



ICG-Longbow Senior Secured UK Property Debt Investments Limited

Annual Report and Consolidated
Financial Statements

For the year ended 31 January 2017

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All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 68 to 71 unless separately defined.

Corporate Summary

Investment Objective

At the date of signing of these Financial Statements, the investment objective, which applied to the Group, as approved by the Shareholders of the Company, after the passing of Resolution 1 at the EGM held on 1 March 2017, was as follows:

The investment objective of the Group is to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive, quarterly dividends, capital preservation and, over the longer term, a degree of capital appreciation.

Structure

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

Investment Adviser

The Investment Adviser (Intermediate Capital Managers Limited), which trades under the name of ICG-Longbow, is authorised and regulated by the FCA. The assets of the Group are managed by the Board after receiving advice from the Investment Adviser under the terms of the non-discretionary Investment Management Agreement.

Highlights

Performance

- NAV of £112.33 million as at 31 January 2017 (31 January 2016: £108.41 million).
 - NAV per share of 103.80 pence (31 January 2016: 100.18 pence).
- Underlying earnings have increased from the prior year due to exit and prepayment fees from the Mansion, First Light and Raees loan repayments totalling £4.3 million.
- Profit after tax of £10.41 million for the year ended 31 January 2017 (31 January 2016: £6.69 million).
 - Earnings per share of 9.62 pence (31 January 2016: 6.18 pence).

Dividend

- Total dividends paid or declared for the year ended 31 January 2017 of 6.0 pence per share (31 January 2016: 6.0 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 2016, 31 July 2016 and 31 October 2016.
 - 4th interim dividend of 1.5 pence per share declared in respect of the quarter ended 31 January 2017.
- 4th interim dividend details:
 - Declared 26 April 2017
 - Amount 1.5 pence per share
 - Dividend ex-date 11 May 2017
 - Dividend payment date 2 June 2017
- An ordinary resolution will be proposed at the forthcoming AGM to approve the interim dividends paid in this financial year.

Special Dividend

- The Board has declared a special dividend in respect of the prepayment fees received during the year ended 31 January 2017 of 2.25 pence per ordinary share to be paid alongside the 4th interim dividend.

Investment Portfolio

- During the year, the £18.07 million Mansion loan was repaid in full together with interest and exit and prepayment fees of £2.79 million. The proceeds were reinvested into a new £22.40 million loan to Commercial Regional Space on terms accretive to shareholders.
- The £1.75 million First Light loan was repaid, in full, together with interest and exit and prepayment fees of £0.16 million. The £13.25 million loan to Raees was also repaid, in full, together with interest and exit and prepayment fees of £1.77 million. These proceeds were substantially reinvested in a new £16.00 million loan to clients of BMO Real Estate Partners, again on accretive terms.
- As at 31 January 2017 the Group's investment portfolio comprised 10 loans with an aggregate principal balance of £109.33 million (31 January 2016: £104.00 million).
- The portfolio weighted average LTV was 57.0% (31 January 2016: 52.7%), reflecting changes to the composition of the loan portfolio, and the weighted average ICR was 235% (31 January 2016: 161%).
- The portfolio weighted average residual term was 1.85 years, of which by average 0.74 years remains income protected (31 January 2016: residual term 2.81 years, income protected term 1.6 years).

Chairman's Statement

Introduction

On behalf of the Board, I am pleased to present the fourth Annual Report for the Group for the year ended 31 January 2017. During a year of economic and political uncertainty, the Group's investment portfolio has continued to show stability of performance, in line with its defensive positioning, allowing the Company to deliver on its objective of paying attractive dividends, capital preservation and, over the longer term, a degree of capital appreciation.

Portfolio

The Group's loan portfolio experienced some changes during the year, with the repayment of the Mansion loan (£18.07 million) in March 2016, the First Light loan (£1.75 million) in July 2016 and the Raees loan (£13.25 million) in October 2016. In each case the loan redemptions were accompanied by significant exit and prepayment fees.

The repayments allowed the Group to reinvest proceeds on terms accretive to shareholders, with new loans to Commercial Regional Space and clients of BMO Real Estate Partners. The new loan facilities align with the maturity profile of the existing investment portfolio. The weighted average coupon across the portfolio has reduced from 7.40% to 6.24% as higher returning loans were repaid. However, the overall portfolio IRR, since inception has improved from 8.49% to 8.96% following the reinvestment of fees realised from early repayments. Collectively, the three loan repayments to date have returned a weighted average IRR to shareholders of 12.51%.

On a like-for-like basis, there was relatively little change in the risk profile of the loans over the reporting period, reflecting the wider property market conditions which have been broadly stable during the year. Individual borrowers continue to manage their assets in line with their business plans. Across the portfolio, the weighted average LTV rose from 52.7% to 57.0%, owing to changes in the loan portfolio over the period, while the weighted average interest cover improved from 161% to 235%. The portfolio has approximately 1.85 years weighted average unexpired term remaining, of which a weighted average 0.74 years is subject to income protection.

As the existing portfolio continued towards maturity, the directors focused their attention on strategic options for the future of the Group. I discuss the proposals arising out of those deliberations and the outcome of shareholders' voting in the Governance and Management paragraphs below.

Revenue and Dividend Performance

Revenue for the year of £12.33 million (31 January 2016: £8.36 million) increased significantly from the prior year as exit and prepayment fees were earned on the three loan repayments highlighted above. This led to a 55.62% increase in profit after tax, to £10.41 million which included £3.3 million in respect of pre-payment fees. As a result earnings per share of 9.62 pence were significantly higher than the annual dividend target of 6.0 pence per share and more than sufficient to cover dividend payments in the year.

Having successfully reinvested the Mansion, First Light and Raees repayment proceeds into two new loans, the latter of which completed on 31 January 2017, the Board is pleased to announce a special dividend of 2.25 pence per ordinary share in respect of the year ended 31 January 2017 representing the surplus of prepayment fees received.

Replacement loans have been made on shorter duration and at prevailing market rates for senior loans with the expectation that following the payment of the special dividend, the balance of the retained pre-payment fees received will be used to supplement dividends, enabling the Company to sustain its target dividend of 6.0 pence per share.

NAV and Share Price Performance

The increase in profits recorded during the year has resulted in an increase in NAV from 100.18 pence per share to 103.80 pence per share largely due to the aforementioned prepayment fees.

The Company's shares traded in a range of 99.00 pence (a low reached in the week following the EU referendum) to 106.00 pence, and ended the year at 103.25 pence, a modest discount to NAV.

Chairman's Statement

(continued)

Governance and Management

Effective governance remains at the heart of our work as a Board and our responsibilities are taken very seriously.

The work of the Board this year has been dominated by consideration of the strategic options facing the Group as it approached its continuation vote. As those options were developed, a shareholder consultation exercise was carried out which led to the preparation of the circular sent to shareholders in February 2017. All of the resolutions presented at the General Meeting held on 1 March were passed. The Board wishes to record its thanks to shareholders for their support for the Group's revised strategy and investment policy and objective.

The routine business of the Board was also very active. The Board met regularly to a formal timetable but also met for a number of additional ad-hoc meetings to monitor the performance of the loan portfolio and in particular the loan repayments and redeployment of the proceeds. I would like to record my thanks to my colleagues on the Board for the considerable additional workload they have borne this year.

The Management Engagement Committee of the Board has reviewed the performance of the Company's Investment Adviser, ICG- Longbow. Their creativity and diligence have been instrumental in the development of the Groups' revised strategy. However, this was not to the detriment of their 'day job'. Their active management of the loan portfolio has ensured that the Group has continued to meet its investment objectives and delivered the level of dividends envisaged in our original IPO prospectus. The Investment Adviser is to be commended on their performance.

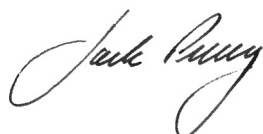
Outlook

As I highlighted in the Circular issued to shareholders in January 2017, the Board believes that attractive risk-adjusted investment opportunities remain in the UK real estate debt market and that it would be of benefit to the Group to position itself to capitalise on those opportunities, while also seeking to grow the scale of the business.

The market environment for property lending and the rationale for the changes to the Group's investment policy continue to be consistent with the detail in the Circular, with generally robust occupational markets, and attractive relative value measured by the spread of property initial yields over benchmark gilts. As the Group's original loans approach their maturity dates, with the likelihood of repayments of certain of the loans increasing, the Group is now well positioned to reinvest any proceeds under the new investment parameters.

Moreover, the opportunity to grow the Company via a share placing programme was well received by a broad range of shareholders during the recent consultation exercise. As a consequence the Board intends to issue a placing programme Prospectus shortly and, in the coming months, looks forward to progressing with the issuance of new ordinary shares, and laying the foundations for the future growth of the Company. Increasing scale will also enable the Group to reduce its ongoing charges figure.

On 29 March 2017, following the General Meeting, the UK Government triggered the Article 50 provisions to commence the formal process for the UK's exit from the European Union. The announcement was widely expected and in the Board's view has for some time been reflected in investment and finance market conditions. As highlighted in our Interim Report, the defensive positioning of the Group's existing loan portfolio continues to offer robust security. The revised investment policy now allow the Group a broader range of options for delivering shareholder returns while maintaining a consistent focus on risk in a post-Brexit environment.



Jack Perry
Chairman

26 April 2017

Investment Adviser's Report

Investment Objective

The investment objective of the Group, as approved by the Shareholders of the Company, is "to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive, quarterly dividends, capital preservation and, over the longer term, a degree of capital appreciation."

Fund facts

Fund launch:	5 February 2013	Fund type:	Closed ended investment company
Investment Adviser:	ICG-Longbow	Domicile:	Guernsey
Base currency:	GBP	Listing:	London Stock Exchange
Issued shares:	108.22 million	ISIN code:	GG0B8C23581
Management fee:	1.0%	LSE code:	LBOW
		Website:	www.lbow.co.uk

Share price & NAV at 31 January 2017

Share price (pence per share):	103.25
NAV (pence per share):	103.80
Discount:	0.53%
Market capitalisation:	£111.74 million
Approved dividend (pence per share) ⁽¹⁾ :	1.5 pence
Dividend payment date ⁽¹⁾ :	2 June 2017

⁽¹⁾ For Quarter ended 31 January 2017 (Ex-dividend date 11 May 2017).

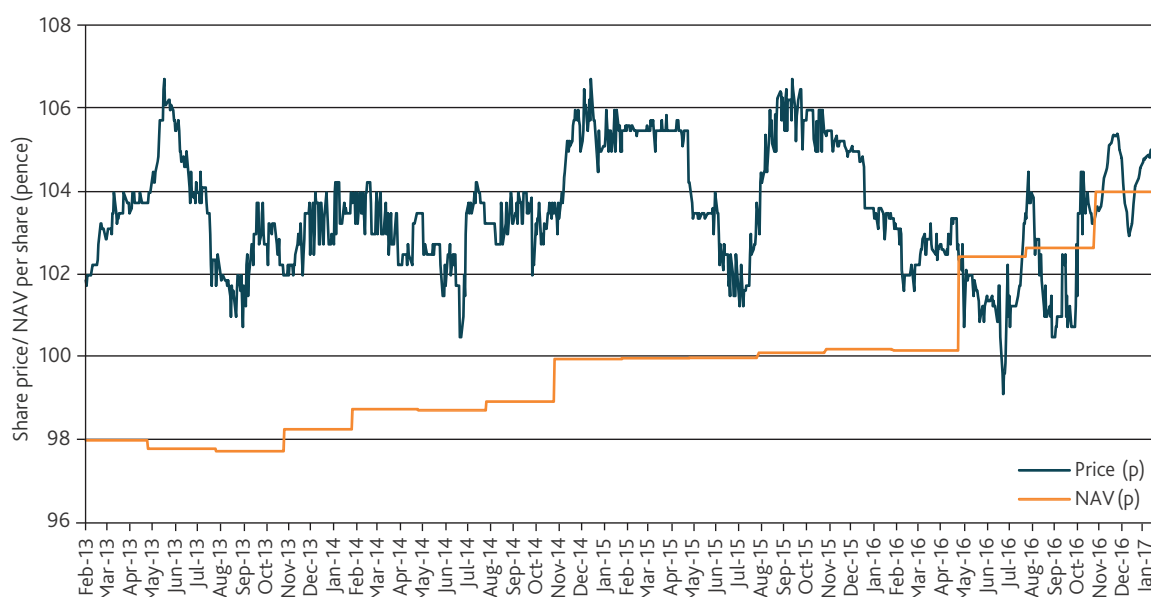
⁽²⁾ Loans advanced at amortised cost/Total equity attributable to the owners of the Company.

Key portfolio statistics at 31 January 2017

Number of investments:	10
Percentage capital invested ⁽²⁾ :	97.88%
Weighted avg. investment coupon:	6.24%
Weighted avg. projected gross IRR ⁽³⁾ :	8.96%
Weighted avg. LTV:	57.04%
Weighted avg. ICR:	235%

⁽³⁾ Weighted average projected gross IRR reflects loan cashflows including interest, fees, advances and repayments, comprising (i) actual cashflows arising from loans in current portfolio and repaid loans since origination to date, and (ii) projected cashflows from the current portfolio through to each loan's maturity.

Share price v NAV (from IPO to 31 January 2017)



Investment Adviser's Report

(continued)

Summary

At 31 January 2017 the investment portfolio comprised 10 loans following the repayment during the year of the Mansion loan, First Light loan and Raees loan, and the subsequent advancement of the Commercial Regional Space and BMO loans.

