



ICG-Longbow Senior Secured UK Property Debt Investments Limited

Interim Report and Unaudited Condensed
Consolidated Interim Financial Statements

For the six months ended 31 July 2016

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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

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

Highlights

Performance

- NAV of £111.10 million as at 31 July 2016 (31 January 2016: £108.41 million).
 - NAV per share of 102.66 pence (31 January 2016: 100.18 pence).
- Underlying earnings have increased from the prior period due to exit and prepayment fees from the Mansion and First Light loan repayments.
- The capital receipts from these repayments have been redeployed in a manner accretive to shareholders.
- Profit after tax of £5.94 million for the six months ended 31 July 2016 (31 July 2015: £3.38 million).
 - Earnings per share of 5.49 pence (31 July 2015: 3.12 pence).

Dividend

- Total dividends paid or approved for the period ended 31 July 2016 of 3.00 pence per share (31 July 2015: 3.00 pence per share), made up as follows:
 - First interim dividend of 1.50 pence per share paid in respect of the quarter ended 30 April 2016.
 - Second interim dividend of 1.50 pence per share approved in respect of the quarter ended 31 July 2016.
- Second interim dividend details:
 - Approved 14 September 2016
 - Amount 1.50 pence per share
 - Dividend ex-date 22 September 2016
 - Dividend payment date 14 October 2016

Investment Portfolio

- During the six-month period, the £18.07 million Mansion loan was repaid in full together with exit and prepayment fees of £2.56 million, and the proceeds reinvested into a new £22.40 million loan to Commercial Regional Space Ltd on terms accretive to shareholders. The £1.75 million First Light Portfolio loan was also repaid, in full, together with interest and prepayment fees of £0.16 million.
- As at 31 July 2016, the Group's investment portfolio comprised 10 loans with an aggregate principal balance of £106.58 million (31 January 2016: £104.00 million).
- The portfolio weighted average LTV was 57.31% (31 January 2016: 52.65%), reflecting changes to the composition of the loan portfolio, and the weighted average ICR was 181% (31 January 2016: 161%).
- The portfolio weighted average residual term was 2.3 years, of which on average 1.2 years remains income protected (31 January 2016: residual term 2.8 years, income protected term 1.6 years).

Chairman's Statement

Introduction

On behalf of the Board, I am pleased to present the Interim Financial Statements for the Group for the six months ended 31 July 2016.

Economic conditions in the period have been dominated to a great extent by the lead up to (and subsequently the fallout from) the referendum on the UK's continued membership of the EU. During this period of change and uncertainty, the Company has continued to deliver a stable performance, maintaining its dividend, whilst the repayment of two of the loans and subsequent reinvestment of proceeds on terms accretive to shareholders has generated an increase in NAV per share.

Portfolio

The investment portfolio saw some changes during the reporting period, as the March 2016 repayment of the Mansion loan facility (with associated exit and prepayment fees) allowed for redeployment of capital into a new £22.40 million loan secured by two industrial parks in Northern England, as advised in the Group's Annual Report for the year ended 31 January 2016.

During the period, the borrower of the First Light Portfolio repaid its loan of £1.75 million, together with interest and prepayment fees of £0.16 million. Following the above transactions, the portfolio now comprises 10 loans with a weighted average portfolio LTV ratio of 57.31% (31 January 2016: 52.65%) and the ICR has increased from 161% (31 January 2016) to 181%.

As reported by the Investment Manager below, the Sponsor of the RAEES International loan has advised of its intention to repay its facility (with associated exit and prepayment fees) and should this proceed, there should be an opportunity for profitable reinvestment, in line with the approach taken with the Mansion proceeds.

The key potential impacts of the Brexit vote on sectors and individual investments, where relevant, are considered in the Investment Manager's Report in more detail below. However having reviewed each investment in the context of the vote and its immediate impact on the UK property market, we do not believe that any of the investments should be subject to any impairment.

Revenue and Dividend Performance

Revenue for the six month period is £6.82 million (31 July 2015: £4.18 million), an increase on last year due to the exit and prepayment fees received for the Mansion and First Light redemptions.

The Company paid a first interim dividend of 1.50 pence per share in respect of the quarter ended 30 April 2016 on 22 July 2016, and on 14 September 2016 declared a second interim dividend in respect of the quarter ended 31 July 2016 of 1.50 pence per share. This brings the dividends paid and payable for the six months to 31 July 2016 to 3.00 pence per share.

NAV and Share Price Performance

Over the six month period the NAV of the Group increased to £111.10 million whilst the NAV per share has increased by 2.48 pence per share to 102.66 pence per share.

The Company's shares traded in a range of 99.00 pence per share to 104.00 pence per share finishing the quarter at a small premium to NAV, reflecting the stable and predictable nature of the underlying high yield income stream in a low interest environment.

Chairman's Statement

(continued)

Outlook

As I outlined in our Annual Report, the effect of a UK vote to leave the EU was likely to lead to uncertainty in both the wider economy and property markets, and in the short period since the referendum this has proven to be the case. However, the underlying property markets have shown signs of stabilisation following an initial shock and the Board believes the defensive positioning of the Group's loan portfolio continues to offer good levels of potential security.

The UK real estate debt investment market has evolved substantially since the IPO, as demonstrated by the growth in debt funds managed by ICG-Longbow from £242 million at IPO to in excess of £3.1 billion today, covering senior debt, whole loan, mezzanine and development loan investments. In support of this, the Investment Manager's team has expanded from 11 professionals to 30 members today. Since October 2014, ICG-Longbow has been fully owned by ICG plc, the specialist asset manager in private debt, credit and equity and a FTSE 250 company, with assets under management of €21.9 billion as at 30 June 2016.

