ICG ▪ LONGBOW

ICG-Longbow Senior Secured UK Property Debt Investments Limited

Annual Report and Consolidated Financial Statements

For the period from 29 November 2012 (date of incorporation) to 31 January 2014

Company Number: 55917

Table of Contents

Corporate Summary

Investment Objective

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

Structure

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

Investment Manager

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

General Information

Board of Directors
Jack Perry (Chairman) *(Appointed 30 November 2012)*
Stuart Beevor *(Appointed 30 November 2012)*
Patrick Firth *(Appointed 29 November 2012)*
Mark Huntley *(Appointed 29 November 2012)*
Paul Meader *(Appointed 30 November 2012)*

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Broker, Sponsor and Placing Agent
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Guernsey Administrator and Company Secretary
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PO Box 225
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English Solicitors to the Company
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Independent Auditor
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Chartered Accountants
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Sedol: B8C23S8
Ticker: LBOW
Website: www.icglongbow.co.uk

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1 Glategny Esplanade
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Highlights

The Company completed an Initial Public Offering ("IPO") on 5 February 2013 issuing 104,619,250 ordinary shares of £1.00 each. It was admitted on the same date to the UK Listing Authority's Official List and commenced trading on the Main Market of the London Stock Exchange.

The Company completed eight investments during the period to 31 January 2014 deploying £87.3 million of capital, of which six investments (£55.0 million) were completed after 31 July 2013. The Company was 85.1% invested at 31 January 2014 with the eight investments having a weighted average Loan to Value ("LTV") ratio of 61.7% and a weighted average annual interest rate of 7.28%. All the investments are senior, secured loans on commercial and mixed use UK property across a range of sectors and geographies.

The post-tax profit for the 14 month period since incorporation of £1.35 million (1.29 pence per share) is lower than anticipated at the time of the IPO reflecting the slower than expected investment rate, however the Company is now fully invested and on track to deliver its target annual dividend yield of circa 6.0% per annum on the IPO issue price.

The total expense ratio for the period; calculated as total expenses for period as a percentage of the NAV at the end of the period, was 1.54%. This includes certain expenses that are not expected to recur in the future.

The Net Asset Value (NAV) at 31 January 2014 was 98.79 pence per share (98.00 pence per share following the IPO, 97.74 pence at 31 July 2013).

Dividend

The Company paid its first dividend (0.5 pence per share) in respect of the period ended 31 October 2013 and now declares a second interim dividend of 1.25 pence per share in respect of the quarter ended 31 January 2014, bringing the dividend for this initial financial reporting period to 1.75 pence.

In line with its Dividend Policy the Company expects to increase its dividend in the next quarter and remains confident that it will achieve its objective of paying the target dividend yield of circa 6% per annum on the IPO issue price from earnings generated by the now fully invested portfolio.

Post balance sheet events

Two further transactions have been completed since 31 January 2014, part funded by a placing of 3.6 million new Ordinary Shares on 17 April 2014, following which the Company became fully invested.

Following the completion of these two investments and an expected partial prepayment of £0.9 million on the LM Real Estate Loan, the total investment portfolio as at the date of this report is £104.3 million representing 98.3% of the net capital raised including the placing, with a weighted average LTV of 62.2% and annual interest yield of 7.39%.

Chairman's Statement

I am pleased to present, on behalf of the Board, the first Annual Report for ICG-Longbow Senior Secured UK Property Debt Investments Limited (the "Company") for the period from 29 November 2012 (the date of incorporation) to 31 January 2014.

The Company completed its IPO on 5 February 2013 issuing a total of 104,619,250 ordinary shares of £1.00 each. It was admitted on this date to the premium segment of the UK Listing Authority's Official List and began trading on the Main Market of the London Stock Exchange.

Subsequent to the reporting period end the Company issued a further 3.6 million new Ordinary Shares at a price of 102 pence per share raising gross proceeds of £3.7 million, and bringing the total shares in issue to 108,219,250. These shares were issued at a premium to the prevailing net asset value (net of the costs of issuance) and so were accretive to shareholder value and also permitted the Company to complete a final, 10th loan investment. This investment has further improved the average yield of the portfolio and also ensured that cash drag is at a minimum.

The Company is now fully invested with a total loan portfolio of £104.3 million representing 98.3% of the net capital raised through the combined share issues. The weighted average interest rate on investments has improved to 7.39% with all investments benefiting from arrangement and exit fees bringing the portfolio gross IRR to 8.41% per annum over a weighted average original loan term of 5.2 years.

As we reported at the time of our interim announcement, since the IPO it has been evident that the market had become more competitive with a number of new entrants raising capital as well as the return of some of the traditional lenders. The Company's Investment Manager is Longbow Real Estate Capital LLP ("ICG-Longbow") who originated a substantial pipeline of investment opportunities for the Company. However, the emergence of new lenders to the sector increased competition and slowed down the Company's expected initial pace of investment. While these competitive pressures, if anything, increased in the second half of the period, the Board is pleased with the final shape, quality and profile of the portfolio which, despite increased competition, is very much as originally envisaged.

Completion of the 9th and 10th loans fully deploys the Company's available capital, increases the weighted average coupon from its loan portfolio and strengthens the Company's ability to pay a quarterly dividend of 1.5p per share from the quarter ending 30 April 2014. I am happy to confirm that, upon completion of these final loans, the Company's Investment Objective of constructing a portfolio of good quality, defensive, senior debt investments secured by first ranking fixed charges predominantly against UK commercial property investments, providing target dividends of circa 6% pa on the IPO issue price, paid quarterly, with an underlying target portfolio IRR of 8% pa will have been achieved.

An interim dividend of 0.5 pence per share was paid to shareholders in respect of the period ended 31 October 2013. The Company has declared a dividend of 1.25 pence per share in respect of the quarter ended 31 January 2014 bringing the total year one dividend to 1.75 pence.

With the initial investment phase now complete, the Company aims to provide Shareholders with a regular quarterly dividend in line with the target annual dividend yield of circa 6% on the IPO issue price.

All of the loans within the Company's portfolio continue to perform to expectation and the Board and the Investment Manager will continue to evaluate market conditions and borrower demand in order to identify opportunities to raise and deploy further capital. Resolutions to effect the proposals will be put forward at the forthcoming Annual General Meeting. However, at the current time and in the face of increased competition we do not foresee the opportunity to deploy further capital at levels which would be accretive to shareholders.

The Company was created during one of the most prolonged property credit squeezes of modern times. It has fulfilled a valuable role in providing UK commercial and industrial real estate borrowers with much needed debt while providing investors with an attractive rate of return. The Board will closely monitor the performance of the portfolio together with applying tight control over on-going charges to ensure that the Company's fundamental objectives continue to be fulfilled.

Jack Perry
Chairman

25 April 2014

Investment Manager's Report

On the invitation of the Directors of the Company, this commentary has been provided by ICG-Longbow as investment manager and is provided without any warranty as to its accuracy and without any liability incurred on the part of the Company. The commentary is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Company should seek their own independent financial advice and may not rely on this communication in evaluating the merits of investing in the Company.