Each loan investment in the portfolio remained well secured from a capital perspective, with a weighted average LTV exposure of 57.0%, an increase over the year from 52.65% largely due to the repayment of the Mansion loan (exit at 39% LTV) and subsequent new loan to Commercial Regional Space (entry LTV of 64%). The portfolio level gross expected IRR if held to contracted loan term maturity, and recognising prepayment/exit fees received to date is 8.96%.

At the portfolio level, the ICR has improved following the above changes to the portfolio to 235% (31 January 2016: 161%).

Following the year end, the £10.00 million Lanos loan was repaid together with interest and exit and prepayment fees of £1.12 million.

Group Performance

The Group's profit after tax for the twelve months is £10.41 million (9.62 pence per share) benefiting from the Mansion, First Light and Raees prepayment and exit fees (£4.3 million in aggregate). This additional income will help support dividend payments over the coming financial year.

Portfolio

Portfolio statistics	31 January 2017	31 January 2016
Number of loan investments	10	11
Aggregate principal advanced	£109,329,750	£104,002,150
Weighted average LTV	57.04%	52.7%
Weighted average ICR	235%	161%
Weighted average interest coupon	6.24% pa	7.40% pa
Weighted average projected gross IRR ⁽¹⁾	8.96% pa	8.49% pa
Weighted average unexpired loan term	1.85 years	2.81 years
Weighted average unexpired interest income protection	0.74 years	1.60 years
Cash held	£3,258,954	£5,306,129

⁽¹⁾ Weighted average projected gross IRR reflects loan cash flows including interest, fees, advances and repayments, comprising (i) actual cashflows arising from loans in current portfolio and repaid loans since origination to date, and (ii) projected cashflows from the current portfolio though to each loan's maturity.

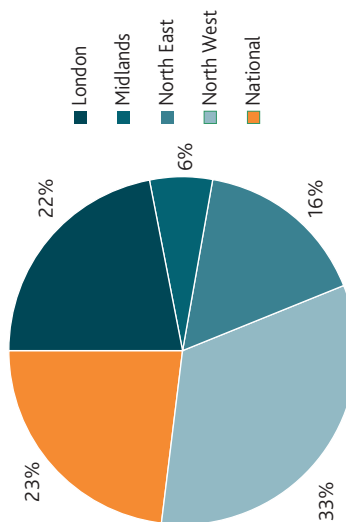
Investment Adviser's Report

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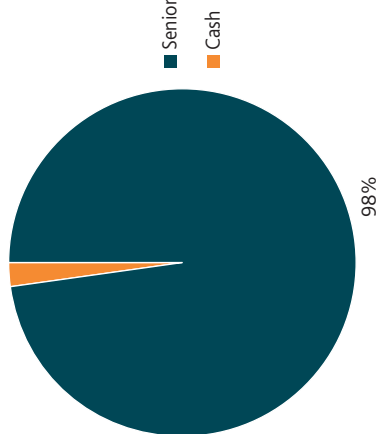
Investment Portfolio as at 31 January 2017

Project	Region	Sector	Term start	Unexp term (yrs)	Day 1 balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Principal Balance outstanding (£m)	Current LTV (%)	Current ICR (%)
IRAF	North West	Industrial/distribution	Jul-13	1.83	14.20	55.3	193	11.94	43.4	213
Meadow	London	Retail	Sep-13	0.91	18.07	65.0	150	18.07	63.0	114
Northlands	London	Mixed use	Nov-13	1.82	7.20	61.7	192	6.48	40.3	153
Hulbert	Midlands	Industrial/distribution	Dec-13	1.84	6.57	65.0	168	6.57	52.2	191
Halcyon	National	Industrial/distribution	Dec-13	1.85	8.60	64.8	116	8.60	63.3	116
Cararra	North West	Regional office	Dec-13	1.85	1.30	65.0	113	1.30	65.0	113
Lanos	North East	Other (hotel)	Mar-14	1.91	10.00	64.9	122	10.00	50.0	181
Ramada	North East	Other (hotel)	Apr-14	2.24	7.98	64.4	180	7.98	66.0	178
Commercial Regional Space	North West	Industrial/distribution	Mar-16	2.20	22.40	64.0	280	22.40	64.0	358
BMO	National	Mixed Use	Jan-17	2.20	16.00	55.5	404	16.00	55.4	404
Total/weighted average				1.85	112.32	62.3	219	109.34	57.04	235

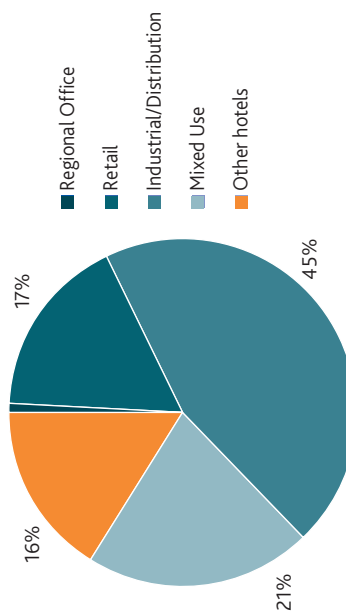
Regional Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



Investment Adviser's Report

(continued)

Economy and Financial Market Update

The UK economy ended the year on a strong note, with 0.7% GDP growth estimated in Q4 2016 – the second quarter following the vote to leave the EU in the June referendum. Over the whole of 2016, the economy recorded 1.8% growth – amongst the strongest performance of the G7 nations.

In terms of future economic performance, the Bank of England's February 2017 inflation report estimated GDP growth for 2017 of 2.0%, up from 1.4% a quarter earlier and 0.8% in the immediate aftermath of the referendum, whilst it projects GDP growth of 1.6% and 1.7% for 2018 and 2019, respectively.

In terms of risks to the economy, inflation is a strong concern, with the Consumer Prices Index 12-month rate standing at 2.3% in March 2017, unchanged from February 2017 but up from 0.5% in March 2016. However, at its February meeting, the Bank of England's Monetary Policy Committee concluded "it remained appropriate to seek to return inflation to its 2.0% inflation target over a somewhat longer period than usual, and that the current stance of monetary policy remained appropriate."

Occupational Demand/Supply

Demand for commercial real estate has been bolstered by the consistent steady growth in the UK economy and strong employment growth, with 31.84 million people in work as at February 2017, up by 312,000 over the year and by over 2.8 million since December 2009 to February 2010.

Over the same period the supply of new commercial real estate floor space has been constrained, especially outside London, with construction orders in each year since 2009 being lower than every year between 1985 and 2009. Additionally, early indications are that Brexit is likely to further constrain near term supply, with a 42% decrease in London office construction starts reported in Q3 2016 compared to six months before. This combination of growing employment and restricted supply has contributed to the low commercial real estate vacancy rates being experienced across the UK.

However, whilst overall commercial real estate occupancy remains strong across the UK, with a void rate of 7.1% at the end of 2016, rental value growth is projected at 0.2% in 2017 and -0.1% in 2018 according to the Investment Property Forum November 2016 Consensus Forecast. Looking forward, the potential impact of Brexit on demand remains uncertain but the Investment Adviser's experience is that leasing activity has remained robust in the small to medium size assets market, whilst the largest negative impact is expected on City of London offices, given increased risk to jobs.

Property Investment Market

The MSCI UK All Property Total Returns Quarterly Index showed a 3.6% return for 2016, whilst the MSCI All Property Quarterly Capital Values Index declined 1.3% in 2016. At £46.5 billion, UK commercial property investment transaction volumes were 30% below 2015's record level, although only just below the £47.8 billion average of the preceding five years.

As at December 2016, UK Commercial Property market capital values, as measured by the All Property Index, had increased by circa 23% since the Company's launch in 2013 and by 38% since the index low point in July 2009 but the index remains 22% below its level ten years ago. This compares with the FTSE 100 index at December 2016, which has grown 86% since its low point in February 2009 and is 16% above its level of ten years ago.

Reflecting the growth in capital values described above, the average UK Commercial Property initial yield has fallen by over 100 basis points since February 2013. However, property initial yields have remained attractive relative to gilts over the period, maintaining a premium of between 300 basis points and 400 basis points over the 10 year gilt yield (366 basis points as at December 2016).

Whilst the future impact of the Brexit vote on capital values will remain unclear until investors can fully assess its effect on the occupational market, we expect the largest impact to be on shorter let City of London offices, given increased risk to jobs from the potential loss of financial services passporting leading to a potential reversal of rental growth expectations and an outward yield shift. Further, the Investment Adviser believes there is less potential in the regions for adverse capital value correction due to the less stretched rental levels and wider initial yields.

Investment Adviser's Report

(continued)

Property Investment Market (continued)

The IPD capital values monthly index fell circa 3.2% between February and December 2016 and market forecasters expect the index to show a further modest decline in values in 2017 (which is likely to already be factored into transactional activity today). However, the Board and Investment Adviser are confident that there will be no re-run of the 2008/2009 market correction due to the strength of occupational markets, lower gearing in both the property and the banking markets and the attractive relative value in the property market demonstrated by the enduring premium over gilts.

Finance Markets

As mentioned above, the UK CRE finance market has evolved significantly over the period since the Company launched, with traditional lenders returning to the market and new entrants joining the market, leading to annual financing flows increasing from circa £35 billion in 2012/2013 to circa £50 billion in 2015 (with such flows having fallen 41% in 2016 due to the Brexit vote).

However, within this increase in activity over the last 5 years, there have been some structural changes in the market place. The traditionally dominant UK, German and other international banks have retrenched from the market – having accounted for 100% of new lending in 2010, their market share had reduced to 75% in 2016, with new entrant institutional and debt fund capital filling the gap. Over the same period, the proportion of lending activity focused on London has increased from 25% to 44% with more lenders favouring the big ticket market.

Consequently, the regions and particularly the small to medium sized investment market are relatively undersupplied with debt capital. Coupled with less stretched underlying property valuations and rental levels in the regions, the Investment Adviser believes that this has resulted in the availability of attractive risk adjusted returns in this part of the market and has consequently focused much of its activity in recent years in these areas.

Even though capital has returned to the market, the imposition of more stringent capital allocation requirements on the banking market under Basel III, coupled with the credit losses experienced by banks in their CRE debt books following the global financial crisis, has resulted in a reduced CRE risk appetite of banks, with the average LTV reducing to 58% at the end of 2016, from 77% at the peak in 2006. The Investment Adviser believes that the commercial real estate banking market has adjusted to the increased uncertainty in the market in 2016 through reducing LTV advance rates and increasing margins, estimated at 40 basis points per annum in CBRE Group's 2017 Debt Prospects Market view report.

Portfolio Profile and Activity

The Group's investment portfolio saw some changes during the year, with Mansion repaying its facility in the first quarter following a disposal of its property portfolio. The repayment of £18.07 million, together with interest and prepayment fees of circa £2.79 million, was quickly reinvested in a new loan to Commercial Regional Space, with the new facility totalling £22.40 million.

In July 2016 the £1.75 million First Light loan was repaid, followed in October 2016 by the £13.25 million Raees loan. These redemptions were accompanied by exit and prepayment fees, totalling approximately £1.92 million in aggregate. The proceeds were substantially reinvested in a £16.00 million facility advanced to clients of BMO Real Estate.

More broadly, loan positions of the Group continue to comply with all financial covenants and performance has generally been stable or improving across all the Group's investments. The weighted average LTV at year end was 57.0% (31 January 2016: 52.7%), with the increase largely due to the new Commercial Regional Space loan at a 64% LTV. By contrast the weighted average ICR on the portfolio has increased from 161% in the prior year to 235% currently, in large part owing to the replacement of the Mansion and Raees loans with the Commercial Regional Space and BMO investments, which generate higher interest cover.

Investment Adviser's Report

(continued)

Portfolio Profile and Activity (continued)

As at year-end, the loan portfolio carried a weighted average coupon of 6.24%, whilst the projected portfolio IRR has improved to 8.96% as a result of the accretive reinvestment of loan proceeds during the period.

Notable changes during the year included:

1. **Lanos** – following the renovation works undertaken during the last financial year, trading at the hotel continued to improve as it moved towards stabilisation. As a result ICR increased from 122% to 181% during the period. The Lanos loan was repaid following the year end.
2. **Commercial Regional Space** – significant leasing progress has been made by the sponsor, with the result that the ICR has improved markedly, to 358% from 280% at loan closing. Although income growth was forecast, we are pleased to report the sponsor has outperformed expectations.
3. **Hulbert** – the principal event during the reporting period was the lease renewal of the major tenant on a new 10 year lease with a break clause in the fifth year. Another key tenant is in advanced discussions to renew its lease on similar terms. Both of these are seen as credit positive, and ICR during the reporting period has increased from 168% to 191%.
4. **Meadow** – the sponsor has now secured a new planning permission for the Pentavia Retail Park asset – a reconfiguration of the existing retail units – which underpins the market value. However a planning application was also submitted during the year for a 685 unit residential-led scheme, which is currently awaiting determination by the local authority. If successful, the borrower anticipates a significant further uplift in the value of the property.

The Investment Adviser believes the Group's loan portfolio continues to be satisfactorily secured, given its senior position with a weighted average exposure of 57.0% LTV and a maximum exposure of 66.0% LTV. Risk remains well-diversified at portfolio level by sector and region and at loan level through exposure to predominantly multi-property or multi-tenanted security. All of the loans are fully compliant with the original investment parameters as set out in the IPO Prospectus, and remain compliant with the revised investment parameters set out on pages 17 and 18.