Since its IPO on 5 February 2013, the Group has successfully invested in a diversified portfolio of defensive senior debt investments secured by UK commercial property. All loans have been sourced and managed by ICG-Longbow. The predictable interest income generated by the Group's loan portfolio has enabled payment of an annual dividend equal to 6.00 pence per share. The NAV per share has increased by 5% from 98.00 pence per share on 5 February 2013 to 102.66 pence per share as at 31 July 2016. Since the IPO to the end of the period, the shares have traded with limited volatility in a range of 99.00 pence per share to 106.75 pence per share.

The reduction in Bank of England Base Rate and fall in the benchmark Sterling five-year swap rate gives comfort that the Group's borrowers should be able to refinance into a benign interest rate environment as the residual loan terms continue to shorten, but only reinforces the fact that reinvesting loan proceeds at the same risk and return profile as the existing portfolio is not possible.

As highlighted in the latest Annual Report, the Board has continued to work with the Investment Manager and our brokers Cenkos on a review of the Group's strategy taking into account the current interest rate environment and market conditions. The objective of this review is to consider the investment policy and objective ahead of the proposed continuation vote in 2017, to facilitate the re-investment of proceeds from maturing loans, while also forming a platform for the future growth of the Group.

The outcome of this review, is likely to contain a proposal to invest in a wider range of UK real estate debt opportunities including whole loans (higher LTV loans secured by a first mortgage) and smaller loan opportunities generated by the Investment Manager, as well as investments in loans as joint-lender with other funds managed by ICG-Longbow and/or investments in such funds. Any such proposal is expected to be communicated to shareholders later this year. Our intention is to convene a General Meeting early in 2017 at which shareholders will be asked to approve a proposed change in the investment policy and objectives and also the continuation of the Company for a further five years. Further details will be announced in due course. Any change in investment objective and policy will be subject to shareholder and regulatory approval.



Jack Perry
Chairman

13 October 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:	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:	108.22 million	ISIN code:	GG00B8C23S81
Management fee:	1.0%	LSE code:	LBOW
		Website:	www.lbow.co.uk

Share price & NAV at 31 July 2016

Share price (pence per share):	103.75
NAV (pence per share):	102.66
Premium/(discount):	1.06%
Market capitalisation:	£112.28 million
Approved dividend (pence per share) ⁽¹⁾ :	1.50 pence
Dividend payment date ⁽¹⁾ :	14 October 2016

Key portfolio statistics at 31 July 2016

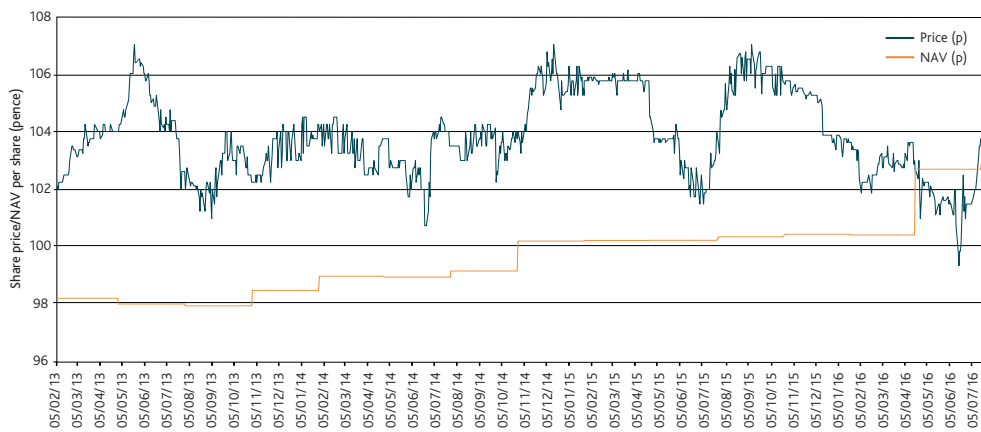
Number of investments:	10
Percentage capital invested ⁽²⁾ :	96.29%
Weighted average investment coupon:	6.83%
Weighted avg. projected gross IRR ⁽³⁾ :	8.72%
Weighted avg. LTV:	57.31%
Weighted avg. ICR:	181%

⁽¹⁾ For Quarter ended 31 July 2016 (Ex-dividend date 22/09/2016).

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

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

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



Investment Manager's Report

(continued)

Summary

At 31 July 2016, the investment portfolio comprised 10 loans following the repayment in the second quarter of the First Light Portfolio loan.

Each investment in the portfolio remains well secured from a capital perspective, with a weighted average LTV exposure of 57.31%, an increase from the year-end LTV of 52.65% due to the repayment of the Mansion Group Loan (exit at 39% LTV) and subsequent new loan to Commercial Regional Space Limited (entry LTV of 65%). The portfolio level gross expected IRR if held to contracted loan term maturity, and recognising prepayment/exit fees received to date, is 8.72%.

At the portfolio level, the ICR has improved following the redemptions in the period to 181% (31 January 2016: 161%).

Group Performance

As previously mentioned, the Group's portfolio changed in the quarter and as a result, profit after tax for the six months is £5.94 million (5.49 pence per share), benefiting from the Mansion and First Light prepayment and exit fees.

The Group's loan portfolio continues to perform in line with expectations and in compliance with all of the Group's investment parameters. With 1.15 years weighted average income protection remaining as at 31 July 2016 (ranging from 0.7 years to 1.8 years), the Company remains well positioned to continue to deliver its target dividend during the period of income protection of the current portfolio.

