

ICG LONGBOW



ICG-Longbow Senior Secured UK Property Debt Investments Limited

Annual Report and Consolidated
Financial Statements

For the year ended 31 January 2021

Company Number: 55917

CONTENTS

Overview

- 01 Financial Highlights
- 01 Corporate Summary
- 02 Financial Summary
- 03 Chairman's Statement
- 05 Investment Manager's Report
- 15 Investment Policy

Governance

- 16 Board of Directors
- 18 Report of the Directors
- 24 Directors' Responsibilities Statement
- 25 Corporate Governance Report
- 33 Report of the Audit and Operational Risk Committee
- 36 Independent Auditor's Report

Financial Statements

- 42 Consolidated Statement of Comprehensive Income
- 43 Consolidated Statement of Financial Position
- 44 Consolidated Statement of Changes In Equity
- 45 Consolidated Statement of Cash Flows
- 46 Notes to the Consolidated Financial Statements

Other Information

- 64 Alternative Performance Measures
- 65 Glossary of Capitalised Defined Terms
- 67 Directors and General Information

All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 65 to 66 unless separately defined.

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 JANUARY 2021

Portfolio

Committed to nine loans as at 31 January 2021 £117.34 million⁽¹⁾	Invested in nine loans as at 7 May 2021 £110.07 million	Weighted average loan coupon ⁽²⁾ 7.19% (2020: 7.51%)	Weighted average loan maturity ⁽²⁾ 1.76 years (2020: 1.85 years)	Weighted average loan to value ratio ⁽²⁾ 69.3% (2020: 65.8%)
--	--	---	---	---

Performance

Earnings per Share 6.11 pence (2020: 5.04 pence)	Total Income per Share ⁽²⁾ 8.21 pence (2020: 7.01 pence)	NAV per Share ⁽²⁾ 98.3 pence (2020: 98.2 pence)	Dividend per Share ⁽²⁾ 6.00 pence (2020: 6.00 pence)
--	---	--	---

⁽¹⁾ The difference between this amount and the principal advanced figure, that is disclosed in note 5, to date of £109,319,992, represents outstanding amounts available to be drawn by borrowers under existing facility agreements.

⁽²⁾ These are Alternative Performance Measures, refer to page 64 for details.

CORPORATE SUMMARY

INVESTMENT OBJECTIVE

In line with the revised Investment Objective and Policy approved by shareholders in the Extraordinary General Meeting in January 2021, the Company is now undertaking an orderly realisation of its investments.

STRUCTURE

The Company is a non-cellular company limited by shares incorporated in Guernsey on 29 November 2012 under the Companies Law. The Company's registration number is 55917, and it has been registered with the GFSC as a registered closed-ended collective investment scheme. The Company's ordinary shares were admitted to the premium segment of the FCA's Official List and to trading on the Main Market of the London Stock Exchange as part of its IPO which completed on 5 February 2013. The issued capital comprises the Company's ordinary shares denominated in Pounds Sterling. The Company makes investments in its portfolio through ICG-Longbow Senior Debt S.A., the Company's wholly owned subsidiary. The Board resolved to simplify its corporate structure by collapsing the Luxembourg subsidiary company which has historically acted as the lender for the Group's investments. Following year ended 31 January 2021, the process of winding up the Luxembourg company has now commenced.

INVESTMENT MANAGER

During the year, the Company's management arrangements were amended and the Company appointed ICG Alternative Investment Limited as external discretionary investment manager, under the Alternative Investment Fund Management Directive (AIFMD) within a remit set by the Board. Previously, the Company was internally managed by the Board, after receiving advice from Intermediate Capital Managers Limited (an affiliate of ICG Alternative Investment Limited) under the terms of a non-discretionary investment advisory agreement.

FINANCIAL SUMMARY

PERFORMANCE

- Total income of £9.95 million (31 January 2020: £8.51 million), up 17% on the prior year.
- Profit after tax up 21%, to £7.41 million for the year ended 31 January 2021 (31 January 2020: £6.11 million).
- Earnings per share of 6.11 pence (31 January 2020: 5.04 pence).
- NAV of £119.25 million as at 31 January 2021 (31 January 2020: £119.12 million).
- Total dividends paid or declared for the year ended 31 January 2021 of 6.00 pence per share (31 January 2020: 6.00 pence per share).
- No credit losses or impairments in the investment portfolio.

DIVIDEND

- Total dividends paid or declared for the year ended 31 January 2021 of 6.00 pence per share (31 January 2020: 6.00 pence per share), made up as follows:
 - Interim dividend of 1.50 pence per share paid in respect of quarter ended 30 April 2020
 - Interim dividend of 1.50 pence per share paid in respect of quarter ended 31 July 2020
 - Interim dividend of 1.50 pence per share paid in respect of quarter ended 31 October 2020
 - Interim dividend of 1.50 pence per share paid in respect of quarter ended 31 January 2021

INVESTMENT PORTFOLIO

- On 14 January 2021 the Company adopted a revised Investment Objective and Policy to allow for an orderly realisation of investments and the return of capital over time to shareholders.
- As at 31 January 2021, the Group's investment portfolio comprised nine loans with an aggregate principal balance of £109.32 million, representing 91.67% of the shareholders' equity (31 January 2020: 10 loans with aggregate principal balance of £120.77 million, representing 101.39% of the shareholders' equity).
- The weighted average coupon on drawn capital, before recognition of arrangement and exit fees, was 7.19% (31 January 2020: 7.51%).
- The portfolio weighted average LTV was 69.3% (31 January 2020: 65.8%), reflecting changes to the composition of the loan portfolio.
- The portfolio weighted average residual term was 1.76 years, of which, on average, 0.72 years remains income protected (31 January 2020: residual term 1.85 years, income protected term 1.01 years).
- As a result of new investment activity and redemptions after the financial year end, the Group's portfolio as at 7 May 2021 comprises nine loans with an aggregate principal balance of £110.07 million.
- The portfolio weighted average LTV as at 7 May 2021 is 70.8%, the weighted average residual loan term is 1.52 years, and the weighted average loan coupon is 7.19%.
- The Directors do not consider there to have been any impairments on loan balances as at 7 May 2021.



The Company's financing supported the build out of a pre-let industrial unit at Image Business Park, Knowsley

CHAIRMAN'S STATEMENT



JACK PERRY CHAIRMAN

“The Company’s strong financial position leaves it well placed to conduct an orderly realisation of its portfolio”

INTRODUCTION

On behalf of the Board, it is my pleasure to present the eighth Annual Report for the Group, for the year ended 31 January 2021.

The financial year was dominated by the outbreak, impact of and response to Covid-19. The effects on society, businesses and the economy have been unprecedented in peace time, and while many of the immediate shocks have now been addressed, the UK will continue to deal with the aftereffects on employment, fiscal and monetary policy and the public finances for several years to come. In this context, the possible effects of Brexit – now finally resolved some four years after the referendum – may seem immaterial by comparison.

Despite the overall resilience of the loan portfolio, the Company’s share price fell to a material discount to NAV as a result of the wider market re-rating following the onset of Covid-19. In light of this, and noting feedback received from shareholders on the relative lack of liquidity in the Company’s shares and the challenges in growing the Company to ameliorate this, the Board recommended revising the Company’s Investment Objective and Policy to allow for an orderly realisation of investments and the return of capital over time to shareholders. This recommendation was approved at an Extraordinary General Meeting on 14 January 2021, and the Company expects to make the first resultant capital distribution during Q2 2021 or early Q3 2021.

Against this turbulent public health and economic backdrop and the above change in Investment Objective and Policy, the Board’s principal responsibility to maximise returns to shareholders has remained uppermost in its agenda. It is pleasing, therefore, that the performance of the Company’s portfolio, continues to show defensive characteristics, during times of such stress, that the original investment parameters were designed to provide. In particular the senior and bilateral-only lending approach has allowed the Investment Manager to retain control over the management of the Company’s investments, without reference to third party lenders with possibly competing agendas. This has allowed the Company to provide support to borrowers where necessary and appropriate, but also to generate additional returns through loan repricing and fees.

As a result, I am pleased to report that the Company delivered robust earnings growth, with earnings per share up 21% year on year, and a fully covered dividend during the period. The underlying performance of the Company’s portfolio has proved resilient throughout, with no impairments, and more recently some

of the Company’s investments have seen a notable improvement in their risk positioning, as detailed further in the Investment Manager’s Report.

The Board is very much aware that the recommendation at the EGM was not universally supported, with some 23.8% of votes cast against the proposals. While acknowledging the strength of feeling on this issue, I would like to highlight that this opposition came from a small number of shareholders. The Board, having evaluated all alternative options, continues to believe that the proposals represent the best course of action for the Company. The positive endorsement of over 75% of our shareholders and the narrowing of the share price discount to NAV in the period following the announcement provides some support to this view.

The Company enters the realisation period in a position of strength; its financial position and liquidity remains robust and it is well-placed to address any second-order impacts of the Covid-19 pandemic, should they arise. While it is a matter of disappointment to the Board that the Company was unable to grow to the extent we would have wished, the Board and the Investment Manager are satisfied that the Company has to date delivered on its investment objectives and expects to continue to do so while shareholder capital is steadily returned.

PORTFOLIO

At 31 January 2021, the portfolio comprised nine loans with a total principal balance outstanding of £109.3 million.

The Company concluded three new loan investments in the first half of 2020, comprising approximately £28.9 million of commitments in aggregate. Full details of these loans are provided in the following Investment Manager’s Report. One of these – the £4.25 million Carrara loan – has since repaid following a sale of the property, generating an attractive return for shareholders given the resultant prepayment fees. No investments were concluded during the second half of the year.

In March 2020 the Company’s £21.5 million Meadows loan was repaid in full, together with exit and prepayment fees of approximately £0.7 million, following a sale of the residential site securing the loan. The remaining £11.3 million invested in the BMO Partners loan was repaid in full in October 2020, following a £4.4 million partial repayment earlier in the year. Apart from fulfilling financial commitments made to existing borrowers, no new lending will now be undertaken.

CHAIRMAN'S STATEMENT (CONTINUED)

GOVERNANCE AND MANAGEMENT

During the year, the Company's management arrangements were amended and the Company appointed ICG Alternative Investment Limited as external discretionary investment manager, under the Alternative Investment Fund Management Directive (AIFMD) within a remit set by the Board. Previously, the Company was internally managed by the Board and advised by Intermediate Capital Managers Limited (an affiliate of ICG Alternative Investment Limited) under the terms of a non-discretionary investment advisory agreement.

The Board believes that, in conjunction with the other changes set out below, these arrangements will allow for efficiencies in the Company's ongoing operations. There has been no change to the rate of management fees payable by the Company as a result of this amendment.

In tandem with the change of management arrangements, the Company was required to appoint a depository and accordingly Ocorian Depository (UK) Limited has been appointed depository to the Company.

As reported in the Company's interim report and accounts, the Board resolved to simplify its corporate structure by collapsing the Luxembourg subsidiary company which has historically acted as the lender for the Group's investments. These investments will be transferred to the Company, at par, and in a manner that does not cause any adverse tax consequences for the Group or its shareholders. The process of winding up the Luxembourg company has now commenced, which will allow the loan investments to be transferred to the Company. Over time, the Company expects this restructuring to reduce pro forma operating expenses by approximately £200,000 per annum, the benefit of which will support the dividend and process of shareholder capital return in future periods.

The Company also saw some changes to the Board composition during the year. Fiona Le Poidevin was appointed as a non-executive director with effect from 1 September 2020 and was elected to the Board at the Company's AGM on 25 September 2020. Separately, Mark Huntley stood down as a director at the 2020 AGM. Patrick Firth will also stand down as a Director at the 2021 AGM in June. Patrick has been a diligent and astute Chairman of the Audit and Operational Risk Committee since the inception of the Company. On behalf of

the Board, I would like to thank both Mark and Patrick for their outstanding contribution to the Company's success over the past eight years since the IPO. We welcome Fiona, who will succeed Patrick as Chair of the Audit and Operational Risk Committee and who brings a wealth of experience and complementary skills to the Board.

As a consequence of the adoption of the orderly realisation policy and the resultant limited future life of the Company, the Board has revised its plans and its guidelines on director and chairman tenure. This is discussed in detail in the Corporate Governance Report on pages 25 to 32.

POST YEAR END TRADING

In April 2021 the Group received a £1.06 million partial prepayment of the Southport Hotel loan. This reduces the outstanding balance of the loan to £15.00 million as at the date of these accounts.

OUTLOOK

In line with the revised Investment Objective and Policy approved by shareholders in the Extraordinary General Meeting in January 2021, the Company is now undertaking an orderly realisation of its investment portfolio. As sufficient funds become available the Board intends to return capital to shareholders, taking account of the Company's working capital requirements and funding commitments.