Portfolio Outlook

Notwithstanding a degree of uncertainty during the year caused by the Brexit vote, the investment portfolio has performed strongly and the outlook remains positive, with economic and property market conditions favourable, and interest rates benign.

Given the positive credit migration of many of the loans, which has meaningfully reduced LTV in many cases, there may be a number of loan repayments during the forthcoming year as prepayment protection fees continue to reduce with time. Following the financial year end the borrower of the Lanos facility repaid its £10.00 million loan, together with £1,120,203 of interest and exit and prepayment fees, via a refinancing from a third party lender.

ICG-Longbow expects the Group to reinvest proceeds in line with the new investment parameters approved by shareholders and expects that the quarterly dividend target of 1.5 pence per share will be maintained.

The Investment Adviser is already seeing a strong level of interest in the Company's new offering from prospective borrowers, and has built up a pipeline of potential opportunities in which it may be able to deploy capital in the event of any repayment of existing loans, or alongside any share placing programme.

Investment Adviser's Report

(continued)

Loan Portfolio

As set out above, as at 31 January 2017, the Group's portfolio comprised 10 loans with an aggregate principal balance outstanding of £109.33 million.

A summary of each of the individual loans as at 31 January 2017 is set out below:

Loan 1 – IRAF

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 £0.9 million repayment.

LM Real Estate sold the majority of the remaining portfolio in September 2014 to a borrower (IRAF Catch Ltd), managed by Infrared Capital Partners. A new £11.94 million senior loan was made to IRAF on substantially the same terms secured on the residual portfolio, resulting in a net repayment of £1.37 million to reflect the excluded properties.

The landlord works on the Law Distribution unit highlighted in last year's report have now been completed, with the tenant now paying rent. IRAF have committed circa £105,000 of capital expenditure to upgrade one of the units and aid leasing prospects. At 213% ICR and 43.4% LTV the loan remains strongly secured.

Property profile		Debt profile	
Number of properties	4	Day one debt	£14,200,000
Property value (£)	£27,485,000	Debt outstanding	£11,935,000
Property value (£/sq. ft.)	£56.87	Original term	5.4 years
Property area sq. ft.	483,294	Maturity	December 2018
Number of tenants	31	Current LTV	43.4%
Weighted lease length	2.29 years	Current ICR	213%
		Loan exposure per sq. ft.	£24.70

Loan 2 – Meadow

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.

During the reporting period, full planning permission was secured, in line with the borrower's business plan, for a reconfiguration of the existing retail space into smaller units. A full planning application has also been submitted for a larger, residential-led scheme comprising 685 build-to-rent units with ancillary retail and leisure provision. A decision on the application is pending and the borrower is awaiting the outcome before considering next steps of the business plan.

The estate is now vacant and debt service continues to be met from a pre-funded reserve account (topped up quarterly) which provides interest cover through to loan maturity. The loan remains compliant with all covenants and is satisfactorily secured.

Property profile		Debt profile	
Number of properties	1	Day one debt	£18,070,000
Property value (£)	£28,700,000	Debt outstanding	£18,070,000
Property value (£/sq. ft.)	£308.99	Original term	4.3 years
Property area sq. ft.	92,882	Maturity	December 2017
Number of tenants	N/A	Current LTV	63.0%
Weighted lease length	N/A	Current ICR	114%
		Loan exposure per sq. ft.	£194.55

Investment Adviser's Report

(continued)

Loan 3 – Northlands

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 tenant being Argos which renewed its lease during the financial year. The borrower completed a small disposal from the property portfolio in July 2014, resulting in a £0.72 million part prepayment of the loan, triggering prepayment and exit fees.

Steady progress continues to be made against business plan, particularly with planning gains and residential conversion projects which have added meaningfully to value during the period. ICR however has remained relatively stable given a modest increase in rent arrears. The Company approved the advance of a further £500,000 to cover management initiatives including further capital expenditure which was completed and drawn following the year end.

The loan remains well secured from both a value and income perspective, with demand for the underlying security from both an occupational and investment standpoint.

Property profile

Number of properties	15
Property value (£)	£16,067,950
Property value (£/sq. ft.)	£125.89
Property area sq. ft.	127,638
Number of tenants	115
Weighted lease length	2.49 years

Debt profile

Day one debt	£7,200,000
Debt outstanding	£6,477,250
Original term	5.0 years
Maturity	November 2018
Current LTV	40.3%
Current ICR	153%
Loan exposure per sq. ft.	£50.75

Loan 4 – Hulbert

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 270,000 square foot Grazebrook Industrial Estate. The borrower, Hulbert Properties Ltd, is a West Midlands based private property company.

During the period, a key lease renewal was secured with the principal tenant of the portfolio, and the borrower is also well advanced in extending the lease of the second major tenant. In the longer term, the borrower intends to focus on disposing of non-core units to free up cashflow for potential new development on vacant land at Grazebrook.

Property profile

Number of properties	3
Property value (£)	£12,565,000
Property value (£/sq. ft.)	£43.86
Property area sq. ft.	286,454
Number of tenants	12
Weighted lease length	3.12 years

Debt profile

Day one debt	£6,565,000
Debt outstanding	£6,565,000
Original term	5.0 years
Maturity	December 2018
Current LTV	52.2%
Current ICR	191%
Loan exposure per sq. ft.	£22.92

Investment Adviser's Report

(continued)

Loan 5 – Halcyon

A £8.60 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 87 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%.

The borrower completed the sale of a modest asset during the period with the £375,000 sales proceeds currently held by the lender and available to the borrower, subject to approval, for potential future acquisitions.

With the loan being secured by a portfolio of defensive freehold ground rent investments, the security position is considered strong despite an ICR below the average of the Group's investments.

Property profile		Debt profile	
Number of properties	21	Day one debt	£8,600,000
Property value (£)	£13,591,000	Debt outstanding	£8,600,000
Property value (£/sq. ft.)	£34.55	Original term	5.0 years
Property area sq. ft.	393,368	Maturity	December 2018
Number of tenants	4	Current LTV	63.3%
Weighted lease length	86.96 years	Current ICR	116%
		Loan exposure per sq. ft.	£21.86

Loan 6 – Carrara

A £1.30 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 84 years, subject to a 25% rental gearing. The property is a modern office building on an established business park accessed from the M1 motorway, which is fully let to a strong covenant until 2018. No material activity on the loan or security portfolio took place during the reporting period.

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

Property profile		Debt profile	
Number of properties	1	Day one debt	£1,300,000
Property value (£)	£2,000,000	Debt outstanding	£1,300,000
Property value (£/sq. ft.)	£81.73	Original term	5.0 years
Property area sq. ft.	24,470	Maturity	December 2018
Number of tenants	1	Current LTV	65%
Weighted lease length	83.94 years	Current ICR	113%
		Loan exposure per sq. ft.	£53.13

Investment Adviser's Report

(continued)

Loan 7 – Lanos

A £10.00 million loan to Lanos (York) Limited, which had a maturity date of December 2018. The £10.00 million advance included the funding of a £2.5 million capital expenditure reserve, charged to the lender, to meet the costs of constructing an extension and a refurbishment.

The facility is secured by a first and only charge on the 99 room (increased to 125 rooms) Best Western York Monkbar Hotel, which is located close to the city centre of York. The established, mid-market hotel benefited from a stabilised income profile and offered the potential to grow income and value through a planned refurbishment and 26 bedroom extension, funded through a ring-fenced element of the facility.

Following completion of refurbishment works, trading at the hotel improved significantly with all 125 rooms now available. Total revenues in the 12 months to December 2016 were up circa £750,000 on the prior year.

Following the financial year end, the borrower repaid the loan in full together with interest and exit and prepayment fees of £1,120,203.

Property profile

Number of properties	1
Property value (£)	£20,000,000
Property value (£/bed)	£160,000
Bedrooms	125

Debt profile

Day one debt	£10,000,000
Debt outstanding	£10,000,000
Original term	4.8 years
Maturity	December 2018
Current LTV	50.0%
Current ICR	181%
Loan exposure per bed	£80,000

Loan 8 – Ramada

A £7.98 million loan to Quay Hotels Limited, which has a maturity date of April 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.

After a strong 2015 boosted by the Rugby World Cup games held in the city during the second half of the year, trading slipped back during 2016 given the level of competition in the market. However, expenses have been closely controlled and the loan carries a robust ICR of 178%.

Property profile

Number of properties	1
Property value (£)	£12,100,000
Property value (£/bed)	£60,500
Bedrooms	200

Debt profile

Day one debt	£7,982,500
Debt outstanding	£7,982,500
Original term	5.0 years
Maturity	April 2019
Current LTV	65.97%
Current ICR	178%
Loan exposure per bed	£39,912.50

Investment Adviser's Report

(continued)

Loan 9 – Commercial Regional Space

A £22.40 million loan to Commercial Regional Space Limited and affiliates made on 16 March 2016, and secured by first charges against two multi-let industrial estates located in Lancashire comprising 1.25 million sq. ft. of accommodation and providing a highly diversified income stream from lettings to 160 tenants.

Performance has been strong during the year, with income up over 25% since loan closing via new lettings and regeared leases.

The loan is considered very well secured, given low exposure per sq. ft. and high ICR.

Property profile

Number of properties	2
Property value (£)	£35,000,000
Property value (£/sq. ft.)	£28.07
Property area sq. ft.	1,247,090
Number of tenants	160

Debt profile

Day one debt	£22,400,000
Debt outstanding	£22,400,000
Original term	3 years
Maturity	April 2019
Current LTV	64.0%
Current ICR	358%
Loan exposure per sq. ft.	£17.96

Loan 10 – BMO

On 31 January 2017, the Company advanced a new £16.00 million loan to clients of BMO Real Estate Partners, with an initial LTV ratio of 55.4% and a maturity date in April 2019.

The loan is secured by first charges against a portfolio of 17 properties located across the UK, principally in the high street retail and industrial sectors, and provides a diversified income stream from lettings to 55 tenants.

Property profile

Number of properties	17
Property value (£)	£28,855,000
Property value (£/bed)	£94.46
Property area sq. ft.	305,458
Number of tenants	55

Debt profile

Day one debt	£16,000,000
Debt outstanding	£16,000,000
Original term	2 years
Maturity	April 2019
Current LTV	55.4%
Current ICR	404%
Loan exposure per sq. ft.	£52.38

ICG-Longbow
26 April 2017

Investment Policy

At the date of signing of these Financial Statements, the investment objective and policy, as approved by the Shareholders of the Company, which applied to the Group after the passing of Resolution 1 at the EGM held on 1 March 2017, was as follows:

Investment Objective

The objective of the Group is to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive, quarterly dividends, capital preservation and, over the longer term, a degree of capital appreciation.

Investment Policy

The Group's investment policy is to invest in:

- direct real estate debt investments via a diversified loan portfolio comprised of first ranking loans secured on UK Commercial Property, with an aggregate LTV of no more than 75% (based on the initial valuations at the time of loan origination or acquisition once fully invested); and
- ICG Private Funds acquired in primary or secondary transactions, including from the Investment Adviser or its Associates.

Investment Restrictions

A. The following restrictions apply to loan investments within the portfolio.

The Group will, subject as set out below, only invest in loans that:

- are originated by the Investment Adviser or its Associates;
- are denominated in Pounds Sterling;
- benefit from a first ranking fixed charge over the relevant properties, including in respect of any receivable income;
- 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 or cash-flow lock-up;
- have a term of no greater than ten years from the date of investment;
- have an LTV no higher than 85% at the time of origination or acquisition provided however that the aggregate value of the loans with an LTV of greater than 80% shall be no greater than 20% of the Group's gross asset value; and
- are bilateral (other than where syndicated with other funds managed by the Investment Adviser or its Associates).

At the time any investment is made:

- the maximum percentage of the Group's gross assets allocated to a single loan shall be 10%, provided that the limit may be increased to 15% in respect of loans benefitting from Investment Grade Tenants and 20% in respect of loans benefitting from a diversified tenant profile;
- the maximum percentage of the Group's gross assets allocated to a single borrower (together with its parents, subsidiaries and/or affiliates) shall be 20%;
- the maximum exposure of the gross rents receivable on all loan investments to a single underlying tenant shall be 10%, except in the case of the UK Government, when the maximum exposure shall be 25%;
- the maximum exposure to a mainstream property sector or the mixed property sector shall be 50% of the Group's gross assets;
- the maximum exposure to an alternative property sector shall be 25% of the Group's gross assets;
- the maximum exposure to property which is not a mainstream property sector, an alternative property sector or the mixed property sector shall be 5% of the Group's gross assets;

Investment Policy

(continued)

Investment Restrictions (continued)

- the maximum exposure to property within a single UK economic region shall be 30% of the Group's gross assets, provided that the maximum exposure to Greater London property shall be 60% of the Group's gross assets; and
- the value of the Group's security which is not freehold tenure or long-leasehold tenure with an unexpired term of more than 50 years shall not be greater than 5% of the total value of the Group's security.

The Group will not invest in subordinated loans and mezzanine loans, bridge loans, development loans or loan-on-loan financings.

