



ICG-Longbow Senior Secured UK Property Debt Investments Limited

Annual Report and Consolidated
Financial Statements

For the year ended 31 January 2016

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All capitalised terms are defined in the glossary of capitalised defined terms on pages 66 to 69 unless separately defined.

Corporate Summary

Investment Objective

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

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 authorised by 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 during the year 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 Manager

Following the acquisition of management's residual equity interest in Longbow Real Estate Capital LLP by ICG plc, the ICG-Longbow team has transferred employment to ICG and consequently, with effect from 30 April 2015 the Investment Management Agreement was novated to Intermediate Capital Managers Limited, an FCA regulated, ICG plc group subsidiary. The Investment Manager continues to trade under the name of ICG-Longbow. The assets of the Group are managed by the Investment Manager under the terms of the Investment Management Agreement.

Highlights

Performance

- NAV of £108.41 million as at 31 January 2016 (31 January 2015: £108.21 million).
 - NAV per share of 100.18 pence (31 January 2015: 99.99 pence).
- Underlying earnings are substantially unchanged from prior year.
- Profit after tax of £6.69 million for the year ended 31 January 2016 (31 January 2015: £7.57 million).
 - Earnings per share of 6.18 pence (31 January 2015: 7.05 pence).
 - Adjusted Earnings per share of 6.18 pence (31 January 2015: 6.37 pence (adjusted for one-off other fee income of £731,218)).

Dividend

- Total dividends paid or declared for the year ended 31 January 2016 of 6.0 pence per share (31 January 2015: 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 2015, 31 July 2015 and 31 October 2015.
 - 4th interim dividend of 1.5 pence per share declared in respect of the quarter ended 31 January 2016.
- 4th interim dividend details:
 - Declared 26 April 2016
 - Amount 1.5 pence per share
 - Dividend ex-date 5 May 2016
 - Dividend payment date 26 May 2016
- An ordinary resolution will be proposed at the forthcoming AGM to approve the interim dividends paid in this financial year.

Investment Portfolio

- There were no changes to the composition of the portfolio in the year ended 31 January 2016 and all loans are performing and covenant compliant.
- As at 31 January 2016 the Group's investment portfolio comprised 11 loans with an aggregate principal balance of £104.00 million (31 January 2015: £104.00 million).
- The portfolio weighted average interest coupon is 7.40% (31 January 2015: 7.40%) with a weighted average gross investment IRR of 8.49% (31 January 2015: 8.49%).
- The portfolio weighted average LTV was 52.7% (31 January 2015: 60.1%) and the weighted average ICR was 161% (31 January 2015: 161%).
- The portfolio weighted average residual term was 2.8 years, of which by average 1.6 years remains income protected (31 January 2015: residual term 3.8 years, income protected term 2.6 years).
- Following the year end the £18.7 million Mansion loan was repaid in full together with exit and prepayment fees of £2.5 million, and the proceeds reinvested in a new £22.4 million loan on terms accretive to shareholders.

Chairman's Statement

Introduction

On behalf of the Board, I am pleased to present the third Annual Report for the Group for the year ended 31 January 2016. This has been a period of steady performance, very much in line with expectations, given the stable nature of the Group's investment portfolio enabling the Company to deliver on its objective of generating profits to pay an annual dividend of 6.0 pence per share.

Portfolio

While the portfolio of 11 loans was unchanged in the year we saw a material improvement in risk profile with the weighted average portfolio LTV ratio reducing from 60.1% to 52.7% tracking the general market uplift in property values. Individual borrowers continue to manage their properties in line with business plan and, at portfolio level, there has been no change in the ICR at 161%.

As we announced, following the year end the Mansion loan (£18.1 million) was repaid in full and we are pleased to confirm that the proceeds, together with exit and prepayment fees, have already been redeployed into a new £22.4 million loan secured on two industrial parks in the North of England. The new loan aligns to the maturity profile of the existing portfolio and with the reinvestment of prepayment and exit fees will, we believe, be accretive to the portfolio return and Group as a whole. The new loan increases the Portfolio weighted average LTV to 57.2% but improves our average income protection to 1.7 years remaining.

Revenue and Dividend Performance

Revenue for the year of £8.4 million (31 January 2015: £9.2 million) fell slightly as the exit and prepayment fees earned in the prior year were not repeated given the unchanged loan portfolio, however the underlying profit after tax of £6.7 million (6.18 pence per share) was in line with expectations and sufficient to cover the Company's dividend objective of 6.0 pence per ordinary share per annum.

The Company has paid three interim dividends of 1.5 pence per share each during the year and on 26 April 2016 the Board approved a fourth interim dividend of 1.5 pence per share bringing the total dividends declared in respect of the year to 6.0 pence per share. Guernsey registered companies are not required to obtain shareholder approval in respect of any interim dividend and this policy is consistent with the Company's Admission documents. The Board wishes to afford the shareholders the ability to approve the interim dividends paid in this financial year and there will be an ordinary resolution proposed at the forthcoming AGM in this regard.

NAV and Share Price Performance

The retained profits for the year have resulted in a modest increase in NAV from 99.99 pence per share to 100.18 pence per share. During a period of considerable market volatility, the Company's shares have continued to trade in a relatively narrow range of 101 to 106.5 pence per share, consistently trading at a premium to NAV, reflecting the secure and predictable nature of the income generated by the underlying loan portfolio. The portfolio has 2.81 years weighted average unexpired term remaining (1.6 years of which are subject to pre-payment protection).

Governance and Management

Governance and oversight remain a principal activity of the Board and, as we have discussed previously, we maintain a close eye on regulatory changes and best practice in this area. We have sought to adopt or implement relevant changes in a manner appropriate to the size and risk profile of the Group's activities. As such we have considered the long term viability of the Company and include a viability statement within our Annual Report for the first time.

In the past twelve months we have undertaken a review of the Company's key service providers, including an on-site review of the Investment Manager's asset management and portfolio monitoring policies and procedures and an assessment of the Luxembourg Administrator. The conclusions of these reviews were highly satisfactory providing assurance to the Board.

In December 2015 we announced the appointment of a new corporate broker, Cenkos Securities plc, in place of Investec Bank plc. Together with Cenkos we have begun a shareholder consultation process in anticipation of the continuation vote in 2017.

Chairman's Statement

(continued)

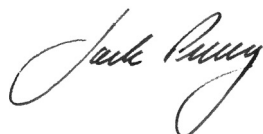
Outlook

The UK economic environment remains stable with steady, if unspectacular, levels of growth coupled with increasing employment. Low levels of new property development have begun to lead to rental growth in most sectors and have driven property values up over the financial year. Our portfolio has benefitted from this effect as evidenced by the most recent property valuations and a consequent fall in weighted average LTV ratios.

These conditions bode well for the investment portfolio as a whole in terms of the ability of borrowers to refinance their loans on maturity but we anticipate that uncertainty surrounding the outcome of the UK's EU membership referendum will temper these conditions in the short term. While the likelihood of a vote to leave remains unclear, an exit vote would undoubtedly lead to an extended period of uncertainty which could indirectly affect the Group's loan portfolio and underlying property values if inward investment and property transaction volumes fall. However the underlying property portfolios are generally well diversified and are not materially exposed to international businesses or trade at the tenant level. As such the loans are well covered in terms of valuations. Consequently, based on our initial analysis, we would not expect the Company to be materially adversely affected by such a vote in terms of revenue generation or capital risk.

As referred to above, given the shortening residual maturity of the loan portfolio and recognising that current market conditions would not support the re-investment of loan proceeds at similar risk and return dynamics as the existing portfolio, the Board together with the Investment Manager and now Cenkos is reviewing the Company's longer term strategy. This review will seek to identify changes to the investment objective (whether in terms of risk or return) that would be required in order to allow the anticipated future loan proceeds to be reinvested as the portfolio is realised. Recognition of shareholder views on the trade-off between yield and risk will of course be taken into account. The results of that review will be communicated to shareholders in due course and indeed well in advance of the continuation vote in 2017.

In the meantime, the Board is confident that the Group's portfolio of investments will continue to perform in line with our investment objective.



Jack Perry
Chairman

26 April 2016

Investment Manager's Report

Investment Objective

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

Fund facts

Fund launch date:	5 February 2013	Fund type:	Closed ended investment company
Investment Manager:	Intermediate Capital Managers Limited	Domicile:	Guernsey
Base currency:	GBP	Listing:	London Stock Exchange
Issued shares:	108.2 million	ISIN code:	GG0B8C23581
Management fee:	1.0%	LSE code:	LBOW
		Website:	www.lbow.co.uk

Share price & NAV at 31 January 2016

Share price (pence per share):	103.50
NAV (pence per share):	100.18
Premium:	3.3%
Market capitalisation:	£112 million
Approved dividend (pence per share) ⁽¹⁾ :	1.5 pence
Dividend payment date:	26 May 2016