The portfolio continues to be managed with an intention to achieve a balance between maximising the net value received from the Group's investments and making timely returns to Shareholders. Currently, the expectation is that capital will be returned as and when loans are repaid by the borrowers. As the Investment Manager noted in their report, we currently expect full capital and income payments from all loans and see no reason for any impairments. The table in the Investment Manager's report also sets out the remaining unexpired terms of all loans in the portfolio as at 31 January 2021. As of the date of this report, eight out of the nine loans will be repayable in under two years with the ninth being repayable within two and a half years. While it is not possible to provide precision around the timing of returns of capital to shareholders, because loans may not always be repaid upon their contractual maturity dates, such maturity dates do provide shareholders with a guide to the likely future distribution schedule.

Upon repayment of a loan, we intend to return capital to shareholders as soon as it is practical, subject to the need to retain a buffer for current follow-on commitments and operating expenses. Also, the quantum of any distribution needs to be economic for shareholders. We anticipate seeking to hold a minimum of £5 million in cash in the short term to meet commitments which will reduce over time. This should mean that sufficient capital is available to make our first distribution to shareholders in Q2 or early Q3 2021.

It should be noted that we are aware of some borrowers engaging in early refinancing discussions. Any such refinancing would accelerate the timetable for shareholder distributions. A loan portfolio sale or sale of individual loans is currently considered unlikely but is not ruled out as it would also be a means of accelerating the return of capital to shareholders.

We were pleased to have been able to pay a fully covered dividend last year despite the challenges presented by Covid-19. This remains the case today. Of course, as loans repay, our contracted income will fall. During this orderly realisation phase, it is not the Board's intention to support dividends out of capital but only to continue to pay dividends from our net income. The income from the portfolio as a percentage of NAV is not expected to vary significantly as the portfolio reduces in size. The investment management fee will remain constant as a percentage of NAV. However, once the Company's asset base shrinks materially, our total expense ratio will edge higher.

We shall keep shareholders updated regularly with progress against our new objective. The Board is grateful to shareholders for their support during a very challenging year and recognises the hard work undertaken by our Investment Manager in a difficult market and in effecting the fundamental change to our investment objective and policy.



JACK PERRY
Chairman

7 May 2021

INVESTMENT MANAGER'S REPORT

The Investment Manager's Report refers to the performance of the loans and the portfolio for the year to 31 January 2021 and the general market conditions prevailing at that date. The Investment Manager continues to work closely with the Board to ascertain any residual or consequential impacts of the Covid-19 pandemic and associated policy response. Any forward-looking statements in this report reflect the latest information available as at 7 May 2021.

INVESTMENT OBJECTIVE

The investment objective of the Group, as approved by the shareholders of the Company, was revised during the period and is now to conduct an orderly realisation of the assets of the Group.

Fund facts	
Fund launch:	5 February 2013
Investment Manager:	ICG Alternative Investment Limited
Base currency:	GBP
Issued shares:	121.3 million
Management fee:	1.0%
Fund type:	Closed ended investment company
Domicile:	Guernsey
Listing:	London Stock Exchange
ISIN code:	GG00B8C23S81
LSE code:	LBOW
Website:	www.lbow.co.uk

Share price & NAV at 31 January 2021	
Share price (pence per share):	88.00
NAV (pence per share) ⁽¹⁾ :	98.31
Premium/(Discount) ⁽¹⁾ :	(10.5%)
Approved dividend (pence per share) ⁽²⁾ :	1.5
Dividend payment date ⁽²⁾ :	30 April 2021

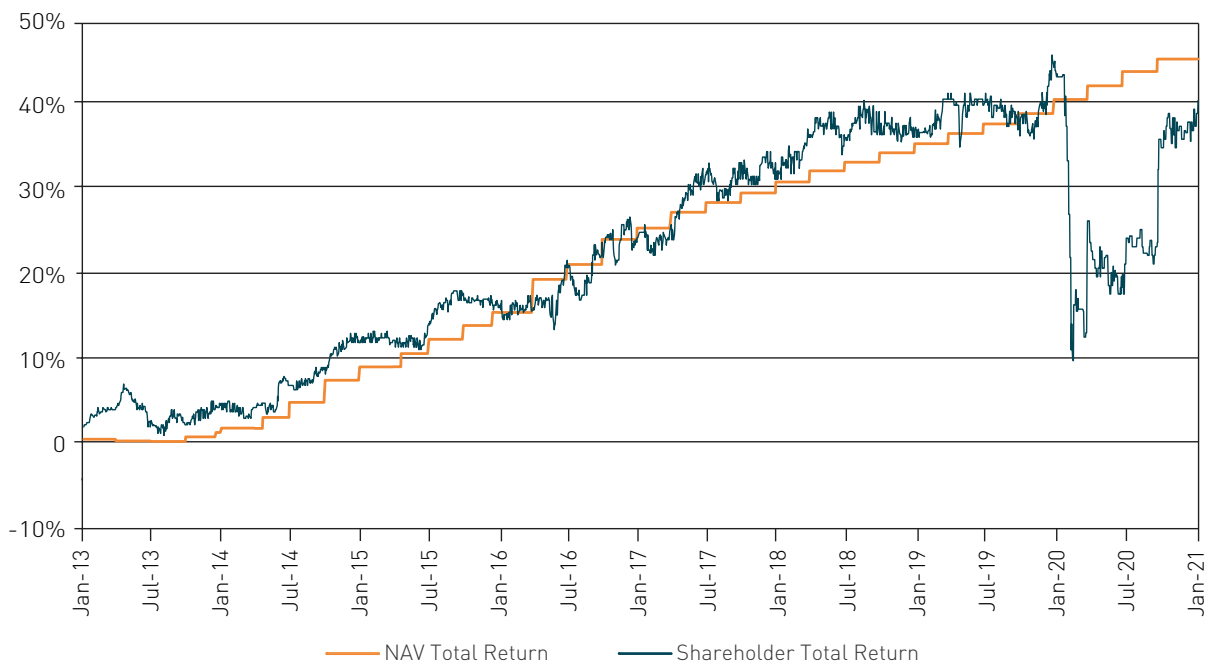
Key portfolio statistics at 31 January 2021	
Number of investments:	9
Percentage capital invested ⁽¹⁾⁽³⁾ :	92.84%
Weighted avg. investment coupon:	7.19%
Weighted avg. LTV:	69.3%

⁽¹⁾ These are Alternative Performance Measures, refer to page 64 for details.

⁽²⁾ For the Quarter ended 31 January 2021.

⁽³⁾ Loans advanced at amortised cost/Total Equity attributable to the owners of the Company.

SHARE PRICE TOTAL RETURNS VS NAV TOTAL RETURN (FROM IPO TO 31 JANUARY 2021)



INVESTMENT MANAGER'S REPORT (CONTINUED)

SUMMARY

At 31 January 2021, the investment portfolio comprised nine loans. Principal activity in the period included:

- Repayment in full of the £21.5 million Meadows loan, together with exit and prepayment fees of £0.7 million;
- Completion of a £7.8 million loan commitment secured on an industrial estate in Knowsley, Merseyside;
- Completion of a £16.9 million commitment secured by an office property in St James's, London;
- Restructure of the Group's Carrara loan into a £4.25 million facility secured by an office property in Leeds, with the subsequent repayment of this loan in full in January 2021;
- Partial £4.4 million repayment, and subsequent £11.3 million full repayment, of the BMO Partners loan.

As a consequence of the above activity, total commitments at period end stood at £117.3 million (31 January 2020: £128.6 million) with the par value of the loan portfolio being £109.3 million (31 January 2020: £120.8 million).

The weighted average loan to value ratio increased to 69.3% (31 January 2020: 65.8%) reflecting the changes to the portfolio composition, in particular the repayment of the lowly-leveraged BMO loan. The weighted average coupon rate now stands at 7.19% (31 January 2020: 7.51%), with returns supplemented by contractual arrangement and exit fees.

Following the year end, the Company received a £1.1 million partial repayment of the Southport loan. As such, as at the date of this report, the Group's portfolio totals nine investments with an aggregate committed balance of £116.7 million, of which £110.1 million is drawn. The weighted average LTV is 70.8%, with a weighted average interest coupon of 7.19% and weighted average loan maturity of 1.52 years.

GROUP PERFORMANCE

The Investment Manager's primary focus during the period was monitoring the performance and outlook for its existing loan positions in the light of the Covid-19 disruption. We summarise the status of each investment in more detail below but would highlight that we continue to believe the Company has a satisfactory security position on all of its investments and does not expect any shortfall in interest, principal or fees on any of the investments.

In March 2020 the Company closed a £7.75 million commitment secured by a multi-let industrial estate in Knowsley, Merseyside, with a business plan to construct a new, pre-let industrial unit on part of the site whilst managing the existing units for long-term value. The Company provided a capital expenditure commitment in support of this plan, which has now been fully drawn with the new unit now complete and tenanted.

In July 2020, the Company was able to take advantage of the notable reduction in debt market liquidity caused by Covid-19

to refresh its investment portfolio, closing a £16.9 million loan commitment secured by a prime office in St James's, London, originally leased to a UK Government agency and with a plan to refurbish. The Company is participating in a larger £22.3 million loan alongside another client of the Investment Manager.

Additionally, the Company completed an increase and extension to its Carrara loan facility, taking the balance to £4.25 million secured by the full freehold interest in a recently refurbished and fully let office building in Leeds. The property was subsequently sold in January 2021, with the loan repaying in full along with a prepayment fee.

During the year the Company received a partial and then full repayment of the BMO Partners facility, following a refinancing of the portfolio assets by third-party lenders.

As a result of these portfolio changes, the Group's loan commitments now total approximately £117.3 million, of which £109.3 million is drawn. Portfolio LTV remains robust and defensive at 69.3%, all secured by first ranking mortgage investments. The weighted average loan coupon of 7.19% is supplemented by contractual arrangement and exit fees, along with the possibility of ad hoc returns from repricing loans or receiving prepayment fees.

Notwithstanding the challenges presented by Covid-19, our borrowers have generally made solid progress against their business plans:

- The sponsor of the LBS loan completed a refurbishment of the property and secured a letting for the majority of the space at a rental level well ahead of our expectations. This led to a material improvement in value, with the LTV ratio reducing to 57.1%.
- The sponsor of the Affinity loan continued its refurbishment of vacant space at the property and saw positive new leasing and lease renewal activity during the year.
- The RoyaleLife sponsor secured new planning permissions across its portfolio which, combined with ongoing expenditure on its properties, resulted in a valuation increase of approximately 15%. Following ongoing drawdown of its capex facilities along with interest capitalisation, LTV is now 75.4%.
- The Knowsley borrower secured a key lease regear and, following year end, completed its capex programme.

The most challenging investments remain the Southport loan (due to disruption in the hotel sector) and the Quattro loan, where interest arrears persist but we have seen positive steps forward in their business plan delivery. In the case of the Southport loan, we have received repayment of previously capitalised loan interest; in the case of Quattro the level of arrears has been reduced. In each case we have line of sight to performance being regularised and do not believe the Company will suffer any loss or impairment on the facilities. These investments are considered further below.

PORTFOLIO

Portfolio statistics	31 January 2021	31 January 2020
Number of loan investments	9	10
Aggregate principal advanced	£109,258,944	£120,769,516
Weighted average LTV	69.3%	65.8%
Weighted average interest coupon	7.19%	7.51%
Weighted average unexpired loan term	1.76 years	1.85 years
Weighted average unexpired interest income protection	0.72 years	1.01 years
Cash held	£8,773,640	£3,383,841
Drawings on Working Capital Facility	£nil	£5,200,000

INVESTMENT MANAGER'S REPORT (CONTINUED)

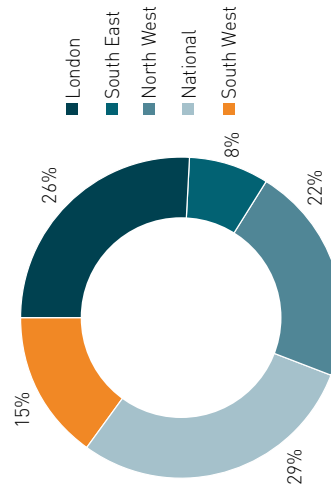
INVESTMENT PORTFOLIO AS AT 31 JANUARY 2021

Project	Region	Sector	Term start	Unexpired term (yrs)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding ⁽¹⁾ (£m)	Balance undrawn (£m)	Current LTV ⁽²⁾ (%)
Halcyon	National	Industrial/distribution	Dec-13	0.00	8.60	64.8	5.73	-	65.2
Quattro	South East	Mixed use	Oct-17	0.00	9.00	83.7	8.85	-	80.1
Affinity	South West	Office	Mar-18	1.28	14.20	67.3	16.70	1.00	66.0
Southport	North West	Hotel	Feb-19	2.20	12.50	59.5	16.06	-	68.3
Northlands	London	Mixed use	Aug-19	1.70	9.00	55.3	9.58	2.92	58.8
RoyaleLife	National	Residential	Sept-19	2.70	20.27	74.3	25.38	-	75.4
LBS	London	Office	Oct-19	1.70	4.92	69.3	6.28	0.19	57.1
Knowsley	North West	Industrial	Feb-20	2.20	3.50	60.3	7.75	-	69.2
GMG	London	Office	July-20	1.70	12.75	70.0	12.98	3.91	71.3
Total/weighted average				1.76	94.74	68.2	109.32	8.02	69.3

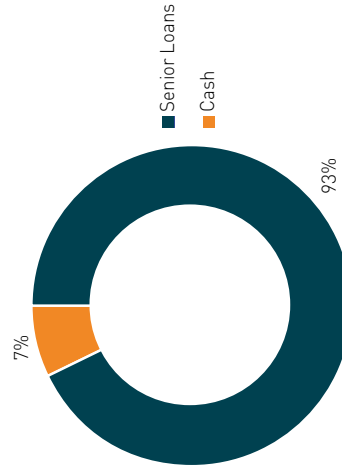
⁽¹⁾ For the Southport and RoyaleLife facilities, Balance outstanding includes capitalised interest. Total balances may differ due to rounding.