B. The following restrictions apply to the portfolio's indirect real estate exposure.

The Group may only invest in ICG Private Funds where at the date of making an investment or commitment:

- the relevant ICG Private Fund's investment parameters, investment policy and/or investment objective, as the case may be, require that at least 90% of that ICG Private Fund's capital is invested in Pounds Sterling denominated loans secured by commercial real estate and at least 60% in loans secured by first ranking security over Commercial Property;
- the maximum percentage of the Group's gross assets committed to a single ICG Private Fund shall be 20%, where gross assets are calculated on the assumption that the Group's commitment to such fund is fully utilised; and
- the maximum percentage of the Group's gross assets committed to all ICG Private Funds shall be 30%, where gross assets are calculated on the assumption that the Group's commitment to such funds is fully utilised.

Gearing

The Group may utilise borrowings from time to time in order to finance its working capital requirements provided that such borrowings will not exceed an amount equal to 20% of the Group's net asset value immediately following the drawdown of the borrowings.

Cash Management Policy

Cash held by the Group pending investment or distribution will be held in either cash or cash equivalents. The Group may invest in quoted bond and other debt instruments with a final maturity of less than 365 days as well as money market funds for the purposes of cash management provided any such instrument has a minimum credit rating. The Group will not apply gearing to these temporary investments.

The Group will not invest in other listed or unlisted closed-ended funds.

Any material change to the Group's published investment policy will be made only with the prior approval of shareholders by ordinary resolution.

Board of Directors

Jack Perry CBE – Chairman and Non-Executive Independent Director

Jack Perry pursues a career as a portfolio non-executive director. In addition to a number of current public and charitable appointments, he is chairman of European Assets Trust NV and a non-executive director of Witan Investment Trust plc. He was Chief Executive Officer of Scottish Enterprise and prior to this was a managing partner and regional industry leader for Ernst & Young LLP. Jack was also chairman of CBI Scotland. He has served on the Boards of FTSE 250 and other public and private companies and is a member of the Institute of Chartered Accountants of Scotland.

Committee Membership: Audit Committee, Nomination Committee, Management Engagement Committee

Stuart Beevor – Non-Executive Independent Director

Stuart is an Independent Consultant with various roles advising clients in real estate fund management, investment, development and asset management. He is Senior Independent Director of Metropolitan Housing Trust and a non-executive director of Empiric Student Property plc. 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.

Committee Membership: Audit Committee, Nomination Committee, Management Engagement Committee

Patrick Firth – Non-Executive Independent Director

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, GLI Finance Limited (formerly Greenwich loan Income Fund Limited), Guernsey Portfolio PCC Limited, Heritage Diversified Investments PCC Limited, Global Private Equity One Limited and NextEnergy Solar Fund Limited. Patrick is a former Chairman of the Guernsey International Business Association.

Committee Membership: Audit Committee, Nomination Committee, Management Engagement Committee

Mark Huntley – Non-Executive Director

Mark has nearly 40 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 including Heritage Diversified Investments PCC Limited, Stirling Mortimer No.8 Fund UK Limited, Stirling Mortimer No.9 Fund UK Limited, and has been actively involved in real estate investment in the UK and internationally. He also has experience of a number of private and listed 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.

Committee Membership: Nomination Committee

Board of Directors

(continued)

Paul Meader – *Non-Executive Independent Director*

Paul is an independent director of investment companies, insurers and investment funds. 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 30 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. 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: Highbridge Multi-Strategy Fund Limited, Guaranteed Investment Products 1 PCC Limited, Volta Finance Limited, Schroder Oriental Income Fund Limited and JP Morgan Global Convertibles Income Fund Limited. Paul is a Chartered Fellow of the Chartered Institute of Securities & Investments, a past Commissioner of the Guernsey Financial Services Commission and past Chairman of the Guernsey International Business Association. He is a graduate of Hertford College, Oxford.

Committee Membership: Audit Committee, Nomination Committee, Management Engagement Committee

Report of the Directors

The Directors hereby submit the Annual Report and Consolidated Financial Statements for the Group for the year ended 31 January 2017. This Report of the Directors should be read together with the Corporate Governance Report on pages 28 to 36.

General Information

The Company is a non-cellular company limited by shares incorporated on 29 November 2012 under the Companies Law. The Company's registration number is 55917, and it has been registered with the GFSC as a registered closed-ended collective investment scheme. The Company's ordinary shares were admitted to the premium segment of the 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 investment objective of the Group is to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive, quarterly dividends, capital preservation and, over the longer term, a degree of capital appreciation.

Business Review

A review of the Group's business and its likely future development is provided in the Chairman's Statement on pages 4 and 5 and in the Investment Adviser's Report on pages 6 to 16.

Listing Requirements

Since being admitted on 5 February 2013 to the Official List of the UK Listing Authority, maintained by the FCA, 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 49 to 52.

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 2016	26 April 2016	26 May 2016	1.5
30 April 2016	30 June 2016	22 July 2016	1.5
31 July 2016	15 September 2016	14 October 2016	1.5
31 October 2016	9 December 2016	13 January 2017	1.5
31 January 2017	26 April 2017	2 June 2017	1.5
31 January 2017	26 April 2017	2 June 2017	2.25

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 IPO. On 24 April 2014, the Company issued 3.6 million new ordinary shares at 102 pence per share, a premium of 2 pence per share above IPO issue price.

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 Annual General Meetings. On a poll, each shareholder is entitled to one vote for every share held. At the EGM held on 1 March 2017, the proposed resolution that Company have the power to allot up to an additional 40,000,000 shares was duly passed without amendment.

Report of the Directors

(continued)

Share Capital (continued)

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.

Shareholdings of the Directors

The Directors with beneficial interests in the shares of the Company as at 31 January 2017 and 2016 are detailed below:

Director	Ordinary Shares of £1 each held 31 January 2017	% holding at 31 January 2017	Ordinary Shares of £1 each held 31 January 2016	% holding at 31 January 2016
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

In addition, the Company also provides the same information as at 21 April 2017, being the most current information available.

Director	Ordinary Shares of £1 each held 21 April 2017	% holding at 21 April 2017
Jack Perry	35,000	0.03
Stuart Beevor	20,000	0.02
Patrick Firth	10,000	0.01
Mark Huntley	10,000	0.01
Paul Meader	25,000	0.02

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 Group'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.

Annually the Company passes a 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.

Report of the Directors

(continued)

Directors' Authority to Buy Back Shares (continued)

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 2016.

Substantial Shareholdings

As at 31 January 2017, 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	% holding
TDC Pensionskasse	10,653,156	9.84
Intermediate Capital Group	10,000,000	9.24
Premier Asset Management	8,500,000	7.85
Investec Wealth & Investment	8,348,632	7.71
Arbuthnot Latham	7,495,908	6.93
Cazenove Capital Management	7,491,098	6.92
SG Private Banking	7,276,670	6.72
Brooks Macdonald	6,999,780	6.47

In addition, the Company also provides the same information as at 6 April 2017, being the most current information available.

Shareholder	Shareholding	% holding
Close Brothers Asset Management	15,148,726	14.00
Premier Asset Management	11,500,000	10.63
TDC Pensionskasse	10,653,156	9.84
Intermediate Capital Group	10,000,000	9.24
SG Private Banking	7,260,661	6.71
Brooks Macdonald	6,626,488	6.12
Brewin Dolphin	5,840,774	5.40
Investec Wealth & Investment	5,714,866	5.28

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. The Audit Committee reviews the appointment of the external auditor and its effectiveness. Following a review of the independence and effectiveness of the external auditor, a resolution will be proposed at the 2017 Annual General Meeting to re-appoint Deloitte LLP. Each Director believes that there is no relevant information of which the external auditor is unaware. Each had taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that Deloitte LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies Law. Further information on the work of the external auditor is set out in the Report of the Audit Committee on pages 37 to 41.

Report of the Directors

(continued)

Articles of Incorporation

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

NMPIs

There is no change to the Company's status in respect of NMPI and the Company remains on the AIC list of exempted securities.

The Company continues to make all reasonable efforts to conduct its affairs in such a manner so that its shares can be recommended by UK financial advisers to ordinary retail investors in accordance with the FCA's rules relating to non-mainstream investment products.

AIFMD

The Company is an internally managed non-EU domiciled alternative investment fund. Any offer of shares to prospective investors within selected member states of the European Economic Area (including the UK) will be made in accordance with the applicable national private placement regime, and the Company will notify its intention to market to the competent authority in each of the selected member states for the purposes of compliance with AIFMD.

AEIO Rules

Under AEIO Rules the Company continues to comply with both FATCA and CRS requirements to the extent relevant to the Company.

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 Group was wholly invested at 31 January 2017 with a total loan portfolio representing 97.88% of the net capital raised. The Board expects that the loan portfolio will generate enough cash flows to pay on-going expenses and generate returns to shareholders for the foreseeable future. The Directors have considered the cash position, maturity profile and performances of current investments made by the Group, and its ability to reinvest maturing loans and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

The first continuation vote was held on 1 March 2017 and passed by the shareholders. The requirement for subsequent annual continuation votes has been amended so that any follow-on continuation resolutions shall be held every five years at which the Directors shall propose an ordinary resolution that the Company continues its business as a closed-ended collective investment scheme.

Viability Statement

As required by the AIC Code, the Directors have assessed the prospects of the Group over a period longer than 12 months required by the going concern provision. The Board has conducted this review for a period covering the next three years to January 2020, which is deemed appropriate given:

- (i) the maturity profile of the Group's current loan portfolio December 2017 to January 2020;
- (ii) the increasing likelihood of early repayment as prepayment protection terms expire;
- (iii) the investment objectives of the Group and the revised investment policy approved by shareholders at the EGM on 1 March 2017; and
- (iv) the continuation vote that was passed at the EGM held on 1 March 2017.

The Group's capital is wholly invested and can be reinvested under the new investment policy. Based on past performance the returns generated should be stable and predictable in the medium term.

Report of the Directors

(continued)

Viability Statement (continued)

The Investment Adviser has prepared and the Board has reviewed the Group's revenue, cashflow and working capital projections over the next three years, and considered the impact of some of the principal risks of the Group as described on pages 34 to 36. The Investment Adviser and the Board evaluated the resilience of the Group to the occurrence of these risks in severe yet plausible scenarios. This evaluation has applied through the following key scenarios to the portfolio of loans prevailing at 31 January 2017 (it was assumed that there would be no changes relating to the Group structure which includes changes in tax legislation applicable to the Group or Company and changes to fund legislation):

- each loan repays at the expiry of its respective income protection provisions, and is reinvested within the target investment policy after 3 months;
- the property debt market experiences a material over supply of capital compressing lending margins to 2006-07 levels combined with a pro-longed period of low interest rates resulting in the redeployment of capital at an interest rate of 3% per annum.

Each scenario has been stressed to consider the impact of:

- Reinvestment risk – The inability of the Group to redeploy capital in a timely manner leading to prolonged cash drag;
- Loan non-performance – The impact to the Group should several loans become non-performing, including non-payment of principal or interest; and
- Property Valuations – The impact to the Group of the commercial property market experiences a sharp reduction in valuations similar to 2008.

Having conducted a robust analysis of the above scenarios and stresses applied to each, the Directors remain satisfied that the Group remains viable.

Financial Risk Management Policies and Objectives

Financial Risk Management Policies and Objectives are disclosed in Note 11 on pages 62 to 65.

Principal Risks and Uncertainties

Principal Risks and Uncertainties are discussed in the Corporate Governance Report on pages 34 to 36.

Subsequent Events

Significant subsequent events have been disclosed in Note 15 to the Financial Statements on page 67.

Annual General Meeting

The AGM of the Company will be held at 2.00 pm BST on 31 May 2017 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

26 April 2017

Directors' Responsibilities Statement

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

The Companies Law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Consolidated Financial Statements in accordance with IFRS. Under the Companies 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, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS 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;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and to enable them to ensure that the Financial Statements comply with Companies Law. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website (www.lbow.co.uk).

Legislation in Guernsey governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report under the Disclosure and Transparency Rules

Each of the Directors, whose names are set out on pages 19 and 20, confirms to the best of their knowledge and belief that:

- the Financial Statements, prepared in accordance with IFRS, 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 Annual Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiary, together with a description of the principal risks and uncertainties faced; and
- the Annual Report and Consolidated Financial Statements include information required by the UK Listing Authority and ensuring that the Company complies with the provisions of the Listing Rules, Disclosure Guidelines and Transparency Rules of the UK Listing Authority. With regard to corporate governance, the Company is required to disclose how it has applied the principles, and complied with the provisions of the corporate governance code applicable to the Company.

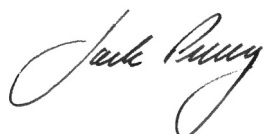
Directors' Responsibilities Statement

(continued)

Responsibility Statement of the Directors in Respect of the Annual Report under the Corporate Governance Code

The Directors are responsible for preparing the Annual Report and Financial Statements 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.

By order of the Board



Jack Perry
Chairman

26 April 2017



Patrick Firth
Director

26 April 2017

Corporate Governance Report

The Directors recognise the importance of sound corporate governance, particularly the requirements of the AIC Code.

The Company became a member of the AIC effective 27 February 2013. The Directors have considered the principles and recommendations of the AIC Code by reference to the AIC Guide.

The GFSC published the 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 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 FRC's website, www.frc.org.uk.

Throughout the year ended 31 January 2017, 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 Adviser 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 Report of the Audit Committee on page 39.

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.