Portfolio

Portfolio statistics	31 July 2016	31 January 2016
Number of loan investments	10	11
Aggregate balance	£106,579,750	£104,002,150
Weighted average LTV	57.31%	52.65%
Weighted average ICR	181%	161%
Weighted average interest coupon	6.83% pa	7.40% pa
Weighted average projected gross IRR ⁽¹⁾	8.72% pa	8.49% pa
Weighted average unexpired loan term	2.30 years	2.81 years
Weighted average unexpired interest income protection	1.15 years	1.60 years
Cash held	£4,293,242	£5,306,129

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

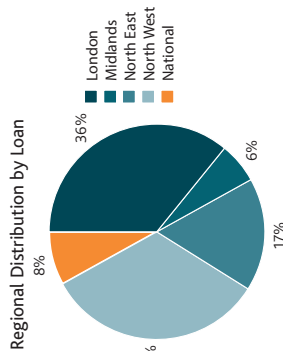
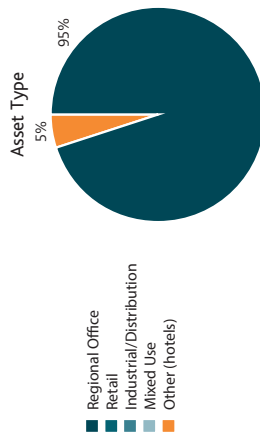
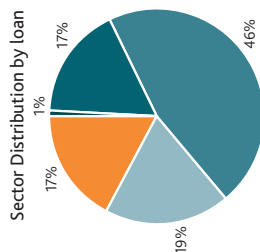
Investment Manager's Report

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Investment Portfolio as at 31 July 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 (%)
IRAF Portfolio ⁽¹⁾	North West	Industrial/distribution	Jul-13	2.34	14.20	55.3	193	11.94	43.5	210
Meadows RE Fund II	London	Retail	Sep-13	1.42	18.07	65.0	150	18.07	63.0	113
Northlands Portfolio	London	Mixed use	Nov-13	2.32	7.20	61.7	192	6.48	46.1	156
Hilbert Properties	Midlands	Industrial/distribution	Dec-13	2.34	6.57	65.0	168	6.57	55.4	188
Halcyon Ground Rents	National	Industrial/distribution	Dec-13	2.35	8.60	64.8	116	8.60	63.9	116
Carrara Ground Rents	North West	Regional office	Dec-13	2.35	1.30	65.0	113	1.30	65.0	113
Raees International	London	Mixed use	Dec-13	2.36	13.25	65.0	122	13.25	53.7	120
Lanos (York)	North East	Other (hotel)	Mar-14	2.42	10.00	64.9	122	10.00	50.0	125
Ramada Gateshead	North East	Other (hotel)	Apr-14	2.75	7.98	64.4	180	7.98	63.9	192
Commercial Regional Space Ltd	North West	Industrial/distribution	Mar-16	2.70	22.40	64.0	280	22.40	64.0	312
Total/weighted average				2.30	109.57	63.6	179	106.58	57.3	181

⁽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

The reporting period was dominated by the news of the Brexit vote, the outcome of which took many by surprise, notwithstanding numerous polls before the event showing the result as being too close to call. Although a swift coronation of Theresa May as the new Prime Minister allied to accommodative monetary policy seems to have gone some way to improving business sentiment, concerns remain that uncertainty surrounding the precise terms of the UK's exit from the EU may depress business activity and investment in the short term. Ongoing global concerns, ranging from economic uncertainties in the wider EU and China through to the forthcoming US election, also add uncertainty.

The Bank of England has reaffirmed that the outlook for GDP growth in the short to medium term has weakened, and a technical recession remains a possibility. In July, the Bank implemented a suite of policy initiatives to support the underlying economy, and this stimulus package, coupled with a sharp devaluation in Sterling since the referendum, may contribute to inflation increasing above the stated annual target of 2%. At least in the short term, the Bank of England appears to be prioritising providing stability to the market over inflation targets.

The likelihood of Bank Rate reducing further, or staying at 0.25% for longer, has been reflected in a flattening of the yield curve, with the benchmark 5 year swap rate showing a contraction of over 50 basis points (to 0.45% per annum at 31 July 2016), when compared with pre-referendum levels.

Impact of the Brexit vote on the UK Commercial Real Estate Market

At present, we are unable fully to quantify the potential impact of Brexit on the commercial occupier market or capital values. However, whilst capital values have appreciated by over 25% since April 2013 and ICG-Longbow has previously drawn attention to the over-valued Central London office market and the negative change of investor sentiment more generally over the past year, we do not expect a correction of the magnitude of 2008/9 for the following reasons:

- the UK economy and property markets have entered this period of uncertainty from a position of strength – employment is at record highs; new construction remains at historic lows;
- both banks and property markets have deleveraged materially over the last decade;
- with the recent flight to Government Bonds, the UK property market still continues to benefit from a significant (c.4%) positive yield gap over the benchmark 10 year gilt which should help underpin the market; and
- with the exception of the Central London (and in particular City of London office) markets, rental values in most markets do not appear stretched.

Occupational Markets

Continued growth in employment and the ongoing low levels of new development highlighted in our 31 July 2015 Interim Report put upward pressure on rental levels in many sectors – both in terms of actual rents achieved and expectations of future growth. This may however be tempered going forward as major occupational decisions are deferred or tenants hold out for better deals.

Not unexpectedly, the Central London office market saw subdued demand in Q2 2016 with only 2.3 million sq. ft. of leasing transactions, according to Capital Economics, pushing the vacancy rate in the City from 4.6% in Q1 to 6.2%. CBRE Group reported that the regional office market saw demand fall, with take-up in H1 2016 of 2.72 million sq. ft., 12% lower than H1 2015 (albeit 5% up on the H1 average of the last five years).