⁽²⁾ For the Southport and Knowsley facilities, LTV is calculated based on the most recent third party valuation of the properties, plus capital expenditure works at cost

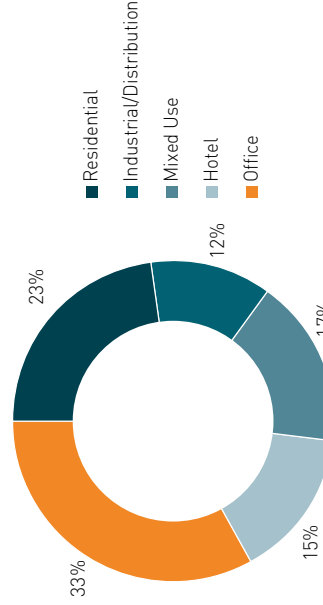
Regional Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



INVESTMENT MANAGER'S REPORT (CONTINUED)

ECONOMY AND FINANCIAL MARKET UPDATE

UK economic data saw significant volatility in 2020, with unprecedented GDP decline – highlighted by a 19.8% quarter-on-quarter fall in Q2 2020 – offset by an equally unparalleled rebound, with the economy growing by 16.9% in Q3 2020. UK GDP finished the year some 7.3% below its pre-pandemic level.

Moving into 2021, economic data has generally surprised to the upside given the return to a national lockdown in the UK from late-December. In its February Monetary Policy Report, the Bank of England was forecasting a Q1 2021 GDP fall of 4.2%; subsequently BoE policymakers have suggested the reduction is likely to be much more modest. This was reflected in the data, with the January 2021 GDP decline revised from 2.9% to 2.2%, followed by an uptick in February to a 0.4% month-on-month rise.

Given the magnitude of economic disruption caused by Covid-19 and the subsequent scale of the policy response, the effects of the UK reaching the end of the Brexit transition period has been difficult to quantify. Imports to and exports from the EU fell markedly in January 2021, on the face of it concerning but partially explained by stockpiling in the run up to year end. Exports to the EU rebounded by 46.6% in February, according to the ONS, but it is still far too early to assess the overall effect.

Labour markets have also proved far more resilient than initial expectations, clearly aided by the furlough scheme. Payroll employment rose modestly in January and February 2021, with underlying wage growth of 2.5% – 3% per annum, according to the ONS. Unemployment at the end of February 2021 was estimated at 4.9% and, whilst a slight fall from the January figure of 5.0%, it is not expected to peak until Q4 2021 (at 6.5%, according to the Office for Budgetary Responsibility). The rate is still notably lower than following the financial crisis when it exceeded 8%. It is also robust compared to the likes of Germany (6%), France (8%) and the Eurozone as a whole (8.1%).

With business and consumer confidence surveys at their highest levels since the start of the pandemic, driven by the UK's successful vaccination programme, the economic outlook appears more positive than it has been for some months. Nonetheless we are mindful that much of the damage caused by Covid-19 – to the economy, labour market and public finances – has not fully filtered through.

OCCUPATIONAL DEMAND/SUPPLY

OFFICES

A major narrative during the year has been the extent to which the enforced 'work from home' diktat, with employees becoming accustomed to flexible working, may shape longer term trends in the office market and particularly the level of occupational demand. Whilst many workers and companies are eager to see a return to the office, others will take a more flexible approach – PwC, BP and Nationwide have all announced that employees will be able to work from home more regularly. Whilst this points to the potential for lower space requirements, this could be offset by reducing densities (i.e. offering more space per worker and greater amenity provision) reversing a decade-long trend in the other direction.

Nonetheless the most recent data point to demand falling, particularly in London, where vacancy has risen sharply as a marked slowdown in leasing activity combined with tenants shedding space has materially affected net absorption. JLL reported a vacancy rate of 7.5% at the end of 2020, above the 20-year average. Since then, CBRE has reported that vacancy reached 8.8% in February 2021, the highest level since the dot-com crash. This is very likely to rise further in the near term. The impact on rents was most heavily felt in the City Core, with net effective levels down 5% in H2 2020, per Avison Young. The West End and Midtown were relatively less affected.

In the regional office markets the story is somewhat different. Manchester is the only market seeing a significant increase in supply, according to Savills, in part due to strong development activity in the city centre adding to available Grade A space. Headline rents in five of the 'Big Six' regional cities increased in 2020, led by Birmingham and Leeds, up 7.2% and 6.7% respectively. Many regional markets have seen only modest development activity and the pipeline remains limited, which should help support rental levels in future.

The rise in London vacancy will clearly temper rental values in that market but, on a national basis, market observers remain relatively unmoved; the latest IPF consensus forecasts from February 2021 suggest a decline in office rents (nationally) of a modest 2.1% in 2021, returning to growth thereafter and averaging 1% per annum for the period 2021 – 2025.

INDUSTRIAL

Last year we highlighted the structural tailwinds benefiting the UK industrial market, and there is no doubt that Covid-19 has helped drive demand for the sector further. CBRE reports that industrial and warehouse take up reached 43 million sq ft in 2020, a new record high. Nearly half of this was in just two regions – the South East and East Midlands. Available space unsurprisingly fell, despite the delivery of over 8 million square feet of speculative space, with Colliers reporting a national vacancy rate in the warehouse market of only 5.8%, and a growing shortage of stock in some locations.

This activity translated into continued growth in rental levels, with prime rents increasing in every quarter of 2020, according to CBRE, and annual rental growth of 2.6%.

RETAIL

The Company has little exposure to the well-documented travails of the UK retail market, with the sector's exposure to structural changes in how consumers shop, together with oversized physical estates, continuing to provide challenges. The decline has been exacerbated by the marked drop off in non-food retail sales, with fashion hit particularly hard. According to Cushman & Wakefield, fashion retailers saw monthly sales declines averaging 37% between March and September 2020, compared to the equivalent period in the prior year. For some operators the silver lining has been the rise in online sales, which accounted for nearly 30% of the overall total in 2020.

The impact on rental levels has been stark. According to Savills, average net effective rents (i.e. after adjusting for incentives such as rent free periods) fell by 15.4% in 2020 across shopping centre and high street units. Cushman & Wakefield place the rental decline on the high street at a still higher level, of 19% year-on-year.

While many retailers are clearly struggling, landlords in the sector have also been hit hard as tenants have used the Government's moratorium on commercial evictions to withhold rent payment, or to pay on their own terms. Many have worked consensually with landlords to agree payment plans, but some retailers have taken a unilateral approach. Knight Frank estimate that market-wide, 50% of 2020 retail rents were still owed going into 2021.

It is important to note that not all retail is the same and not all retailers have suffered. Supermarkets have continued to trade well, as have discounters and many bulky goods retailers – Kingfisher plc reported a 44% rise in adjusted pre-tax profits in the year to 31 January 2021, driven by a 13% rise in B&Q sales in the UK. As a result of this we have seen continued buyer demand for foodstore investments, and more recently a rise in out-of-town retail park transactions.

INVESTMENT MANAGER'S REPORT (CONTINUED)

HOTEL

Perhaps the starkest indication of the effect of the pandemic on UK hotel markets is in occupancy figures. According to PwC, London hotels showed occupancy of 28.8% in 2020, compared to 83.4% in 2019, with much of this likely to have been weighted to Q1. Regional hotel occupancy also fell, from 75.4% to 37.5%, although domestic travel and 'staycations' over the summer saw some regions benefit from exceptionally strong trade, with markets such as Bournemouth, Brighton and Plymouth experiencing occupancy levels of over 90% over large parts of August, according to Savills.

Last year we reported that both London and the UK regions experienced both room rate and RevPAR growth, but rates collapsed in 2020. PwC report that average daily room rates in London fell from £154 to £99 per night, with regional markets falling from £71 to £61 per night. The question for operators, investors and lenders is whether, and how soon, trading in this sector will bounce back to something in line with pre-pandemic levels. There is a widely-held view that pent-up demand and ongoing international travel restrictions will lead to a favourable summer for parts of the UK hotel market, particularly in the regions, which should bode well for the Company's Southport Hotel loan. Parts of the London market in particular, reliant on international tourism and business travel, may continue to suffer.

PROPERTY INVESTMENT MARKET

Commercial property sales volumes were understandably muted during the year. Q2 2020 saw only £4.2 billion of transactions, according to Jones Lang LaSalle (JLL), the lowest quarterly level since Q2 2009 and the height of the financial crisis. Markets were notably brighter in Q4 2020 however, with sales of £19.4 billion being up 6% on the prior year and 10% above the 10 year average for the period. This led to an overall volume of investments in 2020 of £42.7 billion, some 15% down on the relatively sedate 2019 figure. By comparison, JLL note that 10-year average volumes stand at £52 billion.

One of the notable impacts of Covid-19 on the property markets has been in reinforcing pre-existing structural changes and trends. As such it is perhaps unsurprising that industrial property (seen as resilient to and in some instance benefiting from Covid-19 effects) had a comparatively strong year, with £8.3 billion of sales concluded, up 43% on 2019. Approximately £16.6 billion of offices were traded, and in the sector perhaps most affected by Covid-19, hotel sales totalled only £1.7 billion, the lowest level since 2009. Similarly the shopping centre market remained in almost total paralysis, with Knight Frank reporting only £340 million of trades, just 10% of the long-term average, with only five deals concluded in excess of £20 million.

In terms of returns, the MSCI index showed total returns for industrial property of 10.3% in the 12 months to February 2021, an almost mirror image of retail property returns, which were minus 10.1%. Total returns for office properties were negative 1.7% on the year.

FINANCE MARKETS

Outstanding debt to the UK property markets, as reported to the Bank of England, rose by 2.8% in the year to January 2021, to £167.6 billion. This appears somewhat counterintuitive given the lack of material transactional activity in property markets. We attribute this growth in large part to borrowers drawing down on pre-existing funding lines (where they were able to do so), as evidenced by over £7 billion of net new lending reported in the three months from March 2020. There is also likely to have been an effect from borrowers agreeing payment holidays or capitalising interest, particularly in the retail and hospitality sectors.

Net new lending fell by £1.8 billion in Q4 2020, likely indicative of caution following the introduction of the tiering system and the second UK lockdown; this continued into January 2021 albeit February showed a modest bounce back. We continue to expect finance markets to be relatively sedate in the coming year, particularly amongst UK clearing banks, although there remain substantial pockets of liquidity particularly amongst so-called alternative lenders, notably challenger banks, insurers and debt funds.

We did observe a material change in loan pricing during 2020, with senior loans of up to 60% LTV seeing credit margins widen by 50-100 basis points, and higher LTV loans perhaps 100-200 basis points wider. At the same time, LTVs have fallen as risk appetite has waned, and we have seen improved structural features including interest reserves – to protect against possible non-payment of tenant rents – and higher levels of amortisation.

In large part liquidity in the finance markets was reserved for those sectors seen as more resilient to Covid-19, in particular industrial and warehousing property, residential for rent and food retail. This has broadened more recently, with greater activity returning to office markets and parts of the retail warehouse sector.

Whilst we have not seen any published data on the matter, we are anecdotally aware that lenders across the markets have worked collaboratively with their borrowers to agree covenant waivers, interest deferrals and payment holidays to help their customers address the challenges presented by Covid-19. The Company has taken a similar approach in a limited number of cases to its own portfolio, where it has been appropriate to do so. As the UK steadily emerges from restrictions and markets reopen, we expect lenders to take a firmer hand in asserting their rights under loans.