As an investment company, the Group's activities have no direct impact on the environment. However the Board believes that it is in the shareholders' interest to consider environmental, social and ethical factors when selecting and retaining investments. The Investment Adviser is a signatory to the UN Principles for Responsible Investment and these principles are applied in practice, taking a proactive approach to considering environmental, social and corporate governance factors in all investment decisions.

The Board

The Company is led and controlled by a Board of Directors, which is collectively responsible for the long-term success of the Company. It does so by creating and preserving value, and has as its foremost principle acting in the interests of shareholders. The Company believes that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected to bring a breadth of knowledge, skills and business experience to the Company. The Directors details are listed on pages 19 and 20 which set out their range of investment, financial and business skills and experience represented.

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 Adviser;

Corporate Governance Report

(continued)

The Board (continued)

- has no current directorships in any other investment funds managed by the Investment Adviser;
- 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.

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

Board Tenure and Re-election

All Directors were appointed in November 2012 therefore no member of the Board has served for longer than five 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 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. 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 at the forthcoming AGM. 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.

Directors' Remuneration

The level of remuneration of the Non-executive Directors reflects the time commitment and responsibilities of their roles. The Chairman is entitled to annual remuneration of £40,000. The other Directors are entitled to annual remuneration of £27,500, with Patrick Firth receiving an additional annual fee of £5,000 for acting as chairman of the Audit Committee.

During the year ended 31 January 2017 and the year ended 31 January 2016, the Directors' remuneration was as follows:

Director	1 February 2016 to 31 January 2017 £	1 February 2015 to 31 January 2016 £
Jack Perry	40,000	40,000
Stuart Beevor	27,500	27,500
Patrick Firth	32,500	32,500
Mark Huntley	27,500	27,500
Paul Meader	27,500	27,500

Corporate Governance Report

(continued)

Directors' Remuneration (continued)

The above fees due to the Directors are for the year ended 31 January 2017 and 31 January 2016, of which £38,750 was outstanding at 31 January 2017 (31 January 2016: £38,750).

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

The Board agreed to the award of an additional £5,000 per Director to reflect the additional work undertaken in respect of the placing programme. This amount will be paid after the despatch of the Prospectus.

Also, having reviewed the Directors remuneration for similar alternative asset class investment companies, after benchmarking these against the current fees and considering the additional tasks to be undertaken in connection with the Company as its market capitalisation increases, and in recognition of the increased level of regulatory obligations on the Company, the Board concluded that the Directors' fees should be increased to £35,000 per annum with an additional amount of £5,000 for the Chairman of the Audit Committee. It was also agreed by the non-executive Directors in the absence of the Chairman that he should receive a total annual fee of £50,000 per annum. These fees will be effective from 1 July 2017.

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 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 Companies Law and applicable rules and regulations of the GFSC 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' Responsibility Statement on pages 26 and 27. The Board is also responsible for issuing appropriate Interim Reports and other price-sensitive public reports.

One of the key criteria the Company uses when selecting non-executive Directors is their confirmation prior to their appointment that they will be able to allocate sufficient time to the Company to discharge their responsibilities in a timely and effective manner.

The Board formally met four times during the year and the ad-hoc Board meetings were called in relation to specific events or to issue approvals, often at short notice and did not necessarily require full attendance. Directors are encouraged when they are unable to attend a meeting to give the Chairman their views and comments on matters to be discussed, in advance. In addition to their meeting commitments, the Non-executive Directors also make themselves available to management whenever required and there is regular contact outside the Board meeting schedule.

Corporate Governance Report

(continued)

Duties and Responsibilities (continued)

Attendance is further set out below:

Director	Scheduled Board Meetings (max 4)	Ad-hoc Board Meetings (max 3)	Audit Committee Meetings (max 3)	Nomination Committee Meetings (max 1)	Management Engagement Committee Meetings (max 1)
Jack Perry	4	2	3	1	1
Stuart Beevor	4	1	3	1	1
Patrick Firth	4	2	3	1	1
Mark Huntley	4	3	n/a	1	n/a
Paul Meader	4	2	3	1	1

Committees of the Board

The Board believes that it and its committees have an appropriate composition and blend of backgrounds, skills and experience to discharge their duties effectively. No one individual or small group dominates decision-making. The Board keeps its membership, and that of its committees, under review to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual. Each committee of the Board has written terms of reference, approved by the Board, summarising its objectives, remit and powers, which are available on the Company's website (www.lbow.co.uk) and are reviewed on an annual basis. All committee members are provided with an appropriate induction on joining their respective committees, as well as on-going access to training. Minutes of all meetings of the committees are made available to all Directors and feedback from each of the committees is provided to the Board by the respective committee Chairmen at the next Board meeting. The Chairman of each committee attends the AGM to answer any questions on their committee's activities. The Board and its committees are supplied with regular, comprehensive and timely information in a form and of a quality that enables them to discharge their duties effectively. All Directors are able to make further enquiries of management whenever necessary, and have access to the services of the Company Secretary.

Audit Committee

The Audit Committee is chaired by Mr Firth and comprises Mr Perry, Mr Beevor and Mr Meader. The Chairman of the Audit Committee, the Investment Adviser and the external auditor, Deloitte LLP, have held discussions regarding the audit approach and identified risks. The external auditors attend Audit Committee meetings and a private meeting is routinely held with the external auditors to afford them the opportunity of discussions without the presence of management. The Audit Committee activities are contained in the Report of the Audit Committee on pages 37 to 41.

Nomination Committee

The Nomination Committee is chaired by Mr Perry and comprises Mr Beevor, Mr Firth, Mr Huntley and Mr Meader. 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.

The Board is satisfied with the current composition and functioning of its members. When appointing Board members, its priority is based on merit, but will be influenced by the strong desire to maintain board diversity, including gender.

Corporate Governance Report

(continued)

Management Engagement Committee

The Management Engagement Committee is chaired by Mr Perry and comprises Mr Beevor, Mr Firth and Mr Meader. 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. The Management Engagement Committee will review in particular any proposed amendment to the Investment Management Agreement and will keep under review the performance of the Investment Adviser (including effective and active monitoring and supervision of the activities of the Investment Adviser) in its role as Investment Adviser to the Company as well as the performance of any other service providers to the Company. The Audit Committee also report on their relationship with the external auditor.

Board Performance Evaluation

In accordance with Principle 7 of the AIC Code which requires a formal and rigorous annual evaluation of its performance, the Board formally reviews its performance annually through an internal process.

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.

New Directors receive an induction on joining the Board and regularly meet with the senior management employed by the Investment Adviser both formally and informally to ensure that the Board remains regularly updated on all issues. All members of the Board are members of professional bodies and serve on other Boards, which ensures they are kept abreast of the latest technical developments in their areas of expertise. The Board arranges for presentations from the Investment Adviser, the Company's brokers and other advisers on matters relevant to the Company's business. The Board assesses the training needs of Directors on an annual basis.

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 can confirm they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. 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 Adviser; however, it remains accountable for all functions it delegates;
- the Board clearly defines the duties and responsibilities of the Company's agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisers and will continue to do so through the Management Engagement Committee;
- the Board monitors the actions of the Investment Adviser 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 Adviser, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary, as explained on page 39.

Corporate Governance Report

(continued)

Internal Control and Financial Reporting (continued)

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. The Administrator and Investment Adviser both operate risk controlled frameworks on a continual ongoing basis within a regulated environment. The Administrator has undertaken an ISAE 3402: Assurance Reports on Controls at a Service Organisation audit and formally reports to the Board quarterly through a compliance report. The Investment Adviser formally reports to the Board quarterly including updates within ICG-Longbow and also engages with the Board on an ad-hoc basis as required. The Board has not identified any significant weaknesses or failings within the Administrator or Investment Adviser.

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 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 is undertaken by the Management Engagement Committee. An on-site review of the Investment Adviser and an assessment of the Luxembourg Administrator were undertaken in March 2016. The conclusions of these reviews were highly satisfactory providing assurance to the Board. 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.

Investment Management Agreement

The Company has entered into an agreement with the Investment Adviser. This sets out the Investment Adviser'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 Adviser 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 Adviser, in the opinion of the Directors the continuing appointment of the Investment Adviser 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.

The Board receives comprehensive shareholder reports from the Company's Registrar at all quarterly Board meetings and regularly monitors the views of shareholders and the shareholder profile of the Company. Shareholders may also find Company information or contact the Company through its website.

Whistleblowing

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Investment Adviser or Administrator may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.

Corporate Governance Report

(continued)

Principal risks and uncertainties

Each Director is fully 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 carry out a robust assessment of the risks facing the Company, manage these risks within acceptable limits and to meet all of its legal and regulatory obligations.

The Board thoroughly 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.

For each material risk, the likelihood and potential impact are identified.

The Company's financial instrument risks are discussed in Note 11 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.

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

Risks relating to the loan portfolio performance and recovery:

Description	Potential Impact	Mitigation
Real estate loan non-performance	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.	The Company's current investment portfolio includes an equity buffer of at least 35% of the property security's value to shield against any reduction in capital values, whilst all loans include covenants which give the lender the opportunity to intervene and take protective action at an early stage if the value of the underlying property or the income profile reduces materially. In order to identify any such deterioration, loans are monitored on a quarterly basis for signs of underperformance or distress.
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.	All investments are monitored on a quarterly basis for early warning signs of underperformance or distress. The maturity of the loans and the Investment Adviser's direct property market experience, including its ongoing interactions with the market in respect of other funds it manages, should also help it to identify any potential inaccuracies in the independent third party valuations, or adverse trends in the market as a whole.

Corporate Governance Report

(continued)

Principal risks and uncertainties (continued)

Risks relating to the loan portfolio performance and recovery (continued):

Description	Potential Impact	Mitigation
Inability to roll-over loans	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 is accretive to investor returns.	Each of the Company's loans benefit from an income protection or minimum earnings clause which will act as a deterrent to early repayments, but which also serves to provide a buffer to enable the Company to redeploy the proceeds of an early repayment at prevailing market rates in a manner accretive to the Company.
Early repayment of loans	Loan principals may be paid earlier than anticipated. All of the original loans made by the company included income protection provisions for an original period of circa four 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.	Each investment benefits from income protection and the ability to reinvest monies at current market rates on a basis which remains accretive to investors. However as the income protection period reduces as a proportion of the residual terms, then the disincentive to refinance in a low interest rate environment may fall and the reinvestment opportunity may also diminish. The Investment Adviser will seek to mitigate the risk of unexpected pre-payments by maintaining a regular dialogue with borrowers and by seeking to understand their need. The Board will also continue to consider and discuss the strategic implications and opportunities that prepayments may present for the Company in the longer term.
Market conditions	The performance of the Company and its underlying investments may be affected by other economic conditions such as changes to equity risk premiums, corporate failure rates, changes in laws or regulations, national and international political circumstances etc. These risks are particularly acute given the potential volatility of the capital and credit markets, and the Investment Adviser may be unable to predict whether, or to what extent or for how long, such conditions may reoccur and affect the operation of the Company.	Whilst market conditions may have a significant impact on the share price of the Company, the impact on its investments and underlying performance will be less severe to the extent it does not impact the confidence of property investors or the occupational markets. The Company's investment strategy, based on diverse underlying income and deep cashflow based underwriting, and property due diligence will mitigate the risk of properties and/or locations becoming undesirable due to other market conditions during the term of the investments. The general economic backdrop is monitored by the Investment Adviser .

In the event of a repayment, the Company would endeavour to redeploy the capital received. However, if capital could not be redeployed under the Group's 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.

Corporate Governance Report

(continued)

Principal risks and uncertainties (continued)

Risks relating to Group structure:

Description	Potential Impact	Mitigation
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 risk of such change is heightened as the UK withdraws from Europe. The Group may also be impacted by the OECD's BEPS legislation. BEPS refers to the tax planning strategies of multinational corporations that exploit mismatches in national tax rules to shift artificially profits to low or no-tax locations, resulting in little or no overall corporate tax being paid. While the Investment Adviser does not believe the Company is an intended target of the OECD's BEPS measures, being neither a multinational company nor involved in artificial arrangements, it is currently unclear what the implications will be for the Group or the real estate sector. It is possible that the implementation of the BEPS actions in the UK or other jurisdictions through which the Group invests may have negative implications for the Group, including the potential for a reduction in the tax deductibility of debt interest.	The corporate structure of the Company is regularly reviewed and, where appropriate, external tax advice sought. ICG-Longbow continues to monitor developments in UK and European legislation. With respect to BEPS, the Group continues to monitor the situation but it is currently unclear what the implications will be for the Group or the real estate sector.

In summary, the above risks are mitigated and managed by the Board through continual review, policy setting and updating of the Company's risk matrix at each Audit Committee Meeting 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 Adviser and Administrator regarding risks that the Group faces. When required, experts will be employed to gather information, including tax advisers, legal advisers, and environmental advisers.

By order of the Board



Jack Perry
Chairman

26 April 2017



Patrick Firth
Director

26 April 2017

Report of the Audit Committee

The Audit Committee, chaired by Mr Firth, 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, the AIC Code and the UK Code. Its other members are Mr Perry, Mr Beevor and Mr Meader. Only independent Directors can serve on the Audit Committee. Members of the Audit Committee must be independent of the Company's external auditor and Investment Adviser. The Audit Committee will meet no less than twice a year, and at such other times as the Audit Committee Chairman shall require.