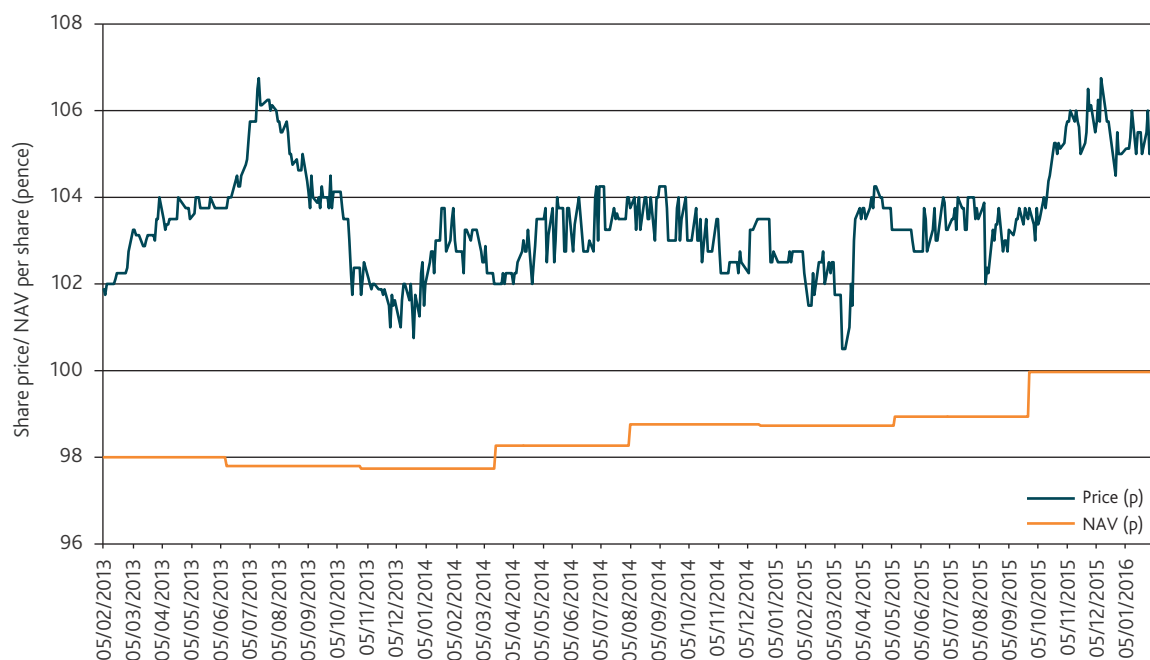
⁽¹⁾ For quarter ending 31st January 2016

Key portfolio statistics at 31 January 2016

Number of investments:	11
Percentage capital invested ⁽²⁾ :	96%
Weighted avg. coupon:	7.40%
Weighted avg. projected total return:	8.49%
Weighted avg. LTV:	52.7%
Weighted avg. ICR:	161%

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

Share Price v NAV (from IPO to 31 January 2016)



Investment Manager's Report

(continued)

Summary

At 31 January 2016 the investment portfolio comprised 11 loans and was unchanged in the year with a par value of £104.0 million.

Each investment in the portfolio remained well secured from a capital perspective, with a weighted average LTV exposure of 52.7%, a decrease over the year from 60.1% which reflects both the delivery of business plans by borrowers and the general market upturn driven by positive investor sentiment toward the commercial real estate sector. The portfolio level gross expected IRR if held to contracted loan term maturity and recognising prepayment/exit fees received to date is 8.49%.

At the portfolio level, the Interest Cover Ratio was unchanged at 161% (31 January 2015: 161%).

Following the year end Mansion Group completed the disposal of its student accommodation portfolio including the two properties which provided security for the Group's loan. As a result of this disposal the £18.07 million loan has been repaid in full, together with exit and prepayment fees of approximately £2.5 million. The Group, via Luxco, subsequently made a new loan of £22.4 million to Commercial Regional Space Limited on terms accretive to shareholders.

Group Performance

The Group's portfolio was unchanged in the period and as a result the profit after tax for the twelve months of £6.7 million (6.18 pence per share) was in line with expectations and with the previous year.

Underpinned by supportive property market conditions, the Group's loan portfolio continues to perform in line with expectations and in compliance with all of the Group's investment parameters. With 1.6 years weighted average income protection remaining as at 31 January 2016 (ranging from 0.6 years to 2.3 years), the Company remains well positioned to continue to deliver its target dividend. The re-investment of proceeds to fund the Commercial Regional Space Limited loan has had a positive impact on the weighted average income protection increasing it to 1.7 years.

Given the nature of the investment portfolio and the reinvestment of the Mansion loan proceeds referred to above, the level of profit and cash flow generation are adequate to cover the Company's target dividend level of 6.0 pence per share per annum for the term of the existing loans.

Portfolio

Portfolio statistics	31 January 2016	31 January 2015
Number of loan investments	11	11
Aggregate balance	£104,002,150	£104,002,150
Weighted average LTV	52.7%	60.1%
Weighted average ICR	161%	161%
Weighted average interest coupon	7.40% pa	7.40% pa
Weighted average projected gross IRR ⁽¹⁾	8.49% pa	8.49% pa
Weighted average unexpired loan term	2.81 years	3.87 years
Weighted average unexpired Interest income protection	1.60 years	2.60 years
Cash held	£5,306,129	£5,293,805

⁽¹⁾ Weighted average projected gross IRR of the portfolio reflects partial repayments received to date in addition to the remaining investments.

Investment Manager's Report

(continued)

Portfolio (continued)

The result on the portfolio of the Mansion loan repayment on 8 March 2016 and the reinvestment is summarised below:

Portfolio statistics	31 March 2016
Number of loan investments	11
Aggregate balance	£108,332,150
Weighted average LTV	57.2%
Weighted average ICR	174%
Weighted average interest coupon	6.82% pa
Weighted average projected gross IRR ⁽¹⁾	8.90% pa
Weighted average unexpired loan term	2.64 years
Weighted average unexpired Interest income protection	1.69 years

⁽¹⁾ Weighted average projected gross IRR of the portfolio reflects partial repayments received to date in addition to the remaining investments.

Investment Manager's Report

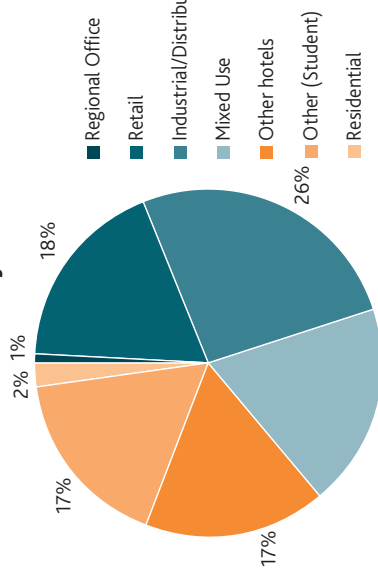
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Investment Portfolio as at 31 January 2016

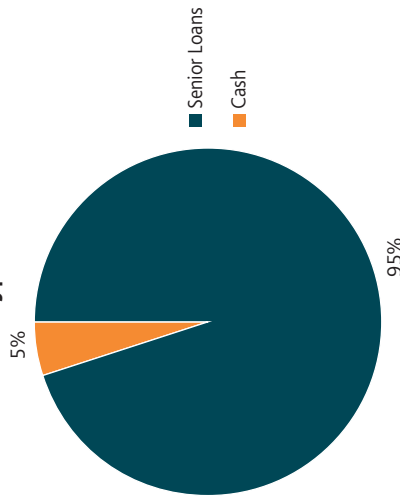
Project	Region	Sector	Term start	Unexp term (yrs)	Day 1 balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Balance outstanding (£m)	Current LTV (%)	Current ICR (%)
Mansion Student Fund	Midlands/Scotland	Other (student)	Jun-13	3.35	18.07	54.8	204	18.07	39.4	230
IRAF Portfolio ⁽¹⁾	North West	Industrial/distribution	Jul-13	2.83	14.20	59.3	193	11.94	43.5	196
Meadows RE Fund II	London	Retail	Sep-13	1.92	18.07	65.0	150	18.07	63.0	122
Northlands Portfolio	London	Mixed use	Nov-13	2.82	7.20	61.7	192	6.48	46.7	149
Hulbert Properties	Midlands	Industrial/distribution	Dec-13	2.84	6.57	65.0	168	6.57	55.4	166
Halcyon Ground Rents	National	Industrial/distribution	Dec-13	2.85	8.60	64.8	116	8.60	63.9	116
Cararra Ground Rents	North West	Regional office	Dec-13	2.85	1.30	65.0	113	1.30	65.0	113
Raees International	London	Mixed use	Dec-13	2.86	13.25	65.0	122	13.25	53.7	128
Lanos (York)	North East	Other (hotel)	Mar-14	2.92	10.00	64.9	122	10.00	50.0	116
Ramada Gateshead	North East	Other (hotel)	Apr-14	3.24	7.98	64.4	180	7.98	63.9	209
First Light Portfolio	London	Residential	Dec-14	2.96	1.75	65.0	174	1.75	49.1	167
Total/weighted average				2.81	107.0	61.8	162	104.0	52.7	161

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

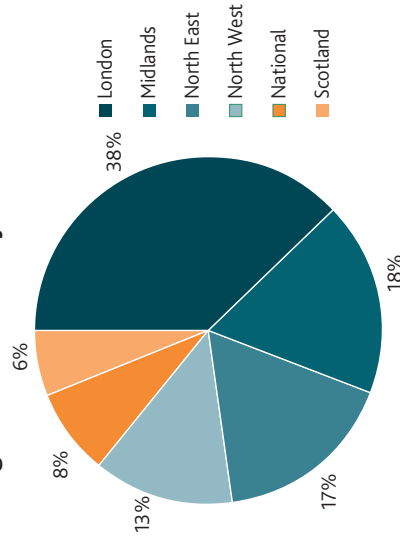
Sector Distribution by loan



Asset Type



Regional Distribution by Loan



Investment Manager's Report

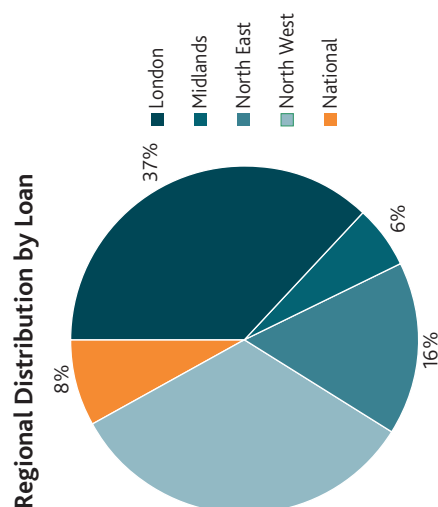
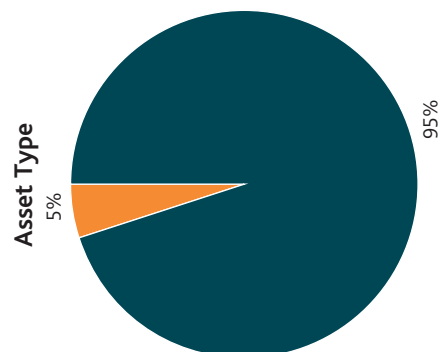
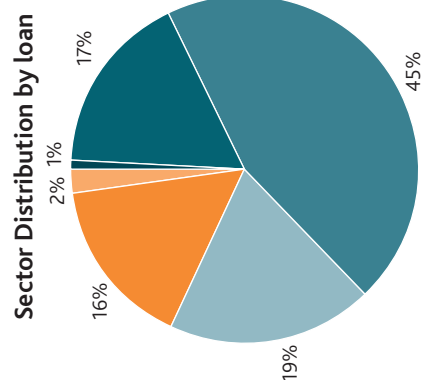
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The result on the portfolio of the Mansion loan repayment on 8 March 2016 and the reinvestment is summarised below:

Investment Portfolio as at 31 March 2016

Project	Region	Sector	Term start	Unexp term (yrs)	Day 1 balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Balance outstanding (£m)	Current LTV (%)	Current ICR (%)
Commercial Regional	North West	Industrial/distribution	Mar-16	3.04	22.40	64.0	280	22.40	64.0	280
Space Ltd										
IRAF Portfolio ⁽¹⁾	North West	Industrial/distribution	Jul-13	2.67	14.20	59.3	193	11.94	43.5	196
Meadows RE Fund II	London	Retail	Sep-13	1.75	18.07	65.0	150	18.07	63.0	122
Northlands Portfolio	London	Mixed use	Nov-13	2.66	7.20	61.7	192	6.48	46.7	149
Hulbert Properties	Midlands	Industrial/distribution	Dec-13	2.68	6.57	65.0	168	6.57	55.4	166
Halcyon Ground Rents	National	Industrial/distribution	Dec-13	2.68	8.60	64.8	116	8.60	63.9	116
Cararra Ground Rents	North West	Regional office	Dec-13	2.68	1.30	65.0	113	1.30	65.0	113
Raees International	London	Mixed use	Dec-13	2.69	13.25	65.0	122	13.25	53.7	128
Lanos (York)	North East	Other (hotel)	Mar-14	2.75	10.00	64.9	122	10.00	50.0	116
Ramada Gateshead	North East	Other (hotel)	Apr-14	3.08	7.98	64.4	180	7.98	63.9	209
First Light Portfolio	London	Residential	Dec-14	2.79	1.75	65.0	174	1.75	49.1	167
Total/weighted average				2.64	111.3	63.7	179	108.3	57.2	174

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



Investment Manager's Report

(continued)

Market Update

Economy and Financial Markets

Based on latest estimates from the Office of Budget Responsibility, the UK GDP grew by 2.4% GDP over 2015. The strength in the economy is represented by the continued fall in the unemployment rate over the year to 5.1% and the growth in employment – up 0.6 million over the year resulting in 31.4 million people now being in work.

Market consensus is that the UK has a relatively low exposure to China and the energy crisis, but in spite of this, the Bank of England has recently trimmed GDP growth forecasts by 0.3% for each of 2016 and 2017 to 2.2% and 2.3%, respectively.

As a consequence of this, short term interest rates are expected to remain low throughout this year and into the next, whilst the financial markets are reflecting this change in medium term inflationary expectations, with the 5 year swap rate having fallen below 1% in recent weeks.

UK Commercial Property Debt Market

The IPD All Property Index returns for 2015 were:

- Rental growth – 4.8%
- Capital value growth – 8.0%
- Total return – 13.1%

Following nearly three years of strong capital growth which started in April 2013, property has not been immune from the global re-evaluation of risk and growth expectations across all asset classes. Property investor mentality, which last year was concerned about the risk of being un-invested in a growth market, has now switched this year to being concerned about overpaying in a market where the next move in values for some assets may be downwards.

Following strong capital growth in the first half of 2015, we have observed that aspirational pricing of investment sales based on summer 2015 deals has not always been achieved in Q4 2015. As a result, transactions concluded at year end 2015 were at levels lower than mid-year. However, the mid-year position was not picked up in property carrying values and so, whilst 2015 still showed strong year on year capital growth, a small “invisible correction” occurred in H2 2015.

In the early part of 2016, we have noticed a reduction in transactional volumes in the investment markets, as investors exercise a degree of caution in the run-up to the UK's referendum on EU membership in June. Concerns of a possible 'Brexit' are expected to continue to temper activity levels during H1 2016.

Looking further forward, given the expectation for continued growth in jobs and relatively low levels of new construction of commercial floor-space, rental growth is expected to continue but will moderate to an average of 2.5% per annum, according to the Investment Property Forum forecast. With the Investment Property Forum projecting an average of only 1% per annum capital growth over 2016 to 2019, property returns are expected to be driven by income and rental growth over the next few years. Consequently, the average IPD All Property total return over the next four years is projected to be 6.3% per annum. However, in common with other asset classes, “safe haven” status properties remain in strong demand but some risk assets have been and will continue to be subject to a re-rating. Additionally, we believe that the rental growth expected in Central London offices and in particular City offices, may not be realised if the ongoing global market turmoil impacts on financial sector jobs.

The polarisation in the lending market has continued and deepened over 2015, with the following pricing ranges being apparent in the market between prime/trophy assets through to lower/mid-market in Q4 2015:

- Senior – 1.25% to 3.0% margins (2% to 5% all in)
- Mezzanine – 7.5% to 12.5%
- Whole loans – 4% to 10%

Investment Manager's Report

(continued)

UK Commercial Property Debt Market (continued)

We do not see this differential closing materially over the current year, although it is apparent that some banks are now widening margins by circa 20-40 basis points for senior debt when compared to the levels seen in H2 2015.

Looking forward, as a result of the regulatory environment, recent volatility in fixed income markets and Brexit concerns as previously mentioned, we believe that lenders will remain cautious in the short term, albeit the availability of debt capital broadly remains strong in most areas of the market.

Portfolio Profile

The activity across the portfolio during the year has centred on monitoring all the loans for their performance against agreed business plans and with regard to previous quarters. All investments are compliant with their respective financial covenants, and the investment limitations of the strategy. All of the investments are performing broadly in line with the underwritten business plans. As at the year end, the 11 loans in the portfolio had a weighted coupon of 7.40%, whilst the projected portfolio IRR remains the same at 8.49%.

The year-end weighted average risk exposure of 52.7% LTV reflects a significant decrease over the previous year (from 60.1%). This has principally been driven by the positive outcome of the annual valuation process across the portfolio and reflects the market at large but with some notable exceptions (IRAF, Northlands and Mansion as described in the loan commentaries that follow).

The weighted average ICR on the portfolio has remained stable over the year at 161% (31 January 2015: 161%), however, there has been movement in ICR at an individual loan level, with the most significant movements over the year being:

1. Northlands Portfolio – ICR increased to 149% from 123% as at January 2015 as a result of lower non-recoverable costs associated with the portfolio. Interest cover is supported by a cash reserve account of £230,000 charged to the lender.
2. Lanos (York) – reported ICR has increased to 116% from 105% as at January 2015, primarily due to the completion of the refurbishment works and now all 125 rooms being available.
3. Hulbert Properties – ICR decreased from 180% as at January 2015 to 166%; this was due to the borrower securing vacant possession on a loss making site which they plan to demolish and market the resultant yard space. This is in-line with the underwritten business plan.

Overall, the Investment Manager believes the Group's loan portfolio to be satisfactorily secured, given our senior position with a weighted average exposure of 52.7% LTV and 161% ICR at 31 January 2016 (57.2% LTV and 174% ICR at 31 March 2016). In addition risk is 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 parameters as set out in the prospectus.

Portfolio Activity

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

In quarter one; Mansion Student Fund took the decision to put the entire student accommodation property up for sale. In March 2016 (post year end) the borrower successfully completed the disposal of the two student accommodation properties and as a result the £18.07 million loan has been repaid in full, together with exit and prepayment fees of approximately £2.5 million in aggregate.

In the second half of the year Lanos (York) completed the refurbishment works on the hotel making all 125 rooms available. The hotel was revalued at £20 million, reducing our LTV exposure to 50%.

Investment Manager's Report

(continued)

Portfolio Activity (continued)

The Northlands borrower has completed some lettings of previously vacant units in the last quarter of this financial year; income is expected to pick up going forward. Following the year end the Investment Manager is recommending advancing a further £500,000 to assist with the capital expenditure programme.

Meadow Partners are currently considering two options regarding the Pentavia Retail Park asset – a low (planning) risk reconfiguration of the existing built space or a more ambitious scheme, potentially involving retail, leisure, residential and hotel usage. The borrower is in consultation with the local authority on the former and has recently approached planning consultants to explore the latter option, which could achieve a substantially higher residual site value.

Outlook

The outlook for the investment portfolio remains good, underpinned by the favourable economic and property market conditions. Whilst we anticipate some change in the underlying property portfolios of the borrowers as they deliver their business plans and substitute or replace assets, we expect this to result in an improvement in the quality of the underlying property. Given pre-payment protection fees, early repayment is not expected in the current financial year other than in partial portfolio sales or in exceptional circumstances such as the £400 million sale of the entire Mansion portfolio. However, to the extent this occurred we would expect the resultant prepayment fees to enable the Group to reinvest any such proceeds on a basis that will be accretive to shareholders as illustrated by the new Commercial Regional Space Loan as discussed below. We expect that the Company should be able to maintain the quarterly dividend payment level of 1.5 pence per share during the term of the current portfolio of loans.

Following the financial year end and the successful completion of the Mansion loan repayment, the Group redeployed the proceeds through the completion of a new £22.4 million loan to Commercial Regional Space Limited. The loan has a maturity date of April 2019 and is fully compliant with the parameters set out in the Prospectus. The loan is 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 over 140 tenants.

