in the Notice of Meeting to be distributed to Shareholders together with this Annual Report.

Members of the Board will be in attendance at the AGM and will be available to answer shareholder questions.

By order of the Board

Jack Perry
Chairman

22 April 2015

Directors' Statement of Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 (as amended) (the "Law") requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under the Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Law. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are set out on page 21 in the Report of the Directors section of the Annual Report, confirms that to the best of their knowledge and belief that:

- the financial statements, prepared in accordance with International Financial Reporting Standards 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;
- the Chairman's Statement and Investment Manager's Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiary included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced on pages 31 to 32;
- the Annual Report and Financial Statements include information required by the UK Listing Authority and ensuring that the Company complies with the provisions of the Listing Rules, Disclosure Rules and Transparency Rules of the UK Listing Authority, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions of the corporate governance code applicable to the Company.
- so far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Companies (Guernsey) Law, 2008 (as amended).

Directors' Statement of Responsibilities

(continued)

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the Annual Report and Financial Statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

Jack Perry
Chairman

22 April 2015

Patrick Firth
Director

22 April 2015

Corporate Governance Report

The Directors recognise the importance of sound corporate governance, particularly the requirements of the Association of Investment Companies Code of Corporate Governance (“AIC Code”).

The Company became a member of the Association of Investment Companies (“AIC”) effective 27 February 2013. The Directors have considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies (“AIC Guide”).

The GFSC published the GFSC Finance Sector Code of Corporate Governance (“Guernsey Code”) in 2011. The introduction to the Guernsey Code states that “Companies which report against the UK Corporate Governance Code or the Association of Investment Companies Code of Corporate Governance are also deemed to meet this Code”. Therefore, AIC Members which are Guernsey-domiciled and which report against the AIC Code are not required to report separately against the Guernsey Code.

The AIC Code, as explained by the AIC Guide, provides a ‘comply or explain’ code of corporate governance and addresses all the principles set out in the UK Corporate Governance Code (“UK Code”) as well as setting out additional principles and recommendations on issues that are of specific relevance to specialist debt companies such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), provides better information to shareholders.

The AIC Code and the AIC Guide are available on the AIC’s website, www.theaic.co.uk. The UK Code is available on the Financial Reporting Council’s website, www.frc.org.uk.

Throughout the year ended 31 January 2015, the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the UK Code, except as set out below.

The Company has not established a separate Remuneration Committee as the Company has no executive officers; there is no Chief Executive position and no Senior Independent Director. As an investment company the Company has no employees, all directors are non-executive and independent of the Investment Manager and therefore the Directors consider the Company has no requirement for a Chief Executive or Senior Independent Director and the Board is satisfied that any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Audit and Risk Management Committee report on page 33.

The Board monitors developments in corporate governance to ensure the Board remains aligned with best practice especially with respect to the increased focus on diversity. The Board acknowledges the importance of diversity, including gender, for the effective functioning of the Board and commits to supporting diversity in the boardroom. It is the Board’s on-going aspiration to have a well-diversified representation. The Board also values diversity of business skills and experience because Directors with diverse skills sets, capabilities and experience gained from different geographical backgrounds enhance the Board by bringing a wide range of perspectives to the Company. The Board is satisfied with the current composition and functioning of its Members.

The Board

The Directors details are listed on page 21 which set out their range of investment, financial and business skills and experience represented.

The Company’s Articles of Incorporation specify that not greater than one third by number of the Directors will be subject to annual re-election at each subsequent Annual General Meeting of the Company and that each of the Directors should submit themselves for re-election at least every three years. Jack Perry and Stuart Beevor will retire as Directors of the Company in accordance with the policy adopted by the Board and will be put forward for re-election. Mark Huntley is not a member of the Board’s management engagement committee and will stand for re-election annually.

Any Director who is elected or re-elected at that meeting is treated as continuing in office throughout. If he is not elected or re-elected, he shall retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to elect or re-elect the Director is put to the meeting and lost.

Corporate Governance Report
(continued)

The Board is of the opinion that should be re-elected because they believe that they have the right skills and experience to continue to serve the Company.

The Board intends to meet at least four times a year and, in addition, there is regular contact between the Board, the Investment Manager and the Administrator. Further, the Board requires to be supplied in a timely manner with information by the Investment Manager, the Company Secretary and other advisors in a form and of a quality appropriate to enable it to discharge its duties.

The Directors have adopted the Model Code for directors' share dealings contained in the Listing Rules. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the Model Code.

Board Tenure and Re-election

No member of the Board has served for longer than three years to date. As such no issue has arisen to be considered by the Board with respect to long tenure. In accordance with the AIC Code, when and if any director shall have been in office (or on re-election would at the end of that term of office) for more than nine years the Company will consider further whether there is a risk that such a director might reasonably be deemed to have lost independence through such long service.

A Director who retires at an Annual General Meeting may, if willing to continue to act, be elected or re-elected at that meeting. If, at a general meeting at which a Director retires, the Company neither re-elects that Director nor appoints another person to the Board in the place of that Director, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at such meeting it is expressly resolved not to fill the vacated office or a resolution for the re-appointment of the Director is put to the meeting and lost.

Directors do not have service contracts. Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its composition and succession planning on an on-going basis.

Directors' Remuneration

With effect from 1 August 2014 the Chairman is entitled to annual remuneration of £40,000 (2014: £37,500). The other Directors are entitled to annual remuneration of £27,500 (2014: £25,000), with Patrick Firth receiving an additional annual fee of £5,000 (2014: £5,000) for acting as chairman of the Audit Committee.

During the year ended 31 January 2015 and the 14 month period ended 31 January 2014, the Directors' remuneration was as follows:

Director	Year Ended 31 January 2015 (£)	Period Ended 31 January 2014 (£)
Jack Perry	38,750	43,750
Stuart Beevor	26,250	29,167
Patrick Firth	31,250	35,130
Mark Huntley	26,250	29,275
Paul Meader	26,250	29,167

All of the Directors are non-executive and are each considered independent for the purposes of Chapter 15 of the Listing Rules.

The Chairman of the Board must be independent and is appointed in accordance with the Company's Articles of Incorporation. Jack Perry is considered to be independent because he:

- has no current or historical employment with the Investment Manager;
- has no current directorships in any other investment funds managed by the Investment Manager; and
- is not an executive of a self-managed company or an ex-employee who has left the executive team of a self-managed company within the last five years.

Corporate Governance Report
(continued)

Duties and Responsibilities
The Board has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting, compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board is responsible to shareholders for the overall management of the Company. The Board has adopted a Schedule of Matters Reserved for the Board which sets out the particular duties of the Board. Such reserved powers include decisions relating to the determination of investment policy and approval of changes in strategy, capital structure, statutory obligations and public disclosure, and entering into any material contracts by the Company.

The Directors have access to the advice and services of the Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with Guernsey Law and applicable rules and regulations of the Guernsey Financial Services Commission and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

The Board's responsibilities for the Annual Report are set out in the Directors' Statement of Responsibilities on page 25 and 26. The Board is also responsible for issuing appropriate half-yearly financial reports and other price-sensitive public reports.