PORTFOLIO OUTLOOK

Over 60% of the investment portfolio security has been originated or revalued post-Covid-19, and for the balance we have seen either positive business plan progress or visibility towards a repayment. As a result, we are satisfied with the underlying security position of all of the Company's investments. With a weighted average LTV exposure of 69.3% at year end and a highest exposure of 80.1%, the portfolio has proved able to withstand the sharp contraction in the UK economy and stressed market conditions seen during the period, as detailed further in the Viability Statement.

The investments which have proved most problematic during the period, being the Quattro, Southport and RoyaleLife loans, have each seen credit improvements in the latter part of the year which has continued post-year end, with a £1.1 million partial repayment of the Southport loan.

The Company is now pursuing an orderly realisation of its investments, with the portfolio largely on a stable footing. As such part of our focus has turned to managing the portfolio towards exit, where possible supporting borrowers in their business plan delivery to allow for timely sales or refinancing strategies, whilst ensuring the portfolio continues to generate sufficient coupon and fees to allow for a fully-covered dividend for as long as possible. In doing so we will continue to balance maximisation of returns from the loans against timely return of capital to shareholders.

INVESTMENT MANAGER'S REPORT (CONTINUED)

LOAN PORTFOLIO

A summary of each of the individual loans as at 31 January 2021 is set out below:

Halcyon

Originally a £8.60 million senior loan facility utilised to refinance a portfolio of freehold ground rents.

During the loan term, certain assets have been sold or refinanced with the loan being paid down accordingly. Given the continued stable performance, the loan term was extended to December 2020. Whilst now past due, we are aware that a refinancing of the sponsor's wider portfolio (including the subject assets), is in solicitors' hands and is expected to complete shortly which will result in repayment of the loan in full.

The loan is secured by a portfolio of defensive freehold ground rent investments, and the security position is considered strong.

Property profile		Debt profile	
Number of properties	17	Day one debt	£8,600,000
Property value	£8,796,000	Debt outstanding	£5,732,465
Property value per sq. ft.	£33	Original term	5.0 years
Property area (sq. ft.)	263,545	Maturity	December 2020
Number of tenants	4	LTV as at 31 January	65.2%
Weighted lease length	81.7 years	Loan exposure per sq. ft.	£21.75

Quattro

In October 2017, the Group advanced a new £9.00 million loan to a private property company, secured by three mixed use assets in and around the London Borough of Kingston. The Group initially financed a £6.00 million participation in the loan subsequently acquiring the minority £3.00 million position from ICG following an equity issuance under the 2017 Placing Programme. The initial LTV ratio was 84.2%.

During the financial year, the interest arrears experienced on the loan continued as the initial interest reserve was exhausted, and a value-add capital expenditure programme at the largest asset affected working capital. All rights have been reserved in respect of this default. The LTV based on the outstanding loan balance is 80.1%, and total loan exposure including unpaid interest and fees at year end was £9.3 million, reflecting 83.3% LTV.

A payment plan has been agreed with the sponsor under which all interest has been met in full for the last two quarters, together with a catch up of outstanding arrears in addition to further equity expenditure on the properties. Following year end the Sponsor has completed a development of residential apartments above one of the portfolio properties, with the sales proceeds to be applied in reduction of the loan and applied for formal planning permission for the redevelopment of the largest portfolio property, which if granted should be accretive to value.

The loan has passed its maturity date and the sponsor is pursuing an exit from the loan via a combination of sales and refinancing, which we are monitoring carefully. We remain comfortable with the Company's security position.

Property profile		Debt profile	
Number of properties	3	Day one debt	£9,000,000
Property value	£11,050,000	Debt outstanding	£8,853,459
Property value per sq. ft.	£290	Original term	3.2 years
Property area (sq. ft.)	38,038	Maturity	January 2021
Number of tenants	7	LTV as at 31 January	80.1%
Weighted lease length	7.2 years	Loan exposure per sq. ft.	£232.75

INVESTMENT MANAGER'S REPORT (CONTINUED)

LOAN PORTFOLIO (CONTINUED)

Affinity

On 28 February 2018, a new £16.20 million commitment was made, of which £14.20 million was advanced, to refinance a multi-let office property in Bristol, and to provide a £2.00 million capital expenditure facility to fund a refurbishment programme. Subsequently, the loan was increased to £16.70 million in support of the borrower's business plan, and during the year a further £1.00 million loan commitment was made, which currently remains undrawn.

The property is currently leased to 15 tenants with a contracted rent of £1.9 million per annum, and a further £0.3 million of rent under offer and expected to complete shortly. The sponsor has continued to invest in the property, most recently introducing a flexible workspace offering which was launched to the market after period end.

Property profile	
Number of properties	1
Property value	£25,300,000
Property value per sq. ft.	£221
Property area (sq. ft.)	114,364
Number of tenants	15
Weighted lease length	3.1 years

Debt profile	
Day one debt	£14,200,000
Debt outstanding	£16,700,000
Original term	4.2 years
Maturity	May 2022
LTV as at 31 January	66.0%
Loan exposure per sq. ft.	£146

Southport

Initially a £15.0 million loan commitment, secured by a hotel and leisure complex in Southport, Merseyside. The initial loan to value ratio was 59.5%. The business plan focused on investing in improving the asset, renovating the bedrooms and thereafter driving room rates. Substantially all business plan works across the hotel were completed prior to the onset of Covid-19.

During the period the UK Government mandated the closure of all UK hotels save for those supporting key workers or vulnerable groups. Accordingly, the hotel and ancillary leisure units closed for trading and remained closed for much of the year. Given this disruption to cashflows, the Company agreed to capitalise interest due during the period, adding the sums owed to the loan balance. As a result the LTV at year end is 68.3%. LTV is calculated based on the most recent third party valuation of the property, plus capital expenditure works at cost.

Following year-end, the sponsor reached agreement with one of the property's commercial tenants for a lease surrender. The premium paid by the tenant has been partially applied to reduce the loan balance by the amount of the previously capitalised interest. Accordingly, the outstanding balance is now £15.0 million, in line with the original loan commitment. In May 2021, the property was revalued at £20.6 million, providing an LTV as at the signing date of this Annual Report of 72.8%.

Property profile	
Number of properties	1
Property value (£)	£23,440,000
Property value (£/bedroom)	£176,240
Property value (£/sq. ft.)	£516
Bedrooms	133
Property area (sq. ft.)	45,430

Debt profile	
Day one debt	£12,500,000
Debt outstanding	£16,059,285
Original term	4 years
Maturity	April 2023
LTV as at 31 January	68.3%
Loan exposure per bedroom	£120,747

INVESTMENT MANAGER'S REPORT (CONTINUED)

LOAN PORTFOLIO (CONTINUED)

Northlands

In October 2019 the Company provided a £12.50 million commitment to the sponsor, secured by a highly diversified portfolio of high street retail, office and tenanted residential units located predominantly in London and the South East. The initial loan amount was £9.00 million with an LTV ratio of 55.3%.

The sponsor's business plan includes implementation of a planning consent to develop residential apartments on one of the sites in the portfolio, and in support of this the Company has provided a £3.50 million capital expenditure commitment. This commitment was partially drawn during the period, with the outstanding balance now £9.58 million and LTV 58.8%.

Property profile		Debt profile	
Number of properties	14	Day one debt	£9,000,000
Property value	£16,282,500	Debt outstanding	£9,578,514
Property value per sq. ft.	£134	Original term	3.0 years
Property area (sq. ft.)	121,285	Maturity	October 2022
Number of tenants	113	LTV as at 31 January	58.8%
Weighted lease length	3.4 years	Loan exposure per sq. ft.	£79

RoyaleLife

In September 2019 the Company provided a £24.6 million commitment to an affiliate of RoyaleLife, the UK's leading provider of bungalow homes, secured by a portfolio of ten assets in the residential bungalow homes sector. The facility forms part of a larger four-year, £142.7 million loan originated by the Investment Manager, with the Company participating alongside two other funds managed by the Investment Manager.

The initial loan drawn down was £20.3 million, with the balance comprising a capital expenditure commitment in support of the borrower's business plan. The loan was fully drawn during the period.

The Sponsor's home sales were adversely affected by Covid-19 and the subsequent lockdown restrictions, and as a result the Company capitalised some of the interest due on the loan during the period, with the sponsor also committing new equity capital into the business. The total outstanding loan balance is now £25.38 million, above the day 1 commitment owing to the capitalised interest.

The sponsor secured several major new planning permissions during the period, in line with its business plan. When combined with its continued investment in the portfolio, this has led to an improvement in value, with the LTV at period end being 75.4%.

Property profile		Debt profile	
Number of properties	10	Day one debt	£20,267,119
Property value (£)*	£33,657,676	Debt outstanding	£25,382,017
Number of tenants	n/a	Original term	4.1 years
Weighted lease length	n/a	Maturity	October 2023
		LTV as at 31 January	75.4%

*pro rata based on Company's share of total loan

INVESTMENT MANAGER'S REPORT (CONTINUED)

LOAN PORTFOLIO (CONTINUED)

LBS

In September 2019, the Group entered into a £6.5 million loan commitment with a fund advised by LBS Properties, secured by a multi-let office property in Farringdon, London.

The loan carried an initial LTV ratio of 69.0%, and includes a capital expenditure commitment in support of the borrower's business plan which includes a full refurbishment of the property. During the period the refurbishment works were completed ahead of schedule, a new tenant was secured for the majority of the space and an improvement in the valuation was recorded, with the LTV now 57.1%.

Property profile	
Number of properties	1
Property value	£11,000,000
Property value per sq. ft.	£1,042
Property area (sq. ft.)	10,557
Number of tenants	1
Weighted lease length	9.5 years

Debt profile	
Day one debt	£4,922,000
Debt outstanding	£6,283,119
Original term	3.1 years
Maturity	October 2022
LTV as at 31 January	57.1%
Loan exposure per sq. ft.	£595

Knowsley

The Group entered into a new £7.75 million loan commitment in March 2020 to an affiliate of Seybourne Estates, secured by a multi-let industrial property in Knowsley, Merseyside.

The property is spread over 37 acres and originally comprised an income-producing industrial estate which provides cashflow to service the loan, alongside a development site which was pre-let to a new tenant. The Sponsor completed the build out of this property after period end, and the lease has now commenced with the loan fully drawn. The LTV at year end is 69.2%, where LTV is calculated based on the most recent third party valuation of the property, plus capital expenditure works at cost.

Following period end and substantial completion of the Sponsor's business plan, the property was independently revalued at £12.29 million, reflecting an LTV as at the date of these accounts of 63.1%.

Property profile	
Number of properties	1
Property value	£11,206,000
Property value per sq. ft.	£70
Property area (sq. ft.)	160,149
Number of tenants	5
Weighted lease length	7.4 years

Debt profile	
Day one debt	£3,500,000
Debt outstanding	£7,750,000
Original term	3.1 years
Maturity	April 2023
LTV as at 31 January	69.2%
Loan exposure per sq. ft.	£48

INVESTMENT MANAGER'S REPORT (CONTINUED)**LOAN PORTFOLIO (CONTINUED)****GMG**

In July 2020 the Company entered into a £16.9 million commitment with an affiliate of GMG Real Estate, secured by an office property in St James's, London. The Company is participating in a larger three-year, £22.3 million loan alongside another client of the Investment Manager.

The property was originally leased to a UK Government Agency, with a short unexpired lease term. The tenant has now vacated and a renovation of the property is underway, in line with the business plan, using funds from the committed facility.

Property profile	
Number of properties	1
Property value	£18,219,133
Property value per sq. ft.	£1,102
Property area (sq. ft.)	21,786
Number of tenants	-
Weighted lease length	-

Debt profile	
Day one debt	£12,753,393
Debt outstanding	£12,981,133
Original term	2.2 years
Maturity	October 2022
LTV as at 31 January	71.3%
Loan exposure per sq. ft.	£785

* pro rata based on Company's share of total loan

ICG REAL ESTATE
7 May 2021

INVESTMENT POLICY

INVESTMENT OBJECTIVE

The investment objective of the Group, as approved by the shareholders of the Company, was revised during the year and is now to conduct an orderly realisation of the assets of the Group.

INVESTMENT POLICY

The assets of the Group will be realised in an orderly manner, returning cash to Shareholders at such times and in such manner as the Board may, in its absolute discretion, determine. The Board will endeavour to realise all the Group's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders. The Group may not make any new investments save that:

- investments may be made to honour commitments under existing contractual arrangements or to preserve the value of the underlying property security; and
- cash held by the Group may be invested in quoted bond and other debt instruments with a final maturity of less than 365 days as well as money market funds for the purposes of cash management;

provided any such instrument has a minimum credit rating.