This transaction reinvests substantially all of the cash held by the Group following the repayment of the Mansion loan. The combined effect of the Mansion loan repayment and this reinvestment is materially accretive to shareholders, represented by an increase in NAV of approximately 2.5 pence per share.

The impact of a possible 'Brexit' vote in June has been considered. Although the effect of such a vote on the portfolio and market conditions more widely remains uncertain, the Investment Manager believes the strong risk positioning of the portfolio, with a diverse range of local and regional assets; low LTV exposure and robust interest cover should see the loans well placed to weather any resultant volatility and support the maintenance of the quarterly dividend payment during any potential downturn.

Following the Group's year end, the UK Government announced certain changes to the SDLT regime for commercial property, with the top rate levied on purchases increasing from 4% to 5% on the portion of the price in excess of £250,000. Further, an additional 3% SDLT charge will be levied on the purchase of additional residential properties (such as buy-to-let and second homes), over and above the currently prevailing rates.

The Investment Manager anticipates these additional costs to be absorbed by purchasers and reflected in valuations going forward, however given the nature and positioning of the Group's portfolio, the overall effect on value and liquidity is expected to be negligible.

Investment Manager's Report

(continued)

Loan Portfolio

As set out above, as at 31 January 2016, the Group's portfolio comprised 11 loans with an aggregate balance outstanding of £104 million.

A summary of each of the individual loans as at 31 January 2016 is set out below:

Loan 1 – Mansion Student Fund

An £18.07 million senior loan secured on two student accommodation blocks located in Birmingham and Glasgow, providing over 1,000 purpose-built student bedrooms. The loan proceeds were used to refinance part of the borrower's equity which funded the cash purchase of the properties.

The loan benefits from security against two well located, purpose built and fully refurbished student blocks, which offers conservative gearing against capital and income, whilst the company's counterparty is managed by a highly experienced sector specialist. Following completion of the refurbishment of the Birmingham property, the valuation of the portfolio increased from £33.00 million to £38.90 million. The properties have been subsequently revalued at £45.87 million reducing the LTV exposure further to 39.39%. The 100% occupancy and the favourable room rates achieved have driven the ICR to 230%.

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

Following the financial year end the borrower completed the disposal of the two properties which provided security for the loan. As a result of this disposal the £18.07 million loan has been repaid in full, together with exit and prepayment fees of approximately £2.5 million in aggregate.

Property profile		Debt profile	
Number of properties	2	Day one debt	£18,070,000
Property value (£)	£45,870,000	Debt outstanding	£18,070,000
Property value (£/bed)	£45,461	Original term	6.0 years
Bedrooms	1,009	Maturity	June 2019
Number of tenants	1,009	Current LTV	39.39%
Weighted lease length	n/a	Current ICR	230.2%
		Loan exposure per bed	£17,909

Investment Manager's Report

(continued)

Loan 2 – IRAF Portfolio

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

InfraRed Capital Partners continue to await the completion of the works to the Law Distribution unit by the previous owner, in consequence of which the tenant remains in a rent free period. IRAF have placed the rent on deposit – so it is recognised as having been paid for compliance purposes. Progress is being made and it is understood the works are near completion. At 196.33% ICR and 43.51% LTV the loan remains strongly secured.

Property profile

Number of properties	4
Property value (£)	£27,430,000
Property value (£/sq. ft.)	£57
Property area sq. ft.	483,294
Number of tenants	32
Weighted lease length	3.91 years

Debt profile

Day one debt	£14,200,000
Debt outstanding	£11,935,000
Original term	5.4 years
Maturity	December 2018
Current LTV	43.51%
Current ICR	196.33%
Loan exposure per sq. ft.	£24.70

Loan 3 – Meadow Real Estate Fund II

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

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

The borrower's business plan has been to reconfigure the layout of the units to increase rents on expiry of the three main existing leases. The sponsor is pursuing two options to improve the scheme and a planning application has been submitted (which occurred during the financial year) to re-configure the existing retail space into six separate units. The borrower reports strong interest from a number of retailers for the completed units.

A desktop revaluation of the property shows an uplift of £1.7 million to the day one market value to reflect the planning gain, de-risking the Group's capital position to 62.96% LTV. The ICR has decreased over the year from 130% to 121.79% as a result of the expiry of the major leases. However, in line with the underwritten business plan, debt service is primarily derived from a pre-funded interest reserve account (topped up quarterly) which provides 12 months' cover. The loan has maintained compliance with all covenants.

Property profile

Number of properties	1
Property value (£)	£28,700,000
Property value (£/sq. ft.)	£308.99
Property area sq. ft.	92,882
Number of tenants	5
Weighted lease length	0.11 years

Debt profile

Day one debt	£18,070,000
Debt outstanding	£18,070,000
Original term	4.3 years
Maturity	December 2017
Current LTV	62.96%
Current ICR	121.79%
Loan exposure per sq. ft.	£194.55

Investment Manager's Report

(continued)

Loan 4 – Northlands Portfolio

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

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

The borrower has filled four vacant units with new tenants and replaced three outgoing tenants. Along with some rental uplifts, which has increased contracted income by £85,000 per annum positively increasing the ICR from 123% to 149%. The borrower has received planning consent for a number of residential conversions at Market Parade and New Ash Green identified within the business plan. Following the year end the Investment Manager is considering advancing a further £500,000 to assist with the capital expenditure programme.

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

Property profile		Debt profile	
Number of properties	15	Day one debt	£7,200,000
Property value (£)	£13,859,500	Debt outstanding	£6,477,250
Property value (£/sq. ft.)	£108.58	Original term	5.0 years
Property area sq. ft.	127,638	Maturity	November 2018
Number of tenants	112	Current LTV	46.74%
Weighted lease length	2.16 years	Current ICR	148.95%
		Loan exposure per sq. ft.	£50.75

Loan 5 – Hulbert Properties

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

The borrower, Hulbert Properties Ltd, is a West Midlands based private property company. The borrower is generally managing to replace tenants to enhance income and improve the leasing profile. The borrower has secured three tenancies at will with a view to converting them to longer, fixed term leases. Vacant possession of Block 1 Grazebrook which was a loss making site has been secured. The borrower is due to demolish the existing units and market the resultant yard space.

The updated valuation (£11.9 million from £10.1 million) has materially reduced the LTV from 65% to 55.38%.

Property profile		Debt profile	
Number of properties	3	Day one debt	£6,565,000
Property value (£)	£11,855,000	Debt outstanding	£6,565,000
Property value (£/sq. ft.)	£41.39	Original term	5.0 years
Property area sq. ft.	286,454	Maturity	December 2018
Number of tenants	12	Current LTV	55.38%
Weighted lease length	2.80 years	Current ICR	166.23%
		Loan exposure per sq. ft.	£22.92

Investment Manager's Report

(continued)

Loan 6 – Halcyon Ground Rents

A £8.6 million senior loan facility utilised to refinance a portfolio of freehold ground rents.

The Halcyon security comprises a diversified portfolio of 21 freehold ground rent investments with a weighted unexpired lease term of 88 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 has completed the substitution of a small property in Fenny Compton currently valued at £600,000 for two properties in Camberwell, London; the substituted properties are both London light industrial and are essentially a like-for-like swap.

At 63.90% LTV and with 115.70% ICR, the gearing is at the top of the Group's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loan benefits from very strong security.

Property profile		Debt profile	
Number of properties	21	Day one debt	£8,600,000
Property value (£)	£13,459,000	Debt outstanding	£8,600,000
Property value (£/sq. ft.)	£34.21	Original term	5.0 years
Property area sq. ft.	393,368	Maturity	December 2018
Number of tenants	4	Current LTV	63.90%
Weighted lease length	88.0 years	Current ICR	115.70%
		Loan exposure per sq. ft.	£21.86

Loan 7 – Carrara Ground Rents

A £1.3 million senior loan facility was used to refinance an individual ground rent investment.

The Carrara security comprises a single virtual freehold ground rent investment located in Leeds with an unexpired lease term of 85 years, subject to a 25% rental gearing. The property is a modern office building located on an established business park accessed from the M1 motorway, which is fully let to a strong covenant until 2018.

At 65.0% LTV and 113.0% ICR the gearing is at the top of the Group's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loan benefits from very strong security.

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

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	65.00%
Weighted lease length	84.94 years	Current ICR	113.00%
		Loan exposure per sq. ft.	£53.13

Investment Manager's Report

(continued)

Loan 8 – RAEES International

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

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

Given the low yielding nature of the portfolio, which reflects the London retail and residential uses, interest cover is relatively low at 127.69%. The recent valuation update (up £4.7 million to £24.7 million) has reduced the LTV to 53.68% reflecting the liquid nature of the security portfolio and strong occupational demand.

The borrower continues to explore value add initiatives (creating residential units from offices), rental income is stable compared with the day one position.

Property profile		Debt profile	
Number of properties	24	Day one debt	£13,250,000
Property value (£)	£24,685,000	Debt outstanding	£13,250,000
Property value (£/sq. ft.)	£299.10	Original term	5.0 years
Property area sq. ft.	82,530	Maturity	December 2018
Number of tenants	119	Current LTV	53.68%
Weighted lease length	4.88 years	Current ICR	127.69%
		Loan exposure per sq. ft.	£160.55

Loan 9 – Lanos (York)

A £10.0 million loan to Lanos (York) Limited, which has a maturity date of December 2018. The £10.0 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 borrower, part of a specialist hotel development and management group, operates the hotel under a franchise agreement from Best Western.

The Facility is secured by a first and only charge on the 99 room 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.

Refurbishment works are now complete with all 125 rooms now available. Revenue is up circa £180,000 for the quarter on last year, a 23% year on year increase. Following completion of the works, 2016 revenue is projected to be 36% over 2015.