The attendance record of the Directors for the year is set out below:

Director	Scheduled Board Meetings (max 4)	Ad-hoc Board Meetings (max 4)	Audit Committee Meetings (max 3)	Nomination Committee Meetings (max 1)	Management Engagement Committee Meetings (max 1)
Jack Perry	4	1	3	1	1
Stuart Beevor	4	–	3	1	1
Patrick Firth	4	4	3	1	1
Mark Huntley	4	4	1*	1	n/a
Paul Meader	4	3	3	1	1

* Retired from the Audit and Risk Management Committee on 25 April 2014

One unscheduled meeting of a committee of the Board of Directors of the Company was held during the year to discuss a tap issue of new Ordinary Shares.

Committees of the Board

Audit and Risk Management Committee
The Audit Committee is chaired by Mr Firth and at the date of this report comprised all of the Directors as set out on page 21 with the exception of Mr Huntley, who retired from the Audit Committee with effect from 25 April 2014. The report of the role and activities of this committee and its relationship with the external auditor is contained in the Report of the Audit and Risk Management Committee on pages 33 to 36. The Committee has terms of reference which are available on the Company's website.

Corporate Governance Report
(continued)

Nomination Committee
The Nomination Committee is chaired by Mr Perry and comprises all of the Directors as set out on page 21. The Nomination Committee will meet not less than once a year pursuant to its terms of reference which are available on the Company's website.

Pursuant to its terms of reference, the Nomination Committee's remit is to review regularly the structure, size and composition of the Board; to give full consideration to succession planning for Directors; to keep under review the leadership needs of the Company and be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Board believes that, as a whole, it comprises an appropriate balance of skills, experience and knowledge. The Board also believes that diversity of experience and approach, including gender diversity, amongst board Members is of great importance and it is the Company's policy to give careful consideration to issues of board balance and diversity when making new appointments. With any new Director appointment to the Board, induction training will be provided.

Management Engagement Committee
The Management Engagement Committee is chaired by Mr Perry and comprises all the Directors of the Board as set out on page 21, except for Mr Huntley. The Management Engagement Committee will meet not less than once a year pursuant to its terms of reference which are available on the Company's website.

The Management Engagement Committee's main function is to review and make recommendations in relation to the Company's service providers, in particular on any proposed amendment to the Investment Management Agreement and keep under review the performance of the Investment Manager (including effective and active monitoring and supervision of the activities of the Investment Manager) in its role as investment manager to the Company as well as the performance of any other service providers to the Company. On the completion of these reviews the Management Engagement Committee determined that the performance of all current service providers was satisfactory. The Audit and Risk Management Committee also report on their relationship with the external auditor.

Board Performance Evaluation
In accordance with Principle 7 of the AIC Code, the Board is required to undertake a formal and rigorous evaluation of its performance on an annual basis.

During the year, the Board formally reviewed its performance for the year through an internal process. Internal evaluation of the Board, the Audit Committee, the Nomination Committee, the Management Engagement Committee and individual Directors took the form of self-appraisal questionnaires and discussion to determine effectiveness and performance as well as the Directors' continued independence. The evaluation concluded that the Board is performing satisfactorily and is acquitting its responsibilities well in the areas reviewed which incorporated: investment matters, Board composition and independence, relationships and communication, shareholder value, knowledge and skills, Board processes and the performance of the Chairman.

Internal Control and Financial Reporting
The Directors acknowledge that they are responsible for establishing and maintaining the Group and Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss. The Directors review all controls including operations, compliance and risk management. The key procedures which have been established to provide internal control are:

- the Board has delegated the day to day operations of the Group and Company to the Administrator and Investment Manager; however, it remains accountable for all functions it delegates;
- the Board clearly defines the duties and responsibilities of the Company's agents and advisors and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisors and will continue to do so through the Management Engagement Committee;

Corporate Governance Report
(continued)

- the Board monitors the actions of the Investment Manager at regular Board meetings and is also given frequent updates on developments arising from the operations and strategic direction of the underlying borrowers; and
- the Administrator provides administration and company secretarial services to the Company. The Administrator maintains a system of internal control on which it reports to the Board.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Manager, including their own internal controls and procedures, provide sufficient assurance that a sound system of risk management and internal control, which safeguards shareholders' investment and the Group and Company's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary, as explained on page 35.

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The Company has delegated the provision of all services to external service providers whose work is overseen by the Management Engagement Committee at its regular scheduled meetings. Each year a detailed review of performance pursuant to their terms of engagement will be undertaken by the Management Engagement Committee.

Investment Management Agreement

The Company has entered into an agreement with the Investment Manager. This sets out the Investment Manager's key responsibilities, which include identifying and recommending suitable investments for the Company to enter into and negotiating on behalf of the Company the terms on which such investments will be made. The Investment Manager is also responsible to the Board for all issues relating to the maintenance and monitoring of existing investments.

In accordance with Listing Rule 15.6.2(2) R and having formally appraised the performance and resources of the Investment Manager, in the opinion of the Directors the continuing appointment of the Investment Manager on the terms agreed is in the interests of the shareholders as a whole.

Relations with shareholders

The Board welcomes shareholders' views and places great importance on communication with its shareholders. The Company's Annual General Meeting provides a forum for shareholders to meet and discuss issues with the Directors of the Company. The Chairman and other Members of the Board have made, and will continue to make themselves available to meet shareholders at other times. In addition, the Company maintains a website which contains comprehensive information, including regulatory announcements, share price information, financial reports, investment objectives and strategy, investor contacts and information on the Board.

Principal risks and uncertainties

Each Director is aware of the risks inherent in the Company's business and understands the importance of identifying, evaluating and monitoring these risks. The Board has adopted procedures and controls that enable it to manage these risks within acceptable limits and to meet all of its legal and regulatory obligations.

The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an on-going basis and these risks are reported and discussed at Board meetings. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are upheld.

The Company's financial instrument risks are discussed in Note 12 to the financial statements.

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

Corporate Governance Report

(continued)

The Directors' have identified the following as the key risks faced by the Company:

Risks relating to the loan portfolio performance and recovery:

- The loan values may exceed the recovery values – If a default were to occur in relation to a loan in which the Company has invested, and then the Company exercises its rights to enforce the collateral or security arrangements that support the loan, the value of recoveries under those arrangements may be smaller than the value of the Company's investment in the loan.
- Property valuations – Valuations of property and property-related assets are inherently subjective due to the individual nature of each property. As a result, valuations are subject to uncertainty and, in determining market value, valuers are required to make certain assumptions and such assumptions may prove to be inaccurate. This is particularly so in periods of volatility or when there is limited real estate transactional data against which property valuation can be benchmarked.
- Real estate loans made by the Company may, after funding, become non-performing for a wide variety of reasons, including non-payment of principal or interest, as well as covenant violations by the borrower in respect of the underlying loan documents.
- Loan principals may be paid earlier than anticipated – Following early repayment of a facility, in whole or in part, the Company may not be able to reinvest the surplus cash at an interest rate which are accretive to investor returns.
- All of the original loans made by the company included income protection provisions for an original period of circa 4 years of the term of the loan. Upon expiry of the income protection period, early repayment of the loan may be attractive to the borrower which increases the possibility that borrowers may seek to repay loans before the end of the full term.