The Group may utilise borrowings from time to time to finance its working capital requirements provided such borrowings will not exceed an amount equal to 20% of the Group's Net Asset Value immediately following the drawdown of the borrowings.

The Group will continue to comply with the restrictions imposed by the Listing Rules in force from time to time.

Any material change to the Company's published investment policy will be made only with the prior approval of Shareholders by ordinary resolution at a general meeting of the Company.

BOARD OF DIRECTORS

**JACK PERRY CBE**

**Chairman and Non-Executive
Independent Director**

APPOINTMENT:

Appointed to the Board and as Chairman in November 2012

EXPERIENCE:

Jack is an independent non-executive board member and adviser to a number of public and private companies. He is currently Chairman of European Assets Trust PLC and a director and chairman of the audit committee of the Witan Investment Trust plc. He previously served as Chief Executive of Scottish Enterprise, Scotland's enterprise, innovation and investment agency for six years until November 2009.

Prior to this he was the managing partner of Ernst & Young in Glasgow. In addition, he was Regional Industry Leader for Scotland and Northern Ireland for Ernst & Young's Technology & Communications and Consumer Products practices. Jack is a former Chairman of the Confederation of British Industry (CBI) Scotland and was a member of the CBI President's Committee.

He is a former non-executive director of FTSE 250 company, Robert Wiseman Dairies PLC and Capital for Enterprise Ltd. He also served as a member of the Advisory Committee of Barclays UK & Ireland Private Bank.

Jack is a member of the Institute of Chartered Accountants of Scotland.

COMMITTEE MEMBERSHIP:

Nomination Committee, Management Engagement Committee, Remuneration Committee

**STUART BEEVOR**

**Non-Executive
Independent Director**

APPOINTMENT:

Appointed to the Board in November 2012

EXPERIENCE:

Stuart is an Independent Consultant with various roles advising clients in real estate fund management, investment, development and asset management. He is a non-executive director of Empiric Student Property plc and a Trustee Director of the Legal & General UK Senior Pension Scheme. From 2004 to 2013 he was a non-executive director at Unite Group Plc and from 2013 to 2020 a non-executive director of Metropolitan Thames Valley Housing. 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 35 years' experience in real estate both in the UK and overseas.

COMMITTEE MEMBERSHIP:

Audit and Operational Risk Committee, Management Engagement Committee, Nomination Committee, Remuneration Committee

**PATRICK FIRTH**

**Non-Executive
Independent Director**

APPOINTMENT:

Appointed to the Board in November 2012

EXPERIENCE:

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 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 GLI Finance Limited, Riverstone Energy Limited, India Capital Growth Fund Limited and NextEnergy Solar Fund Limited.

COMMITTEE MEMBERSHIP:

Audit and Operational Risk Committee, Nomination Committee, Management Engagement Committee

BOARD OF DIRECTORS (CONTINUED)



FIONA LE POIDEVIN
Non-Executive
Independent Director

APPOINTMENT:

Appointed to the Board in September 2020

EXPERIENCE:

Fiona is a non-executive director with a particular focus on listed investment companies and private equity. A Chartered Director, Fellow of the Institute of Directors and Chartered Accountant (FCA), Fiona has over 23 years' experience working in financial services in both London and the Channel Islands across the accounting and tax professions with experience in strategy, marketing, PR and the regulatory and listed company environments.

Until the end of July 2020, Fiona was Chief Executive Officer of The International Stock Exchange Group Limited, a company listed on The International Stock Exchange, where she was responsible for the commercial aspects of the exchange group's operation. Previously Fiona was Chief Executive of Guernsey Finance, the promotional body for Guernsey's finance industry internationally, and prior to this she was an auditor and latterly tax adviser at PwC (London and Channel Islands) and KPMG (Channel Islands) for over 13 years.

Fiona is a member of the AIC Channel Islands Committee and the IoD Guernsey Committee and non-executive Chairman of a local Sea Scouts group.

COMMITTEE MEMBERSHIP:

Audit and Operational Risk Committee, Nomination Committee, Management Engagement Committee, Remuneration Committee



PAUL MEADER
Non-Executive
Independent Director

APPOINTMENT:

Appointed to the Board in November 2012

EXPERIENCE:

Paul is an independent director of investment companies, insurers and investment funds. Until the autumn of 2012 he was Head of Portfolio Management for Canaccord Genuity based in Guernsey, prior to which he was Chief Executive of Corazon Capital. He has 35 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. Prior to joining Corazon he was Managing Director of Rothschild's Swiss private banking subsidiary in Guernsey. He is a non-executive director of the following listed companies: Volta Finance Limited and Schroder Oriental Income Fund Limited.

Paul is a Chartered Fellow of the Chartered Institute of Securities & Investments, a past Commissioner of the Guernsey Financial Services Commission and past Chairman of the Guernsey International Business Association.

He is a graduate of Hertford College, Oxford. Paul is a resident of Guernsey.

COMMITTEE MEMBERSHIP:

Audit and Operational Risk Committee, Nomination Committee, Management Engagement Committee, Remuneration Committee

REPORT OF THE DIRECTORS

The Directors hereby submit the Annual Report and Consolidated Financial Statements for the Group for the year ended 31 January 2021. This Report of the Directors should be read together with the Corporate Governance Report on pages 25 to 32.

GENERAL INFORMATION

The Company is a non-cellular company limited by shares incorporated in Guernsey on 29 November 2012 under the Companies Law. The Company's registration number is 55917 and it is registered with the GFSC as a registered closed-ended collective investment scheme. The Company's ordinary shares were admitted to the premium segment of the FCA's Official List and to trading on the Main Market of the London Stock Exchange on 5 February 2013. As reported in the Company's interim report and accounts, the Board resolved to simplify its corporate structure by collapsing the Luxembourg subsidiary company which has historically acted as the lender for the Group's investments. These investments have now been transferred to the Company, at par, and in a manner that does not cause any adverse tax consequences for the Group or its shareholders. The process of winding up the Luxembourg company has now commenced, and over time the Company expects this restructuring to reduce pro forma operating expenses by approximately £200,000 per annum, the benefit of which will support the dividend and process of shareholder capital return in future periods.

PRINCIPAL ACTIVITIES

In line with the revised Investment Objective and Policy approved by shareholders in the Extraordinary General Meeting in January 2021, the Company is now undertaking an orderly realisation of its investments. As sufficient funds become available the Board intends to return capital to shareholders, taking account of the Company's working capital requirements and funding commitments.

BUSINESS REVIEW

A review of the Group's business and its likely future development is provided in the Chairman's Statement on pages 3 to 4 and in the Investment Manager's Report on pages 5 to 14.

LISTING REQUIREMENTS

Since being admitted on 5 February 2013 to the Official List, maintained by the FCA, the Company has complied with the applicable Listing Rules.

RESULTS AND DIVIDENDS

The results for the year are set out in the Financial Statements on pages 42 to 63.

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

Dividend	Quarter Ended	Date of Declaration	Payment Date	Amount per Ordinary Share (pence)
Interim dividend	31 January 2020	27 March 2020	1 May 2020	1.5
Interim dividend	30 April 2020	3 July 2020	7 August 2020	1.5
Interim dividend	31 July 2020	28 September 2020	30 October 2020	1.5
Interim dividend	31 October 2020	11 December 2020	22 January 2021	1.5
Interim dividend	31 January 2021	24 March 2021	30 April 2021	1.5

SHARE CAPITAL

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

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

SHAREHOLDINGS OF THE DIRECTORS

The Directors with beneficial interests in the shares of the Company as at 31 January 2021 and 2020 are detailed below:

Director	Ordinary Shares of £1 each held 31 January 2021	% holding at 31 January 2021	Ordinary Shares of £1 each held 31 January 2020	% holding at 31 January 2020
Mr Perry	89,398	0.07	50,000	0.04
Mr Beevor	30,000	0.02	30,000	0.02
Mr Meader ⁽¹⁾	210,766	0.17	80,000	0.06
Mr Firth	10,000	0.01	10,000	0.01
Mr Huntley ⁽²⁾	110,000	0.09	10,000	0.01
Mrs Le Poidevin ⁽³⁾	-	0.00	-	0.00

⁽¹⁾ Shareholding is held via PCAs

⁽²⁾ Mark Huntley retired 25 September 2020

⁽³⁾ Fiona Le Poidevin appointed 1 September 2020

Directors' beneficial interests in the shares of the Company as at 13 April 2021, being the most current information available, are unchanged from those disclosed above.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' AUTHORITY TO BUY BACK SHARES

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

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

SUBSTANTIAL SHAREHOLDINGS

As at 31 January 2021, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following substantial voting rights as shareholders of the Company.

Shareholder	Shareholding	% holding
Close Brothers Asset Management	20,093,615	16.56
Canopus	12,276,107	10.12
TDC Pensionskasse	10,653,156	8.78
Premier Miton Investors	10,500,000	8.66
Intermediate Capital Group	10,000,000	8.24
Brewin Dolphin, Stockbrokers	7,494,854	6.18
Kleinwort Hambros	5,377,096	4.43

In addition, the Company also provides the same information as at 31 March 2021, being the most current information available.

Shareholder	Shareholding	% holding
Close Brothers Asset Management	20,130,615	16.60
Canopus	12,276,107	10.12
TDC Pensionskasse	10,653,156	8.78
Premier Miton Investors	10,500,000	8.66
Intermediate Capital Group	10,000,000	8.24
Brewin Dolphin, Stockbrokers	7,321,844	6.18
Hargreaves Lansdown, Stockbrokers	5,330,530	4.39

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

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

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 has not purchased any shares for treasury or cancellation during the year or to date. During the year the Board considered if such a purchase of shares would be appropriate and concluded that it would not be in the best interests of shareholders. While the Directors consider it valuable to retain this authority, in light of the process to effect an orderly realisation of assets, it is considered unlikely that this authority would be exercised.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Group maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Group.

REPORT OF THE DIRECTORS (CONTINUED)

INDEPENDENT EXTERNAL AUDITOR

Deloitte LLP has been the Company's external auditor since the Company's incorporation. The Audit and Operational Risk Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Company, which includes monitoring the use of the external auditor for non-audit services and the balance of audit and non-audit fees paid, as included in Note 15. Following a review of the independence and effectiveness of the external auditor, a resolution will be proposed at the 2021 Annual General Meeting to re-appoint Deloitte LLP. Each Director believes that there is no relevant information of which the external auditor is unaware. Each had taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that Deloitte LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies Law. Further information on the work of the external auditor is set out in the Report of the Audit and Operational Risk Committee on pages 33 to 35.

ARTICLES OF INCORPORATION

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

NMPI STATUS

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

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

AIFMD

The Company is a non-EU domiciled alternative investment fund and appointed ICG Alternative Investments Limited as its discretionary Investment Manager on 25 November 2020. Prior to this appointment the Company was internally managed. Any offer of shares to prospective investors within selected member states of the European Economic Area and the UK will be made in accordance with the applicable national private placement regime, and the Company will notify its intention to market to the competent authority in each of the selected member states for the purposes of compliance with AIFMD.

AEOI RULES

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

The Board is committed to upholding and maintaining a zero-tolerance policy towards the criminal facilitation of tax evasion.

CHANGE OF CONTROL

There are no agreements that the Company considers significant and to which the Company is party that may affect its control following a takeover bid.

GOING CONCERN

The Directors, at the time of approving the Financial Statements, are required to satisfy themselves that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. At the EGM of the Company on 14 January 2021, following a recommendation

from the Board published in a circular on 16 December 2020, shareholders voted by the requisite majority in favour of a change to the Company's Objectives and Investment Policy which would lead to an orderly realisation of the Company's assets and a return of capital to shareholders.

It is intended that the investments will be realised as and when the loans fall due, and the Directors expect that the investments will be held to maturity with the last loan repaying by the end of 2023. Whilst the Directors are satisfied that the Company has adequate resources to continue in operation throughout the realisation period and to meet all liabilities as they fall due, given the Company is now in a managed wind down the Directors consider it appropriate to adopt a basis other than a going concern in preparing the consolidated financial statements. No material adjustments arose as a result of ceasing to apply the going concern basis.

VIABILITY STATEMENT

The AIC Code requires that, the Directors make a viability statement in which they assess the prospects of the Group over a period longer than the 12 months required by the going concern provision.

A change in Investment Policy was approved by the shareholders at the EGM on 14 January 2021 with the resultant intention that the Company undergo an orderly realisation of assets, returning capital to shareholders. For this reason, and as discussed above, the Company is preparing the consolidated financial statement on a basis other than a going concern due to the Company being in a managed wind down. Reflecting the maturity profile of the Company's investments, the Board expects the wind down of the Company to be completed within two to three years, although this cannot be guaranteed.