Summary

The Company is advised by the Investment Manager, Longbow Real Estate Capital LLP ("ICG-Longbow"), and invests directly in newly originated bi-lateral loans which are secured by way of first and sole charge on primarily commercial property assets in the United Kingdom. The objective of the Company through its investment period has been to construct a diversified portfolio of loans targeting an 8% gross internal rate of return ("IRR") to produce a dividend yield to shareholders of circa 6% per annum on the £1.00 issue price of the IPO shares.

As of 31 January 2014, the Company was 85.1% invested, having completed eight investments. Since the period end, two further loan investments have been completed, with an aggregate of £18 million being advanced. The second of these loans was part funded through the issuance of 3.6 million new Ordinary Shares, following which the Company has become fully invested with 98.3% of the net capital raised having been invested in ten loans with an aggregate outstanding balance of £104.3 million.

We are pleased to have completed the investment programme, whilst maintaining asset quality and complying with the investment objectives. The weighted average coupon of the portfolio is 7.39% and the weighted average IRR of the portfolio is 8.41%. The coupon, taken together with arrangement fees received, is expected to deliver annual dividends in line with target.

Company Performance

Following a loss of 0.26 pence per share for the period to 31 July 2013 the Company delivered a profit in the second half year of 1.55 pence per share, giving a post-tax profit for fourteen months since incorporation of 1.29 pence per share or £1.35 million.

Portfolio Composition

At 31 January 2014 the Company's investment portfolio comprised eight loans as summarised below:

Transaction	Region	Sector	Amount (£ms)	Term (yrs)	Entry LTV (%)	Entry ICR (%)
Mansion Student Fund	Scotland/Midlands	Other (Student Accommodation)	18.070	6.0	54.76	204
LM Real Estate	North West	Industrial/ Distribution	14.200	5.5	59.34	193
Meadows Real Estate Fund II	London	Retail	18.070	4.5	65.00	150
Northlands Portfolio	London	Mixed Use	7.200	5.0	61.70	192
Hulbert	Midlands	Industrial/ Distribution	6.565	5.0	65.00	168
Halcyon Ground Rents	National	Industrial/ Distribution	8.600	5.0	64.84	116
Cararra Ground Rents	North West	Regional Office	1.300	5.0	65.00	113
Raees	London	Mixed Use	13.250	5.0	64.95	122
Total			**87.255**	**5.18**	**61.66**	**165**

Investment Manager's Report
(continued)

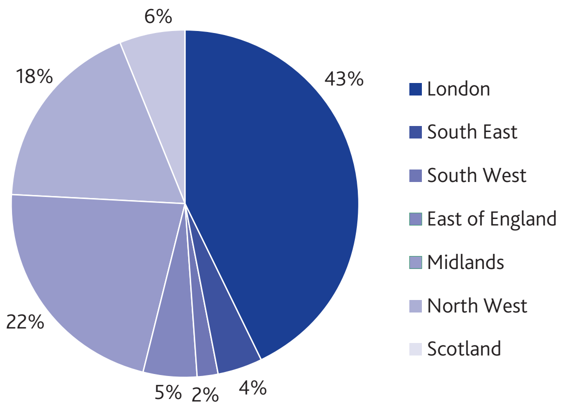
Due to the confidential nature of the underlying terms we are limited in the investment level disclosure we are able to provide; however at a portfolio level we can provide the following analysis:

Portfolio Statistics as at 31 January 2014

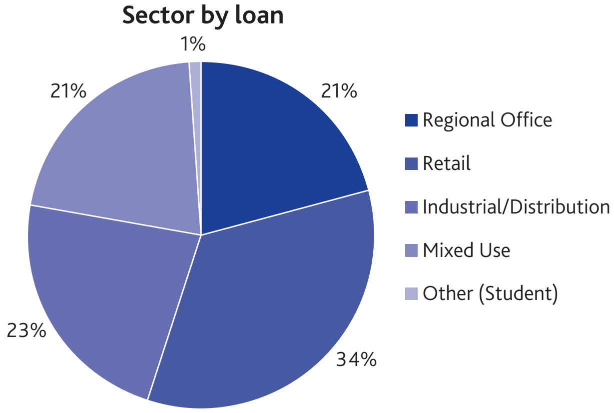
Number of Investments:	8
Aggregate Advances	£87,255,000
Underlying Property Value	£141,974,000
Weighted Average LTV	61.66%
Weighted Average ICR	165%
Weighted Average annual interest rate	7.28%
Weighted Average Gross IRR	8.38%
Weighted Average original maturity (years)	5.18
Held in Cash	£17,697,000

Portfolio Profile as at 31 January 2014

Regional distribution by value



Sector by loan



Since the period end the Company has completed two further investments, summarised below:

Transaction	Region	Sector	Amount (£ms)	Term (yrs)	Entry LTV (%)	Entry ICR (%)
Lanos (York)	North West	Other (Hotel)	10.000	4.8	64.94	122
Ramada Gateshead	North East	Other (Hotel)	7.983	5.0	64.38	180
Total/weighted average			17.983	4.9	64.69	147
Portfolio total/weighted average			104.338	5.15	62.18	159

Investment Manager's Report

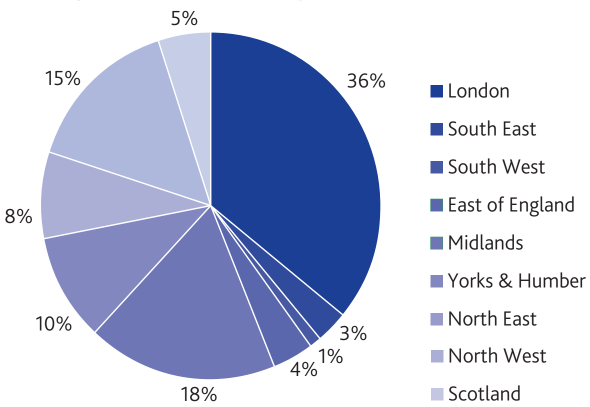
(continued)

Following the two further investments and an expected partial prepayment of £0.9m on the LM Real Estate Loan, the portfolio is summarised as follows:

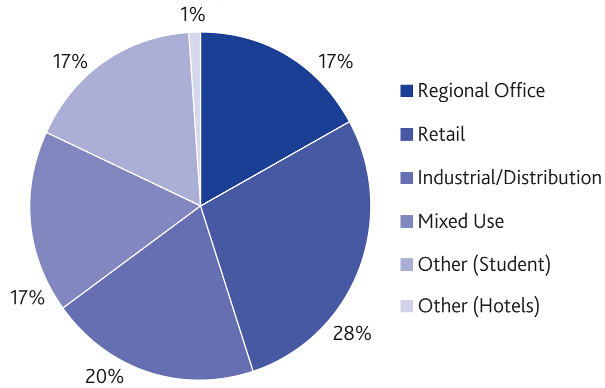
Portfolio Statistics (25 April 2014):

Number of Investments:	10
Aggregate Advances	£104,337,500
Underlying Property Value	£167,974,000
Weighted Average LTV	62.18%
Weighted Average ICR	159%
Weighted Average annual interest rate	7.39%
Weighted Average Gross IRR	8.41%
Weighted Average Original Term (years)	5.15

Regional distribution by value



Sector by loan



Market Update

Economy and Financial Markets

The UK economy continued to grow through the second half of 2013, and at a faster pace than most analysts and commentators had expected, with overall growth at 1.9% in 2013 putting the UK as one of the strongest performing economies in the developed world.