In the event of a repayment, the Company would endeavour to redeploy the capital received. However, if capital could not be redeployed under the Company's existing investment policy and investment restrictions in a manner which would, in the Directors' opinion, be beneficial to Shareholders, then the Directors would consider a return of capital to Shareholders in the most efficient manner possible.

Risks relating to Group structure:

Change in tax legislation – A change in tax legislation applicable to the Group or Company, resulting in increased tax liabilities for the Group or Company and a consequential reduction in yield or capital to investors.

The above risks are mitigated and managed by the Board through continual review, policy setting and half yearly review of the Company's risk matrix by the Audit Committee to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board relies on periodic reports provided by the Investment Manager and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including tax advisors, legal advisers, and environmental advisers.

By order of the Board

Jack Perry	**Patrick Firth**
Chairman	*Director*
22 April 2015	22 April 2015

Report of the Audit and Risk Management Committee

The Audit and Risk Management Committee ("Audit Committee"), chaired by Mr Firth, comprises all of the Directors as set out on page 21, except for Mr Huntley, operates within clearly defined terms of reference (which are available from the Company's website) and includes all matters indicated by Disclosure and Transparency Rule 7.1 and the AIC Code. Appointments to the Committee shall be for a period of up to three years, extendable for one, or more, further three-year periods. The Audit Committee will meet no less than twice a year, and at such other times as the Committee Chairman shall require.

The Board has taken note of the requirement that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in that respect, with all Members being highly experienced and, in particular, two Members having backgrounds as chartered accountants.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual Report and Audited Financial Statements and Interim Financial Statements, the system of internal controls, and the terms of appointment of the Company's Independent Auditor ("Auditor") together with their remuneration. It is also the formal forum through which the Auditor will report to the Board of Directors. The objectivity of the Auditor is reviewed by the Audit Committee which will also review the terms under which the external auditor is appointed to perform non-audit services and the fees paid to them or their affiliated firms overseas.

Responsibilities
The main duties of the Audit Committee are:

- reviewing and monitoring the integrity of the Financial Statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- reporting to the Board on the appropriateness of our accounting policies and practices including critical judgement areas;
- reviewing the draft impairment reviews of the Group's investments prepared by the Investment Manager, and making a recommendation to the Board on any impairment in the value of the Group's investments;
- meeting regularly with the Auditor to review their proposed audit plan and the subsequent audit report and assess the effectiveness of the Audit process and the levels of fees paid in respect of both audit and non-audit work;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the Auditor and approving their remuneration and the terms of their engagement;
- monitoring and reviewing annually the Auditor's independence, objectivity, expertise, resources, qualification and non-audit work;
- considering annually whether there is a need for the Company and its Group to have its own internal audit function;
- keeping under review the effectiveness of the accounting and internal control systems of the Company and its Group;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on Audit Committees and the Company's institutional investors' commitment to the UK Stewardship code; and,
- reviewing the risks facing the Group and monitoring the risk matrix.

In addition, the Audit Committee advises the Board on whether the Annual Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Audit Committee is required to report formally to the Board on its findings after each meeting on all matters within its duties and responsibilities.

Report of the Audit and Risk Management Committee
(continued)

The Auditor is invited to attend the Audit Committee meetings as the Directors deem appropriate and at which they have the opportunity to meet with the Committee without representatives of the Investment Manager or the Administrator being present at least once per year.

Financial Reporting
The primary role of the Audit Committee in relation to the financial reporting is to review with the Administrator, Investment Manager and the Auditor the appropriateness of the Interim and Annual Financial Statements, concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the Auditor;
- whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; and
- any correspondence from regulators in relation to the Group's financial reporting.

To aid its review, the Audit Committee considers reports from the Administrator and Investment Manager and also reports from the Auditor on the outcome of their annual audit. The Audit Committee aids Deloitte LLP in displaying the necessary professional scepticism their role requires.

Meetings
During the year ended 31 January 2015, the Committee has met formally on three occasions and met on one further occasion since the year end through to the date of this report. The matters discussed at those meetings include:

- consideration and agreement of the terms of reference of the Audit Committee for approval by the Board;
- review of the accounting policies and format of the financial statements;
- detailed review of the Interim Financial Statements and recommendation for approval by the Board;
- review of the Group's risk matrix;
- review and approval of the audit plan and final audit committee report of the Auditor;
- detailed review of the Annual Report and Consolidated Financial Statements and recommendation for approval by the Board; and
- assessment of the effectiveness of the external audit process as described below.

Primary Area of Judgement
The Audit Committee determined that the key risk of misstatement of the Group's Financial Statements relates to the recoverability of the loans, in the context of the judgements necessary to evaluate any related impairment of the loans.

The Group's loans are the key value driver for the Group's Net Asset Value (NAV) and interest income. Judgements over the level of any impairment and recoverability of loan interest could significantly affect the NAV.

The Board reviews the compliance of all loans with terms and covenants at each board meeting. The Board also receives updates from the Investment Manager regarding the trading performance for each borrower, the borrower's performance under the loans and on the general UK property market. As a result, the Board is able to determine the level, if any, of any impairment to the loans.

Report of the Audit and Risk Management Committee
(continued)

The incorrect treatment of any arrangement, exit and prepayment fees and the impact of loan impairments in the effective interest rate calculations may significantly affect the level of income recorded in the period thus affecting the level of distributable income.

The Audit Committee reviewed detailed impairment analysis and current loan performance reports prepared by the Investment Manager. These were discussed with the Investment Manager at length. The Audit Committee believes that whilst there is an on-going risk that the capital invested may not be recoverable or there may be delays in recovering the capital, it is satisfied with the security held and has concluded that none of the loans were impaired at the reporting date or the subsequent period to the date of this report.

The Audit Committee also reviewed the income recognition, the treatment of arrangement and exit fees which were based on effective interest rate calculations prepared by the Investment Manager and the Administrator. The main assumptions of the calculations were that none of the loans were impaired and that each loan would be repaid at the end of the agreed loan term. These were discussed at the Audit Committee meeting to review the Annual Report, with the Investment Manager, the Administrator and Auditor. The Audit Committee is satisfied that the Group interest income has been recognised in line with the requirements of the International Financial Reporting Standards ('IFRS') and as none of the loans were impaired the income recognised has not been adjusted.

Risk Management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. The work of the Audit Committee is driven primarily by the Group's assessment of its principal risks and uncertainties as set out on pages 31 and 32 of the Corporate Governance Report, and it receives reports from the Investment Manager and Administrator on the Group's risk evaluation process and reviews changes to significant risks identified.

Internal audit

The Audit Committee considers at least once a year whether or not there is a need for an internal audit function. Currently it does not consider there to be a need for an internal audit function, given that there are no employees in the Company and all outsourced functions are with parties who have their own internal controls and procedures.

External Audit

Deloitte LLP has been the Company's external Auditor since the Company's inception. This is the second audit period.