Investment Manager's Report

(continued)

Occupational Markets (continued)

The retail occupier market is closely linked to the outlook for consumer spending, and recent data show sales climbing year-on-year. Whilst the impact of the Brexit vote on consumer behaviour remains to be seen, Knight Frank report that retail indicators remain positive – vacancy rates continue to reduce across shopping centres, retail parks and town centres to an average 12.3%, the lowest level since November 2009.

The industrial occupier market continues to perform strongly relative to other sectors, albeit with regional variations – the South West has seen an unprecedented level of take-up of 2.4 million sq. ft., according to Knight Frank, four times the level of take-up in H2 2015 and almost double the level of H1 2015. In the Midlands there was circa 6 million sq. ft. of take-up in H1 2016, 33% higher than H1 2015.

Investment Markets

Transaction volumes in the investment market fell during Q2 2016 to £9.8 billion, according to Lambert Smith Hampton, representing an 18% reduction from Q1 2016. We believe this can largely be attributed to a 'reversion to the mean' after two record years in 2014 and 2015 rather than the uncertainty caused by the referendum announcement (particularly in Q2 2016). Volumes in H1 2016 were ahead of the equivalent period in 2013, for example, and broadly in line with the 10-year average.

Although the UK's referendum result was unexpected for many in the property industry, in general investor reaction has been sanguine with few instances of sales at distressed levels. This is due in part to the gating of open-ended property funds post-referendum (following a surge in redemption requests), which has allowed the affected funds sufficient time to conduct orderly sales processes to generate liquidity. Many funds have now re-opened for redemptions, with others announcing they are shortly to do so.

The MSCI Index highlights a 17 basis point outward shift in property equivalent yields in July, implying a capital value fall of 2.8% month-on-month following a 0.3% drop in June. This fall was seen across all main sectors, whilst certain markets showed greater capital value falls (e.g. City of London showed a 4.2% reduction). Overall, whilst transactional evidence is thin, we view the market as going through a modest adjustment rather than a sizeable correction, and certainly do not foresee a 2008-style crash. In certain sectors, most notably City offices, this adjustment may have been forthcoming anyway given pricing had in some instances reached very frothy levels.

Looking forward, the fall in Bank Rate, coupled with the revised long-term interest rate outlook and generally favourable supply dynamics, should serve to underpin demand (and consequently value) for commercial property, as investors are attracted by property yields offering what is now a historically wide premium over gilts of circa 4% per annum.

UK Commercial Property Debt Market

The annual De Montfort University real estate lending survey was released during the period, showing that for year ending December 2015, aggregate value of outstanding debt secured by UK commercial property stood at £168.4 billion; a year-on-year increase of 1.9%.

Activity in the property finance markets experienced a notable slowdown in the first half of 2016, following a significant period of growth during 2014 and 2015. The principal reason for this was the reduced level of transactional activity in direct property markets, driven by the twin effects of investor nervousness about pricing levels, and uncertainty as to the outcome (and latterly the effect) of the Brexit vote.

Investment Manager's Report

(continued)

UK Commercial Property Debt Market (continued)

The Investment Manager also observed a general widening of lending margins continuing into H1 2016, after having reached a low point in the summer of 2015. Following the Brexit vote, margins on senior debt have further increased by 25 – 50 basis points in general, albeit it is still too early to determine whether this is a temporary rise or will prove to be enduring. The effect of margin increases on borrowers has however been more than offset by reductions in both the Bank Rate and the benchmark five year swap, such that in many cases all-in interest rates are now lower than pre-referendum levels.

Portfolio Profile and Activity

Outside of the Mansion and First Light repayments and the replacement loan, 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 of the investments are performing broadly in line with the underwritten business plans. As at the 31 July 2016, the 10 loans in the portfolio had a weighted coupon of 6.83%, down from 7.40% as a result of replacing the Mansion loan (7% coupon) with the Commercial Regional Space Limited loan (4.41%). However the projected portfolio IRR has marginally increased to 8.72% owing to the reinvestment of the capital and exit fees from the Mansion repayment.

As discussed above the weighted average LTV has increased to 57.31% from the year-end whilst the ICR has increased to 181% (31 January 2016: 161%) due to the redemption of the Mansion Group loan and the addition of the new Commercial Regional Space Limited loan. The key portfolio events in the period were:

1. First Light Portfolio – The borrower decided to repay the loan in full in order to refinance and release some of their equity. The early repayment has triggered prepayment fees of £0.16 million to the Group.
2. Commercial Regional Space Limited – Following the advance of the £22.40 million loan in March 2016, the borrower has let 43,000 sq. ft. of vacant space to a tenant at a level significantly above ERV. There has also been rental growth via renewals, with a total of 31 leases having been agreed since closing and the borrower generally progressing well with their business plan.
3. Lanos (York) – Having completed the refurbishment and additional rooms the benefit is flowing through to revenue figures, which are up circa £230,000 on last year. It is understood the hotel is seeking to rebrand as a '4* plus' offering which should provide scope to further drive room rates and revenues.
4. IRAF Portfolio – The borrower has reached an agreement with a key tenant to vary the specification of works required to fulfil certain landlords works obligations under the leases. Completion of the works, which are scheduled for October 2016, triggers a key tenant's obligation to pay rent.
5. RAEES International – The Sponsor has notified the Investment Manager of its intention to repay the loan, together with all exit and prepayment fees, via a refinancing from a third party lender.

The Investment Manager continues to believe the Group's loan portfolio to be satisfactorily secured, with a diversified risk profile across sectors and regions, and exposure principally to multi-property or multi-tenant security. At a weighted average 57.31% LTV and 181% ICR, key credit metrics are believed to be defensive.