Growth has come from a broad based recovery, driven in part by government stimulus packages resulting in higher demand and easier credit, as well as increasing employment (to a record high) and lowering inflation, although consumer spending has not yet shown a significant increase. As a result both the IMF and UK Treasury have upgraded their forecasts for 2014 and 2015, led by continued growth in consumption, investment and construction.

Additional positive market context is provided by the low inflation rate, with March's 1.6% rate of Consumer Price Index inflation, having fallen below 2% for the first time since November 2009, in January.

The Bank of England had previously stated that they would not consider raising interest rates until unemployment fell below 7%. The latest figures (6.9%) have caused the BoE to adjust their guidance in this area to suggest rates will remain low through 2014 and increases are unlikely before H2 2015. As a consequence, and whilst short term rates have remained low, the market began to price in rising interest rates with 5 year swap rates reaching 2.0% before falling back slightly to 1.8% currently.

The positive economic story is, however, slightly tempered by concerns over the rate of growth in both the commercial and residential property markets in London and the South East and, in particular, that the weight of money may create a short term asset price bubble.

Investment Manager's Report

(continued)

UK Commercial Property Market

Occupational markets:

2013 witnessed the return of occupier demand in key regional cities, distribution hubs and regional shopping centres.

In particular, office take up has been strong, with areas within the M25 recording take up more than double that of 2012, whilst all major regional cities with the exception of Birmingham reported growth in take up over 2012 levels. With no new development in most city centres and regional towns having taken place for over 6 years, the upswing in demand is expected to lead to a return of rental growth to the regional office market in 2014. In the industrial market, occupancy levels continue to rise, with voids reducing which will have a positive impact on net rent receivable, although a lesser impact on rental values, whilst evidence of rental growth in the retail market is restricted to London and the South East.

According to the Jones Lang Lasalle ("JLL") UK Property Index, positive rental growth of 3.0% and 1.1% was recorded for offices and industrials respectively, whilst retail recorded negative growth of -1.1% in 2013.

Property Capital Markets:

The most striking aspect of property capital markets in 2013 was the 48% growth in investment volumes over 2012, with £44.9 billion of transactions generating the greatest activity since 2007. Whilst London continued to dominate a lot of investment activity in terms of overall volume, accounting for 53% of total activity, the regions showed greater increase in transactions with investment volumes increasing 62% year on year.

Capital growth returned to the UK property market from Q2 2013 but the rate of growth accelerated as the year progressed, with the IPD UK Quarterly Index recording capital growth of 0.4%, 1.3% and 2.9% in Quarters 2, 3 and 4 respectively. Following negative capital growth in Q1 2013, the full year IPD UK Quarterly Capital Index ended 4.2% higher whilst total returns of 10.5% were recorded.

Of note is that the divergence between prime/London and other regions continued to widen in 2013, notwithstanding that the regions recording a higher rate of transaction volume growth. Whilst JLL recorded all property capital growth of 4.6% over 2013, this was allocated 6.2% to prime properties and -0.9% to secondary properties. Whilst capital growth had returned to the secondary market by Q4, prime properties continued to outperform, recording 3.6% capital growth over the quarter, against 2.6% for secondary properties.

At sector level, and in common with rental growth performance, retail materially underperformed the other sectors with both the IPD and JLL Indices showing retail at circa 8% total return, whilst the other sectors recorded similar levels of total return according to both sets of data – at circa 15% according to JLL and in excess of 13% for the IPD Index.

Whilst capital values have grown markedly over 2013, we believe property still appears fairly priced against other asset classes, as evidenced by the attractive yield spread against gilts of 3.65% (JLL all property yield v 10 year gilt) and the fact that the IPD UK All Property Capital Index ended 2013 still 35% below peak levels.

On a forward looking basis, consensus opinion is that capital growth of property values will continue strongly in 2014 driven by a combination of improving occupational fundamentals, relative value against other assets and the weight of money. The Investment Property Forum ('IPF') consensus survey indicates an increase of 3.4% in all property capital values over the year. Based on real time market experience of the ICG-Longbow team, pricing for non-prime income producing property throughout the UK has continued to harden through the year end and into the new year and we believe that the IPF forecast may prove conservative.

Investment Manager's Report

(continued)

UK Commercial Property Debt Market

In the final quarter of 2013 activity levels across the UK commercial property finance market increased, with a number of sizable senior transactions concluded over the year end, including:

- MetLife/Aareal/HSBC's £450 million funding of the Edwardian Hotel Group;
- Axa's £135 million funding of 200 Aldersgate, London;
- Legal & General and RBS's £226 million funding of a Unite/GIC student accommodation joint venture;
- Pfandbrief Bank's £98 million loan to refinance a portfolio of city offices for Helical Bar.

Whilst UK banks have been represented in two of these transactions, they were very much minority players and appear to be concentrating on supporting their mid-market core client base, leaving the larger tickets predominantly in the hands of the Life companies, a role they are undertaking mainly through refinancing activity. The last quarter has also seen very little activity in terms of the provision of traditional mezzanine.

Where we continue to see very little activity, whether senior or mezzanine, is in the provision of finance against properties with significant value add components and/or short term income. Additionally, approval processes, both at banks and insurance companies remain lengthy, effectively restricting these lenders to refinancing existing debt or making new acquisitions.

During November 2013, De Montfort University provided a mid-year update on the lending market, recording UK commercial property activity as at June 2013. In terms of overall market size, the market contracted by 2.5% over the period, all of which resulted from the reduction of UK banks' exposure to the sector by circa 5%. The report also confirmed an increase in active lenders, the impact of which will have contributed to the reduction of margins by circa 50bps, to circa 280bps for prime office/retail properties and to circa 335bps for secondary office/retail properties. However, loan to value ratios did not increase markedly, confirming the continuing risk-averse nature of the market. Whilst the data is already six months out of date, we have witnessed the continuation of these trends; namely the continuing contraction of senior lending margins but only sporadic easing of LTV ratios.

Investment Activity

In the period between the Company's IPO and the date of this report, ICG-Longbow has reviewed over £580 million of potential senior loan transactions, from which the Investment Manager created a short-list of target investments meeting the Investment Objective and which ultimately formed the Company's loan portfolio.

As reported under Portfolio Statistics above, the Company, through its subsidiary, completed eight transactions within the period to 31 January 2014. All loans are fully compliant with the parameters set out in the Prospectus and, as at the period end, the Company had invested £87.3 million, utilising 85.1% of the IPO and Placing net capital proceeds.

Following the period end, the Company has completed two further transactions, bringing the total investment portfolio to £104.3 million. The final investment was funded in part by the proceeds of the placing of 3.6 million shares, which took place on 17 April 2014, following which the Company's capital has been fully deployed. Following the completion of the deployment of the Company's capital, ICG-Longbow believes that the Company's Investment Objective of constructing a portfolio of good quality, defensive, senior debt investments secured by first ranking fixed charges predominantly against UK commercial property investments, providing target dividends of circa 6% pa on the IPO issue price, paid quarterly, with an underlying target portfolio IRR of 8% pa has been achieved.

Investment Team

Since the IPO, ICG-Longbow's team has expanded from 14 to 20 members. As part of this growth it has created a dedicated team responsible for the investment and management of senior debt client funds. This team is headed by Trevor Homes, who joined ICG-Longbow as a Partner on 17 June 2013 and was a key contributor to the successful investment of the Company's capital. The team has been strengthened by the recruitment of two Associates.