The Auditor is required to rotate the audit partner every five years. The current partner is in her first year of tenure. There are no contractual obligations restricting the choice of external auditor and the Company will put the audit services contract out to tender at least every ten years. In line with the FRC's recommendations on audit tendering, this will be considered further when the audit rotates every five years. Under Guernsey Company law the reappointment of the external Auditor is subject to shareholder approval at the Annual General Meeting.

The objectivity of the Auditor is reviewed by the Audit Committee which also reviews the terms under which the external Auditor may be appointed to perform non-audit services. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to any non-audit work that the auditor may undertake. In order to safeguard auditor independence and objectivity, the Audit Committee ensures that any other advisory and/or consulting services provided by the external auditor do not conflict with its statutory audit responsibilities. Advisory and/or consulting services will generally only cover reviews of interim financial statements, tax compliance and capital raising work. Any non-audit services conducted by the Auditor outside of these areas will require the consent of the Audit Committee before being initiated.

The external Auditor may not undertake any work for the Group in respect of the following matters – preparation of the financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

Report of the Audit and Risk Management Committee

(continued)

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to the level of non-audit fees. Notwithstanding such services, the Audit Committee considers Deloitte LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit as appropriate safeguards are in place.

To fulfil its responsibility regarding the independence of the Auditor, the Audit Committee will consider:

- discussions with or reports from the Auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the Auditor and arrangements for ensuring the independence and objectivity and robustness and perceptiveness of the auditor and their handling of key accounting and audit judgements.

To assess the effectiveness of the Auditor, the Committee will review:

- the Auditor's fulfilment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit;
- feedback from other service providers evaluating the performance of the audit team;
- arrangements for ensuring independence and objectivity; and
- robustness of the Auditor in handling key accounting and audit judgements.

The Audit Committee is satisfied with Deloitte LLP's effectiveness and independence as Auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the Auditor remains independent and effective, the Audit Committee has recommended to the Board that Deloitte LLP be reappointed as Auditor for the year ending 31 January 2016.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

On behalf of the Audit Committee

Patrick Firth
Chairman of the Audit and Risk Management Committee

22 April 2015

Independent Audit Report

TO THE MEMBERS OF ICG-LONGBOW SENIOR SECURED UK PROPERTY DEBT INVESTMENTS LIMITED

Opinion on financial statements of ICG-Longbow Senior Secured UK Property Debt Investments Limited	In our opinion the financial statements: • give a true and fair view of the state of the Group's affairs as at 31 January 2015 and of its profit for the year then ended; • have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and • have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008. The financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.
Going concern	We have reviewed the directors' statement on page 25 that the Group is a going concern. We confirm that • we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and • we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Independent Audit Report
(continued)

Risk	How the scope of the audit responded to the risk
The assessment of any impairment in value in the loans advanced As at 31 January 2015, loans measuring £103.3m are carried at amortised cost less any provision for impairment as disclosed in note 2 j)i) and note 6 of the consolidated financial statements. The Group's loans are the key value driver for the Group Net Asset Value (NAV) and interest income. Judgements over the level of any impairment and recoverability of loan interest could significantly affect these key performance indicators. The specific areas of judgement include: • The determination of the appropriate assumptions underlying the impairment analysis; and • The impact of loan-specific matters to the forecast cash flows for each loan.	We evaluated management's assumptions used to assess whether the loans had suffered any impairment. Our procedures included: • reviewing the loan due diligence (including third party property valuations) in respect of each loan in existence at the balance sheet date; • challenging the assumptions made and evaluating the monitoring data gathered by the Investment Manager in assessing whether the loans are impaired at the balance sheet date, which includes, but is not limited to summary financial and non-financial information provided by the borrower and progress against original business plans; • scrutinising third party validation of the original underlying property valuation and considering whether the assumptions used in those valuations remain appropriate at the balance sheet date; and • reviewing each loan to assess whether the loan has breached its covenants or defaulted on any loan interest payments due and considering other financial information available on the borrower to assess their ability (or otherwise) to meet future payment commitments.
Revenue Recognition The incorrect treatment of any arrangement and exit fees and the impact of loan impairments in the effective interest rate calculations may significantly affect the level of income recorded in the period, thus affecting the level of distributable income. In addition, the existence of prepayments and exits arising from early repayments during the period will impact on the income recognised and may not be recorded in accordance with the effective interest rate requirements set out in IAS 39. Income from loans advanced totalled £8.5m for year ended 31 January 2015, with a further £0.7m of other income received as a result of early principal repayments (note 6). Income is accounted for as disclosed in note 2 e) and 2 f).	Our procedures included: • assessing management's judgements in respect of the estimated contractual cash flows (including arrangement and exit fees) through examination of the amortisation schedules prepared for each loan so as to assess whether they are in accordance with the effective interest rate requirements set out in IAS 39; • recalculating interest income using the effective interest rate, taking into account any prepayments on the loans and the impact on income recognised; • agreeing a sample of cash receipts to the amortisation schedules; and • considering the impact of any impairments on the recognition and valuation of income recorded in the period.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 34 to 35.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Independent Audit Report

(continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £2.1m (2014: £2.0m), which is below 2% (2014: 2%) of equity. This has been determined using a benchmark of equity/net assets which we believe is the key benchmark used by members of the Company in assessing financial performance.

We have applied a lower materiality threshold of £390,000 (2014: £120,000) (based on 5% of net income (2014: 5%)) in respect of loan interest income as such transactions are important to investors and provide the revenue to support distributions to shareholders.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £42,000 (2014: £40,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team for both the parent entity and its wholly owned subsidiary, ICG-Longbow Senior Debt S.A., which holds the portfolio of loan investments of the Group.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent Company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

Independent Audit Report

(continued)

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicola Sarah Paul FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditors
Guernsey, Channel Islands

22 April 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2015

	Notes	1 February 2014 to 31 January 2015 £	29 November 2012 to 31 January 2014 £
Income			
Income from loans advanced		8,500,227	2,548,252
Other fee income from loans advanced	6	731,218	–
Income from cash and cash equivalents		16,794	400,032
Total income		**9,248,239**	**2,948,284**
Expenses			
Investment management fees	4,14	1,061,829	1,010,346
Administration fees	4,14	174,674	128,011
Directors' remuneration	14	148,750	166,489
Broker fees		55,321	50,000
Audit fees		35,000	77,862
Listing fees		31,314	8,140
Legal & professional fees		12,799	33,256
Luxco operating expenses		61,811	38,571
Other expenses		90,547	78,197
Total expenses		**1,672,045**	**1,590,872**
Profit for the year/period before tax		**7,576,194**	**1,357,412**
Taxation	5	7,796	7,667
Profit for the year/period after tax		**7,568,398**	**1,349,745**
Total comprehensive income for the year/period		**7,568,398**	**1,349,745**
Basic and diluted earnings per share (pence)	10	**7.05**	**1.29**

All items within the above statement have been derived from continuing activities.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 January 2015