Investment Manager's Report

(continued)

Outlook

Although economic and property market conditions are likely to be subject to some uncertainty in the short to medium term, the Group's investment portfolio has entered this period from a position of strength driven by its senior, secured exposure at defensive LTV levels with strong interest cover. Furthermore, given that the property profile is outside of some of the prime, mainly central London markets, we believe that any negative impact on commercial property valuations will be mitigated by the current attractive yield premium over gilts.

As the residual loan terms and periods of income protection reduce further, we may begin to see further repayments in the underlying loan portfolio in the coming 12 months. In the short term, we envisage the ability to reinvest any such proceeds in a manner beneficial to the Group and in line with the investment parameters. However, as the portfolio's income protection runs down further, we will approach the point at which the continued redeployment of repaid capital will not be possible in a manner which meets both the Company's dividend target and its investment parameters, which were collectively set in market conditions prior to the IPO, when interest rates achievable on senior loans were materially higher than today.

Based on our experience of investing and managing over £3 billion of capital in ICG-Longbow's UK commercial real estate debt funds, covering senior debt, whole loans, mezzanine and development funding, we do believe that investment in UK commercial real estate debt continues to represent an attractive investment opportunity, which delivers strong capital protection coupled with predictable income streams. In view of this, and working in conjunction with Cenkos Securities, we expect shortly to be in a position to bring forward proposals to the Board to update the Company's Investment Policy and/or Investment Objective which will enable the Company to reinvest repayment proceeds having regard to current and expected market conditions, whilst continuing to deliver the Company's shareholders attractive returns on both an absolute and risk adjusted basis.

Investment Manager's Report

(continued)

Loan Portfolio

As set out above, as at 31 July 2016, the Group's portfolio comprised of 10 loans with an aggregate balance outstanding of £106.58 million.

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

Loan 1		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.			
An agreement is now in place for certain upgrade works on a key tenant's warehouse unit, which are expected to complete during Q4 2016. Upon completion gross income is forecast to increase by circa £323,000. Current ICR will not be affected as currently 6 months' rent is held on account. Performance is currently in-line with business plan.			
Property profile		Debt profile	
Number of properties	4	Day one debt	£14,200,000
Property value (£)	£27,430,000	Debt outstanding	£11,935,000
Property value (£/sq. ft.)	£57	Original term	5.4 years
Property area sq. ft.	483,294	Maturity	December 2018
Number of tenants	30	Current LTV	43.5%
Weighted lease length	3.68 years	Current ICR	210%
		Loan exposure per sq. ft.	£24.70

Investment Manager's Report

(continued)

Loan 2		Meadow Real Estate Fund II	
<p>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.</p> <p>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.</p> <p>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 now been approved to re-configure the existing retail space into six separate units.</p> <p>Separately, the sponsor is advancing their planning application for a fully residential option and has provided ICG-Longbow with a revised design proposal.</p>			
Property profile		Debt profile	
Number of properties	1	Day one debt	£18,070,000
Property value (£)	£28,700,000	Debt outstanding	£18,070,000
Property value (£/sq. ft.)	£309	Original term	4.3 years
Property area sq. ft.	92,882	Maturity	December 2017
Number of tenants	1	Current LTV	63.0%
Weighted lease length	2.62 years	Current ICR	113%
		Loan exposure per sq. ft.	£194.55

Loan 3		Northlands Portfolio	
<p>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.</p> <p>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.</p> <p>The borrower is progressing its business plan with residential conversions and a development in Purley. It was agreed to release £110,000 from the interest reserve to fund costs to date with a view to fund a further additional £500,000 to progress forthcoming works. This has been approved by the Board (Luxco) and we await further confirmation from the borrower, who is looking to rationalise the business structure to reduce corporate costs before proceeding. The reserve release is reflected in a reduction in the ICR covenant test, which is still comfortably above the cash trap limit.</p>			
Property profile		Debt profile	
Number of properties	15	Day one debt	£7,200,000
Property value (£)	£14,044,500	Debt outstanding	£6,477,250
Property value (£/sq. ft.)	£110.03	Original term	5.0 years
Property area sq. ft.	127,638	Maturity	November 2018
Number of tenants	112	Current LTV	46.1%
Weighted lease length	1.96 years	Current ICR	156%
		Loan exposure per sq. ft.	£50.75

Investment Manager's Report

(continued)

Loan 4		Hulbert Properties	
<p>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 sq. ft. Grazebrook Industrial Estate.</p> <p>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. The borrower has secured vacant possession of block 1 Grazebrook that was a loss-making site, the plan is to demolish the existing units and market the resultant yard space. This will increase net income by £24,000 per annum and improve the ICR by 5%.</p> <p>The updated valuation (£11.9 million from £10.1 million (Day 1)) has materially reduced the LTV from 65% to 55.4%. The property is performing well against the current business plan.</p>			
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	55.4%
Weighted lease length	2.36 years	Current ICR	188%
		Loan exposure per sq. ft.	£22.92

Loan 5		Halcyon Ground Rents	
<p>A £8.60 million senior loan facility utilised to refinance a portfolio of freehold ground rents.</p> <p>The Halcyon security comprises a diversified portfolio of 21 freehold ground rent investments with a weighted unexpired lease term of 87 years, of which 72% are industrial with leasehold rents receivable geared to 22-25% of open market rentals, with the balance being leisure uses at leasehold gearings of 50%.</p> <p>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 ground rent investments and have a combined valuation of £685,000.</p> <p>At 63.9% LTV and with 116% ICR, the gearing is at the top of the Group's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loan benefits from very strong security.</p>			
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	63.9%
Weighted lease length	87.47 years	Current ICR	116%
		Loan exposure per sq. ft.	£21.86

Investment Manager's Report

(continued)