Cashflow projections have been prepared based on the Board's current intention to hold all investments to maturity, and in two scenarios reflecting expected maturity and legal maturity. The Board intends to return surplus capital to investors following each loan repayment, whilst it remains prudent to do so and taking into account the commitments and liabilities of the Company at the time.

Having conducted a robust analysis of the above scenarios, the Directors remain satisfied that the Group can, in all quarters, meet its liabilities as they fall due over the period under consideration (to January 2024). The Company expects to maintain positive cashflows in all but the final quarter, and intends to distribute surplus net profits by way of dividend whilst it remains prudent to do so.

DIRECTORS' RESPONSIBILITIES TO STAKEHOLDERS

Section 172 of the UK Companies Act 2006 applies directly to UK domiciled companies. Nonetheless the AIC Code requires that the matters set out in section 172 are reported on by all companies, irrespective of domicile. This requirement does not conflict with Guernsey company law.

Section 172 recognises that directors are responsible for acting in a way that they consider, in good faith, is the most likely to promote the success of the Company for the benefit of its shareholders as a whole. In doing so, they are also required to consider the broader implications of their decisions and operations on other key stakeholders and their impact on the wider community and the environment. Key decisions are those that are either material to the Company or are significant to any of the Company's key stakeholders. The Company's engagement with key stakeholders and the key decisions that were made or approved by the Directors during the year are described below.

REPORT OF THE DIRECTORS (CONTINUED)

Stakeholder Group	Methods of Engagement	Outcomes of Engagements
<p>Shareholders The major investors in the Company's shares are set out on page 19.</p> <p>Continued access to capital was critical to the company's long term objectives.</p> <p>Following the Covid-19 pandemic and the Company share price falling to a deep discount to NAV, shareholders supported a recommendation by the Board to wind down the Company.</p> <p>The Company sought to maintain shareholder satisfaction through:</p> <ul style="list-style-type: none"> ■ Transparency of communication ■ Capital preservation, and ■ Payment of regular and sustainable dividends 	<p>The Company engages with its shareholders through the issue of regular portfolio updates in the form of RNS announcements and quarterly factsheets.</p> <p>The Company provides in depth commentary on the investment portfolio, corporate governance and corporate outlook in its semi-annual financial statements.</p> <p>In addition, the Company, through its broker and Investment Manager undertake regular roadshows to meet with existing and prospective investors to solicit their feedback and understand any areas of concern.</p> <p>The Board receives quarterly feedback from its Broker in respect of their investor engagement and investor sentiment.</p> <p>The engagement with shareholders, including the AGM, will continue through the wind down period as capital is returned to investors.</p>	<p>In the financial year the Company issued:</p> <ul style="list-style-type: none"> ■ eight Portfolio updates by way of RNS ■ four Quarterly fact sheets. <p>Through its Roadshows the Company met with ten major shareholders. All meetings were conducted virtually.</p> <p>None of the Company's investments is impaired or considered to be at risk of loss.</p> <p>The Company, through its Investment Manager, Broker and the Board liaised with major shareholders in connection with the change in Investment Policy leading to an orderly realisation of assets of the Company, receiving over 75% support from shareholders.</p>
<p>Borrowers The Group's principal clients are its borrowers to whom the Group provides term finance.</p> <p>The Board believes that the Company and its Investment Manager have a duty to act fairly in respect of its borrowers and that strong engagement with borrowers drives favourable outcomes for stakeholders and borrowers themselves.</p>	<p>The Group engages with its borrowers through its Investment Manager.</p> <p>The Investment Manager forms and maintains a close working relationship with borrowers through the underwriting and the ongoing quarterly monitoring of such loans over their respective terms.</p> <p>The Board monitors the timeliness and quality of these engagements through its regular engagement with the Investment Manager.</p> <p>The Investment Manager works closely with borrowers to support the delivery of their business plans.</p>	<p>During the course of the year the Investment Manager has undertaken and the Board has reviewed four monitoring reports.</p> <p>At the request of the borrowers, in two instances the Investment Manager has agreed to capitalise loan interest due under the respective investments, which the Board considers to be evidence of positive and consensual engagement.</p> <p>Two investments have passed their maturity date. The Investment Manager is working with both borrowers to assist in their efforts to repay the respective loans and in each case is satisfied with the plans put in place, which it does not consider will increase the risk profile of the Company.</p> <p>There have been no borrower complaints.</p>

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' RESPONSIBILITIES TO STAKEHOLDERS (CONTINUED)

Stakeholder Group	Methods of Engagement	Outcomes of Engagements
<p>Service Providers The Company does not have any direct employees; however, it works closely with a number of service providers (the Investment Manager, Administrator, Company Secretary, brokers and other professional advisers) whose interests are aligned to the success of the Company.</p> <p>The quality and timeliness of their service provision is critical to the success of the Company.</p>	<p>The Company's Management Engagement Committee has identified its key service providers. On an annual basis it undertakes a review of performance based on a questionnaire through which it also seeks feedback.</p> <p>Furthermore, the Board and its sub-committees engage regularly with its service providers on a formal and informal basis.</p> <p>The Management Engagement Committee will also regularly review all material contracts for service quality and value.</p>	<p>The Feedback given by the service providers is used to review the Company's policies and procedures to ensure open lines of communication, operational efficiency and appropriate pricing for services provided.</p>
<p>Lenders The Company has a three-year Revolving Credit Facility.</p> <p>The Facility provides the Company with a flexible funding line which can be used to finance working capital, under the previous Investment Policy its availability was a key component of the Company's ability to remain fully invested and minimise cash drag.</p>	<p>The Company's engagement with its lender is primarily through its Investment Manager who provides regular reports to the Bank and has an open line of communication in respect of the ongoing operation and maintenance of the Facility.</p> <p>The Investment Manager provides feedback to the Board in terms of actual and planned utilisation of the Facility as well as covenant compliance.</p>	<p>The Facility has continued to operate and remain available throughout the period, and no issues or concerns have been raised by the lender.</p>
<p>Community & Environment As an Investment Company whose purpose is the provision of, and investment in commercial real estate debt, the Company's direct engagement with the local communities and in relation to the environment is limited.</p> <p>However, the Board recognises the role the Company can play in terms of the environment by supporting and guiding borrowers to find environmentally sustainable solutions in the maintenance of their properties and delivery of their business plan objectives more generally.</p>	<p>Within its Investment Strategy, the environmental and social impact of the properties on which the Company's loans are secured is a consideration when making new investments.</p>	<p>In the year to 31 January 2021 the Company made three new loans, two of which included substantial capital expenditure facilities. One such facility supports development a new-build property with environmental benefits including rooftop solar panels; the other assists with the refurbishment of an existing property which will have a substantially lower environmental impact than demolition and redevelopment, and will improve its energy performance and occupier amenities.</p> <p>The ESG report provides further information on the Investment Manager's approach to this important subject.</p>

KEY DECISIONS

Key decisions are defined as both those that are material to the Group, but also those that are significant to any of our key stakeholder groups as discussed above.

In making the following key decision the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the company:

During the year, following changes in Guernsey regulations and substance requirements for self-managed alternative investment funds, the Board decided to appoint ICG Alternative Investments Ltd (ICG AIL) (a sister company of the incumbent Investment Adviser, Intermediate Capital Managers Limited) as its discretionary Investment Manager. The Board was satisfied that ICG AIL had the requisite procedures, controls and approvals to fulfil the role and that the same ICG Real Estate team would continue to support the Company as they had done whilst acting for the Investment Adviser. The Board and the Investment Manager have agreed a remit and operating framework which is fully aligned to the Company's Investment Policy and Objectives.

Following the outbreak of the Covid-19 Pandemic and its continuing impact on the Company's share price, which has maintained a material discount to NAV, and acknowledging the consequential difficulty in delivering growth (a key objective based on shareholder feedback), the Board decided to approach shareholders to recommend that the Company be placed into an orderly realisation. The Board was satisfied that, after consultation with major shareholders, such measures were in the best interests of the Company and its shareholders by offering shareholders some certainty as to returns in the short term faced with the uncertainty of being able to raise further capital necessary to deliver the original investment objectives in the longer term. The Board further believe that, given the nature and uncertainty of the secondary loan market in UK commercial property finance, an orderly realisation through repayment at maturity currently offers better returns than asset sales. As a result of the decision to wind down the Company the Board is reviewing its composition and succession arrangements and is expected to reduce in size in line with the ongoing requirements of the Company.

REPORT OF THE DIRECTORS (CONTINUED)

FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES

Financial Risk Management Policies and Procedures are disclosed in Note 11 on pages 58 to 60.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties are discussed in the Corporate Governance Report on pages 25 to 32.

SUBSEQUENT EVENTS

Significant subsequent events have been disclosed in Note 19 to the Financial Statements on page 63.

ALTERNATIVE PERFORMANCE MEASURES

The Directors believe that the performance indicators detailed in the Financial Highlights and Financial Summary on pages 1 and 2, which are typical for entities investing in real estate debt, will provide shareholders with sufficient information to assess how effectively the Group is meeting its objectives. The alternative performance measures are described in the table on page 64.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at 14.00 BST on 28 June 2021 at Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY, subject to any alterations brought about by Covid-19. Details of the resolutions to be proposed at the AGM, together with explanations of the AGM arrangements, will appear in the Notice of Meeting to be distributed to shareholders.

Due to the ongoing Covid-19 pandemic, whilst restrictions in the Bailiwick of Guernsey have been eased, any person arriving into the Bailiwick of Guernsey is presently required to register their journey on a travel tracker and is required to self-isolate for a period of 7 to 21 days upon arrival. In light of the restrictions currently in place, whilst Guernsey based shareholders are permitted to physically attend the AGM, all Shareholders are strongly encouraged to appoint the "Chairman of the Meeting" as their proxy and provide voting instructions in advance of the AGM, in accordance with the instructions explained in the Notice and on the accompanying Form of Proxy. If the Board believes it has become appropriate to make alternative arrangements for the holding of the AGM due to Covid-19, it will ensure that Shareholders are given as much notice as possible. Any further information will be made available by an announcement through a Regulatory Information Service and through the Company's website.

By order of the Board



JACK PERRY
Chairman

7 May 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Companies Law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Consolidated Financial Statements in accordance with IFRS as adopted by the European Union. Under the Companies Law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

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

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the Financial Statements comply with Companies Law. They are also responsible for safeguarding the assets of the 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 ensuring that 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.

The Directors are also responsible under the AIC Code to promote the success of the Group for the benefit of its members as a whole and in doing so have regard for the needs of wider society and other stakeholders.

As part of the preparation of the Annual Report and Consolidated Financial Statements the Directors have received reports and information from the Company's Administrator and Investment Manager. The Directors have considered, reviewed and commented upon the Annual Report and Financial Statements throughout the drafting process in order to satisfy itself in respect of the content.

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

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

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the Directors, whose names are set out on pages 16 and 17, confirms to the best of their knowledge and belief that:

- the Financial Statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiary, together with a description of the principal risks and uncertainties faced.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT UNDER THE CORPORATE GOVERNANCE CODE

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Having taken advice from the Audit and Operational Risk Committee, the Directors consider the Annual Report and Financial Statements, taken as a whole, is 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

7 May 2021



PATRICK FIRTH
Director

7 May 2021

CORPORATE GOVERNANCE REPORT

As a UK premium listed Company, ICG-Longbow Senior Secured UK Property Debt Investment Limited's governance policies and procedures are based on the principles of the Corporate Governance Code as required under the Listing Rules. The Corporate Governance Code is available on the Financial Reporting Council's website, www.frc.org.uk.

The Company became a member of the AIC effective 27 February 2013 and has therefore put in place arrangements to comply with the AIC Code and, in accordance with the AIC Code, voluntarily complies with the Corporate Governance Code. The Directors recognise the importance of sound corporate governance, particularly the requirements of the AIC Code. The AIC Code is available on the AIC's website, www.theaic.co.uk.

The Company is subject to the GFSC Code, which applies to all companies registered as collective investment schemes in Guernsey. The GFSC has also confirmed that companies which report against the Corporate Governance Code or AIC Code are deemed to meet the GFSC Code.

The AIC Code addresses all the principles set out in the Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders.

The Board monitors developments in corporate governance to ensure the Board remains aligned with best practice and has welcomed new recommendations introduced by the AIC in 2019 regarding the Board's culture and values and relationships with key stakeholders.

Throughout the year ended 31 January 2021, the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Corporate Governance Code, except as set out below.

The Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Code, and as explained in the Corporate Governance Code, the Board considers that the above provisions are not currently relevant to the position of the Company which delegates most day-to-day functions to third parties.

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 Report of the Audit and Operational Risk Committee on page 34.

ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

As an investment company, the Group's activities only have a limited impact on the environment. The Group has no employees and its offices are based in Guernsey and Luxembourg.