	Notes	2015 £	2014 £
Assets:			
Cash and cash equivalents	8	5,293,805	17,696,629
Trade and other receivables	7	14,126	71,336
Loans advanced at amortised cost	6	103,334,450	86,014,863
Total Assets		**108,642,381**	**103,782,828**
Liabilities			
Other payables and accrued expenses	9	431,419	429,313
Total Liabilities		**431,419**	**429,313**
Net Assets		**108,210,962**	**103,353,515**
Equity			
Share capital	11	106,038,522	102,526,866
Retained earnings		2,172,440	826,649
Total Equity attributable to the owners of the company		**108,210,962**	**103,353,515**
Number of ordinary shares in issue at year/period end		**108,219,250**	**104,619,250**
Net asset value per ordinary share (pence)	10	**99.99**	**98.79**

The financial statements were approved by the Board of Directors on 22 April 2015 and signed on their behalf by:

Jack Perry
Chairman

Patrick Firth
Director

22 April 2015

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 January 2015

	Notes	Number of shares	Share capital £	Retained earnings £	Total equity £
As at 1 February 2014		104,619,250	102,526,866	826,649	103,353,515
Shares issued	11	3,600,000	3,672,000	–	3,672,000
Share issue costs	11	–	(160,344)	–	(160,344)
Profit for the year		–	–	7,568,398	7,568,398
Dividends paid	11	–	–	(6,222,607)	(6,222,607)
As at 31 January 2015		**108,219,250**	**106,038,522**	**2,172,440**	**108,210,962**

	Notes	Number of shares	Share capital £	Retained earnings £	Total equity £
As at 29 November 2012		–	–	–	–
Shares issued	11	104,619,250	104,619,250	–	104,619,250
Share issue costs	11	–	(2,092,384)	–	(2,092,384)
Profit for the period		–	–	1,349,745	1,349,745
Dividends paid	11	–	–	(523,096)	(523,096)
As at 31 January 2014		**104,619,250**	**102,526,866**	**826,649**	**103,353,515**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 January 2015

	Notes	1 February 2014 to 31 January 2015 £	29 November 2012 to 31 January 2014 £
Cash flows from operating activities			
Profit for the year/period		7,568,398	1,349,745
Adjustments for non-cash items:			
Movement in trade and other receivables		57,210	(71,336)
Movement in other payables and accrued expenses		(4,669)	421,646
Increase in tax payable		6,775	7,667
Loan amortisation		(959,841)	(504,963)
		6,667,873	1,202,759
Loans advanced less arrangement fees		(31,282,495)	(85,509,900)
Loans repaid		14,922,750	–
Net Loans advanced less arrangement fees		(16,359,745)	(85,509,900)
Net cash used in operating activities		**(9,691,871)**	**(84,307,141)**
Cash flows from financing activities			
Proceeds from issue of shares	11	3,672,000	104,619,250
Issue costs paid	11	(160,344)	(2,092,384)
Dividends paid	11	(6,222,607)	(523,096)
Net cash (used in)/generated from financing activities		**(2,710,951)**	**102,003,770**
Net movement in cash and cash equivalents		(12,402,824)	17,696,629
Cash and cash equivalents at the start of the year/period		17,696,629	–
Cash and cash equivalents at the end of the year/period		**5,293,805**	**17,696,629**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 January 2015

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 (Guernsey) Law, 2008 (as amended) on 29 November 2012 with registered number 55917 as a closed-ended investment company.

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

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary, ICG-Longbow Senior Debt S.A. ("Luxco") (together the "Group") as at 31 January 2015.

The investment objective of the Group is to construct a portfolio of good quality, senior debt investments secured by first charges against predominantly UK commercial property investments.

The assets of the Group are managed by Longbow Real Estate Capital LLP (the "Investment Manager") under the terms of the Investment Management Agreement.

2. Accounting policies

a) Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The financial statements have been prepared under the historical cost convention and in accordance with the provisions of the Companies (Guernsey) Law, 2008.

Standards and Interpretations in issue and not yet effective (or early adopted):

		Effective date
Revised and amended standards		
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 27	Separate financial statements	1 January 2014
IAS 28	Investments in associates and joint ventures	1 January 2014
IAS 32	Financial instruments: presentation – offsetting financial assets and financial liabilities	1 January 2014
IAS 36	Impairment of assets – recoverable amount disclosures for non-financial assets	1 January 2014
IFRS 10, IFRS 12 & IAS 27	Amendments in respect of Investment Entities	1 January 2014
IFRS 10, IFRS 12 & IAS 27	Amendments in respect of Investment Entities	1 January 2014
Various	Annual improvements to IFRSs 2011 – 2013 cycle	1 January 2014
IAS 19	Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)	1 January 2014

The Group is not considered an 'Investment Entity' as defined by *IFRS 10 Consolidated Financial Statements* as it does not meet the criteria set out therein, specifically it does not measure and evaluate the performance of substantially all of its investments on a fair value basis. The above standards have been assessed as having no material impact on the Group.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

a) Basis of preparation (continued)

The following standards are in issue and are not yet effective and have not been early adopted by the Group:

		Effective dates
New Standards		
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2017

The Directors do not anticipate that the adoption of these standards and interpretations in future periods will have a significant impact on the consolidated financial statements of the Group with the exception of the adoption of IFRS 9 as described below.

Currently, under IAS 39, impairment losses are recognised when a loss event occurs; whereas under IFRS 9 an expected loss approach will be required which may result in losses being recognised more quickly. However, as all investments are secured by way of a fully registered first legal charge over the property, and there is no subordinated debt or secondary charges registered, the Directors believe that based on the current positions of the loans, no significant impact on the consolidated financial statements will arise.

b) Going concern

The Directors, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. The Company is now fully invested with a total loan portfolio representing 95% of the net capital raised and expects that the loan portfolio will generate enough cash flows to pay on-going expenses and returns to shareholders. The Directors have considered the cash position and performances of current investments made by the Group and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

d) Functional and presentation currency

The financial statements are presented in pounds sterling, which is the functional currency as well as the presentation currency as all the Group's investments and most transactions are denominated in pounds sterling.

e) Interest Income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Arrangement and exit fees which are considered to be an integral part of the contract are included in the effective interest rate calculation.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

f) Other fee income

Other fee income includes prepayment and other fees due under the contractual terms of the debt instruments. Such fees and related cash receipts are not considered to form an integral part of the effective interest rate and are accounted for on an accruals basis.

g) Operating expenses

Operating expenses are the Group's costs incurred in connection with the on-going management of the Group's investments and administrative costs. Operating expenses are accounted for on an accruals basis.

h) Taxation

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for which it pays an annual fee of £600 (£1,200 with effect from 1 January 2015) which is included within other expenses. The Company is required to apply annually to obtain exempt status for the purposes of Guernsey Taxation.

The Group is liable to Luxembourg tax arising on the results and capitalisation of its Luxembourg registered entities which is included in tax charge for the period.

i) Dividends

Dividends paid during the year are disclosed in equity. Interim dividends approved by the Board prior to the year-end are disclosed as a liability. Dividends proposed but not approved will be disclosed in the notes to the financial statements.

j) 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.

All of the Group's income is from within Luxembourg, the United Kingdom and Guernsey.

All of the Group's non-current assets are invested in the United Kingdom.

Due to the Group's nature it has no employees.

k) Financial instruments

Financial assets and financial liabilities are recognised in the Company's Consolidated Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income when there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis or realise the asset and liability simultaneously.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

k) Financial instruments (continued)

Financial Assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets currently comprise loans, trade and other receivables and cash and cash equivalents.

i) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise loans, trade and other receivables.