Loan 6		Carrara Ground Rents	
<p>A £1.30 million senior loan facility was used to refinance an individual ground rent investment.</p> <p>The Carrara security comprises a single virtual freehold ground rent investment located in Leeds with an unexpired lease term of 84 years, subject to a 25% rental gearing. The property is a modern office building located on an established business park accessed from the M1 motorway, which is fully let to a strong covenant until 2018.</p> <p>At 65.0% LTV and 113% ICR the gearing is at the top of the Group's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loan benefits from very strong security.</p> <p>No material activity on the loan or security portfolio took place during the reporting period.</p>			
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.)	£82.00	Original term	5.0 years
Property area sq. ft.	24,470	Maturity	December 2018
Number of tenants	1	Current LTV	65.0%
Weighted lease length	84.44 years	Current ICR	113%
		Loan exposure per sq. ft.	£53.13

Loan 7		RAEES International	
<p>A £13.25 million refinancing of a mixed retail and residential portfolio in good locations in North East London.</p> <p>The borrower is 100% owned and controlled by an offshore investor, with asset management provided by a UK asset manager.</p> <p>The sponsor has notified the Investment Manager of its intention to repay the loan, together with all exit and prepayment fees, via a refinancing from a third party lender.</p>			
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	Original term	5.0 years
Property area sq. ft.	82,530	Maturity	December 2018
Number of tenants	114	Current LTV	53.7%
Weighted lease length	4.44	Current ICR	120%
		Loan exposure per sq. ft.	£160.55

Investment Manager's Report

(continued)

Loan 8		Lanos (York)	
<p>A £10.00 million loan to Lanos (York) Limited, which has a maturity date of December 2018. The advance included the funding of a £2.5 million capital expenditure reserve, charged to the lender, to meet the costs of construction and extension and a refurbishment.</p> <p>The borrower, part of a specialist hotel development and management group, operates the hotel under a franchise agreement from Best Western.</p> <p>The Facility is secured by a first and only charge on the 125 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.</p> <p>The benefits of the refurbishment and additional rooms are starting to come through in the revenue figures, which are up circa £230,000 on this time last year, improving ICR from 107% to 125%.</p>			
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	50.0%
		Current ICR	125%
		Loan exposure per bed	£80,000

Loan 9		Ramada Gateshead	
<p>A £7.98 million loan to Quay Hotels Limited, which has a maturity date of April 2019.</p> <p>The investment is secured by a first and only charge over the Ramada Encore hotel in Gateshead, a modern 200 bedroom hotel that 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.</p> <p>Occupancy for the period is up on last year and the hotel has recently secured Santander as a corporate client.</p>			
Property profile		Debt profile	
Number of properties	1	Day one debt	£7,982,500
Property value (£)	£12,500,000	Debt outstanding	£7,982,500
Property value (£/bed)	£62,500	Original term	5.0 years
Bedrooms	200	Maturity	April 2019
		Current LTV	63.9%
		Current ICR	192%
		Loan exposure per bed	£39,913

Investment Manager's Report

(continued)

Loan 10		Commercial Regional Space Limited	
<p>A £22.40 million loan to Commercial Regional Space Limited and affiliates made on 16 March 2016.</p> <p>The loan has a maturity date of April 2019 and is fully compliant with the parameters set out in the Prospectus, with the £22.40 million loan balance representing 19.96% of the Group's gross assets as at the date of completion.</p> <p>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.</p> <p>Since financing in March 2016 headline gross contracted rent has increased by 18.4% from £2.95 million to £3.49 million though circa £360,000 of agreed uplifts are not due until Q316. Consequentially this has had a positive impact on ICR, which has increased from 280% and is projected to rise to 345%, an increase of 57%, once full headline rent is due with a forecast NRI of circa £3.17 million.</p>			
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.)	£28	Original term	3 years
Property area sq. ft.	1,249,029	Maturity	April 2019
Number of tenants/occupancy	181	Current LTV	64.0%
Weighted lease length	2.40	Current ICR	312%
		Loan exposure per sq. ft.	£17.93

Investment Manager's Report

(continued)

Principal Risks and Uncertainties

The Company, through its subsidiary, invests primarily in UK commercial real estate loans of a fixed rate nature; as such it is exposed to the performance of the borrower, and underlying property on which its loans are secured. The Company's key risks are discussed below. In this statement references to the Company also apply to the Group as a whole.

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

- inherently subjective valuations of property and property-related assets;
- real estate loans made by the Company may, after funding, become non-performing;
- loan principals may be repaid earlier than anticipated, which may lead to the Company replacing such pre-paid loans with lower yielding investments;
- in the event of a repayment, in whole or in part, the Company may not be able to reinvest the surplus cash on terms that are accretive in value to shareholders; and
- a change in tax legislation.

The principal risks and uncertainties of the Company were identified in further detail in the Annual Financial Statements for the year ended 31 January 2016. There have been no changes to the Company's principal risks and uncertainties for the six months ended 31 July 2016 and no changes are anticipated in the second half of the year.

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.

Subsequent Events

On 14 September 2016, the Company approved a second interim dividend of 1.50 pence per Ordinary Share in respect of the quarter ended 31 July 2016.

Intermediate Capital Managers Limited

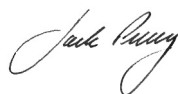
13 October 2016

Directors' Responsibilities Statement

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

- the Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and give a true and fair view of the assets, liabilities and financial position and the profit of the Group as required by DTR 4.2.4R; and
- the Chairman's Statement and Investment Manager's Report meet the requirements of an interim management report, and include a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 1 February 2016 to 31 July 2016 and their impact on the Unaudited Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place from 1 February 2016 to 31 July 2016 and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the audited Financial Statements that could do so.