Following the change in Investment Objective and Policy approved by shareholders in January 2021, the Group is now conducting an orderly realisation of its investments. As such the opportunity to implement material ESG changes across its portfolio is likely to be relatively limited, and ESG considerations are expected to be limited to monitoring the existing investments for their own performance in this area.

Nonetheless the Board continues to believe that it is in shareholders' interests to consider environmental, social and governance factors in monitoring its investments. The parent of the Investment Manager is a longstanding signatory to the UN Principles for Responsible Investment and has a fully formalised and embedded Responsible Investing Policy which is applied to all investment decisions and the monitoring of each investment opportunity.

The parent of the Investment Manager continues to develop its ESG policies and procedures. Its responsible investment policy is available to view at: [ICG Responsible Investing Policy](#)

The Board relies on the Investment Manager to apply its Responsible Investment Policy and any associated ESG considerations to the investments of the Group. As a lender to rather than direct owner of real estate assets, the Group is generally in a position only to influence rather than control the ESG impacts of its borrowers. Moreover, as the Group will no longer make any new investments, it is considered unlikely there will be significant opportunities to support borrowers in ESG matters outside of the delivery of existing business plans.

During the challenges presented by Covid-19, the Investment Manager has worked consensually with borrowers to assist them in preserving the social as well as economic value in their business. In particular, the Group agreed to capitalise interest payments on the Southport Hotel and RoyaleLife investments, which are partially or wholly reliant on operating cashflows to service debt. This has allowed the borrowers of those investments greater freedom to manage working capital, meet supplier payments, and retain or furlough staff. The investments are still considered to be well secured and the Group has, therefore, been able to use its strong financial position to assist its borrowers directly in delivering what the Board considers to be a social good.

CULTURE AND VALUES

The Board recognises that its tone and culture is important and will greatly impact its interactions with shareholders and service providers as well as the development of long-term shareholder value. The importance of sound ethical values and behaviours is crucial to the ability of the Company to achieve its objectives successfully.

The Board individually and collectively seeks to act with diligence, honesty and integrity. It encourages its members to express differences of perspective and to challenge but always in a respectful, open, cooperative and collegiate fashion. The Board encourages diversity of thought and approach and chooses its members with this approach in mind. The governance principles that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and treats all shareholders equally. All shareholders are encouraged to have an open dialogue with the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

CULTURE AND VALUES (CONTINUED)

The Board recognises that the Company will take investment and other risks in order to achieve its objectives but these risks are monitored and managed and the Company seeks to avoid excessive risk-taking in pursuit of returns. A large part of the Board's activities are centred upon what is necessarily an open and respectful dialogue with the Investment Manager. The Board believes that it has a very constructive relationship with the Investment Manager whilst holding them to account and questioning the choices and recommendations made by them.

THE BOARD

The Company is led and controlled by a Board of Directors, which is collectively responsible for the long-term success of the Company. It does so by acting in the interests of the Company, creating and preserving value and has as its foremost principle to act in the interests of shareholders.

The Company believes that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected, as their biographies illustrate, to bring a breadth of knowledge, skills and business experience to the Company. All Directors are members of professional bodies and serve on other boards, which ensures that they are kept abreast of the latest technical developments in their areas of expertise. The Directors details are listed on pages 16 and 17 which set out their range of investment, financial and business skills and experience represented.

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. The Chairman must be independent and is appointed in accordance with the Company's Articles of Incorporation. In considering the independence of the Chairman, the Board took note of the provisions of the AIC Code relating to independence and has determined that Mr Perry is an independent director.

The Board meets at least four times a year and, in addition, there is regular contact between the Board, the Investment Manager and the Administrator. At each meeting the Board follows a formal agenda that covers the business to be discussed. Directors meet regularly with the senior management employed by the Investment Manager both formally and informally to ensure the Board remains regularly updated on all issues. Ordinarily, the Board also has regular contact with the Administrator, and the Board requires to be supplied in a timely manner with information by the Investment Manager, the Company Secretary and other advisers in a form and of a quality to enable it to discharge its duties.

The Company has adopted a share dealing code which is complied with by the Directors of ICG Longbow Senior Secured UK Property Debt Investments Limited and relevant personnel of the Investment Manager.

BOARD TENURE AND RE-ELECTION

Four of the five Directors were appointed in November 2012 and Fiona Le Poidevin was appointed on 1 September 2020 therefore no member of the Board has served for longer than nine years to date. As such no issue has arisen to be considered by the Board with respect to long tenure. In accordance with the AIC Code, when and if any Director shall have been in office (or on re-election would at the end of that term of office) for more than nine years the Company will consider further whether there is a risk that such a Director might reasonably be deemed to have lost independence through such long service.

The Board recognises that Directors serving nine years or more may appear to have their independence impaired. However,

the Board may nonetheless consider Directors to remain independent as noted further below.

The Nomination Committee shall take the lead in any discussions relating to the appointment or re-appointment of Directors, and give consideration to Board rotation in advance of the nine year tenure limit.

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

Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its composition and succession planning on an on-going basis. The Company's Articles of Incorporation specify that at each annual general meeting of the Company all Directors shall retire from office and may offer themselves for election or re-election by the Members. Mr Perry, Mr Beevor, Mr Meader and Mrs Le Poidevin will retire as Directors of the Company in accordance with the Articles and will be put forward for re-election at the forthcoming AGM. Mr Firth will not be offering himself for re-election and will retire from the Board following the AGM.

Any Director who is elected or re-elected at that meeting is treated as continuing in office throughout. If he or she is not elected or re-elected, he or she 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.

The Board remains confident that its membership respects both the letter and the spirit of the Code regarding Board composition, diversity, particularly with respect to gender, and how effectively members work together to achieve the Company's objectives.

The Company's policy on Chair tenure is that the Chair should not normally serve longer than nine years as a Director and/or Chair unless it is determined to be in the best interests of the Company, its shareholders and stakeholders. In such circumstances, the independence of the other directors will ensure that the Board as a whole remains independent.

On 14 January 2021, the Company's shareholders voted for the orderly realisation of the Company's assets and the return of capital to shareholders. As the Company now has a finite remaining operating life, not expected to exceed three years, it is considered in the best interests of shareholders and stakeholders to maintain the continuity and experience of the existing Board. In addition, it is considered impractical to attract, recruit and induct new Board members for such a short period of time. Accordingly, the current Chair of the Company, barring unforeseen circumstances, is expected to remain in office until the Company is placed into liquidation. In practice this may mean that his tenure exceeds the recommended nine-year term. Similarly, some other Directors may remain beyond nine years.

Subject to the above, retirements of Directors will take place starting during 2021 ensuring that the Company complies with the 2019 AIC Code.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' REMUNERATION

The level of remuneration of the Non-executive Directors reflects the time commitment and responsibilities of their roles. The Chairman is entitled to annual remuneration of £50,000 (31 January 2020: £50,000). The Chairman of the

Audit and Operational Risk Committee is entitled to annual remuneration of £40,000 (31 January 2020: £40,000). The other independent Directors are entitled to annual remuneration of £35,000 (31 January 2020: £35,000).

During the year ended 31 January 2021 and the year ended 31 January 2020, the Directors' remuneration was as follows:

Director	Expected Fees 1 February 2021 to 31 January 2022 £	1 February 2020 to 31 January 2021 £	1 February 2019 to 31 January 2020 £
Mr Perry	50,000	50,000	50,000
Mr Firth	16,219	40,000	40,000
Mr Meader	35,000	37,500	37,500
Mr Beevor	35,000	35,000	35,000
Mr Huntley ⁽¹⁾	–	22,870	35,000
Mrs Le Poidevin ⁽²⁾	40,000	14,583	–

⁽¹⁾ Mark Huntley retired 25 September 2020

⁽²⁾ Fiona Le Poidevin appointed 1 September 2020

The Company Directors' fees for the year amounted to £199,953 (31 January 2020: £197,500) with outstanding fees of £45,995 due to the Directors at 31 January 2021 (31 January 2020: £49,375) (see Note 13). Total fees for the year to 31 January 2022 are expected to be £176,219.

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

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. The Board has adopted a Schedule of Matters which sets out the particular duties of the Board. Such reserved powers include the following:

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

The Directors have access to the advice and services of the Administrator, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with

Companies Law and applicable rules and regulations of the GFSC and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors should it occur.

The Board's responsibilities for the Annual Report are set out in the Directors' Responsibility Statement on page 24. The Board is also responsible for issuing appropriate Interim Reports and other price-sensitive public reports.

One of the key criteria the Company uses when selecting non-executive Directors is their confirmation prior to their appointment that they will be able to allocate sufficient time to the Company to discharge their responsibilities in a timely and effective manner. New Directors receive an induction on joining the Board and the Board assesses the training needs of Directors on an annual basis.

The Board formally met five times during the year and ad-hoc Board meetings were called in relation to specific events or to issue approvals, often at short notice and did not necessarily require full attendance. Each Board member receives a comprehensive Board pack at least five days prior to each meeting which incorporates a formal agenda together with supporting papers for items to be discussed at the meeting. Directors are encouraged when they are unable to attend a meeting to give the Chairman their views and comments on matters to be discussed, in advance. Representatives of the Investment Manager attend relevant sections of the Board meetings by invitation and the Directors also liaise with the Investment Manager whenever required and there is regular contact outside of the Board meeting schedule.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DUTIES AND RESPONSIBILITIES (CONTINUED)

Attendance is further set out below:

Director	Scheduled Board Meetings	Ad-hoc Board Meetings	Audit and Operational Risk Committee Meetings	Investment Risk Committee Meetings	Nomination Committee Meeting	Management Engagement Committee Meeting	Remuneration Committee Meeting
	5	5	4	3	3	1	0
Mr Beevor	5	5	4	3	3	1	n/a
Mr Firth	5	5	4	3	3	1	n/a
Mr Huntley ⁽¹⁾	4	2	n/a	3	2	1	n/a
Mr Meader	5	5	4	3	3	1	n/a
Mr Perry ⁽²⁾	5	4	n/a	n/a	3	1	n/a
Mrs Le Poidevin ⁽³⁾⁽⁴⁾	2	3	2	n/a	2	0	n/a

⁽¹⁾ Resigned 25 September 2020

⁽²⁾ Mr Perry is not a member of the Audit and Operational Risk Committee and was not a member of the Investment Risk Committee, which was disbanded on 10 December 2020.

⁽³⁾ Appointed 1 September 2020 at which point 2 Audit and Operational Risk Committee Meetings, 2 Investment Risk Meetings, 1 Nomination Committee Meeting and 1 Management Engagement Committee Meeting had already occurred.

⁽⁴⁾ Mrs Le Poidevin was not a member of the Investment Risk Committee which was disbanded on 10 December 2020.

A quorum is comprised of any two or more members of the Board from time to time, to perform administrative and other routine functions on behalf of the Board, subject to such limitations as the Board may expressly impose on this committee from time to time.

An EGM of the Company was held on 14 January 2021. The recommendations at the EGM were not universally supported, with some 23.8% of votes cast against the proposals. The Board, having evaluated all alternative options, continues to believe that the proposals represent the best course of action for the Company. The positive endorsement of over 75% of our shareholders and the narrowing of the share price discount to NAV in the period following the announcement provides some support to this view.

CONFLICTS OF INTEREST

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. The Board requires Directors to declare all appointments and other situations that could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts. The Board is satisfied that there is no compromise to the independence of those Directors who have appointments on the boards of, or relationships with, companies outside the Company.

COMMITTEES OF THE BOARD

The Board believes that it and its committees have an appropriate composition and blend of backgrounds, skills and experience to discharge their duties effectively. The Board is of the view that no one individual or small group dominates decision-making. The Board keeps its membership, and that of its committees, under review to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

Each committee of the Board has written terms of reference, approved by the Board, summarising its objectives, remit and powers, which are available on the Company's website (www.lbow.co.uk) and are reviewed on an annual basis. Each Committee has access to such external advice as it may consider appropriate.

All committee members are provided with an appropriate induction on joining their respective committees, as well as on-going access to training. Minutes of all meetings of the committees are made available to all Directors and feedback

from each of the committees is provided to the Board by the respective committee Chairmen at the next Board meeting.

The Board and its committees are supplied with regular, comprehensive and timely information in a form and of a quality that enables them to discharge their duties effectively. All Directors are able to make further enquiries of the Investment Manager and Administrator whenever necessary, and have access to the services of the Company Secretary.