They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these trade and other receivables is not considered to be material.

The Group has loans and receivables with a prepayment option embedded. Given the low probability of exercise and undeterminable exercise date, the value attributed to these embedded derivatives is considered to be £nil.

j) Financial instruments

ii) Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iv) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

j) Financial instruments (continued)

v) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely affected.

Objective evidence of impairment could include:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- a substantial fall in the underlying property income
- a substantial fall in the value of the underlying property security; or,
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on a trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company's financial liabilities approximate to their fair values.

j) Financial instruments

The Company's financial liabilities consist of only financial liabilities measured at amortised cost.

i) Financial liabilities measured at amortised cost

These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

ii) Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements
(continued)

2. Accounting policies (continued)
k) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs. Direct issue costs include those incurred in connection with the placing and admission which include fees payable under the Placing Agreement, legal costs and any other applicable expenses, excluding those borne directly under the terms of the Company's prospectus dated 31 January 2013.

3. Critical accounting judgements in applying the Group'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, the results of which 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.

The estimates and underlying assumptions are reviewed on an on-going 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 period if the revision affects both current and future periods.

Impairment is considered to be the most critical accounting judgement and estimate that the Directors make in the process of applying the Group's policies and which has the most significant effect on the amounts recognised in the financial statements (see note 6).

4. Material Agreements
Investment Management Agreement

The Company and the Investment Manager have entered into the Investment Management Agreement, dated 31 January 2013, pursuant to which the Investment Manager has been given responsibility for the non-discretionary management of the Company's (and any of the Company's subsidiaries) assets (including uninvested cash) in accordance with the Company's investment policies, restrictions and guidelines.

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a management fee at a rate equivalent to 1% per annum of the Net Asset Value paid quarterly in arrears based on the average Net Asset Value as at the last business day of each month in each relevant quarter.

Investment Management Agreement

The Investment Manager's appointment cannot be terminated by the Company with less than 12 months' notice. The Company may terminate the Investment Management Agreement with immediate effect if the Investment Manager has committed any material, irremediable breach of the agreement or has committed a material breach and fails to remedy such breach within 30 days of receiving notice from the Company requiring it to do so; or the Investment Manager is no longer authorised and regulated by the FCA or is no longer permitted by the FCA to carry on any regulated activity necessary to perform its duties under the agreement. The Investment Manager may terminate their appointment immediately if the Company has committed any material, irremediable breach of the agreement or has committed a material breach and fails to remedy such breach within 30 days of receiving notice from the Company requiring it to do so.

Notes to the Consolidated Financial Statements

(continued)

4. Material Agreements (continued)

Administration Agreement

Heritage International Fund Managers Limited (the "Administrator") has been appointed to provide day to day administration and company secretarial services to the Company, as set out in the Administration Agreement dated 31 January 2013.

Under the terms of the Administration Agreement, the Administrator is entitled to a fixed fee of £90,000 per annum for services such as administration, corporate secretarial services, corporate governance, regulatory compliance and stock exchange continuing obligations provided both to the Company and some limited administration services to Luxco in conjunction with the Luxembourg Administrator. The Administrator will also be entitled to an accounting fee charged on a time spent basis with a minimum of £40,000 per annum which is capped at £80,000 for the first two years in relation to accounting services provided to the Company.

Registrar Agreement

Capita Registrars (Guernsey) Limited (the "Registrar") has been appointed to provide registration services to the Company and maintain the necessary books and records, as set out in the Registrar Agreement dated 31 January 2013.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual fee from the Company equal to £2 per Shareholder per annum or part thereof, subject to a minimum of £7,500 per annum. Other Registrar activities will be charged for in accordance with the Registrar's normal tariff as published from time to time.

5. Taxation

The Group's tax charge consists of taxes levied on Luxco. These consist of a net wealth tax charge, set at a rate of 0.5%, on Luxco's worldwide net worth, determined as at the 1 January of each calendar year and an income tax charge, which was set at a flat rate of €3,210 for 2014 (2013: €3,210) by the Luxembourg Tax Administration. This is the minimum income tax charge set and as Luxco was loss-making, this is the only income tax charged.

	1 February 2014 to 31 January 2015 £	**29 November 2012 to 31 January 2014 £**
Net wealth tax	5,030	4,992
Fixed income tax	2,536	2,675
Other	230	–
	7,796	7,667

Notes to the Consolidated Financial Statements
(continued)

6. Loans advanced

	31 January 2015 Principal advanced £	31 January 2015 At amortised cost £	31 January 2014 Principal advanced £	31 January 2014 At amortised cost £
Loan 1 – Mansion Student Fund	18,070,000	17,982,697	18,070,000	17,878,735
Loan 2 – LM Real Estate Loan	–	–	14,200,000	13,998,514
Loan 2 – IRAF Portfolio	11,935,000	11,981,995	–	–
Loan 3 – Meadows Retail Estate Fund II	18,070,000	17,959,616	18,070,000	17,806,006
Loan 4 – Northlands Portfolio	6,477,250	6,411,110	7,200,000	7,089,034
Loan 5 – Hulbert	6,565,000	6,506,957	6,565,000	6,462,240
Loan 6 – Halcyon Ground Rents	8,600,000	8,521,935	8,600,000	8,462,536
Loan 7 – Cararra Ground Rents	1,300,000	1,288,199	1,300,000	1,279,221
Loan 8 – Raees International	13,250,000	13,129,570	13,250,000	13,038,577
Loan 9 – Lanos York	10,000,000	9,894,551	–	–
Loan 10 – Quay Hotels	7,982,500	7,928,748	–	–
Loan 11 – First Light Portfolio	1,752,400	1,729,472	–	–
	104,002,150	**103,334,450**	**87,255,000**	**86,014,863**

The Directors consider that the carrying value amounts of the loans, recorded at amortised cost in the financial statements, are approximately equal to their fair value. No element of the loans advanced is past due or impaired. For further information and the associated risks see the Investment Manager's Report, the Statement of Principal Risks and note 12.

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. The Group's accounting policy on the measurement of financial assets is discussed further in Note 2(j).

The Company's investments are in the form of bilateral loans, and as such are illiquid investments with no ready secondary market. Whilst the terms of each loan includes repayment and prepayment fees, in the absence of a liquid secondary market, the Directors do not believe a willing buyer would pay a premium to the par value of the loans to recognise such terms and as such the amortised cost represents the fair value of the loans.

Each property on which investments are secured was subject to an independent, third party valuation at the time the investment was entered into. All investments are made on a hold to maturity basis. Each investment is monitored on a quarterly basis, in line with the underlying property rental cycle, including a review of the performance of the underlying property security. No market or other events have been identified through this review process which would result in a fair value of the investments significantly different to the carrying value.

Whilst the loans are performing and the balance outstanding in each case is at a substantial discount to the value of the underlying real estate on which they are secured, the Directors do not consider the loans to be impaired, or for there to be a risk of not achieving full recovery.