The Investment Strategy of the Company continues to be supported by the broader investment team portfolio risk management function of ICG-Longbow.

Investment Manager's Report
(continued)

Loan Portfolio

As set out above, as at the date of this report, the Company's portfolio comprises ten loans with an aggregate balance of £104.3 million or 98.3% of net capital raised. A summary of each of the individual loans is set out below.

Loan 1 – Subsidiaries of Mansion Student Accommodation Fund

A £18.07 million senior loan secured on two student accommodation blocks located in Birmingham and Glasgow. The loan proceeds were used to refinance part of the Borrower's equity which funded the cash purchase of the properties.

The loan benefits from security against two well located, purpose built (and now fully refurbished) student blocks, which offers conservative gearing against capital and income, whilst the Company's counterparty is managed by a highly experienced sector specialist. The Company's exposure is comfortably secured with a current LTV of 55%.

The Borrower comprises two SPV companies, which are subsidiaries of the Mansion Student Accommodation Fund ("MSAF"). The Company'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 Company's loan.

Loan 2 – LM Real Estate

Originally a £20 million senior loan facility, of which £14.2 million was drawn, to refinance a portfolio of five multi-let industrial and distribution warehouse units located in the North West of England. Since the loan was advanced, the availability of the undrawn £5.8 million facility, which had been made available to assist in further property acquisitions, has expired. Following the Company's year end, the Borrower contracted to sell one of the security properties, as identified in the Borrower's initial business plan, resulting in an expected prepayment of £0.9 million that will bring the loan balance to £13.3 million.

The Company's exposure represents 60.1% of the open market valuation of the remaining properties as at the date of the loan (£22.1 million). The portfolio comprises good secondary quality industrial/distribution units located in the North West of England. The portfolio is well managed by the Borrower and benefits from high occupancy levels.

The loan benefits from strong interest and capital protection; in particular, interest cover is circa 1.7x and is underpinned by a diverse tenant base.

Loan 3 – Meadow Partners

A £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 Partners Fund II LP and 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.

At 65% LTV and 150% ICR, the gearing is at the high end of the Company's investment parameters, especially given the short income profile. However, this remains a strong loan due to the quality and experience of the counterparty and the institutional quality of the property which benefits from a strong location with significant value-add opportunity through re-gearing tenants and maximising site density.

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 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.

Investment Manager's Report

(continued)

The Borrower, is ultimately owned and controlled by a London based private property investor.

Whilst the portfolio is undoubtedly secondary in quality, the loan is satisfactorily secured from both a value and income perspective, reflected in the gearing of 62% LTV and 192% ICR, whilst income security is enhanced by the diversified tenant profile.

Loan 5 – Hulbert Properties

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

The Borrower, Hulbert Properties Ltd, is a West Midlands based private property company. The multi-let portfolio benefits from high occupancy and provides strong interest coverage at 168% and the 65% LTV provides a low (£19) capital exposure per sq ft, materially below vacant possession trading values.

Loans 6 and 7 – Halcyon and Carrara Ground Rents

A £8.6 million senior loan facility (Halcyon) and a separate and non-cross collateralised £1.3 million senior loan facility (Carrara), proceeds of which were used to refinance a portfolio of freehold grounds rents and an individual ground rent investment, respectively.

The Borrowers are two separate privately owned trusts.

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

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

At 65% LTV, with 116% and 113% ICR for Halcyon and Carrara respectively, the gearing is at the top of the Company's investment parameters. However, the defensive nature of the freehold ground rent investments means that the loans benefit from very strong security.

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 122% but the loan is satisfactorily secured at 65% LTV, due to the liquid nature of the security portfolio.

The following loans were agreed post year end:

Loan 9 – Lanos York

A £10.0 million loan to Lanos (York) Limited, which has a maturity date of December 2018.

The Borrower, part of a specialist hotel development and management group, operates the hotel under a franchise agreement.

Investment Manager's Report

(continued)

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

Loan 10 – Quay Hotels Limited

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

The Investment is secured by a first and only mortgage over the Ramada Encore Hotel in Gateshead, a modern 200 bedroom hotel which was constructed in 2012. The security 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.

Investment Outlook

Given the fact the Company is now fully invested, and in the context of the market environment described above, ICG-Longbow remains positive about the outlook for the Company. In particular, the Company will benefit from the improving economic conditions and the increasing optimism over occupancy and rental level which, together with strong investor demand, have contributed to increased property capital values.

As it moves out of its investment phase, ICG-Longbow believes that the Company's loan investment portfolio should now benefit from these market factors, through increasing the defensiveness of an already well secured portfolio against capital and income loss. Whilst the UK senior property debt market has become more competitive since the IPO, the Company now benefits from locked in economics, which appear attractive relative to current market and are protected against refinance through yield maintenance provisions.

ICG-Longbow continues to monitor new lending opportunities for transactions which would fit the Company's investment parameters. However, during 2014 to date, it has not identified any new potential transactions that would be accretive to shareholder value and, consequently, ICG-Longbow does not currently see an opportunity to add to the Company's portfolio.

Given the full deployment of the Company's available capital, the defensive senior loan portfolio and the contracted cashflows therefrom, the investment portfolio is expected to support a stable quarterly dividend of circa 1.5 pence per share going forward.

Longbow Real Estate Capital LLP
25 April 2014

Investment Policy

The Company'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 will comprise the Portfolio are expected to be between £10 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 Company 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:

- the maximum percentage of the Company's 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);
- the maximum percentage of the Company's gross assets allocated to a single borrower (together with its parents, subsidiaries and/or affiliates) shall be 20%;
- 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%;
- the maximum exposure to a Property Sector shall be 50% of the Company's 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
- the maximum exposure to residential property shall be 15% of the Company's gross assets and any such exposure shall be restricted to multi-family investment properties.

Report of the Directors

The Directors hereby submit the Annual Report and Audited Financial Statements for the Company for the period from incorporation on 29 November 2012 to 31 January 2014.

General Information

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

Principal Activities

The principal activity of the Company and its wholly owned subsidiary, ICG-Longbow Senior Debt S.A. ("Luxco") (together the "Group") is to invest in senior secured debt investments. The Group and Company'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 page 5 and in the Investment Manager's Report on pages 6 to 13.

Listing Requirements

Throughout the period since being admitted on 5 February 2013 to the Official List, maintained by the Financial Conduct Authority, the Company has complied with the applicable Listing Rules.

Results and Dividends

The results for the period are set out in the Financial Statements on pages 35 to 38. On 17 December 2013 the Directors declared a dividend in respect of the period ended 31 October 2013 of 0.5 pence per Ordinary Share to shareholders on the register as at the close of business on 3 January 2014. On 25 April 2014, the Company declared a dividend of 1.25 pence per Ordinary Share in respect of the quarter ended 31 January 2014.

Share Capital

At incorporation on 29 November 2012, the Company issued one founding Ordinary Share of no par value. On 5 February 2013 the Company issued a further 104,619,249 Ordinary Shares of no par value at £1 per Ordinary Share in an initial public offering.

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

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

Board of Directors

Jack Perry – *Non-Executive Chairman*

Jack was Chief Executive Officer of Scottish Enterprise between 2004 and 2009. He is a chartered accountant and became an office managing partner in 1995 with Ernst & Young 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.