The hotel has been revalued at £20 million, reducing our LTV exposure to 50%. The increase in value is attributable to an increase in forecasted income and an assumption that improvements will be made on net operating income.

Property profile		Debt profile	
Number of properties	1	Day one debt	£10,000,000
Property value (£)	£20,000,000	Debt outstanding	£10,000,000
Property value (£/bed)	£160,000	Original term	4.8 years
Bedrooms	125	Maturity	December 2018
		Current LTV	50.00%
		Current ICR	116.34%
		Loan exposure per bed	£80,000

Investment Manager's Report

(continued)

Loan 10 – Ramada Gateshead

A £7.983 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.

Performance in the latter half of 2015 was very positive with EBITDA up 20% on budget and 50% up year on year. Trade was likely boosted by Rugby World Cup games held in the city.

Property profile

Number of properties	1
Property value (£)	£12,500,000
Property value (£/bed)	£62,500
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	63.86%
Current ICR	209.07%
Loan exposure per bed	£39,912.50

Loan 11 – First Light Portfolio

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

The investment is secured against 14 flats in three locations in North West London. All flats are now let on AST.

There has been no material activity in the period.

Property profile

Number of properties	3
Property value (£)	£3,567,000
Property value (£/bed)	£983.73
Property area sq. ft.	3,626
Number of tenants/occupancy	100%

Debt profile

Day one debt	£1,752,400
Debt outstanding	£1,752,400
Original term	4.0 years
Maturity	January 2019
Current LTV	49.13%
Current ICR	167.09%
Loan exposure per sq. ft.	£483.29

Investment Manager's Report

(continued)

Following the year end the Mansion loan was repaid in full and the Group made a new investment as summarised below:

Loan 12 – Commercial Regional Space Limited

A £22.4 million loan to Commercial Regional Space Limited and affiliates made on 16 March 2016.

The loan has a maturity date of April 2019 and is fully compliant with the parameters set out in the Prospectus, with the £22.4 million loan balance representing 19.96% of the Group's gross assets as at the date of completion.

The loan is 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 over 140 tenants.

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

Property profile		Debt profile	
Number of properties	2	Day one debt	£22,400,000
Property value (£)	£35,000,000	Debt outstanding	£22,400,000
Property value (£/sq. ft.)	£5,951.46	Original term	3 years
Property area sq. ft.	1,254,366	Maturity	April 2019
Number of tenants/occupancy	142	Current LTV	64.00%
Weighted lease length	n/a	Current ICR	280.00%
		Loan exposure per sq. ft.	£17.86

Intermediate Capital Managers Limited

26 April 2016

Investment Policy

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

The Group will only invest in loans that:

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

Investment Restrictions

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

1. the maximum percentage of gross assets allocated to a single loan shall be 10%, provided that the limit may be increased to 20% for loans benefiting from diversified and/or Investment Grade Tenants (as determined by MIS and/or S&P, being credit rating agencies registered in accordance with Regulation (EC) No 1060/2009);
2. the maximum percentage of gross assets allocated to a single borrower (together with its parents, subsidiaries and/or affiliates) shall be 20%;
3. following the Investment Period, the maximum exposure of the gross rents receivable on all investments to a single underlying tenant shall be 10%, except:
 - in the case of an Investment Grade Tenant (as determined by MIS and/or S&P, being credit rating agencies registered in accordance with Regulation (EC) No 1060/2009), the maximum exposure shall be 20%; and
 - in the case of the UK Government (including any of its ministries, departments and/or executive agencies), the maximum exposure shall be 50%;
4. the maximum exposure to a property sector shall be 50% of gross assets, on the basis that:
 - where 60% or more of the value of a loan's collateral real estate assets falls in a Single Property Sector, 100% of the value of the relevant loan will be attributed to that Single Property Sector; and
 - where less than 60% of the value of a loan's collateral real estate assets falls in any Single Property Sector, then the value of the relevant loan will be attributed to the mixed portfolio property sector; and
5. the maximum exposure to residential property shall be 15% of gross assets and any such exposure shall be restricted to multi-family investment properties.

Board of Directors

Jack Perry CBE – *Chairman and Non-Executive Independent Director*

Jack was Chief Executive Officer of Scottish Enterprise between 2004 and 2009. He is a chartered accountant and became an office managing partner in 1995 with Ernst & Young LLP and a regional industry leader for the firm in 1999. Jack was a member of the council of CBI Scotland between 1996 and 2001 before being appointed Chairman, a position he held for two years. Since leaving Scottish Enterprise in 2009 Jack has been pursuing a career as a non-executive director and adviser to a variety of public and private companies. Jack was appointed in 2014 as a non-executive director and on 25 April 2015 as chairman of European Assets Trust NV, a company admitted to trading on the London Stock Exchange and Euronext Amsterdam Stock Market.

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 a non-executive director of Metropolitan Housing Trust and 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 and NextEnergy Solar Fund Limited. Patrick is the current Chairman of the Guernsey International Business Association.

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

Mark Huntley – *Non-Executive Director*

Mark has over 30 years' experience in the fund and fiduciary sector and much of his involvement in the fund and private asset sectors has involved real estate and private equity investments. He holds a number of board appointments on listed and private funds and property advisory boards 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, The Spitfire Funds (Bermuda) 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 2016.

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

Business Review

A review of the Group's business and its likely future development is provided in the Chairman's Statement on pages 4 and 5 and in the Investment Manager's Report on pages 6 to 20.

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 47 to 65.

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 2015	23 April 2015	22 May 2015	1.5
30 April 2015	2 June 2015	3 July 2015	1.5
31 July 2015	24 September 2015	23 October 2015	1.5
31 October 2015	10 December 2015	18 January 2016	1.5
31 January 2016	26 April 2016	26 May 2016	1.5

Share Capital

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

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

Report of the Directors

(continued)

Shareholdings of the Directors

The Directors of the Company and their beneficial interests in the shares of the Company as at 31 January 2016 and 2015 are detailed below:

Director	Ordinary shares of £1 each held 31 January 2016	% holding at 31 January 2016	Ordinary shares of £1 each held 31 January 2015	% holding at 31 January 2015
Jack Perry	20,000	0.02	20,000	0.02
Stuart Beevor	20,000	0.02	20,000	0.02
Patrick Firth	10,000	0.01	10,000	0.01
Mark Huntley	10,000	0.01	10,000	0.01
Paul Meader	10,000	0.01	10,000	0.01

There have been no changes to the Directors' shareholdings since 31 January 2016.

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.

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

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

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

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

Directors' and Officers' Liability Insurance

The Group maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Group. Insurance is in place, having been renewed on 30 December 2015.

Report of the Directors

(continued)

Substantial Shareholdings

As at 31 January 2016, 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
HSBC Global Custody Nominee (UK) Limited	17,595,180	16.26
Investec Bank Plc	10,000,000	9.24
Nortrust Nominees Limited	8,957,314	8.28
Luna Nominees Limited	7,321,725	6.77
Chase Nominees Limited	6,850,000	6.33

In addition, the Company also provides the same information as at 31 March 2016, being the most current information available.

Shareholder	Shareholding	% holding
HSBC Global Custody Nominee (UK) Limited	17,773,892	16.42
Investec Bank Plc	10,000,000	9.24
Nortrust Nominees Limited	8,957,314	8.28
Luna Nominees Limited	7,327,725	6.77
Chase Nominees Limited	6,850,000	6.33

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 2016 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 38 to 42.

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 IFAs to ordinary retail investors in accordance with the FCA's rules relating to non-mainstream investment products.

AIFMD

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

FATCA

The Company continues to comply with FATCA's requirements to the extent relevant to the Company.

Report of the Directors

(continued)

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 is now fully invested with a total loan portfolio representing 95% of the net capital raised and expects that the loan portfolio will generate enough cash flows to pay on-going expenses and returns to shareholders. The Directors have considered the cash position and performances of current investments made by the Group and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

The Directors have specifically considered the implications of the continuation vote on the application of the going concern basis. The Directors shall convene a general meeting of the Company on or before the fifth anniversary of Admission (and every year thereafter), and shall propose an ordinary resolution that the Company continues its business as a closed-ended collective investment scheme. The Directors consider that it is likely that such a resolution would be passed, given the past performance of the Company and therefore conclude that there is no material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern.

Viability Statement

The Group's Financial Statements are prepared in accordance with the AIC Code and presented on a going concern basis. As further disclosed in the Corporate Governance Report on page 31 the Company is a member of the AIC and complies with the AIC Code which was revised in February 2015 to reflect changes to the UK Code.

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 June 2019, which is deemed appropriate given:

- (i) the maturity profile of the Group's current loan portfolio (December 2017 to June 2019);
- (ii) the investment objectives of the Group; and
- (iii) the assumption that the continuation vote scheduled for 2017 will be passed.

The Group's capital has been fully invested and based on past performance the returns generated are stable and predictable in the medium term.

The Investment Manager 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 36 and 37. The Investment Manager and the Board evaluated the resilience of the Group to the occurrence of these risks in severe yet plausible scenarios. This evaluation has applied the following key scenarios (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):

- Loan non-performance – The impact to the Group should several loans become non-performing, including non-payment of principal or interest;
- Property valuations – The consequences to the Group should a sharp crash in the property market occur similar to the 2008 correction; and
- Inability to roll-over loans and early repayment of loans – the following scenarios were considered in detail and how each would affect the Group:
 - redemption of loan at income protection date with reinvestment at 3% (lower than the current market rate); and

Report of the Directors

(continued)

Viability Statement (continued)

- redemption at income protection date with no reinvestment and redemption at maturity date with no reinvestment.

Having conducted a robust analysis of the above scenarios, 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.

Principal Risks and Uncertainties

Principal Risks and Uncertainties are discussed in the Corporate Governance Report on pages 36 and 37.

Subsequent Events

Significant subsequent events have been disclosed in note 15 to the Financial Statements.