During the year, the Group received a partial repayment of £900,000 on the LM Real Estate loan. As part of this partial repayment the Group received a total of £51,861 in income protection fees in accordance with the terms of the loan agreements. On 5 September 2014 LM Real Estate sold its property portfolio to the ICP Active Real Estate Fund III ("IRAF") managed by Infrared Capital Partners. The property transaction resulted in a repayment of the LM Real Estate loan, and the Company, through its subsidiary, entering into a new loan (£11.94 million) with IRAF on substantially the same terms as the original LM Real Estate loan. The transaction resulted in a net capital repayment of £1.35 million.

As part of this repayment, the Group received a total of £245,812 in Income protection fees and £238,700 in consent fees for the disposal.

Notes to the Consolidated Financial Statements
(continued)

6. Loans advanced (continued)
During the year, the Group received a partial repayment of £722,750 on the Northlands loan. As part of this partial repayment the Group received a total of £194,845 in income protection fees in accordance with the terms of the loan agreement. Included within £731,218 Other fee income from loans advanced are further insignificant amounts received in relation to loan prepayments.

7. Trade and other receivables

	2015 £	2014 £
Interest receivable	–	36,250
Other receivables	14,126	35,086
	14,126	71,336

There are no material past due or impaired receivable balances outstanding at the year end.

The Group has financial risk management policies in place to ensure that all receivables are received within the credit time frame. The Board of Directors considers that the carrying amount of all receivables approximates to their fair value.

8. Cash and cash equivalents
Cash and cash equivalents comprises cash held by the Group and short-term bank deposits held with maturities of three months or less. The carrying amounts of these assets approximate their fair value.

9. Other payables and accrued expenses

	2015 £	2014 £
Investment management fees	270,457	259,139
Administration fees	46,458	11,508
Directors' remuneration	38,750	35,625
Audit fees	25,000	29,000
Broker fees	16,667	4,315
Taxes payable	14,442	7,667
Other expenses	19,645	82,059
	431,419	429,313

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The Board of Directors considers that the carrying amount of all payables approximates to their fair value.

10. Earnings per share and net asset value per share
The calculation of basic and diluted earnings per ordinary share is based on the profit for the year/period and on the weighted average number of ordinary shares in issue during the year/period of 107,410,483 (2014: 104,619,250) ordinary shares.

The weighted average number of ordinary shares for the comparative period has been calculated from the completion date of the Initial Public Offering on 5 February 2013 to 31 January 2014, as the Company did not operate prior to that date and no profit or loss was generated in the period from incorporation on 29 November 2012 to 5 February 2013. There are no potentially dilutive shares in issue.

The calculation of net asset value per ordinary share is based on net asset value and the number of shares in issue at the year/period end.

Notes to the Consolidated Financial Statements
(continued)

11. 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; (c) C shares, in each case of such classes and denominated in such currencies as the Directors may determine.

	2015 £	2014 £
Authorised		
Ordinary shares of no par value	Unlimited	Unlimited

	Total No	Total No
Issued and fully paid:		
Unlimited shares of no par value		
Shares as at inception	1	1
Issued on 5 February 2013	104,619,249	104,619,249
Issued on 24 April 2014	3,600,000	–
	108,219,250	104,619,250

	£	£
Share capital brought forward	102,526,866	–
Movements for the period:		
Issue of ordinary shares	3,672,000	104,619,250
Share issue costs	(160,344)	(2,092,384)
	106,038,522	102,526,866

Dividends paid
On 25 April 2014, the Directors declared a dividend in respect of the quarter ended 31 January 2014 of £1,352,741 equating to 1.25 pence per Ordinary Share to shareholders on the register as at the close of business on 9 May 2014.

On 19 June 2014, the Directors declared a dividend in respect of the quarter ended 30 April 2014 of £1,623,289 equating to 1.5 pence per Ordinary Share to shareholders on the register as at the close of business on 27 June 2014.

On 23 September 2014, the Directors declared a dividend in respect of the quarter ended 31 July 2014 of £1,623,289 equating to 1.5 pence per Ordinary Share to shareholders on the register as at the close of business on 3 October 2014.

On 8 December 2014, the Directors declared a dividend in respect of the quarter ended 31 October 2014 of £1,623,289 (quarter ended 31 October 2013: £523,096) equating to 1.5 pence per Ordinary Share to shareholders on the register as at the close of business on 30 December 2014.

Dividend proposed
On 22 April 2015, the Directors declared a dividend in respect of the quarter ended 31 January 2015 of 1.5 pence per Ordinary Share to shareholders on register etc.

Rights attaching to shares
The Company has a single class of ordinary shares which are not entitled to a fixed dividend. 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 Consolidated Financial Statements
(continued)

12. Risk Management Policies and Procedures
The Group through its investment in senior loans is exposed to a variety of financial risks, including market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of operational performance of the borrowers and on property fundamentals and seek to minimise potential adverse effects on the Group's financial performance.

The Board of Directors is ultimately responsible for the overall risk management approach within the Group. The Board of Directors has established procedures for monitoring and controlling risk. The Group has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

In addition, the Investment Manager monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Further details regarding these policies are set out below:

Market risk
Market risk includes market price risk, currency risk and interest rate risk. If a borrower defaults on a loan and the real estate market enters a downturn it could materially and adversely affect the value of the collateral over which loans are secured. This risk is considered by the Board to be as a result of credit risk as it relates to the borrower defaulting on the loan.

Market risk is moderated through a careful selection of loans within specified limits. The Group's overall market position is monitored by the Investment Manager and is reviewed by the Board of Directors on an on-going basis.

Currency risk
The Group's currency risk exposure is considered to be immaterial as all investments have been and will be made in pound sterling, with immaterial expenses incurred in euros by Luxco.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments and related income from the cash and cash equivalents will fluctuate due to changes in market interest rates.

The majority of the Group's financial assets are loans advanced, which are at a fixed rate of interest and cash and cash equivalents. The Group's interest rate risk is limited to interest earned on cash deposits.

The following table shows the portfolio profile of the financial assets at 31 January 2015 and 31 January 2014:

	31 January 2015 £	31 January 2014 £
Floating rate		
Cash	5,293,805	17,696,629
Fixed rate		
Loans advanced at amortised cost	103,334,450	86,014,863
	108,628,255	103,711,492

The timing of interest payments on the loans advanced is summarised in the table on page 57.

Notes to the Consolidated Financial Statements

(continued)

12. Risk Management Policies and Procedures (continued)

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's main credit risk exposure is on the loans advanced, where the Group invests in secured senior debt.

There was a concentration risk as at 31 January 2015 due to 11 advanced loans being in existence and exposure is solely to the UK real estate market; however this risk is mitigated as the loans are secured by collateral and being spread across a variety of sectors within the UK property market. There is also credit risk in respect of other financial assets as a portion of the Group's assets are cash and cash equivalents. The banks used to hold cash and cash equivalents have been diversified to spread the credit risk to which the Group is exposed. The total exposure to credit risk arises from default of the counterparty and the carrying amounts of financial assets best represent the maximum credit risk exposure at the year end date. As at 31 January 2015, the maximum credit risk exposure was £109,295,955 (2014: £104,964,599).