Report of the Directors
(continued)

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

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

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

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

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

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

Report of the Directors
(continued)

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

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

There have been no changes to the Directors' shareholdings since 31 January 2014.

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

In deciding whether to make any such purchases the Directors will have regard to what they believe to be in the best interests of Shareholders and to 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 period.

Directors' and Officers' Liability Insurance
The Company maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Company. Insurance is in place, having been renewed on 23 December 2013.

Report of the Directors
(continued)

Substantial Shareholdings
As at 31 March 2014, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following substantial voting rights as shareholders of the Company.

Shareholder	Shareholding	Per cent. Holding
SG Hambros Bank Limited	10,087,000	9.64
Henderson Global Investors Limited	10,000,000	9.56
Intermediate Capital Group plc.	10,000,000	9.56
Schroder & Co Bank AG	8,325,000	7.96
Premier Fund Managers Limited	7,550,000	7.22
Arbuthnot Latham & Co Limited	7,535,600	7.20
Investec Wealth & Investment Limited	6,241,184	5.96

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

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

The Audit and Risk Management Committee ("Audit Committee") will periodically review the appointment of Deloitte LLP and the Board recommends their appointment. Further information on the work of the auditor is set out in the Report of the Audit and Risk Management Committee on pages 28 to 31.

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

Going Concern
The Directors, at the time of approving the financial statements, have a reasonable expectation that the Company and the Group have 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. Following the period end, the Company is now fully invested with a total loan portfolio representing 98.3% of the net capital raised and expects that the loan portfolio will generate enough cashflows to pay on-going expenses and returns to shareholders. The Directors have considered the cash position following the further investments and the subsequent share issue, performances of current loans issued by the Group, and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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

Principal Risk and Uncertainties
Principal Risk and Uncertainties are discussed in the Corporate Governance Report on pages 22 to 27.

Subsequent Events
On 17 March 2013 the Group closed a £10.00 million senior loan secured by way of a first, and only, charge on the Best Western York Monkbar Hotel, which is located close to the city centre of York.

On 11 April 2014 the Group entered into a £7.98 million senior loan secured by way of a first mortgage over the Ramada Encore Hotel, which is located in Gateshead.

On 17 April 2014, the Company issued 3.6 million new Ordinary Shares following a placing under the authority granted at launch. These shares were issued at a price of 102 pence per Ordinary Share, raising gross proceeds of approximately £3.7 million.

Report of the Directors
(continued)

On 25 April 2014, the Company declared a dividend of 1.25 pence per Ordinary Share in respect of the quarter ended 31 January 2014.

Annual General Meetings

The Annual General Meeting ("AGM") of the Company will be held at 10.00 am BST on 27 May 2014 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 Notices of Meetings 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

25 April 2014

Directors' Responsibilities

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, 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 enable them to ensure that the Financial Statements comply with the Law. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud, 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 Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report

Each of the Directors, whose names are set out on pages 15 and 16 in the Report of the Directors section of the Annual Report, confirms that to the best of their knowledge that:

- the Financial Statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiary included in the consolidation taken as a whole;
- the Chairman's Statement and Investment Manager's Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiary included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced on pages 26 to 27;
- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Companies (Guernsey) Law, 2008 (as amended).

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

By order of the Board

Jack Perry
Chairman

25 April 2014

Patrick Firth
Director

25 April 2014

Corporate Governance Report

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

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

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

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

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

Throughout the period ended 31 January 2014, the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the UK Code, except as set out below.

The Company has not established a separate Remuneration Committee as the Company has no executive officers; there is no Chief Executive position and no Senior Independent Director. As an investment company the Company has no employees, all directors are non-executive and independent of the Investment Manager and therefore the Directors consider the Company has no requirement for a Chief Executive or Senior Independent Director and the Board is satisfied that any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Audit and Risk Management Committee report on page 28.

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

The Board

The Directors details are listed on pages 15 to 16 which set out their range of investment, financial and business skills and experience represented.

Mr Patrick Firth and Mr Mark Huntley were appointed on 29 November 2012 and the remaining Directors were appointed on 30 November 2012, and all will retire and submit themselves for election at the first Annual General Meeting of the Company. 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.

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

Corporate Governance Report
(continued)

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

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

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

Directors' Remuneration
The Chairman is entitled to annual remuneration of £37,500. The other Directors are entitled to annual remuneration of £25,000, with Patrick Firth receiving an additional annual fee of £5,000 for acting as chairman of the Audit Committee.

During the period to 31 January 2014, the Directors' remuneration was as follows:

Director	(£)
Jack Perry	43,750
Stuart Beevor	29,167
Patrick Firth	35,130
Mark Huntley	29,275
Paul Meader	29,167

The above fees for the Directors are for the period from appointment to 31 January 2014.

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

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

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

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.

Corporate Governance Report

(continued)

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

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

The Board's responsibilities for the Annual Report are set out in the Directors' Responsibilities Statement on page 20. The Board is also responsible for issuing appropriate half-yearly financial reports, interim management statements and other price-sensitive public reports.

The attendance record of the Directors for the period to 31 January 2014 is set out below:

Director	Scheduled Board Meetings (max 4)	Ad-hoc Board Meetings (max 6)	Audit Committee Meetings (max 2)	Nomination Committee Meetings (max 1)	Management Engagement Committee Meetings (max 1)
Jack Perry	4	3	2	1	1
Stuart Beevor	4	2	2	1	1
Patrick Firth	4	4	2	1	1
Mark Huntley	4	3	2	1	n/a
Paul Meader	4	6	2	1	1

Three unscheduled committee meetings were held during the period to discuss IPO and interim accounts related matters.

Committees of the Board

Audit and Risk Management Committee

On 23 January 2013, the Board established an Audit Committee which held its first meeting on 23 September 2013. The Audit Committee is chaired by Mr Firth and at the date of this report comprised all of the Directors as set out on pages 15 and 16 with the exception of Mr Huntley. The report of the role and activities of this committee and its relationship with the external auditor is contained in the Report of the Audit and Risk Management Committee on pages 28 to 31. The Committee has terms of reference which are available on the Company's website.

Nomination Committee

On 23 January 2013, the Board established a Nomination Committee which held its first meeting on 17 December 2013. The Nomination Committee is chaired by Mr Perry and comprises all of the Directors as set out on pages 15 and 16. The Nomination Committee will meet not less than once a year pursuant to its terms of reference which are available on the Company's website.

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

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

Corporate Governance Report
(continued)

Management Engagement Committee
On 23 January 2013, the Board established a Management Engagement Committee which held its first meeting on 17 December 2013. The Management Engagement Committee is chaired by Mr Perry and comprises all the Directors of the Board as set out on pages 15 and 16, except for Mr Huntley. The Management Engagement Committee will meet at least twice a year pursuant to its terms of reference which are available on the Company's website.

The Management Engagement Committee's main function is to review and make recommendations in relation to the Company's service providers, in particular on any proposed amendment to the Investment Management Agreement and keep under review the performance of the Investment Manager (including effective and active monitoring and supervision of the activities of the Investment Manager) in its role as investment manager to the Company as well as the performance of any other service providers to the Company (except for the Company's auditor).