On behalf of the Board



Jack Perry
Chairman

13 October 2016

Condensed Consolidated Statement of Comprehensive Income

For the six month period to 31 July 2016

	Notes	1 February 2016 to 31 July 2016 £ (Unaudited)	1 February 2015 to 31 July 2015 £ (Unaudited)
Income			
Income from loans		4,104,702	4,179,953
Other fee income from loans		2,708,330	—
Income from cash and cash equivalents		3,553	3,713
Total income		6,816,585	4,183,666
Expenses			
Investment management fees	10	548,127	536,151
Administration fees	10	89,645	82,114
Directors' remuneration	10	77,500	77,500
Luxco operating expenses		48,779	23,173
Broker fees		26,990	21,614
Audit fees		17,500	17,500
Legal & professional fees		5,497	1,675
Listing fees		4,848	3,100
Other expenses		59,763	39,738
Total expenses		878,649	802,565
Profit for the period before tax		5,937,936	3,381,101
Taxation		104	1,138
Profit for the period after tax		5,937,832	3,379,963
Total comprehensive income for the period		5,937,832	3,379,963
Basic and diluted Earnings per share (pence)	6	5.49	3.12

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

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

Condensed Consolidated Statement of Financial Position

As at 31 July 2016

	Notes	31 July 2016 £ (Unaudited)	31 January 2016 £ (Audited)
Assets			
Cash and cash equivalents		4,293,242	5,306,129
Trade and other receivables		229,472	28,357
Loans advanced at amortised cost	5	106,981,981	104,040,510
Total assets		111,504,695	109,374,996
Liabilities			
Other payables and accrued expenses		404,532	966,087
Total liabilities		404,532	966,087
Net assets		111,100,163	108,408,909
Equity			
Share capital		106,038,522	106,038,522
Retained earnings		5,061,641	2,370,387
Total equity attributable to the owners of the Company		111,100,163	108,408,909
Number of ordinary shares in issue at period/year end	7	108,219,250	108,219,250
Net Asset Value per ordinary share (pence)	6	102.66	100.18

The Interim Financial Statements were approved by the Board of Directors on 13 October 2016 and signed on their behalf by:



Jack Perry
Chairman



Patrick Firth
Director

13 October 2016

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

Condensed Consolidated Statement of Changes in Equity

For the six month period to 31 July 2016

	Notes	Number of shares	Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total £ (Unaudited)
As at 1 February 2016		108,219,250	106,038,522	2,370,387	108,408,909
Profit for the period		—	—	5,937,832	5,937,832
Dividends paid	8	—	—	(3,246,578)	(3,246,578)
As at 31 July 2016		108,219,250	106,038,522	5,061,641	111,100,163

	Notes	Number of shares	Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total £ (Unaudited)
As at 1 February 2015		108,219,250	106,038,522	2,172,440	108,210,962
Profit for the period		—	—	3,379,963	3,379,963
Dividends paid	8	—	—	(3,246,578)	(3,246,578)
As at 31 July 2015		108,219,250	106,038,522	2,305,825	108,344,347

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

Condensed Consolidated Statement of Cash Flows

For the six month period to 31 July 2016

	Notes	Six months to 31 July 2016 £ (Unaudited)	Six months to 31 July 2015 £ (Unaudited)
Cash flows generated from operating activities			
Profit for the period		5,937,832	3,379,963
Adjustments for non-cash items:			
Movement in other receivables		(201,115)	3,547
Movement in other payables and accrued expenses		(563,648)	(12,347)
Movement in tax payable		2,093	(14,795)
Loan amortisation		(373,295)	(379,500)
		4,801,867	2,976,868
Loans advanced less arrangement fees	5	(22,400,000)	—
Loans repaid		19,831,824	—
Net loans advanced less arrangement fees		(2,568,176)	—
Net cash generated from operating activities		2,233,691	2,976,868
Cash flows used in financing activities			
Dividends paid	8	(3,246,578)	(3,246,578)
Net cash used in financing activities		(3,246,578)	(3,246,578)
Net movement in cash and cash equivalents		(1,012,887)	(269,710)
Cash and cash equivalents at the start of the period		5,306,129	5,293,805
Cash and cash equivalents at the end of the period		4,293,242	5,024,095

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six month period to 31 July 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 unaudited condensed consolidated financial statements comprise the financial statements of the Group as at 31 July 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.

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

2. Accounting policies

a) Basis of preparation

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

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

The Interim Financial Statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 January 2016, which are available on the Company's website (www.lbow.co.uk). The Annual Financial Statements have been prepared in accordance with IFRS as adopted by the EU.

The same accounting policies and methods of computation have been followed in the preparation of these Interim Financial Statements as in the Annual Financial Statements for the year ended 31 January 2016.

b) Going concern

The Directors, at the time of approving the Interim 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 Interim 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 are satisfied that it is appropriate to adopt the going concern basis in preparing the Interim Financial Statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

2. Accounting policies (continued)

c) Segmental reporting

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

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

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

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.

3. Seasonal and cyclical variations

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

4. Critical accounting judgements in applying the Group's accounting policies

The preparation of the Interim 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 Interim 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 accounting policies.