The Investment Manager has adopted procedures to reduce credit risk exposure through the inclusion of covenants in loans issued, along with conducting credit analysis of the counterparties, their business and reputation, which is monitored on an on-going basis.

To diversify credit risk the Group maintains its cash and cash equivalents across three different banking groups which have parent companies rated Baa or higher by Moody's or an equivalent and this is subject to the Group's credit risk monitoring policies as mentioned above.

	31 January 2015 **£**
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	2,995,854
Lloyds Bank International Limited	935,308
Barclays Bank plc	701,484
Royal Bank of Scotland International Limited	661,159
	5,293,805

	31 January 2014 **£**
Lloyds Bank International Limited	9,917,886
Royal Bank of Scotland International Limited	5,461,281
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	2,317,274
Barclays Bank plc	188
	17,696,629

The carrying amount of these assets approximates their fair value.

Notes to the Consolidated Financial Statements
(continued)

12. Risk Management Policies and Procedures (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its liabilities as they fall due. The Group's loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice.

Liquidity risks arise in respect of other financial liabilities of the Group due to counterparties. However, at 31 January 2015, there was sufficient liquidity in the form of cash and cash equivalents to satisfy the Group's obligations. The Group expects to meet its on-going obligations from cash flows generated by the loan portfolio. Except for the loans advanced, the Group's financial assets and financial liabilities all have maturity dates within one year. An analysis of the maturity of financial assets classified as loans advanced is shown in the table below:

	Less than one year £	Between one and five years £	Total as at 31 January 2015 £
Loan 1 – principal	–	18,070,000	18,070,000
Loan 1 – interest and exit fees	1,264,900	4,700,180	5,965,080
Loan 2 – principal	–	11,935,000	11,935,000
Loan 2 – interest and exit fees	835,450	2,635,183	3,470,633
Loan 3 – principal	–	18,070,000	18,070,000
Loan 3 – interest and exit fees	1,351,537	3,008,779	4,360,316
Loan 4 – principal	–	6,477,250	6,477,250
Loan 4 – interest and exit fees	518,180	1,613,101	2,131,281
Loan 5 – principal	–	6,565,000	6,565,000
Loan 5 – interest and exit fees	508,788	1,599,117	2,107,905
Loan 6 – principal	–	8,600,000	8,600,000
Loan 6 – interest and exit fees	602,000	1,912,027	2,514,027
Loan 7 – principal	–	1,300,000	1,300,000
Loan 7 – interest and exit fees	91,000	289,027	380,027
Loan 8 – principal	–	13,250,000	13,250,000
Loan 8 – interest and exit fees	960,625	3,052,128	4,012,753
Loan 9 – principal		10,000,000	10,000,000
Loan 9 – interest and exit fees	785,000	2,524,890	3,309,890
Loan 10 – principal		7,982,500	7,982,500
Loan 10 – interest and exit fees	638,600	2,260,906	2,899,506
Loan 11 – principal		1,752,400	1,752,400
Loan 11 – interest and exit fees	92,001	306,502	398,503
	7,648,081	127,903,990	135,552,071

Notes to the Consolidated Financial Statements
(continued)

12. Risk Management Policies and Procedures (continued)
Liquidity risk

	Less than one year £	Between one and five years £	After five years £	Total as at 31 January 2014 £
Loan 1 – principal	–	–	18,070,000	18,070,000
Loan 1 – interest and exit fees	1,264,900	5,063,065	902,015	7,229,980
Loan 2 – principal	–	14,200,000	–	14,200,000
Loan 2 – interest and exit fees	1,102,750	4,153,792	–	5,256,542
Loan 3 – principal	–	18,070,000	–	18,070,000
Loan 3 – interest and exit fees	1,347,824	4,364,029	–	5,711,853
Loan 4 – principal	–	7,200,000	–	7,200,000
Loan 4 – interest and exit fees	576,000	2,369,096	–	2,945,096
Loan 5 – principal	–	6,565,000	–	6,565,000
Loan 5 – interest and exit fees	508,788	2,107,905	–	2,616,693
Loan 6 – principal	–	8,600,000	–	8,600,000
Loan 6 – interest and exit fees	602,000	2,514,027	–	3,116,027
Loan 7 – principal	–	1,300,000	–	1,300,000
Loan 7 – interest and exit fees	91,000	380,027	–	471,027
Loan 8 – principal	–	13,250,000	–	13,250,000
Loan 8 – interest and exit fees	960,625	4,012,753	–	4,973,378
	6,453,887	94,149,694	18,972,015	119,575,596

The Group could also be exposed to prepayment risk; being the risk that the principal may be repaid earlier than anticipated, causing the return on certain investments to be less than expected. The Group, where possible, seeks to mitigate this risk by inclusion of income protection clauses that protect the Group against any prepayment risk on the loans advanced for some of the period of the loan. To date, all loans include income protection clauses in the event of prepayment of the loans for the majority of the loan term. As at the year end date the residual weighted average income protection period was 2.6 years.

The Group has loans and receivables with a prepayment option embedded. Given the low probability of exercise and indeterminable exercise date, the value attributed to these embedded derivatives is considered to be £nil.

Capital management policies and procedures
The Group's capital management objectives are to ensure that the Group will be able to continue as a going concern and to maximise the income and capital return to equity shareholders.

In accordance with the Group's investment policy, the Group's principal use of cash has been to fund investments in the form of loans sourced by the Investment Manager, as well as on-going operational expenses and payment of dividends and other distributions to shareholders in accordance with the Company's dividend policy.

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an on-going basis.

The Company has no externally imposed capital requirements.

13. Subsidiary
At the date of this report the Company had one wholly owned subsidiary, ICG-Longbow Senior Debt S.A, registered in Luxembourg.

Notes to the Consolidated Financial Statements

(continued)

14. Related Party Transactions, Directors' Remuneration and Material Agreements

In the opinion of the Directors, the Company has no immediate or ultimate controlling party.

Mark Huntley, Director of the Company, is also a Director of the Company's Administrator, Heritage International Fund Managers Limited. During the year, the Company incurred administration fees in relation to services provided by the Company's Administrator of £174,674 (2014: £128,011) of which £46,458 (2014: £11,508) was outstanding at the year end. Mark Huntley also received a Director's fee of £26,250 (2014: £29,275) of which £6,875 (2014: £6,250) was outstanding at the year end.

With effect from 1 August 2014, the Directors are remunerated for their services at an annual fee of £27,500 with Patrick Firth receiving an additional annual fee of £5,000 for acting as Chairman of the Audit and Risk Management Committee. The Chairman receives an annual fee of £40,000. Prior to this the annual fees were £25,000, £5,000 and £37,500 respectively.

The Company Directors' fees for the year amounted to £148,750 (2014: £166,489) with outstanding fees of £38,750 (2014: £35,625) due to the Directors at 31 January 2015.

Investment management fees for the year amounted to £1,061,829 (2014: £1,010,346), of which £270,457 (2014: £259,139) was outstanding at the year end.

15. Subsequent events

On 22 April 2015, the Company declared a dividend of 1.5 pence per Ordinary Share in respect of the quarter ended 31 January 2015.

For your Notes