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

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

- the Board has delegated the day to day operations of the Group and Company to the Administrator and Investment Manager; however, it remains accountable for all functions it delegates;

- the Board clearly defines the duties and responsibilities of the Company's agents and advisors and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisors and will continue to do so through the Management Engagement Committee;

- the Board monitors the actions of the Investment Manager at regular Board meetings and is also given frequent updates on developments arising from the operations and strategic direction of the underlying borrowers; and

- the Administrator provides administration and company secretarial services to the Company. The Administrator maintains a system of internal control on which it reports to the Board.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Manager, including their own internal controls and procedures, provide sufficient assurance that a sound system of risk management and internal control, which safeguards shareholders' investment and the Group and Company's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary, as explained on page 30.

Corporate Governance Report
(continued)

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

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

Investment Management Agreement

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

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

Dealings with shareholders

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

Principal risks and uncertainties

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

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

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

The Company's principal risk factors are fully discussed in the Company's prospectus, available on the Company's website (www.icglongbow.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:

> The loan values may exceed the recovery values – if a default were to occur in relation to a loan in which the Company has invested, and then the Company exercises its rights to enforce the collateral or security arrangements that support the loan, the value of recoveries under those arrangements may be smaller than the value of the Company's investment in the loan.
>
> Property valuations – valuations of property and property-related assets are inherently subjective due to the individual nature of each property. As a result, valuations are subject to uncertainty and, in determining market value, valuers are required to make certain assumptions and such assumptions may prove to be inaccurate. This is particularly so in periods of volatility or when there is limited real estate transactional data against which property valuation can be benchmarked.

Corporate Governance Report
(continued)

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.

Risks relating to Group structure:

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

The above risks are mitigated and managed by the Board through continual review, policy setting and half yearly review of the Company's risk matrix by the Audit Committee to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board carried out its first formal review of the risk matrix at the Audit Committee meeting held on 17 December 2013. The Board relies on periodic reports provided by the Investment Manager and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including tax advisors, legal advisers, and environmental advisers.

Changes in Regulation

The Board monitors and responds to changes in regulation as it impacts the Group and its policies. A number of changes to regulation occurred during the period.

Alternative Investment Fund Management Directive ('AIFMD')

The Board acknowledges that AIFMD became effective in 2013 with the transitional period ending in June 2014.The Board is currently giving this matter consideration and liaising with the Company's advisers to determine the necessary action, if any, to be taken.

Foreign Account Tax Compliance Act ('FATCA')

FATCA became effective on 1 January 2013 and is being gradually implemented internationally. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US Tax compliance with respect to those assets. The Board is in discussion with the Company's service providers and advisers to ensure that the Company will comply with the Act's requirements to the extent relevant to the Company.

Non-Mainstream Pooled Investment ('NMPI')

On 1 January 2014 Financial Conduct Authority ('FCA') rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes came into effect.

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

By order of the Board

Jack Perry	**Patrick Firth**
Chairman	*Director*
25 April 2014	25 April 2014

Report of the Audit and Risk Management Committee

On 23 January 2013, the Board established the Audit Committee which held its first meeting on 23 September 2013. The Audit Committee, chaired by Mr Firth, comprises all of the Directors as set out on pages 15 and 16, except for Mr Huntley, operates within clearly defined terms of reference (which are available from the Company's website) and includes all matters indicated by Disclosure and Transparency Rule 7.1 and the AIC Code. Appointments to the Committee shall be for a period of up to three years, extendable for one or more further three-year periods. The Audit Committee will meet no less than twice a year, and at such other times as the Committee Chairman shall require.

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

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

Responsibilities
The main duties of the Audit Committee are:

- monitoring the integrity of the Financial Statements of the Group and any formal announcements relating to the Company'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 the valuation of the Company's investments;
- meeting regularly with the Auditor to review their proposed audit plan and the subsequent audit report and assess the effectiveness of the Audit process and the levels of fees paid in respect of both audit and non-audit work;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the Auditor and approving their remuneration and the terms of their engagement;
- monitoring and reviewing annually the Auditor's independence, objectivity, expertise, resources, qualification and non-audit work;
- considering annually whether there is a need for the Company to have its own internal audit function;
- keeping under review the effectiveness of the accounting and internal control systems of the Company;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on Audit Committees and the Company's institutional investors' commitment to the UK Stewardship code; and,
- reviewing the risks facing the Company and monitoring the risk matrix.

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

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

Report of the Audit and Risk Management Committee

(continued)

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

Financial Reporting

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

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

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

Meetings

The Committee has met formally on three occasions since inception to the date of this report. The matters discussed at those meetings were:

- detailed review of the Interim Financial Statements and recommendation for approval by the Board;
- review of the Group's risk matrix;
- review and approval of the audit plan of the Auditor;
- detailed review of the Annual Accounts and recommendation for approval by the Board; and
- assessment of the effectiveness of the external audit process as described below.

Primary Area of Judgement

The Audit Committee determined that the key risk of misstatement of the Group's Financial Statements in future periods will relate to the recoverability of the loans, in the context of the judgements necessary to evaluate any related impairment of the loans.

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

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

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.

Report of the Audit and Risk Management Committee
(continued)

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

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

Risk Management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. The work of the Audit Committee is driven primarily by the Group's assessment of its principal risks and uncertainties as set out on pages 26 and 27 of the Corporate Governance Report, and it receives reports from the Investment Manager and Administrator on the Group's risk evaluation process and reviews changes to significant risks identified.

Internal audit

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

External Audit

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

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

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

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

Report of the Audit and Risk Management Committee

(continued)

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to the level of non-audit fees. During the period, Deloitte LLP was engaged to provide Reporting Accountant services in relation to the IPO and the subsequent share issue (which was completed after the period end). In order to maintain auditor independence, Deloitte LLP ensured the following safeguards were in place:

- the use of review partners from outside of the core audit team to ensure professional scepticism was applied appropriately; and
- Second Partner and Independent Partner reviews, together with a quality assurance review were undertaken as part of the reporting accountant work and the interim review and the final audit stage.

Notwithstanding such services, the Audit Committee considers Deloitte LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit as appropriate safeguards are in place.

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

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

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

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

The Audit Committee is satisfied with Deloitte LLP's effectiveness and independence as Auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the Auditor remains independent and effective, the Audit Committee has recommended to the Board that Deloitte LLP be reappointed as Auditor for the year ending 31 January 2015.

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

On behalf of the Audit Committee

Patrick Firth
Chairman of the Audit and Risk Management Committee

25 April 2014

Independent Auditor's Report

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

Opinion on the consolidated financial statements of ICG-Longbow Senior Secured UK Property Debt Investments Limited

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 January 2014 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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

Going concern

We have reviewed the Directors' statement on page 18 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

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

Risk	How the scope of the audit responded to the risk
The assessment of any impairment in carrying value of the loans advanced The Group's loans are the key value driver for the Group's Net Asset Value (NAV) and interest income. Judgements over the level of any impairment and recoverability of loan interest could significantly affect these key performance indicators.	We evaluated management's assumptions used to assess whether the loans had suffered any impairment. Our procedures included: • reviewing the loan due diligence (including third party property valuations) in respect of each loan in existence at the period end; • reviewing management's processes and considering the evidence gathered by the Investment Manager in assessing whether the loans are impaired at the balance sheet date; • reviewing each loan to assess whether that the loan has not breached its covenants or defaulted on any loan interest payments due and considering other financial information available on the borrower to assess the ability of the borrower to meet future payment commitments both interest and principal.