Annual General Meetings

The AGM of the Company will be held at 1.30 pm BST on 3 June 2016 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 2016

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 22 and 23, 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 and Transparency Rules of the UK Listing Authority, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions of the corporate governance code applicable to the Company.

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 2016



Patrick Firth
Director

26 April 2016

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 2016, the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the UK Code, except as set out below.

The Company has not established a separate remuneration committee as the Company has no executive officers; there is no Chief Executive position and no Senior Independent Director. As an investment company the Company has no employees, all Directors are non-executive and independent of the Investment Manager and therefore the Directors consider the Company has no requirement for a Chief Executive or Senior Independent Director and the Board is satisfied that any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Audit Committee report on page 40.

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

The Board

The Directors details are listed on pages 22 and 23 which set out their range of investment, financial and business skills and experience represented.

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

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

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

- has no current or historical employment with the Investment Manager;
- has no current directorships in any other investment funds managed by the Investment Manager;

Corporate Governance Report

(continued)

The Board (continued)

- 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.

Board Tenure and Re-election

All Directors were appointed in November 2012 therefore no member of the Board has served for longer than four years to date. As such no issue has arisen to be considered by the Board with respect to long tenure. In accordance with the AIC Code, when and if any Director shall have been in office (or on re-election would at the end of that term of office) for more than nine years the Company will consider further whether there is a risk that such a Director might reasonably be deemed to have lost independence through such long service.

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

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

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. Patrick Firth and Paul Meader will retire as Directors of the Company in accordance with the policy adopted by the Board and will be put forward for re-election. Mark Huntley is not a member of the Board's Management Engagement Committee and will stand for re-election annually.

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

Directors' Remuneration

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 2016 and the year ended 31 January 2015, the Directors' remuneration was as follows:

Director	1 February 2015 to 31 January 2016 £	1 February 2014 to 31 January 2015 £
Jack Perry	40,000	38,750
Stuart Beevor	27,500	26,250
Patrick Firth	32,500	31,250
Mark Huntley	27,500	26,250
Paul Meader	27,500	26,250

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

Corporate Governance Report

(continued)

Duties and Responsibilities

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

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

The Board is responsible to shareholders for the overall management of the Company. The Board has adopted a Schedule of Matters 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 29 and 30. 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 with attendance further set out below:

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

Committees of the Board

Audit Committee

The Audit Committee is chaired by Mr Firth and comprises Mr Perry, Mr Beevor and Mr Meader. The report of the role and activities of this Audit Committee and its relationship with the external auditor is contained in the Report of the Audit Committee on pages 38 to 42. The Committee has terms of reference which are available on the Company's website.

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.

Corporate Governance Report

(continued)

Nomination Committee (continued)

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.

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 Manager (including effective and active monitoring and supervision of the activities of the Investment Manager) in its role as Investment Manager to the Company as well as the performance of any other service providers to the Company. The Audit Committee also report on their relationship with the external auditor.

Board Performance Evaluation

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

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

New Directors receive an induction on joining the Board and regularly meet with the senior management employed by the Investment Manager. The Board arranges for a presentation from the Investment Manager, 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 Manager; however, it remains accountable for all functions it delegates;

Corporate Governance Report

(continued)

Internal Control and Financial Reporting (continued)

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

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Manager, including their own internal controls and procedures, provide sufficient assurance that 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 40.

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

The Company has delegated the provision of all services to external service providers whose work is overseen by the Management Engagement Committee at its regular scheduled meetings. Each year a detailed review of performance pursuant to their terms of engagement is undertaken by the Management Engagement Committee. As disclosed in the Chairman's Statement an on-site review of the Investment Manager and an assessment of the Luxembourg Administrator were undertaken. 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 Manager. This sets out the Investment Manager's key responsibilities, which include identifying and recommending suitable investments for the Company to enter into and negotiating on behalf of the Company the terms on which such investments will be made. The Investment Manager is also responsible to the Board for all issues relating to the maintenance and monitoring of existing investments.

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

Relations with Shareholders

The Board welcomes shareholders' views and places great importance on communication with its shareholders. The Company's Annual General Meeting provides a forum for shareholders to meet and discuss issues with the Directors of the Company. The Chairman and other Members of the Board have made, and will continue to make themselves available to meet shareholders at other times.

Corporate Governance Report

(continued)

Relations with Shareholders (continued)

In December 2015 we announced the appointment of a new corporate broker, Cenkos Securities plc, in place of Investec Bank plc. Together with Cenkos we have begun a shareholder consultation process in anticipation of the continuation vote in 2017.

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.

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.

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:

- 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.
- 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.
- 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 are accretive to investor returns.
- 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.

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

Corporate Governance Report

(continued)

Principal risks and uncertainties (continued)

Risks relating to Group structure:

- Change in tax legislation – A change in tax legislation applicable to the Group or Company, resulting in increased tax liabilities for the Group or Company and a consequential reduction in yield or capital to investors.
- Change in fund legislation – A change in legislation in Guernsey or the United Kingdom applicable to the Group or Company, resulting in an adverse impact on the Group or Company's viability.

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 Manager 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 2016



Patrick Firth
Director

26 April 2016

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 and the AIC 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 Manager. Appointments to the Audit Committee shall be for a period of up to three years, extendable for one, or more, further three-year periods. The Audit Committee will meet no less than twice a year, and at such other times as the Audit Committee Chairman shall require.

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 the draft impairment reviews of the Group's investments prepared by the Investment Manager, and making a recommendation to the Board on any impairment in the value of the Group's investments;
- meeting regularly with the 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 Manager or the Administrator being present at least once per year.

Financial Reporting

The primary role of the Audit Committee in relation to the financial reporting is to review with the Administrator, Investment Manager and the auditor the appropriateness of the Interim 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;
- 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 Manager and also reports from the auditor on the outcome of their annual audit. The Audit Committee aids Deloitte LLP in displaying the necessary professional scepticism their role requires.

Meetings

During the year ended 31 January 2016, the Audit Committee has met formally on three occasions and met on one further occasion since the year end through to the date of this Annual Report. 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;
- 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.

Report of the Audit Committee

(continued)

Primary Area of Judgement (continued)

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.

The Board reviews the compliance of all loans with terms and covenants at each Board meeting. The Board also receives updates from the Investment Manager regarding the trading performance for each borrower, the borrower's performance under the loans and on the general UK property market. As a result, the Board is able to determine the level, if any, of any impairment to the loans. In addition, during the year a sub group of the Board conducted an on-site review of the Investment Managers' 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 Manager. These were discussed with the Investment Manager at length. The Audit Committee believes that whilst there is an on-going risk that the capital invested may not be recoverable or there may be delays in recovering the capital, it is satisfied with the security held and has concluded that none of the loans were impaired at the reporting date or the subsequent period to the date of this 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 Manager and the Administrator. The main assumptions of the calculations were that none of the loans were impaired and that each loan would be repaid at the end of the agreed loan term. These were discussed at the Audit Committee meeting to review the Annual Report, with the Investment Manager, the Administrator and Auditor. The Audit Committee is satisfied that the Group interest income has been recognised in line with the requirements of 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.

Notwithstanding the above, the prepayment received in respect of the Mansion loan was, under the terms of the loan contract and as a result of disposal of the security held, a mandatory prepayment. Until such time that the borrower has exchanged contracts to dispose of underlying security, these circumstances are not assumed within the fair value of the voluntary prepayment option. As a result, it has been concluded that the Mansion prepayment is a non-adjusting event and prepayment fee income recognised in accordance with the stated accounting policy in note 2 f).

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 36 and 37 of the Corporate Governance Report, and it receives reports from the Investment Manager and Administrator on the Group's risk evaluation process and reviews changes to significant risks identified.

Internal audit

The Audit Committee 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 Manager, 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 third audit period.

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

The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor may be appointed to perform non-audit services. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to any non-audit work that the auditor may undertake. In order to safeguard auditor independence and objectivity, the Audit Committee ensures that any other advisory and/or consulting services provided by the external auditor do not conflict with its statutory audit responsibilities. Advisory and/or consulting services will generally only cover reviews of Interim 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 2017.

Report of the Audit Committee

(continued)

External Audit (continued)

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.

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 2016

Independent Audit Report

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

Opinion on Financial Statements of ICG-Longbow Senior Secured UK Property Debt Investments Limited

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

The Financial Statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the Financial Statements and the Directors' statement on the longer-term viability of the Group contained within the Report of the Directors on pages 24 to 28.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on pages 29 and 30 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 36 and 37 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 27 and 28 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 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 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.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Independent Audit Report

(continued)

Risk	How the scope of the audit responded to the risk
<p>The assessment of any impairment in value in the loans advanced</p> <p>As at 31 January 2016, loans measuring £104.0 million (31 January 2015: £103.3 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>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. 	<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 Manager in assessing whether the loans are impaired at the balance sheet date, which includes, but is not limited to summary financial and non-financial information provided by the borrower and progress against original business plans; • scrutinising third party validation of the 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.
<p>Revenue Recognition</p> <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 £8.3 million for the year ended 31 January 2016 (31 January 2015: £8.5 million), with no further other income (31 January 2015: £0.7 million) received as a result of early principal repayments (note 5). Income is accounted for as disclosed in note 2 e) and 2 f).</p>	<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) 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 Mansion prepayment fees received after the year end; and • considering the impact of any impairment on the recognition and valuation of income recorded in the period.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 38 to 42.

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 Audit Report

(continued)

Our application of materiality

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

We determined materiality for the Group to be £2.16 million (31 January 2015: £2.12 million), which is below 2% (31 January 2015: 2%) of equity. This has been determined using a benchmark of equity/net assets which we believe is the key benchmark used by members of the Group in assessing financial performance.

We have applied a lower materiality threshold of £418,000 (31 January 2015: £390,000) (based on 5% of net income (31 January 2015: 5%)) in respect of loan interest income as such transactions are important to investors and provide the revenue to support distributions to shareholders.