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

5. Loans advanced

	31 July 2016	31 July 2016	31 January 2016	31 January 2016
	Principal advanced	At amortised cost	Principal advanced	At amortised cost
	£	£	£	£
Loan 1 – Mansion Student Fund	—	—	18,070,000	18,094,883
Loan 2 – IRAF Portfolio	11,935,000	12,062,455	11,935,000	12,035,342
Loan 3 – Meadows Retail Estate Fund II	18,070,000	18,212,796	18,070,000	18,126,290
Loan 4 – Northlands Portfolio	6,477,250	6,488,274	6,477,250	6,461,444
Loan 5 – Hulbert Properties	6,565,000	6,581,483	6,565,000	6,555,633
Loan 6 – Halcyon Ground Rents	8,600,000	8,620,016	8,600,000	8,586,116
Loan 7 – Cararra Ground Rents	1,300,000	1,303,026	1,300,000	1,297,901
Loan 8 – Raees International	13,250,000	13,280,285	13,250,000	13,228,131
Loan 9 – Lanos (York)	10,000,000	10,011,189	10,000,000	9,970,705
Loan 10 – Ramada Gateshead	7,982,500	7,977,396	7,982,500	7,947,125
Loan 11 – First Light Portfolio	—	—	1,752,400	1,736,941
Loan 12 – Commercial Regional Space Limited	22,400,000	22,445,061	—	—
	106,579,750	106,981,981	104,002,150	104,040,510

The Directors consider that the carrying value amounts of the loans, recorded at amortised cost in the Interim Financial Statements, are approximately equal to their fair value.

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 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.

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

On 8 March 2016, the Group received a repayment of £18,070,000 on the Mansion loan. As part of this repayment, the Group received a total of £2,788,166 in interest and exit and prepayment fees in accordance with the terms of the loan agreement.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

5. Loans advanced (continued)

On 16 March 2016, following the repayment of the Mansion loan, together with exit and prepayment fees received and additional cash, the Group made a new loan of £22,400,000 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 1 July 2016, the Group received a repayment of £1,752,400 on the First Light Portfolio loan. As part of this repayment, the Group received a total of £156,759 in interest and exit and prepayment fees in accordance with the terms of the loan agreement.

6. Earnings per share and Net Asset Value per share

Earnings per share

	1 February 2016 to 31 July 2016	1 February 2015 to 31 July 2015
Profit for the period (£)	5,937,832	3,379,963
Weighted average number of ordinary shares in issue	108,219,250	108,219,250
Basic and diluted EPS (pence)	5.49	3.12
Adjusted basic and diluted EPS (pence)	2.98	3.12

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

The calculation of adjusted basic and diluted Earnings per share is based on the profit for the period, adjusted for one-off other fee income during the period totalling £2,708,330 (31 July 2015: £nil).

There are no potentially dilutive shares in issue.

Net Asset Value per share

	31 July 2016	31 January 2016
NAV (£)	111,100,163	108,408,909
Number of ordinary shares in issue	108,219,250	108,219,250
NAV per share (pence)	102.66	100.18

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

7. Share capital

As at 31 July 2016, the Company had 108,219,250 (31 January 2016: 108,219,250) issued and fully paid ordinary shares with a par value of £1 each.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

8. Dividends

Dividends paid

	Dividend per share Pence	Total dividend £
1 February 2016 to 31 July 2016		
Interim dividend in respect of quarter ended 31 January 2016	1.50	1,623,289
Interim dividend in respect of quarter ended 30 April 2016	1.50	1,623,289
	3.00	3,246,578
1 February 2015 to 31 July 2015		
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
	3.00	3,246,578

Dividend proposed

On 14 September 2016, the Directors approved an interim dividend in respect of the quarter ended 31 July 2016 of £1,623,289 equating to 1.50 pence per ordinary share to shareholders on the register as at the close of business on 22 September 2016.

9. Financial Risk Management

The Group through its investment in senior loans is exposed to a variety of financial risks. The main risks arising from the Group's financial instruments are: market risk (including currency risk and interest rate risk), credit risk and liquidity risk and are fully disclosed on pages 60 to 63 of the Annual Financial Statements.

10. 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, a Director of the Company, is also a Director of the Company's Administrator. During the period, the Company incurred administration fees in relation to services provided by the Company's Administrator of £89,645 (31 July 2015: £82,114) of which £30,833 (31 January 2016: £25,669) was outstanding at the period/year end. Mark Huntley also received a Director's fee for the period of £13,750 (31 July 2015: £13,750) of which £6,875 (31 January 2016: £6,875) was outstanding at the period/year end.

The Company Directors' fees for the period amounted to £77,500 (31 July 2015: £77,500) with outstanding fees of £38,750 (31 January 2016: £38,750) due to the Directors at 31 July 2016.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (continued)

10. Related Party Transactions and Directors' Remuneration (continued)

Investment Manager

Investment Management fees for the period amounted to £548,127 (31 July 2015: £536,151) of which £277,189 (31 January 2016: £813,075) was outstanding at the period/year end.

11. Subsequent events

On 14 September 2016, the Company approved a second interim dividend of 1.50 pence per Ordinary Share in respect of the quarter ended 31 July 2016.

Glossary of Capitalised Defined Terms

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

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

"**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;

"**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;

"**Bank Rate**" means the Bank of England Base Rate;

"**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;

"**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;

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

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

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

"**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;

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

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

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

Glossary of Capitalised Defined Terms

(continued)

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

"ICG" means Intermediate Capital Group PLC;

"IFRS" means the International Financial Reporting Standards, being the principles-based accounting standards, interpretations and the framework by that name issued by the International Accounting Standards Board, 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 Financial Statements" means the unaudited interim condensed consolidated financial statements of the Group, including the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows, and associated notes;

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

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

"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;

"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;

"MSCI Index" means the Morgan Stanley Capital International Index;

"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;

Glossary of Capitalised Defined Terms

(continued)

"NRI" means Net Rental Income;

"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;

"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;

"REIT" means Real Estate Investment Trust;

"SDLT" means stamp duty land tax;

"SPV" means special purpose vehicle;

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

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

"US" means the United States of America; 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

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

Registered office

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

Identifiers

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

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

Cenkos Securities plc
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

ABN AMRO (Guernsey) Limited
PO Box 253
Admiral Park
Martello Court
St Peter Port
Guernsey
GY1 3QJ

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

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

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

Cautionary Statement

The Chairman's Statement and Investment 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