Independent Auditor's Report

(continued)

Risk	How the scope of the audit responded to the risk
Revenue Recognition The incorrect treatment of any arrangement and exit fees and the impact of loans 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.	Our procedures included: • assessing management's judgements in respect of the recording of interest income and examination of the amortisation schedules prepared for each loan; and • considering the impact of any impairments on the recognition and valuation of income recorded in the period.

The Audit and Risk Management Committee's consideration of these risks is set out on page 28.

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

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 of £2.04 million, which is approximately equal to 2% of equity. This has been determined using a benchmark of equity/net assets which we believe is the key benchmark used by members of the Company in assessing financial performance.

We have applied a lower materiality threshold of £120,000 (based on approximately 5% of income from loans advanced) 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 and Risk Management Committee that we would report to the Committee all audit differences in excess of £40,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Management Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations 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; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Independent Auditor's Report

(continued)

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine 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.

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 and Risk Management Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Richard Anthony Garrard FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditors
Guernsey

25 April 2014

Consolidated Statement of Comprehensive Income

For the period from incorporation on 29 November 2012 to 31 January 2014

	Notes	£
Income		
Income from loans advanced		2,548,252
Income from cash and cash equivalents		400,032
Total income		**2,948,284**
Expenses		
Investment management fees	4,14	1,010,346
Directors' remuneration	14	166,489
Administration fees	4,14	128,011
Audit fees		77,862
Broker fees		50,000
Legal & professional fees		33,256
Other expenses		124,908
Total expenses		**1,590,872**
Profit for the period before tax		**1,357,412**
Taxation	5	7,667
Profit for the period after tax		**1,349,745**
Total comprehensive income for the period		**1,349,745**
Basic and diluted earnings per share (pence)	10	**1.29**

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

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

Consolidated Statement of Financial Position

As at 31 January 2014

	Notes	£
Assets:		
Loans advanced at amortised cost	6	86,014,863
Trade and other receivables	7	71,336
Cash and cash equivalents	8	17,696,629
Total assets		**103,782,828**
Liabilities		
Other payables and accrued expenses	9	429,313
Total liabilities		**429,313**
Net assets		**103,353,515**
Equity		
Share capital	11	102,526,866
Retained earnings		826,649
Total equity		**103,353,515**
Number of ordinary shares in issue at period end		104,619,250
Net asset value per ordinary share (pence)	10	**98.79**

The financial statements were approved by the Board of Directors on 25 April 2014 and signed on their behalf by:

Jack Perry
Chairman

Patrick Firth
Director

25 April 2014

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

Consolidated Statement of Changes in Equity

For the period from incorporation on 29 November 2012 to 31 January 2014

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

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

Consolidated Statement of Cash Flows

For the period from incorporation on 29 November 2012 to 31 January 2014

	Notes	£
Cash flows from operating activities		
Profit for the period		1,349,745
Adjustments for non-cash items:		
Increase in other receivables	7	(71,336)
Increase in other payables and accrued expenses		421,646
Increase in tax payable		7,667
Loan amortisation		(504,963)
		1,202,759
Loans advanced less arrangement fees		(85,509,900)
Net cash used in operating activities		**(84,307,141)**
Cash flow from financing activities		
Proceeds from issue of shares	11	104,619,250
Issue costs paid	11	(2,092,384)
Dividends paid	11	(523,096)
Net cash from financing activities		**102,003,770**
Net increase in cash and cash equivalents		17,696,629
Cash and cash equivalents at the start of the period		–
Cash and cash equivalents at the end of the period		**17,696,629**

Notes to the Consolidated Financial Statements

For the period from incorporation on 29 November 2012 to 31 January 2014

1. General information

ICG-Longbow Senior Secured UK Property Debt Investments Limited is a non-cellular company limited by shares and was incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) on 29 November 2012 with registered number 55917 as a closed-ended investment company.

On 31 January 2013, the Company announced the results of its IPO, which raised gross proceeds of £104,619,250. The Company's shares were admitted to trading on the Main Market of the London Stock Exchange on 5 February 2013.

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary, ICG-Longbow Senior Debt S.A. ("Luxco") (together the "Group") as at 31 January 2014.

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

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

2. Accounting policies

a) Basis of preparation

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

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

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

		Effective date (Periods commencing)
New Standards		
IFRS 9	Financial Instruments	1 January 2017*
Revised and amended standards		
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 10	Consolidated Financial Statements – amendments for investment entities	1 January 2014**
IFRS 12	Disclosure of Interests in Other Entities – amendments for investment entities	1 January 2014**
IFRS 13	Fair Value Measurement	1 January 2013
IAS 27	Separated Financial Statements – amendments for investment entities	1 January 2014**
IAS 32	Financial Instruments – Presentation – amendments relating to the offsetting of assets and liabilities	1 January 2014
IAS 36	Impairments of Assets – amendments arising from Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39	Financial Instruments – Recognition and Measurement – amendments for novations of derivatives and continuation of hedge accounting	1 January 2014

* Upon publication of the general hedge accounting element of IFRS 9, the mandatory effective date of 1 January 2015 was revised from the Standard. At its November 2013 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

** Available for early adoption.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

a) Basis of preparation (continued)

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 Company and the Group have 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. Following the period end, the Company is now fully invested with a total loan portfolio representing 98.3% of the net capital raised and expects that the loan portfolio will generate enough cashflows to pay on-going expenses and returns to shareholders. The Directors have considered the cash position following the further investments, the subsequent share issue and performances of current loans issued by the Group and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

c) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

c) Basis of consolidation (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

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.

f) 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.

g) Taxation

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

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

h) Dividends

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

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

i) Segmental reporting

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

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

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

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

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

j) Financial instruments

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

Financial Assets

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

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

The Company's financial assets currently comprise loans and receivables.

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 and cash and cash equivalents.

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 financial instruments is not considered to be material.

ii) Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

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.

Effective interest rate method

The effective interest 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.

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 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 value of the underlying property security; or,
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

Financial liabilities

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

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

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

i) Financial liabilities measured at amortised cost

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

Notes to the Consolidated Financial Statements

(continued)

2. Accounting policies (continued)

ii) Derecognition of financial liabilities

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

k) Equity instruments

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

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

The preparation of the financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

4. Material Agreements

Investment Management Agreement

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

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

Administration Agreement

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

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

Notes to the Consolidated Financial Statements

(continued)

4. Material Agreements (continued)

Registrar Agreement

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

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

5. Taxation

The Group's tax charge consists of taxes levied on Luxco. These consist of a net wealth tax charge; set at a rate of 0.5%, on Luxco's worldwide net worth, determined as at the 1 January of each calendar year and an income tax charge, which was set at a flat rate of €3,210 for 2013 by the Luxembourg Tax Administration.