The varied backgrounds of the committee's members, and their collective skills, experience and knowledge of the Company, allows them to fulfil the Committee's remit and to oversee the Company's auditors. The Board has taken note of the requirement that at least one member of the Audit Committee should have recent and relevant financial experience and is satisfied that the Audit 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 Consolidated Financial Statements and the Interim Report, the system of internal controls, and the terms of appointment of the Company's independent 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 any draft impairment reviews of the Group's investments prepared by the Investment Adviser, and making a recommendation to the Board on any impairment in the value of the Group's investments;
- meeting regularly with the external 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 external 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;
- monitoring the internal financial control and risk management systems on which the Company and its Group is reliant;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on Audit Committees; and
- reviewing the risks facing the Group and monitoring the risk matrix.

The Audit Committee is required to report formally its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

Report of the Audit Committee

(continued)

Responsibilities (continued)

The external 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 Audit Committee without representatives of the Investment Adviser 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 Adviser and the auditor the appropriateness of the Interim Report and Annual Report and Consolidated 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 external auditor including going concern and viability statement;
- whether the Annual Report and Consolidated 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 Adviser 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 2017, the Audit Committee has met formally on three occasions. The matters discussed at those meetings include:

- review 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 Annual Report and Financial Statements, Interim Report and recommendation for approval by the Board including the going concern basis and the viability statement;
- review of the Group's risk matrix;
- review and approval of the audit plan and final Audit Committee report of the auditor;
- discussion and approval of the fee for the external audit;
- assessment of the independence of the external auditor;
- assessment of the effectiveness of the external audit process as described below; and
- review of the Group's key risks and internal controls.

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 NAV and interest income. Judgements over the level of any impairment and recoverability of loan interest could significantly affect the NAV.

Report of the Audit Committee

(continued)

Primary Area of Judgement (continued)

The Board reviews the compliance of all loans with terms and covenants at each Board meeting. The Board also receives updates from the Investment Adviser 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. In addition, in March 2016, a sub group of the Board conducted an on-site review of the Investment Advisers' processes and controls for monitoring investment performance and borrower compliance. The results of that review were deemed to be satisfactory.

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 year thus affecting the level of distributable income.

The Audit Committee reviewed detailed impairment analysis and current loan performance reports prepared by the Investment Adviser. These were discussed with the Investment Adviser 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 Annual Report.

The Audit Committee also reviewed the income recognition and the treatment of arrangement and exit fees which were based on effective interest rate calculations prepared by the Investment Adviser 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 Adviser, the Administrator and Auditor. The Audit Committee is satisfied that the Group interest income has been recognised in line with the requirements of IFRS and as none of the loans were impaired the income recognised has not been adjusted.

The Audit Committee has reviewed the judgements and estimations in determining the fair value of prepayment options embedded within the contracts for loans advanced. The key factors considered in the valuation of prepayment options include the exercise price, the interest rate of the host loan contract, differential to current market interest rates, the risk free rate of interest, contractual terms of the prepayment option, and the expected term of the option. In response to these factors it has been evaluated that the probability of exercise by the borrower is low and the timing of exercise is indeterminable. As a result, the Audit Committee has concluded that it is appropriate no value is attributed to embedded prepayment options.

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 Audit 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 34 to 36 of the Corporate Governance Report, and it receives reports from the Investment Adviser and Administrator on the Group's risk evaluation process and reviews changes to significant risks identified.

Internal audit

The Audit Committee continues to review the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and the Investment Adviser, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Report of the Audit Committee

(continued)

External Audit

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

The external auditor is required to rotate the audit partner every five years. The current partner is in her third year of tenure. The Audit Committee shall give advance notice of any retendering plans within the Annual Report. The Audit Committee has considered the re-appointment of the auditor and decided not to put the provision of the external audit out to tender at this time.

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 Reports, 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.

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 Audit 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
- the 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 2018.

The Audit Committee has provided the Board with its recommendation to the shareholders on the re-appointment of Deloitte LLP as external auditor will be put to shareholders at the Annual General Meeting.

Report of the Audit Committee

(continued)

External Audit (continued)

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 Committee

26 April 2017

Independent Auditor's 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 2017 and of the Group's 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.

Summary of our audit approach

Key risks	<p>The key risks that we identified in the current year were:</p> <ul style="list-style-type: none"> • The assessment of any impairment in value in the loans advanced; and • Revenue recognition. <p>The key risks are the same as the prior year.</p>
Materiality	<p>We determined materiality for the Group to be £2.24 million which is 2% of Net Asset Value.</p> <p>We have applied a lower level of materiality threshold of £0.4 million based on 5% of Investment Income.</p>
Scoping	<p>All audit work for the company was performed directly by the audit engagement team.</p>
Significant changes in our approach	<p>There has been no significant changes in our approach from the prior year.</p>

Independent Auditor's Report

(continued)

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2b to the financial statements and the directors' statement on the longer-term viability of the Group contained within the Report of the Directors.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on pages 34 to 36 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 34 to 36 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on pages 24 and 25 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.





We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Independent Auditor's Report

(continued)




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.

Risk title 	The assessment of any impairment in value in the loans advanced
Risk description 	<p>As at 31 January 2017, loans measuring £109.94 million (31 January 2016: £104.04 million) are carried at amortised cost less any provision for impairment as disclosed in Note 2 k i) and Note 5 of the Consolidated Financial Statements.</p> <p>As described in the Audit Committee Report on slide 13, the Group's loans are the key value driver for the Group Net Asset Value and interest income. Judgements over the level of any impairment and recoverability of loan interest could significantly affect these key performance indicators. Impairment is considered to be the most critical accounting judgment and estimate made in applying the Group's accounting policies as described in Note 3. The specific areas of judgement include:</p> <ul style="list-style-type: none"> • 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.
How the scope of our audit responded to the risk 	<p>We evaluated management's assumptions used to assess whether the loans had suffered any impairment. Our procedures included:</p> <ul style="list-style-type: none"> • 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 Adviser 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 underlying property valuation and considering whether the assumptions used in those valuations are 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.
Key observations 	<p>Having carried out the procedures, we found that judgements and assumptions formed by the management underlying the impairment analysis appears to be appropriate.</p>

Independent Auditor's Report

(continued)

Risk title	Revenue recognition
Risk description 	<p>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.</p> <p>In addition, the existence of prepayment fees arising from early principal 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.</p> <p>Income from loans advanced totalled £8 million for the year ended 31 January 2017 (31 January 2016: £8.4 million), with further other income of £4.1 million (31 January 2016: £Nil) received as a result of early principal repayments (see note 5).</p> <p>The Accounting policies related to this risk can be found in Note 2 e) and Note 3 and risk described on slide 16 of the Audit Committee Report.</p>
How the scope of our audit responded to the risk 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • assessing management's judgements in respect of the estimated contractual cash flows (including arrangement and exit fees) as detailed in Note 3, 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; • assessing the specific cut-off judgements taken in respect of the York prepayments fees received after the year end; and • considering the impact of any impairment on the recognition and valuation of income recorded in the period.
Key observations 	<p>Having carried out the procedures, we found that judgements and assumptions formed by the management underlying the impairment analysis appears to be appropriate.</p>

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

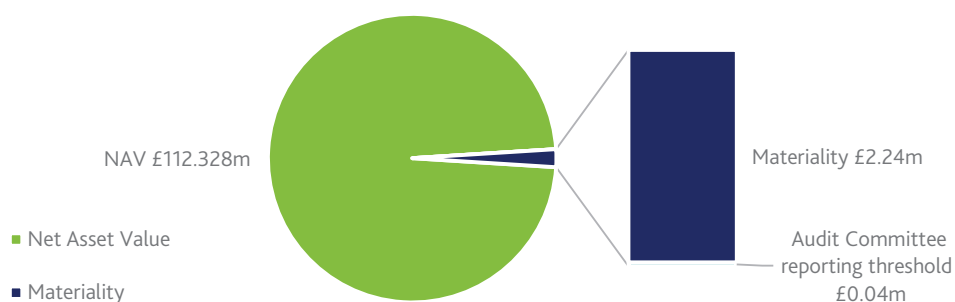
(continued)

Our application of materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.24 million (2016: £2.16 million)
Basis for determining materiality	We determined materiality for the Group to be £2.24 million (31 January 2016: £2.16 million), which is below 2% (31 January 2016: 2%) of equity. We have applied a lower materiality threshold of £405,000 (31 January 2016: £418,000) (based on 5% of net income (31 January 2016: 5%)) in respect of loan interest income.
Rationale for the benchmark applied	We believe equity/net assets is the most appropriate benchmark as it is considered to be one of the principal considerations for members of the Group in assessing financial performance. A lower threshold has been used for 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 Audit Committee all audit differences in excess of £44,000 (31 January 2016: £43,000), 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.

ICG-Longbow Senior Secured UK Property Debt Investments Limited uses a service organisation to manage book-keeping and support in the preparation of the financial statements. As such, we have assessed the design and implementation of controls established by the service organisation.

Independent Auditor's Report

(continued)

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 Company; or
- the Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

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

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

We confirm that we have not identified any such inconsistencies or misleading statements.

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.

Independent Auditor's Report

(continued)

Respective responsibilities of directors and auditor

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

This report is made solely to the Company's members, as a body, in accordance with 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

26 April 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2017

	Notes	1 February 2016 to 31 January 2017 £	1 February 2015 to 31 January 2016 £
Income			
Income from loans	2 e)	8,070,123	8,351,859
Other fee income from loans	2 f), 5	4,259,751	—
Income from cash and cash equivalents		4,991	8,434
Total income		12,334,865	8,360,293
Expenses			
Investment management fees	13,14	1,110,981	1,082,657
Administration fees	13,14	175,000	165,000
Directors' remuneration	13	155,000	155,000
Luxco operating expenses		83,095	70,760
Broker fees		54,344	50,798
Audit fees		36,000	35,000
Regulatory fees		18,683	12,659
Listing fees		9,280	7,693
Legal & professional fees		76,440	1,675
Other expenses		102,887	80,527
Total expenses		1,821,710	1,661,769
Profit for the year before tax		10,513,155	6,698,524
Taxation	4	100,214	7,421
Profit for the year after tax		10,412,941	6,691,103
Total comprehensive income for the year		10,412,941	6,691,103
Basic and diluted Earnings per share (pence)	9	9.62	6.18

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 2017

	Notes	31 January 2017 £	31 January 2016 £
Assets			
Cash and cash equivalents	7	3,258,954	5,306,129
Trade and other receivables	6	25,020	28,357
Loans advanced at amortised cost	5	109,943,262	104,040,510
Total assets		113,227,236	109,374,996
Liabilities			
Other payables and accrued expenses	8	898,542	966,087
Total liabilities		898,542	966,087
Net assets		112,328,694	108,408,909
Equity			
Share capital	10	106,038,522	106,038,522
Retained earnings		6,290,172	2,370,387
Total equity attributable to the owners of the Company		112,328,694	108,408,909
Number of ordinary shares in issue at year end		108,219,250	108,219,250
Net Asset Value per ordinary share (pence)	9	103.80	100.18

The Financial Statements were approved by the Board of Directors on 26 April 2017 and signed on their behalf by:



Jack Perry
Chairman



Patrick Firth
Director

26 April 2017

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

Consolidated Statement of Changes in Equity

For the year ended 31 January 2017

	Notes	Number of shares	Share capital £	Retained earnings £	Total equity £
As at 1 February 2016		108,219,250	106,038,522	2,370,387	108,408,909
Profit for the year		—	—	10,412,941	10,412,941
Dividends paid	10	—	—	(6,493,156)	(6,493,156)
As at 31 January 2017		108,219,250	106,038,522	6,290,172	112,328,694

	Notes	Number of shares	Share capital £	Retained earnings £	Total equity £
As at 1 February 2015		108,219,250	106,038,522	2,172,440	108,210,962
Profit for the year		—	—	6,691,103	6,691,103
Dividends paid	10	—	—	(6,493,156)	(6,493,156)
As at 31 January 2016		108,219,250	106,038,522	2,370,387	108,408,909

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

Consolidated Statement of Cash Flows

For the year ended 31 January 2017

	Notes	1 February 2016 to 31 January 2017 £	1 February 2015 to 31 January 2016 £
Cash flows generated from operating activities			
Profit for the year		10,412,941	6,691,103
Adjustments for non-cash items:			
Movement in other receivables		3,337	(14,231)
Movement in other payables and accrued expenses		(170,238)	526,708
Movement in tax payable		102,693	7,960
Loan amortisation		(696,888)	(706,060)
		9,651,845	6,505,480
Loans advanced less arrangement fees		(38,317,973)	—
Loans repaid		33,112,109	—
Net loans advanced less arrangement fees		(5,205,864)	—
Net cash generated from operating activities		4,445,981	6,505,480
Cash flows used in financing activities			
Dividends paid	10	(6,493,156)	(6,493,156)
Net cash used in financing activities		(6,493,156)	(6,493,156)
Net movement in cash and cash equivalents		(2,047,175)	12,324
Cash and cash equivalents at the start of the year		5,306,129	5,293,805
Cash and cash equivalents at the end of the year		3,258,954	5,306,129

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

Notes to the Consolidated Financial Statements

For the year ended 31 January 2017

1. General information

ICG-Longbow Senior Secured UK Property Debt Investments Limited is a non-cellular company limited by shares and was incorporated in Guernsey under the Companies Law on 29 November 2012 with registered number 55917 as a closed-ended investment company. The registered office and principal place of business of the Company is Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY, Channel Islands.

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

The Consolidated Financial Statements comprise the Financial Statements of the Group as at 31 January 2017.