We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of £43,000 (31 January 2015: £42,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the 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.

Independent Audit Report

(continued)

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

	Notes	1 February 2015 to 31 January 2016 £	1 February 2014 to 31 January 2015 £
Income			
Income from loans advanced		8,351,859	8,500,227
Other fee income from loans advanced		—	731,218
Income from cash and cash equivalents		8,434	16,794
Total income		8,360,293	9,248,239
Expenses			
Investment management fees	13,14	1,082,657	1,061,829
Administration fees	13,14	165,000	174,674
Directors' remuneration	13	155,000	148,750
Other expenses		80,527	74,937
Luxco operating expenses		70,760	61,811
Broker fees		50,798	55,321
Audit fees		35,000	35,000
Regulatory fees		12,659	31,806
Listing fees		7,693	15,118
Legal & professional fees		1,675	12,799
Total expenses		1,661,769	1,672,045
Profit for the year before tax		6,698,524	7,576,194
Taxation	4	7,421	7,796
Profit for the year after tax		6,691,103	7,568,398
Total comprehensive income for the year		6,691,103	7,568,398
Basic and diluted Earnings per share (pence)	9	6.18	7.05

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

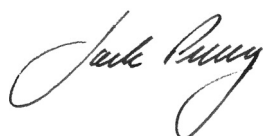
The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 January 2016

	Notes	31 January 2016 £	31 January 2015 £
Assets			
Cash and cash equivalents	7	5,306,129	5,293,805
Trade and other receivables	6	28,357	14,126
Loans advanced at amortised cost	5	104,040,510	103,334,450
Total Assets		109,374,996	108,642,381
Liabilities			
Other payables and accrued expenses	8	966,087	431,419
Total Liabilities		966,087	431,419
Net Assets		108,408,909	108,210,962
Equity			
Share capital	10	106,038,522	106,038,522
Retained earnings		2,370,387	2,172,440
Total Equity attributable to the owners of The Company		108,408,909	108,210,962
Number of ordinary shares in issue at year end		108,219,250	108,219,250
Net Asset Value per ordinary share (pence)	9	100.18	99.99

The Financial Statements were approved by the Board of Directors on 26 April 2016 and signed on their behalf by:



Jack Perry
Chairman



Patrick Firth
Director

26 April 2016

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

Consolidated Statement of Changes in Equity

For the year ended 31 January 2016

	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

	Notes	Number of shares	Share capital £	Retained earnings £	Total equity £
As at 1 February 2014		104,619,250	102,526,866	826,649	103,353,515
Shares issued	10	3,600,000	3,672,000	—	3,672,000
Share issue costs	10	—	(160,344)	—	(160,344)
Profit for the year		—	—	7,568,398	7,568,398
Dividends paid	10	—	—	(6,222,607)	(6,222,607)
As at 31 January 2015		108,219,250	106,038,522	2,172,440	108,210,962

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

Consolidated Statement of Cash Flows

For the year ended 31 January 2016

	Notes	1 February 2015 to 31 January 2016 £	1 February 2014 to 31 January 2015 £
Cash flows from/(used in) operating activities			
Profit for the year		6,691,103	7,568,398
Adjustments for non-cash items:			
Movement in trade and other receivables		(14,231)	57,210
Movement in other payables and accrued expenses		526,708	(4,669)
Movement in tax payable		7,960	6,775
Loan amortisation		(706,060)	(959,842)
		6,505,480	6,667,872
Loans advanced less arrangement fees		—	(31,282,495)
Loans repaid		—	14,922,750
Net loans advanced less arrangement fees		—	(16,359,745)
Net cash from/(used in) operating activities		6,505,480	(9,691,873)
Cash flows used in financing activities			
Proceeds from issue of shares	10	—	3,672,000
Issue costs paid	10	—	(160,344)
Dividends paid	10	(6,493,156)	(6,222,607)
Net cash used in financing activities		(6,493,156)	(2,710,951)
Net movement in cash and cash equivalents		12,324	(12,402,824)
Cash and cash equivalents at the start of the year		5,293,805	17,696,629
Cash and cash equivalents at the end of the year		5,306,129	5,293,805

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

Notes to the Consolidated Financial Statements

For the year ended 31 January 2016

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 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 2016.

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

During the year, the Investment Management Agreement has been novated to Intermediate Capital Managers Limited. The Investment Manager is authorised and regulated by the FCA.

2. Accounting policies

a) Basis of preparation

The Financial Statements of the Group are prepared in accordance with IFRS and the Disclosure and Transparency Rules of the FCA.

The Financial Statements have been prepared on a going concern basis and under the historical cost convention in accordance with the provisions of the Companies Law.

The principal accounting policies adopted are set out below. These policies have been consistently applied, unless otherwise stated.

New and amended standards and interpretations applied		Effective date
IFRS 10	Consolidated Financial Statements (Amendments in respect of Investment Entities)	1 January 2016
IFRS 12	Disclosure of interests in other entities (Amendments in respect of Investment Entities)	1 January 2016
IAS 27	Separate Financial Statements (Amended by Equity Method in Separate Financial Statements)	1 January 2016
IAS 28	Investments in Associates and Joint Ventures (Amendments in respect of Investment Entities)	1 January 2016

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

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

a) Basis of preparation (continued)

The following are new and amended standards and interpretations in issue effective from 1 January 2016. These standards have not been early adopted by the Group and the impact of which is yet to be fully assessed;

New and amended standards and interpretations not applied		Effective dates
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 1	Presentation of Financial Statements (Amendments resulting from the disclosure initiative)	1 January 2016
IAS 7	Statement of Cash Flows (Amendments resulting from the disclosure initiative)	1 January 2017

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

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

b) Going concern

The Directors, at the time of approving the Financial Statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group.

The Group is now fully invested with a total loan portfolio representing 96% 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 Directors have specifically considered the implications of the continuation vote on the application of the going concern basis. The Directors shall convene a general meeting of the Company on or before the fifth anniversary of Admission (and every year thereafter), and shall propose an ordinary resolution that the Company continues its business as a closed-ended collective investment scheme. The Directors consider that it is likely that such a resolution would be passed, given the past performance of the Company and therefore conclude that there is no material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern.

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.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

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.

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. Interim dividends approved by the Board prior to the year-end are disclosed as a liability. Dividends proposed but not approved will be disclosed in the notes to the Financial Statements.

j) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, as a whole. The key measure of performance used by the Board to assess the Group's performance and to allocate resources is the total return on the Groups 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.

All of the Group's income is derived from loans secured on commercial property in the United Kingdom and Guernsey.

The Directors do not analyse the portfolio based on geographical segments on the basis that all of the Group's non-current assets are invested in the United Kingdom.

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

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

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.

i) Loans and receivables

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

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

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

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.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

k) Financial instruments (continued)

v) *Impairment of financial assets*

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

Objective evidence of impairment could include:

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

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

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

Financial liabilities

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

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on a trade date, being the date on which the 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. Direct issue costs include those incurred in connection with the placing and Admission which include fees payable under the Placing Agreement, legal costs and any other applicable expenses, excluding those borne directly under the terms of the Company's Prospectus.

Notes to the Consolidated Financial Statements

(continued)

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).

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. These consist of a net wealth tax charge, set at a rate of 0.5%, on Luxco's worldwide net worth, determined as at the 1 January of each calendar year and an income tax charge, which was set at a flat rate of €3,210 for 2015 (2014: €3,210) by the Luxembourg Tax Administration.

	1 February 2015 to 31 January 2016 £	1 February 2014 to 31 January 2015 £
Net wealth tax	5,093	5,030
Fixed income tax	2,328	2,536
Other	—	230
	7,421	7,796

Notes to the Consolidated Financial Statements

(continued)

5. Loans advanced

	31 January 2016 Principal advanced £	31 January 2016 At amortised cost £	31 January 2015 Principal advanced £	31 January 2015 At amortised cost £
Loan 1 – Mansion Student Fund	18,070,000	18,094,883	18,070,000	17,982,697
Loan 2 – IRAF Portfolio	11,935,000	12,035,342	11,935,000	11,981,995
Loan 3 – Meadows Retail Estate Fund II	18,070,000	18,126,290	18,070,000	17,959,616
Loan 4 – Northlands Portfolio	6,477,250	6,461,444	6,477,250	6,411,110
Loan 5 – Hulbert Properties	6,565,000	6,555,633	6,565,000	6,506,957
Loan 6 – Halcyon Ground Rents	8,600,000	8,586,116	8,600,000	8,521,935
Loan 7 – Cararra Ground Rents	1,300,000	1,297,901	1,300,000	1,288,199
Loan 8 – Raees International	13,250,000	13,228,131	13,250,000	13,129,570
Loan 9 – Lanos (York)	10,000,000	9,970,705	10,000,000	9,894,551
Loan 10 – Ramada Gateshead	7,982,500	7,947,125	7,982,500	7,928,748
Loan 11 – First Light Portfolio	1,752,400	1,736,941	1,752,400	1,729,472
	104,002,150	104,040,510	104,002,150	103,334,450

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

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 represents the fair value of the loans.

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

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

Following the year end, the Group received a repayment of £18,070,000 on the Mansion loan. As part of this repayment, the Group received a total of £2,788,166 in interest and exit and prepayment fees in accordance with the terms of the loan agreement (See Note 15).

Following the repayment of the Mansion loan, together with exit and prepayment fees received and additional cash, the Group made a new loan of £22.4 million 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 Prospectus.

Notes to the Consolidated Financial Statements

(continued)

6. Trade and other receivables

	31 January 2016 £	31 January 2015 £
Other receivables	28,357	14,126
	28,357	14,126

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 2016 £	31 January 2015 £
Investment Management fees	813,075	270,457
Other expenses	39,108	19,645
Directors' remuneration	38,750	38,750
Administration fees	25,669	46,458
Audit fees	25,000	25,000
Taxes payable	22,402	14,442
Broker fees	2,083	16,667
	966,087	431,419

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 2015 to 31 January 2016	1 February 2014 to 31 January 2015
Profit for the year (£)	6,691,103	7,568,398
Weighted average number of ordinary shares in issue	108,219,250	107,410,483
Basic and diluted EPS (pence)	6.18	7.05
Adjusted basic and diluted EPS (pence)	6.18	6.37

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 2016.