	29 November 2012 to 31 January 2014 £
Net wealth tax	4,992
Fixed income tax	2,675
	7,667

6. Loans advanced

	31 January 2014 Principal advanced £	**31 January 2014 At amortised cost £**
Loan 1 – Mansion Student Fund	18,070,000	17,878,735
Loan 2 – LM Real estate	14,200,000	13,998,514
Loan 3 – Meadows Retail Estate Fund II	18,070,000	17,806,006
Loan 4 – Northlands Portfolio	7,200,000	7,089,034
Loan 5 – Hulbert	6,565,000	6,462,240
Loan 6 – Halcyon Ground Rents	8,600,000	8,462,536
Loan 7 – Cararra Ground Rents	1,300,000	1,279,221
Loan 8 – Raees International	13,250,000	13,038,577
	87,255,000	**86,014,863**

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

Amortised cost is calculated using the effective interest rate method which takes into account all contractual terms (including arrangement and exit fees) that are an integral part of the loan agreement. As these fees are taken into account when determining initial net carrying value, their recognition in profit or loss is effectively spread over the life of the loan. The Group's accounting policy on the measurement of financial assets is discussed further in Note 2(j).

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

Notes to the Consolidated Financial Statements
(continued)

6. Loans advanced (continued)
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 and are less than twelve months old. 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.

7. Trade and other receivables

	31 January 2014 £
Interest receivables	36,250
Other receivables	35,086
	71,336

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

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

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

9. Other payables and accrued expenses

	31 January 2014 £
Investment management fees	259,139
Directors' remuneration	35,625
Audit fees	29,000
Administration fees	11,508
Taxes payable	7,667
Broker fees	4,315
Other expenses	82,059
	429,313

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

10. Profit per share and net asset value per share
The calculation of basic and diluted earnings per ordinary share is based on the profit for the period of £1,349,745 and on the weighted average number of ordinary shares in issue during the period of 104,619,250 ordinary shares.

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

The calculation of net asset value per ordinary share is based on net asset value of £103,353,515 and the number of shares in issue at 31 January 2014 of 104,619,250 ordinary shares.

Notes to the Consolidated Financial Statements
(continued)

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

As at 31 January 2014, the Company had 104,619,250 issued and fully paid ordinary shares. These shares were all issued during the period raising total proceeds of £104,619,250. The proceeds net of issue costs of £2,092,384 (2% of gross proceeds), amounted to £102,526,866.

Dividend paid
On 17 December 2013 the Directors declared a dividend in respect of the quarter ended 31 October 2013 of 0.5 pence per Ordinary Share to shareholders on the register as at the close of business on 3 January 2014.

Dividend proposed
On 25 April 2014, the Directors declared a dividend in respect of the quarter ended 31 January 2014 of 1.25 pence per Ordinary Share.

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.

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

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

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

Market risk
Market risk includes market price risk, currency risk and interest rate risk. If a borrower defaults on a loan and the real estate market enters a downturn it could materially and adversely affect the value of the collateral over which loans are secured. However this risk is considered by the Board to constitute credit risk as it relates to the borrower defaulting on the loan and not directly to any movements in the real estate market. Market risk is moderated through a careful selection of loans within specified limits. The Group's market position is monitored by the Investment Manager and is reviewed by the Board of Directors on an on-going basis.

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

Notes to the Consolidated Financial Statements

(continued)

12. Risk Management Policies and Procedures (continued)

Interest rate risk

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

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

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

	31 January 2014 £
Floating rate	
Cash	17,696,629
Fixed rate	
Loans advanced at amortised cost	86,014,863
	103,711,492

The timing of interest payments on the loans advanced is summarised in the table on page 49.

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 2014 due to only eight 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. There is also credit risk in respect of other financial assets as a portion of the Group's assets are cash and cash equivalents or accrued interest. 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 period end date. As at 31 January 2014, the maximum credit risk exposure was £104,964,599.

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

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

	Cash £	Interest accrued £	Total as at 31 January 2014 £
Lloyds TSB Offshore Limited	9,917,886	11,623	9,929,509
Royal Bank of Scotland International Limited	5,461,281	1,347	5,462,628
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	2,317,274	–	2,317,274
Barclays Bank plc	188	–	188
	17,696,629	12,970	17,709,599

The carrying amount of these assets approximates their fair value.

Notes to the Consolidated Financial Statements

(continued)

12. Risk Management Policies and Procedures (continued)

Liquidity risk

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

Liquidity risks arise in respect of other financial liabilities of the Group due to counterparties. However, at 31 January 2014, there was sufficient liquidity in the form of cash and cash equivalents to satisfy the Group's obligations. Subsequent to the end of the period the Group became fully invested and will expect to meet its on-going obligations from cashflows 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 £	After five years £	Total as at 31 January 2014 £
Loan 1 – principal	–	–	18,070,000	18,070,000
Loan 1 – interest and exit fees	1,264,900	5,063,065	902,015	7,229,980
Loan 2 – principal	–	14,200,000	–	14,200,000
Loan 2 – interest and exit fees	1,102,750	4,153,792	–	5,256,542
Loan 3 – principal	–	18,070,000	–	18,070,000
Loan 3 – interest and exit fees	1,347,824	4,364,029	–	5,711,853
Loan 4 – principal	–	7,200,000	–	7,200,000
Loan 4 – interest and exit fees	576,000	2,369,096	–	2,945,096
Loan 5 – principal	–	6,565,000	–	6,565,000
Loan 5 – interest and exit fees	508,788	2,107,905	–	2,616,693
Loan 6 – principal	–	8,600,000	–	8,600,000
Loan 6 – interest and exit fees	602,000	2,514,027	–	3,116,027
Loan 7 – principal	–	1,300,000	–	1,300,000
Loan 7 – interest and exit fees	91,000	380,027	–	471,027
Loan 8 – principal	–	13,250,000	–	13,250,000
Loan 8 – interest and exit fees	960,625	4,012,753	–	4,973,378
	6,453,887	94,149,694	18,972,015	119,575,596

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

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 (including the proceeds of the IPO) has been to fund investments in the form of loans sourced by the Investment Manager, as well as initial expenses related to the issue, 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)

13. Subsidiary

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

14. Related Party Transactions and Directors' Remuneration

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

Mark Huntley, Director of the Company, is also a Director of the Company's Administrator, Heritage International Fund Managers Limited. During the period, the Company incurred administration fees in relation to services provided by the Company's Administrator of £128,011 of which £11,508 was outstanding at the period end. Mark Huntley also received a Director's fee of £29,275 of which £6,250 was outstanding at the period end.

The Directors are remunerated for their services at an annual fee of £25,000, with Patrick Firth receiving an additional annual fee of £5,000 for acting as chairman of the Audit and Risk Management Committee. The Chairman receives an annual fee of £37,500.

The Company Directors' fees for the period amounted to £166,489 with outstanding fees of £35,625 due to the Directors at 31 January 2014.

Investment management fees for the period amounted to £1,010,346, of which £259,139 was outstanding at the period end.

15. Subsequent events

On 17 March 2014 the Group closed a £10.00 million senior loan secured by way of a first, and only, charge on the Best Western York Monkbar Hotel, which is located close to the city centre of York.

On 11 April 2014 the Group entered into a £7.98 million senior loan secured by way of a first mortgage over the Ramada Encore Hotel, which is located in Gateshead.

On 17 April 2014, the Company issued 3.6 million new Ordinary Shares following a placing under the authority granted at launch. These shares were issued at a price of 102 pence per Ordinary Share, raising gross proceeds of approximately £3.7 million.

On 25 April 2014, the Directors declared a dividend in respect of the quarter ended 31 January 2014 of 1.25 pence per Ordinary Share.

For your Notes

For your Notes