The investment objective of the Group is to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive, quarterly dividends, capital preservation and, over the longer term, a degree of capital appreciation.

The Investment Adviser, which trades under the name of ICG-Longbow, is authorised and regulated by the FCA. The assets of the Group are managed by the Board under the advice of the Investment Adviser under the terms of the Investment Management Agreement.

2. Accounting policies

a) Basis of preparation

The Financial Statements for the year ended 31 January 2017 have been prepared in accordance with IFRS as adopted in the EU and with the Companies Law.

In the preparation of these financial statements, the Company followed the same accounting policies and methods of computation as compared with those applied in the previous year.

At the date of approval of these Financial Statements, the Group has not applied the following new and revised IFRS standards that have been issued but yet are not effective and have not yet been adopted by the EU:

	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 7 Statement of Cash Flows (Amendments resulting from the disclosure initiative)	Not endorsed by EU

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.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

b) Going concern (continued)

The Group is now fully invested with a total loan portfolio representing 97.88% 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.

The first continuation vote was held on 1 March 2017 and passed by the shareholders. The requirement for subsequent annual continuation votes has been amended so that any follow-on continuation resolutions shall be held every five years and the Directors shall propose an ordinary resolution that the Company continues its business as a closed-ended collective investment scheme.

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.

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.

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.

Interest on cash and cash equivalents is recognised on an accruals basis.

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.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

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 £1,200 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 year (see Note 4).

i) Dividends

Dividends paid during the year are disclosed in the Consolidated Statement of Changes in Equity. Dividends declared post year end are 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 Group's performance and to allocate resources is the total return on the Group'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 Group is organised into one main operating segment, being the provision of a diversified portfolio of UK commercial property backed senior debt investments.

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

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

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

k) Financial instruments

Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group 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 Group intends to settle on a net basis or realise the asset and liability simultaneously.

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

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

k) Financial instruments (continued)

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 and 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. The key factors considered in the valuation of prepayment options include the exercise price, the interest rate of the host loan contract, differential to current market interest rates, the risk free rate of interest, contractual terms of the prepayment option, and the expected term of the option. Given the low probability of exercise and undeterminable exercise date, the value attributed to these embedded derivatives is considered to be £nil.

ii) Derecognition of financial assets

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

- the Group has transferred substantially all the risks and rewards of ownership; or
- 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
- 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.

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.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

k) Financial instruments (continued)

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 Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

The Group'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 Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Consolidated Statement of Comprehensive Income.

l) 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.

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 5).

Notes to the Consolidated Financial Statements

(continued)

3. Critical accounting judgements in applying the Group's accounting policies (continued)

Revenue recognition is considered a significant accounting judgement and estimate that the Directors make in the process of applying the Group's policies (see Note 2 e) and 2 f)).

The Directors consider judgements and estimations in determining the fair value of prepayment options embedded within the contracts for loans advanced. The key factors considered in the valuation of prepayment options include the exercise price, the interest rate of the host loan contract, differential to current market interest rates, the risk free rate of interest, contractual terms of the prepayment option, and the expected term of the option.

4. Taxation

The Group's tax charge consists of taxes levied on Luxco. During the year 2016, the minimum corporate income tax amounting to €3,210 has been abolished and replaced by a minimum net wealth tax charge. From 1 January 2017, the minimum net wealth tax charge was increased from €3,210 to €4,815. The net wealth tax charge, set at a rate of 0.5% (2015: 0.5%), on Luxco's global assets (net worth), determined as at the 1 January of each calendar year totalled £6,956 (2016: £5,093). The corporate income tax charge, including corporate income tax and municipal business tax, amounted to £93,258 for 2016 set by the Luxembourg Tax Administration.

	1 February 2016 to 31 January 2017 £	1 February 2015 to 31 January 2016 £
Net wealth tax	6,956	5,093
Corporate income tax	70,870	2,328
Municipal business tax	22,388	—
	100,214	7,421

5. Loans advanced

	31 January 2017 Principal advanced £	31 January 2017 At amortised cost £	31 January 2016 Principal advanced £	31 January 2016 At amortised cost £
IRAF	11,935,000	12,090,936	11,935,000	12,035,342
Meadow	18,070,000	18,304,076	18,070,000	18,126,290
Northlands	6,477,250	6,515,144	6,477,250	6,461,444
Hulbert	6,565,000	6,607,396	6,565,000	6,555,633
Halcyon	8,600,000	8,654,038	8,600,000	8,586,116
Cararra	1,300,000	1,308,168	1,300,000	1,297,901
Lanos	10,000,000	10,051,863	10,000,000	9,970,705
Ramada	7,982,500	8,007,693	7,982,500	7,947,125
Commercial Regional Space	22,400,000	22,492,465	—	—
BMO	16,000,000	15,911,483	—	—
Mansion	—	—	18,070,000	18,094,883
Raees	—	—	13,250,000	13,228,131
First Light	—	—	1,752,400	1,736,941
	109,329,750	109,943,262	104,002,150	104,040,511

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 Adviser's Report, the Statement of Principal Risks and Note 11.

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 k).

Notes to the Consolidated Financial Statements

(continued)

5. Loans advanced (continued)

The Group's investments are in the form of bilateral loans, and as such are illiquid investments with no readily available 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 is considered representative of 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.

On 8 March 2016, the Group received a repayment of £18,070,000 on the Mansion loan. As part of this repayment, the Group received a total of £232,187 in interest and £2,555,979 in exit and prepayment fees in accordance with the terms of the loan agreement.

On 16 March 2016, following the repayment of the Mansion loan, together with exit and prepayment fees received and additional cash, the Group made a new loan of £22,400,000 to Commercial Regional Space Limited and affiliates. The loan has a maturity date of April 2019 and is fully compliant with the parameters set out in the IPO Prospectus.

On 1 July 2016, the Group received a repayment of £1,752,400 on the First Light loan. As part of this repayment, the Group received a total of £19,408 in interest and £137,350 in exit and prepayment fees in accordance with the terms of the loan agreement.

On 27 October 2016, the Group received a repayment of £13,250,000 on the Raees loan. As part of this repayment, the Group received a total of £214,743 in interest and £1,551,422 in exit and prepayment fees in accordance with the terms of the loan agreement.

Other fee income from loans are further insignificant amounts received in relation to loans amounting to £15,000.

On 31 January 2017, following the repayment of the First Light loan and the Raees loan, together with exit and prepayment fees received, the Group made a new loan of £16,000,000 to BMO Real Estate Partners and affiliates. The loan has a maturity date of April 2019 and is fully compliant with the parameters set out in the IPO Prospectus.

Following the year end, on 27 March 2017, the Group received a repayment of £10.00 million on the Lanos loan. As part of this repayment, the Group received a total of £1,120,203 in interest and exit and prepayment fees in accordance with the terms of the loan agreement. On 27 March 2017, the Group advanced a further £0.50 million on the Northlands loan. The increase is on substantially the same terms and conditions as the existing loan.

Notes to the Consolidated Financial Statements

(continued)

6. Trade and other receivables

	31 January 2017 £	31 January 2016 £
Other receivables	25,020	28,357
	25,020	28,357

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.

7. 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.

8. Other payables and accrued expenses

	31 January 2017 £	31 January 2016 £
Investment Management fees	562,854	813,075
Taxes payable	125,095	22,402
Directors' remuneration	38,750	38,750
Administration fees	31,465	25,669
Broker fees	29,438	2,083
Audit fees	26,000	25,000
Other expenses	84,940	39,108
	898,542	966,087

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.

9. Earnings per share and Net Asset Value per share

Earnings per share

	1 February 2016 to 31 January 2017	1 February 2015 to 31 January 2016
Profit for the year (£)	10,412,941	6,691,103
Weighted average number of ordinary shares in issue	108,219,250	108,219,250
Basic and diluted EPS (pence)	9.62	6.18
Adjusted basic and diluted EPS (pence)	5.69	6.18

The calculation of basic and diluted Earnings per share is based on the profit for the year and on the weighted average number of ordinary shares in for the year ended 31 January 2017.

The calculation of adjusted basic and diluted Earnings per share is based on the profit for the year, adjusted for one-off other fee income during the year totalling £4,259,751 (31 January 2016: £Nil).

There are no dilutive shares in issue at 31 January 2017.

Notes to the Consolidated Financial Statements

(continued)

9. Earnings per share and Net Asset Value per share (continued)

Net Asset Value per share

	31 January 2017	31 January 2016
NAV (£)	112,328,694	108,408,909
Number of ordinary shares in issue	108,219,250	108,219,250
NAV per share (pence)	103.80	100.18

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

10. 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.

	31 January 2017 £	31 January 2016 £
Authorised		
Ordinary shares of no par value	Unlimited	Unlimited
	Total No	Total No
Issued and fully paid:		
Ordinary 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	3,600,000
	108,219,250	108,219,250
	£	£
Share capital	106,038,522	106,038,522

At the EGM held on 1 March 2017, the proposed resolution that Company have the power to allot an additional 40,000,000 shares was duly passed without amendment.

Dividends paid

	Dividend per share Pence	Total dividend £
1 February 2016 to 31 January 2017		
Interim dividend in respect of quarter ended 31 January 2016	1.50	1,623,289
Interim dividend in respect of quarter ended 30 April 2016	1.50	1,623,289
Interim dividend in respect of quarter ended 31 July 2016	1.50	1,623,289
Interim dividend in respect of quarter ended 31 October 2016	1.50	1,623,289
	6.00	6,493,156
1 February 2015 to 31 January 2016		
Interim dividend in respect of quarter ended 31 January 2015	1.50	1,623,289
Interim dividend in respect of quarter ended 30 April 2015	1.50	1,623,289
Interim dividend in respect of quarter ended 31 July 2015	1.50	1,623,289
Interim dividend in respect of quarter ended 31 October 2015	1.50	1,623,289
	6.00	6,493,156

Notes to the Consolidated Financial Statements

(continued)

10. Share capital (continued)

Dividend proposed

On 26 April 2017, the Directors approved an interim dividend in respect of the quarter ended 31 January 2017 of £1,623,289 equating to 1.5 pence per ordinary share to shareholders on the register as at the close of business on 12 May 2017. On 26 April 2017, the Directors also approved a special interim dividend in respect of surplus prepayment fees received in the year ended 31 January 2017 of £2,434,933 equating to 2.25 pence per ordinary share, to be paid to shareholders on the register as at the close of business on 12 May 2017.

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.

11. 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 Adviser 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 Adviser 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 Pounds Sterling, with immaterial expenses incurred in Euro 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.

Notes to the Consolidated Financial Statements

(continued)

11. Risk Management Policies and Procedures (continued)

Interest rate risk (continued)

The following table shows the portfolio profile of the financial assets at 31 January 2017 and 31 January 2016:

	31 January 2017 £	31 January 2016 £
Floating rate		
Cash	3,258,954	5,306,129
Fixed rate		
Loans advanced at amortised cost	109,943,262	104,040,510
	113,202,216	109,346,639

The timing of interest payments on the loans advanced is summarised in the table on pages 64 and 65.

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 2017 due to 10 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 2017, the maximum credit risk exposure was £112,588,704 (31 January 2016: £109,308,279).

The Investment Adviser 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. The Investment Adviser routinely analyses the profile of the Group's underlying risk in terms of exposure to significant tenants, reviewing market data and forecast economic trends to benchmark borrower performance and to assist in identifying potential future stress points.

To diversify credit risk the Company maintains its cash and cash equivalents across four (31 January 2016: three) different banking groups as shown below, which have parent companies rated Baa or higher by MIS or an equivalent. In order to cover operational expenses, a working capital balance at Royal Bank of Scotland International Limited is monitored and maintained. To diversify credit risk within Luxco, cash and cash equivalents are maintained at appropriate levels of operational capital with interest payments made to the Company on a regular basis. This is subject to the Group's credit risk monitoring policies.

	31 January 2017 £
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	2,335,137
Lloyds Bank International Limited	274,896
Barclays Bank plc	274,489
ABN AMRO (Guernsey) Limited	274,459
Royal Bank of Scotland International Limited	99,973
	3,258,954

Notes to the Consolidated Financial Statements

(continued)

11. Risk Management Policies and Procedures (continued)

Credit risk (continued)

	31 January 2016 £
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	2,072,331
Lloyds Bank International Limited	1,896,281
Barclays Bank plc	1,264,208
Royal Bank of Scotland International Limited	73,309
	5,306,129

The carrying amount of these assets approximates their fair value.