The calculation of adjusted basic and diluted Earnings per share is based on the profit for the year, adjusted for one-off fee income during the year totaling £nil (31 January 2015: £731,218).

There are no potentially dilutive shares in issue.

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 2016	31 January 2015
NAV (£)	108,408,909	108,210,962
Number of ordinary shares in issue	108,219,250	108,219,250
NAV per share (pence)	100.18	99.99

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 2016 £	31 January 2015 £
Authorised		
Ordinary shares of no par value	Unlimited	Unlimited
	Total No	Total No
Issued and fully paid:		
Unlimited shares of no par value		
Shares as at inception	1	1
Issued on 5 February 2013	104,619,249	104,619,249
Issued on 24 April 2014	3,600,000	3,600,000
	108,219,250	108,219,250
	£	£
Share capital brought forward	106,038,522	102,526,866
Movements for the year:		
Issue of ordinary shares	—	3,672,000
Share issue costs	—	(160,344)
	106,038,522	106,038,522

Dividends paid

1 February 2015 to 31 January 2016	Dividend per share Pence	Total dividend £
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)

Dividends paid (continued)

1 February 2014 to 31 January 2015	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2014	1.25	1,352,740
Interim dividend in respect of quarter ended 30 April 2014	1.50	1,623,289
Interim dividend in respect of quarter ended 31 July 2014	1.50	1,623,289
Interim dividend in respect of quarter ended 31 October 2014	1.50	1,623,289
	5.75	6,222,607

Dividend proposed

On 26 April 2016, the Directors approved an interim dividend in respect of the quarter ended 31 January 2016 of £1,623,289 equating to 1.5 pence per ordinary share to shareholders on the register as at the close of business on 5 May 2016.

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

Market risk

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

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

Currency risk

The Group's currency risk exposure is considered to be immaterial as all investments have been and will be made in 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.

Notes to the Consolidated Financial Statements

(continued)

11. Risk Management Policies and Procedures (continued)

Interest rate risk (continued)

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

The following table shows the portfolio profile of the financial assets at 31 January 2016 and 31 January 2015:

	31 January 2016 £	31 January 2015 £
Floating rate		
Cash	5,306,129	5,293,805
Fixed rate		
Loans advanced at amortised cost	104,040,510	103,334,450
	109,346,639	108,628,255

The timing of interest payments on the loans advanced is summarised in the table on pages 62 and 63.

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 2016 due to 11 advanced loans being in existence and exposure is solely to the UK real estate market; however this risk is mitigated as the loans are secured by collateral and being spread across a variety of sectors within the UK property market. There is also credit risk in respect of other financial assets as a portion of the Group's assets are cash and cash equivalents. The banks used to hold cash and cash equivalents have been diversified to spread the credit risk to which the Group is exposed. The total exposure to credit risk arises from default of the counterparty and the carrying amounts of financial assets best represent the maximum credit risk exposure at the year end date. As at 31 January 2016, the maximum credit risk exposure was £109,308,279 (31 January 2015: £109,295,955).

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

Notes to the Consolidated Financial Statements

(continued)

11. Risk Management Policies and Procedures (continued)

Credit risk (continued)

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

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 2016, 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 2016 £
Loan 1 – principal	—	18,070,000	18,070,000
Loan 1 – interest and exit fees	1,268,365	3,431,815	4,700,180
Loan 2 – principal	—	11,935,000	11,935,000
Loan 2 – interest and exit fees	837,739	1,799,733	2,637,472
Loan 3 – principal	—	18,070,000	18,070,000
Loan 3 – interest and exit fees	1,358,963	1,649,816	3,008,779
Loan 4 – principal	—	6,477,250	6,477,250
Loan 4 – interest and exit fees	519,600	1,093,502	1,613,102
Loan 5 – principal	—	6,565,000	6,565,000
Loan 5 – interest and exit fees	510,181	1,088,936	1,599,117
Loan 6 – principal	—	8,600,000	8,600,000
Loan 6 – interest and exit fees	603,649	1,308,378	1,912,027
Loan 7 – principal	—	1,300,000	1,300,000
Loan 7 – interest and exit fees	91,249	197,778	289,027
Loan 8 – principal	—	13,250,000	13,250,000
Loan 8 – interest and exit fees	963,257	2,088,872	3,052,129
Loan 9 – principal	—	10,000,000	10,000,000
Loan 9 – interest and exit fees	789,301	1,735,589	2,524,890
Loan 10 – principal	—	7,982,500	7,982,500
Loan 10 – interest and exit fees	642,099	1,618,807	2,260,906
Loan 11 – principal	—	1,752,400	1,752,400
Loan 11 – interest and exit fees	92,253	214,249	306,502
	7,676,656	120,229,625	127,906,281

Notes to the Consolidated Financial Statements

(continued)

11. Risk Management Policies and Procedures (continued)

Liquidity risk (continued)

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

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 1.6 years (31 January 2015: 2.6 years).

The Group has loans and receivables with a prepayment option embedded. Given the low probability of exercise and indeterminable exercise date, the value attributed to these embedded derivatives is considered to be nil (31 January 2015: £nil).

Capital management policies and procedures

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

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

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

The Company has no externally imposed capital requirements.

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 £165,000 (31 January 2015: £174,674) of which £25,669 (31 January 2015: £46,458) was outstanding at the year end. Mark Huntley also received a Director's fee of £27,500 (31 January 2015: £26,250) of which £6,875 (31 January 2015: £6,875) was outstanding at the year end.

The Company Directors' fees for the year amounted to £155,000 (31 January 2015: £148,750) with outstanding fees of £38,750 (31 January 2015: £38,750) due to the Directors at 31 January 2016.

Investment Manager

Investment Management fees for the year amounted to £1,082,657 (31 January 2015: £1,061,829), of which £813,075 (31 January 2015: £270,457) was outstanding at the year end.

14. Material Agreements

Investment Management Agreement

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

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

The Investment Manager's appointment cannot be terminated by the Company with less than 12 months' notice. The Company may terminate the Investment Management Agreement with immediate effect if the Investment Manager has committed any material, irremediable breach of the 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 Manager is no longer authorised and regulated by the FCA or is no longer permitted by the FCA to carry on any regulated activity necessary to perform its duties under the Investment Management Agreement. The Investment Manager 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 Management Agreement has been novated to Intermediate Capital Managers Limited. The Investment Manager 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 £75,000 (31 January 2015: £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 £2 per shareholder per annum or part thereof, subject to a minimum of £7,500 per annum. Other Registrar activities will be charged for in accordance with the Registrar's normal tariff as published from time to time.

15. Subsequent events

On 8 March 2016, the Group received a repayment of £18.07 million on the Mansion loan. As part of this repayment, the Group received a total of £2.5 million 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 £22.4 million 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 Prospectus.

On 26 April 2016, the Company declared a dividend of 1.5 pence per ordinary share in respect of the quarter ended 31 January 2016, payable on 26 May 2016.

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;

"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 on 23 January 2013, 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;

"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;

"CBI" means the Confederation of British Industry;

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

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

"Disclosure and Transparency Rules" or **"DTRs"** means the disclosure rules and transparency rules made by the FCA;

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

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

"EU" means the European Union;

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

"Euronext Amsterdam" means the Amsterdam Stock Exchange;

"FATCA" means Foreign Account Tax Compliance Act;

Glossary of Capitalised Defined Terms

(continued)

"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;

"FRC" means the Financial Reporting Council;

"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.S (Luxco);

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

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

"ICG" means Intermediate Capital Group PLC;

"IFA" means Independent Financial Adviser;

"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 Manager" or "ICG-Longbow" means Intermediate Capital Managers Limited;

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

"Investment Period" means the period of three years from Admission;

"IPD" means the Investment Property Databank;

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

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

Glossary of Capitalised Defined Terms

(continued)

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

"**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;

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

"**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;

"**Model Code**" means The Model Code on directors' dealings in securities set out in Listing Rule 9 Annex 1;

"**NAV per share**" means the Net Asset Value per ordinary share of the Company and is expressed in Pounds Sterling;

"**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;

"**NMPIs**" means Non-Mainstream Pooled Investments;

"**Official List**" is the list maintained by the Financial Conduct Authority (acting in its capacity as the UK Listing Authority) in accordance with Section 74(1) of the Financial Services and Markets Act 2000;

"**Placing Agreement**" means the conditional agreement dated 31 January 2013 between Investec, the Company, the Investment Manager and the Directors relating to the Placing, further details of which are set out in the Prospectus;

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

"**Registrar**" Capita Registrars (Guernsey) Limited;

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

"**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;

Glossary of Capitalised Defined Terms

(continued)

"**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*)
Jack Perry
Stuart Beevor
Paul Meader

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 Manager

Longbow Real Estate Capital LLP
(*novated on 30 April 2015*)
42 Wigmore Street
London
W1U 2RY

Intermediate Capital Managers Limited (*effective 30 April 2015*)
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

Identifiers

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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
Longue Hougue House
St Sampson
Guernsey
GY2 4JN

Corporate Broker and Financial Adviser

Investec Bank plc (*until 16 December 2015*)
2 Gresham Street
London
EC2V 7QP

Cenkos Securities plc (*effective 16 December 2015*)
6-8 Tokenhouse Yard
London
EC2R 7AS

English Solicitors to the Company

King & Wood Mallesons LLP
10 Queen Street Place
London
EC4R 1BE

Guernsey Advocates to the Company

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

Bankers

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
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GY1 4BQ

Cautionary Statement

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

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

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

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

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

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

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For your Notes