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 2017, 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 2017 £
IRAF – principal	—	11,935,000	11,935,000
IRAF – interest and exit fees	835,450	964,283	1,799,733
Meadow – principal	18,070,000	—	18,070,000
Meadow – interest and exit fees	1,649,816	—	1,649,816
Northlands- principal	—	6,477,250	6,477,250
Northlands – interest and exit fees	516,760	575,322	1,092,082
Hulbert – principal	—	6,565,000	6,565,000
Hulbert – interest and exit fees	510,181	577,360	1,087,541
Halcyon – principal	—	8,600,000	8,600,000
Halcyon – interest and exit fees	603,649	703,079	1,306,728
Cararra – principal	—	1,300,000	1,300,000
Cararra – interest and exit fees	91,249	106,279	197,528
Lanos – principal	—	10,000,000	10,000,000
Lanos – interest and exit fees	782,849	952,740	1,735,589
Ramada – principal	—	7,982,500	7,982,500
Ramada – interest and exit fees	636,850	981,957	1,618,807
Commercial Regional Space – principal	—	22,400,000	22,400,000
Commercial Regional Space – interest and exit fees	985,134	1,421,817	2,406,951
BMO – principal	—	16,000,000	16,000,000
BMO – interest and exit fees	481,907	628,274	1,110,181
	25,163,845	98,170,861	123,334,706

Notes to the Consolidated Financial Statements

(continued)

11. Risk Management Policies and Procedures (continued)

Liquidity risk

	Less than one year £	Between one and five years £	Total as at 31 January 2016 £
Mansion – principal	—	18,070,000	18,070,000
Mansion – interest and exit fees	1,268,365	3,431,815	4,700,180
IRAF – principal	—	11,935,000	11,935,000
IRAF – interest and exit fees	837,739	1,799,733	2,637,472
Meadow – principal	—	18,070,000	18,070,000
Meadow – interest and exit fees	1,358,963	1,649,816	3,008,779
Northlands- principal	—	6,477,250	6,477,250
Northlands – interest and exit fees	519,600	1,093,502	1,613,102
Hulbert – principal	—	6,565,000	6,565,000
Hulbert – interest and exit fees	510,181	1,088,936	1,599,117
Halcyon – principal	—	8,600,000	8,600,000
Halcyon – interest and exit fees	603,649	1,308,378	1,912,027
Cararra – principal	—	1,300,000	1,300,000
Cararra – interest and exit fees	91,249	197,778	289,027
Raees – principal	—	13,250,000	13,250,000
Raees – interest and exit fees	963,257	2,088,872	3,052,129
Lanos – principal	—	10,000,000	10,000,000
Lanos – interest and exit fees	789,301	1,735,589	2,524,890
Ramada – principal	—	7,982,500	7,982,500
Ramada – interest and exit fees	642,099	1,618,807	2,260,906
First Light – principal	—	1,752,400	1,752,400
First Light – interest and exit fees	92,253	214,249	306,502
	7,676,656	120,229,625	127,906,281

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 0.74 years (31 January 2016: 1.6 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 (31 January 2016: £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 Adviser, 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 Adviser, monitors and reviews the broad structure of the Company's capital on an on-going basis.

The Company has no externally imposed capital requirements.

Notes to the Consolidated Financial Statements

(continued)

12. Subsidiary

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

13. Related Party Transactions and Directors' Remuneration

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

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

Directors

Mark Huntley, Director of the Company, is also a Director of the Company's Administrator. During the year, the Company incurred administration fees in relation to services provided by the Company's Administrator of £175,000 (31 January 2016: £165,000) of which £31,465 (31 January 2016: £25,669) was outstanding at the year end (see Note 8). Mark Huntley also received a Director's fee of £27,500 (31 January 2016: £27,500) of which £6,875 (31 January 2016: £6,875) was outstanding at the year end.

The Company Directors' fees for the year amounted to £155,000 (31 January 2016: £155,000) with outstanding fees of £38,750 (31 January 2016: £38,750) due to the Directors at 31 January 2017 (see Note 8).

Investment Adviser

Investment Management fees for the year amounted to £1,110,981 (31 January 2016: £1,082,657), of which £562,854 (31 January 2016: £813,075) was outstanding at the year end (see Note 8).

14. Material Agreements

Investment Management Agreement

The Company and the Investment Adviser have entered into the Investment Management Agreement, pursuant to which the Investment Adviser 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 Group's investment policies, restrictions and guidelines.

Under the terms of the Investment Management Agreement, the Investment Adviser 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.

The Investment Adviser'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 Adviser has committed any material, irremediable breach of the Investment Management 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 Adviser 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 Investment Management Agreement. The Investment Adviser may terminate their appointment immediately if the Company has committed any material, irremediable breach of the Investment Management 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.

As disclosed in Note 1, the Investment Adviser, which trades under the name of ICG-Longbow is authorised and regulated by the FCA.

Notes to the Consolidated Financial Statements

(continued)

14. Material Agreements (continued)

Administration Agreement

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.

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 fee of £40,000 per annum. Accounting fees for the year amounted to £80,000 (31 January 2016: £75,000).

Registrar Agreement

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.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual fee from the Company equal to £1.72 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.

15. Subsequent events

At EGM held on 1 March 2017, each of the proposed resolutions in connection with the continuation vote and proposed capital raise were duly passed without amendment. These included changes to the investment policy, the continuation vote, amendments to the Articles of Incorporation and the power to allot an additional 40,000,000 shares.

On 27 March 2017, the Group received a repayment of £10.00 million on the Lanos loan. As part of this repayment, the Group received a total of £1,120,203 in interest and exit and prepayment fees in accordance with the terms of the loan agreement.

On 27 March 2017, the Group advanced a further £0.50 million on the Northlands loan. The increase is on substantially the same terms and conditions as the existing loan.

On 26 April 2017, the Company declared a dividend of 1.5 pence per ordinary share in respect of the quarter ended 31 January 2017, payable on 2 June 2017.

On 26 April 2017, the Company declared a special dividend of 2.25 pence per ordinary share in respect of the prepayment fees received during the year ended 31 January 2017, payable on 2 June 2017.

Glossary of Capitalised Defined Terms

"**Administrator**" means Heritage International Fund Managers Limited;

"**Administration Agreement**" means the Administration Agreement dated 23 January 2013 between the Company and the Administrator;

"**Admission**" means the admission of the shares to the premium listing segment of the Official List and to trading on the London Stock Exchange;

"**AEOI**" means Automatic Exchange of Information;

"**AIC**" means the Association of Investment Companies;

"**AIC Code**" means the AIC Code of Corporate Governance;

"**AIC Guide**" means the AIC Corporate Governance Guide for Investment Companies;

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

"**Annual General Meeting**" or "**AGM**" means the general meeting of the Company;

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

"**Articles of Incorporation**" or "**Articles**" means the articles of incorporation of the Company, as amended from time to time;

"**AST**" means assured shorthold tenancy;

"**Audit Committee**" means the Audit and Risk Management Committee, a formal committee of the Board with defined terms of reference;

"**Basel III**" means an international regulatory accord that introduced a set of reforms designed to improve the regulation, supervision and risk management within the banking sector;

"**BEPS**" means Base erosion and profit shifting;

"**BMO**" means BMO Real Estate Partners;

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

"**Brexit**" means the potential departure of the UK from the EU;

"**Cararra**" means Cararra Ground Rents;

"**CBI**" means the Confederation of British Industry;

"**Circular**" means the Circular of the Company dated 11 January 2017 regarding proposals for a change in investment objective and policy, a placing programme for 40 million shares and the continuation vote;

"**Commercial Regional Space**" means Commercial Regional Space Limited;

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

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

"**CRE**" means Commercial Real Estate

Glossary of Capitalised Defined Terms

(continued)

"**CRS**" means Common Reporting Standard;

"**Disclosure Guidance and Transparency Rules**" or "**DTRs**" means the disclosure guidance published by the FCA and the transparency rules made by the FCA under section 73A of FSMA;

"**EBITDA**" means earnings before interest, taxes, depreciation and amortisation;

"**EGM**" means the Extraordinary General Meeting of the Company held on 1 March 2017;

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

"**ERV**" means Estimated Rental Value;

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

"**Euro**" or "**€**" means Euros, the currency introduced at the start of the third stage of European economic and monetary union;

"**FATCA**" means Foreign Account Tax Compliance Act;

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

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

"**First Light**" means First Light Portfolio;

"**FRC**" means the Financial Reporting Council;

"**FTSE**" means the Financial Times Stock Exchange;

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

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

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

"**Group**" means the Company, ICG Longbow Senior Secured UK Property Debt Investments Limited together with its wholly owned subsidiary, ICG Longbow Senior Debt S.A (Luxco);

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

"**Halcyon**" means Halcyon Ground Rents;

"**Hulbert**" means Hulbert Properties;

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

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

"**ICG Private Funds**" means private real estate debt funds managed or advised by the Investment Adviser or its associates;

Glossary of Capitalised Defined Terms

(continued)

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

"**IRR**" means Internal Rate of Return;

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

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

"**Investment Grade Tenant**" means a tenant that is rated Aaa to Baa3 by MIS and/or AAA to BBB- by S&P;

"**Investment Adviser**" or "**ICG-Longbow**" means Intermediate Capital Managers Limited or its Associates;

"**Investment Management Agreement**" means Investment Management Agreement dated 31 January 2013 between the Company and the Investment Adviser, as amended by the Deed of Novation dated 30 April 2015;

"**IPD**" means the Investment Property Databank;

"**IPF**" means the International Property Forum;

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

"**IRAF**" means IRAF Portfolio;

"**ISAE 3402**" means International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organisation";

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

"**Lanos**" means Lanos (York);

"**Listing Rules**" means the listing rules made by the UK Listing Authority under section 73A Financial Services and Markets Act 2000;

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

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

"**Luxco**" means the Company's wholly owned subsidiary, ICG-Longbow Senior Debt S.A.;

"**Luxembourg Administrator**" means MAS International S.à r.l. being the administrator of Luxco;

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

"**Management Engagement Committee**" means a formal committee of the Board with defined terms of reference;

"**Mansion**" means Mansion Student Fund;

"**Meadow**" means Meadow Real Estate Fund II;

"**MIS**" means Moody's Investors Service Ltd, a credit rating agency registered in accordance with Regulation (EC) No 1060/2009 with effect from 31 October 2011;

"**MSCI**" means Morgan Stanley Capital Index;

Glossary of Capitalised Defined Terms

(continued)

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

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

"Nomination Committee" means a formal committee of the Board with defined terms of reference;

"Northlands" means Northlands Portfolio;

"NMPIs" means Non-Mainstream Pooled Investments;

"OECD" means The Organisation for Economic Co-operation and Development;

"Official List" is the Premium Segment of the UK Listing Authority's Official List;

"IPO Prospectus" means the prospectus published on 31 January 2013 by the Company in connection with the IPO of ordinary shares;

"Prospectus" means the prospectus published in April 2017 by the Company in connection with the placing programme;

"Raees" means Raees International;

"Ramada" means Ramada Gateshead;

"Registrar" Capita Registrars (Guernsey) Limited;

"Registrar Agreement" means the Registrar Agreement dated 31 January 2013 between the Company and the Registrar;

"RICS" means the Royal Institute of Chartered Surveyors;

"Schedule of Matters" means the Schedule of Matters Reserved for the Board, adopted 23 January 2013;

"SDLT" means stamp duty land tax;

"S&P" means Standard & Poor's Credit Market Services Europe Limited, a credit rating agency registered in accordance with Regulation (EC) No 1060/2009 with effect from 31 October 2011;

"Single Property Sector" means office, retail, industrial/warehousing and Other Sectors (all other real estate sectors);

"SPV" means special purpose vehicle;

"Stewardship Code" means the UK Stewardship Code;

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

"UK Code" or "UK Corporate Governance Code" means the UK Corporate Governance Code 2014 as published by the Financial Reporting Council;

"UK Listing Authority" or "UKLA" means the Financial Conduct Authority;

"US" or "United States" means the United States of America, its territories and possessions; and

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

Directors and General Information

Board of Directors

Jack Perry (*Chairman*)
Stuart Beevor
Patrick Firth
Mark Huntley
Paul Meader

Audit Committee

Patrick Firth (*Chairman*)
Stuart Beevor
Paul Meader
Jack Perry

Management Engagement Committee

Jack Perry (*Chairman*)
Stuart Beevor
Patrick Firth
Paul Meader

Nomination Committee

Jack Perry (*Chairman*)
Stuart Beevor
Patrick Firth
Mark Huntley
Paul Meader

Investment Adviser

Intermediate Capital
Managers Limited
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

Identifiers

ISIN: GG00B8C23S81
Sedol: B8C23S8
Ticker: LBOW
Website: www.lbow.co.uk

Registered office

Heritage Hall
PO Box 225
Le Marchant Street
St Peter Port
Guernsey
GY1 4HY

Independent Auditor

Deloitte LLP
Chartered Accountants
PO Box 137
Regency Court
Glategny Esplanade
St. Peter Port
Guernsey
GY1 3HW

Guernsey Administrator and Company Secretary

Heritage International Fund
Managers Limited
Heritage Hall
PO Box 225
Le Marchant Street
St. Peter Port
Guernsey
GY1 4HY

Luxembourg Administrator

MAS International
6c Rue Gabriel Lippmann
Munsbach
Luxembourg
L-5365

Registrar

Capita Registrars
(Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey
GY2 4JN

Corporate Broker and Financial Adviser

Cenkos Securities plc
6-8 Tokenhouse Yard
London
EC2R 7AS

English Solicitors to the Company

King & Wood Mallesons LLP
(until 7 March 2017)
10 Queen Street Place
London
EC4R 1BE

Gowlings WLG (UK) LLP
(effective 7 March 2017)
4 More London Riverside,
London,
SE1 2AU

Guernsey Advocates to the Company

Carey Olsen
Carey House
PO Box 98
Les Banques
St Peter Port
Guernsey
GY1 4BZ

Bankers

ABN AMRO (Guernsey) Limited
Martello Court
Admiral Park
St Peter Port
Guernsey
GY1 3QJ

Barclays Bank plc
6-8 High Street
St Peter Port
Guernsey
GY1 3BE

Lloyds Bank International Limited
PO Box 136
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4EN

The Royal Bank of Scotland
International
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4BQ

Cautionary Statement

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

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

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

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

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

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

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For your Notes