AUDIT AND OPERATIONAL RISK COMMITTEE

The Audit and Operational Risk Committee is chaired by Mr Firth and also comprises Mr Beevor and Mr Meader, who held office throughout the year, and Mrs Le Poidevin who was appointed on 25 September 2020. Mr Huntley retired from the committee on 25 September 2020. Mrs Le Poidevin is expected to Chair the Audit and Operational Risk Committee following the AGM on 28 June 2021 at which point Mr. Firth will retire. Other Directors have a standing invitation to attend meetings. However, their attendance at these meetings is as an observer only. The Chairman of the Audit and Operational Risk Committee, the Investment Manager and the external auditor, Deloitte LLP, have held discussions regarding the audit approach and identified risks. The external auditors attend Audit and Operational Risk Committee meetings and a private meeting is routinely held with the external auditors to afford them the opportunity of discussions without the presence of the Investment Manager or Administrator. The Audit and Operational Risk Committee activities are contained in the Report of the Audit and Operational Risk Committee on pages 33 to 35.

INVESTMENT RISK COMMITTEE

The Investment Risk Committee was established on 21 September 2017 and was chaired by Mr Meader and also comprised Mr Beevor, Mr Firth and Mr Mortimer, a representative of the Investment Manager. Following the appointment of an external Investment Manager, the Investment Risk Committee was disbanded on 10 December 2020 and its remaining duties assumed by the Board as a whole.

The Investment Risk Committee's remit was to monitor the risks associated with the investments and to monitor the compliance of the investment portfolio with the investment restrictions of the Group. The Investment Risk Committee reviewed the performance and investment risks associated with the individual investments, the effectiveness of the Investment Adviser's investment underwriting and investment structuring/documentation processes and its compliance with them, and the effectiveness of the Investment Adviser's investment management and risk reporting processes, challenging where appropriate.

CORPORATE GOVERNANCE REPORT (CONTINUED)

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee is chaired by Mr Perry and also comprises Mr Firth, Mr Meader, Mr Beevor and Mrs Le Poidevin all of whom, with the exception of Mrs Le Poidevin who was appointed member of the committee on 25 September 2020 and Mr Beevor who was appointed member of the committee on 10 December 2020, held office throughout the year. The Management Engagement Committee meets not less than once a year pursuant to its terms of reference which are available on the Company's website.

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

NOMINATION COMMITTEE

The Nomination Committee is chaired by Mr Perry and also comprises Mr Beevor, Mr Firth, Mr Meader and Mrs Le Poidevin all of whom, with the exception of Mrs Le Poidevin who was appointed member of the committee on 25 September 2020, held office throughout the year. Mr Huntley retired from the committee on 25 September 2020. The Nomination Committee meets at least once a year pursuant to its terms of reference and last met on 10 December 2020. 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.

BOARD PERFORMANCE EVALUATION

In accordance with Provision 26 of the AIC Code, the Board is required to undertake a formal and rigorous evaluation of its performance on an annual basis. The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement. Such an evaluation of the performance of the Board as whole, the Audit and Operational Risk Committee, the Nomination Committee, the Management Engagement Committee, the Remuneration Committee, individual Directors and the Chairman is carried out under the mandate of the Nomination Committee.

The internal evaluation conducted by the Nomination Committee during the year took the form of self-appraisal questionnaires and discussion to determine effectiveness and performance as well as the Directors' continued independence. The responses were consolidated and anonymised and common themes identified in order for the Nomination Committee to determine key actions and next steps for improving Board and Committee effectiveness and performance.

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. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is appropriate to the requirements of the Company.

The Nominations Committee has also reviewed the composition, structure and diversity of the Board, the

independence of the Directors and whether each of the Directors has sufficient time available to discharge their duties effectively. The Committee and the Board confirm that they believe that the Board has an appropriate mix of skills and backgrounds and that all Directors should be considered as Independent in accordance with the provisions of the AIC Code and have the time available to discharge their duties effectively.

Accordingly, the Board recommends that shareholders vote in favour of the Directors proposed for re-election at the forthcoming AGM.

Succession Planning

The Nomination Committee recognises the continuing importance of planning for the future and ensuring that succession plans are in place. During the year the Nomination Committee engaged an executive search consultant, OSA, to assist with recruitment. Members of the Board had interviewed several shortlisted candidates and Mrs Fiona Le Poidevin, the former head of The International Stock Exchange was appointed on 1 September 2020.

In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and evaluates the balance of skills, experience, independence, knowledge and time commitments of each candidate. Appointments are therefore made on personal merit and against objective criteria with the aim of bringing new skills and different perspectives to the Board whilst taking into account the existing balance of knowledge, experience and diversity. 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.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of Mr Perry, Mr Meader and Mr Beevor who have held office from 12 December 2019, when the Remuneration Committee was formed, and Mrs Le Poidevin who was appointed to the Committee on 10 December 2020. Mr. Huntley retired from the committee on 25 September 2020 and Mr. Meader was subsequently appointed as the Chairman which has been ratified since the year ended 31 January 2021. The Remuneration Committee is responsible for recommending and monitoring the level and structure of remuneration for all the Directors, including any compensation payments, taking into account the time commitments and responsibilities of Directors and any other factors which it deems necessary, including the recommendations of the AIC Code. The Remuneration Committee meets at least once a year pursuant to its terms of reference. Due to the restrictions placed on travel to Guernsey during 2020 and onwards, as a result of the Covid-19 pandemic, it had not been possible to form a quorum in Guernsey for the Committee to meet during 2020. Consequently no meetings have been held during the year. The Board have kept the matter of remuneration under observation and the Directors' fees remained unchanged for the year to 31 January 2021. No change in remuneration is proposed for the year to 31 January 2022.

INTERNAL CONTROL AND FINANCIAL REPORTING

The Directors acknowledge that they are responsible for establishing and maintaining the Group's and the Company's systems of internal controls and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss. The Directors can confirm they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The key procedures which have been established to provide internal control are:

CORPORATE GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROL AND FINANCIAL REPORTING (CONTINUED)

- 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 advisers and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisers and will continue to do so through the Management Engagement Committee;
- the Board monitors the actions of the Investment Manager at regular Board meetings and is also given frequent updates on developments arising from the operations and strategic direction of the underlying borrowers; and
- the Administrator provides administration and company secretarial services to the Company. The Administrator maintains a system of internal control on which it reports to the Board.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Manager, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary, as explained on page 34.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. The Administrator and Investment Manager both operate risk-controlled frameworks on a continual ongoing basis within a regulated environment. The Administrator undertakes an ISAE 3402: Assurance Report on Controls at a Service Organisation audit annually which is provided to the Board when finalised. The Administrator also formally reports to the Board quarterly through a compliance report. The Investment Manager formally reports to the Board quarterly, including relevant updates regarding their policies and procedures, and also engages with the Board on an ad-hoc basis as required. No weaknesses or failing within the Administrator or Investment Manager have been identified.

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. This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements. It is reviewed by the Board and is in accordance with the FRC's internal control publication: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Company has delegated the provision of services to external service providers whose work is overseen by the Management Engagement Committee at its regular scheduled meetings. Each year a detailed review of performance pursuant to their terms of engagement is undertaken by the Management Engagement Committee. An on-site review of the Investment Manager and an assessment of the Luxembourg Administrator were undertaken in February 2019. The conclusions of these reviews were highly satisfactory, providing assurance to the Board. This year due to Covid-19

restrictions, the visit to the Investment Manager has been postponed. In addition, the Company maintains a website which contains comprehensive information, including regulatory announcements, share price information, financial reports, investment objectives and strategy, investor contacts and information on the Board.

INVESTMENT MANAGEMENT AGREEMENT

The Company entered into an agreement with the Investment Manager on 25 November 2020, replacing the Investment Advisory Agreement with Intermediate Capital Managers Limited. This sets out the Investment Manager's key responsibilities, which include identifying and recommending suitable investments for the Company to enter into and negotiating on behalf of the Company the terms on which such investments will be made. The Investment Manager is also responsible to the Board for all issues relating to the maintenance and monitoring of existing investments.

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

WHISTLEBLOWING

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Investment Manager or Administrator may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters.

It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year the Board has overseen the continued enhancement of the Group's risk management framework and risk culture. This has been achieved via the Audit and Operational Risk Committee and Investment Risk Committee. Following the appointment of an external Investment Manager, the Investment Risk Committee was disbanded on 10 December 2020 and its remaining duties assumed by the Board as a whole. The Audit and Operational Risk Committee undertook a robust assessment of the Group's principal risks and associated risk appetite, taking into account changes in the business and the external environment.

The Board in the past, through these committees, and now through the Audit and Operational Risk Committee and via the Board thoroughly considers the process for identifying, evaluating and managing any significant risks faced by the Company on an on-going basis and these risks are reported and discussed at Board meetings. This 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 adhered to.

The Board can confirm that it has undertaken a robust assessment of the principal risks facing the Company. In its most recent assessment of risks the Board has considered the particular risks that the Company may face as a result of Covid-19 either directly or indirectly. The risks set out below represent a snapshot of the Company's current principal risk profile. These risks have been ranked considering the magnitude of potential impact, probability and taking into account the effectiveness of existing controls. This is not an exhaustive list of all risks the Company faces. As the macro environment changes and country and industry circumstances evolve, new risks may arise or existing risks may recede or the rankings of these risks may change.

CORPORATE GOVERNANCE REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

For each material risk, the likelihood and potential impact are identified. The Company's financial instrument risks are discussed in Note 11 to the Financial Statements.

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

Description	Nature of Risk	Potential Impact	Mitigation
Non-payment of interest	<p>The challenges presented by Covid-19 may mean some businesses, including tenants of the Group's borrowers, are unwilling or unable to pay rents when due.</p> <p>The UK government has restricted some of the actions available to a landlord if a tenant fails to pay rent, which may increase the likelihood of non-payment.</p>	<p>Rental income is generally the primary source of income for the Group's borrowers and has a direct link, in most cases, to the borrower's ability to service its debt obligations and pay interest.</p> <p>The Board notes that certain tenants may take advantage of the eviction moratorium in order to defer or fail to pay rents when due. It also anticipates that some tenants will fail and the borrowers may be unable quickly to replace the lost income.</p> <p>Should a material number of the tenants in the properties securing the Group's investments fail to pay rents, the Group may experience a shortfall in receipt of interest or receive requests to defer or capitalise interest.</p>	<p>The Board and the Investment Manager have stepped up their monitoring of all the Group's investments, to understand the potential effect of Covid-19 on their rental profile and property business plans, including ability to service interest.</p> <p>Aside from Southport and RoyaleLife, the Group's borrowers who are reliant on rental income to service interest collected sufficient rents during the period to make interest payments in full, or alternatively paid interest from other means such as equity injections or cash reserves.</p> <p>Should any shortfall in interest payments be experienced in future, it is anticipated the outstanding interest will be deferred or capitalised and received by the Group at a later date.</p>
Operating Businesses	<p>The Group's borrowers who own or run operating assets, such as hotels, may suffer cashflow challenges.</p>	<p>Two of the Group's investments (the Southport Hotel and RoyaleLife loans) are wholly or partially reliant on operating cashflows to service interest, and these cashflows have suffered a downturn owing to Covid-19 impacts.</p> <p>This has led, and may continue to lead, to requests from the relevant borrowers to capitalise loan interest until such time as the businesses are able to re-open or return to normalised trade.</p>	<p>The Group has a strong cash position and no borrowings as of the date of these accounts, and consequently is well placed to support its borrowers if required and endure any temporary shortfall of interest, whilst continuing to meet its liabilities as they fall due for the foreseeable future.</p>
Fall in collateral values, and accuracy of valuations	<p>Property values are typically linked to a property's ability to generate cashflows. The property industry may not therefore be able accurately to value certain UK commercial real estate assets.</p>	<p>During the period, the Royal Institution of Chartered Surveyors (RICS) determined that Covid-19 was a matter which created material uncertainty in terms of property valuations, and for a large part of the year and for many sectors, the industry should only issue new valuations on a suitably qualified basis.</p> <p>This may impact the Group's ability to accurately determine collateral values and test financial covenants, and to appropriately consider the permanent impairment of any particular investment.</p>	<p>The Group invests on a hold to maturity basis and given a comfortable equity cushion on all loans as such its loans are not directly exposed to short-term volatility in the valuation of the underlying real estate on which its loans are secured.</p> <p>The Group's underlying property portfolio is diversified by sector, region and tenant base, and as such is not overly exposed to any one property sector which may be harder hit by, or slower to recover from, the economic impacts of Covid-19.</p>
Inability to secure sales or refinancing of underlying properties	<p>Material sections of the UK economy have been temporarily shut down, and liquidity for certain real estate sectors and assets is likely to be affected.</p>	<p>Additionally, the Group's borrowers may find it challenging to secure sales or refinancing of the underlying properties, in order to allow for timely repayment of the loans.</p>	<p>Further, the Group currently enjoys a strong balance sheet with a healthy cash surplus and no leverage, and as such has the ability to extend loans where its borrowers are unable to sell or refinance properties due to the market dislocation.</p>

CORPORATE GOVERNANCE REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Description	Nature of Risk	Potential Impact	Mitigation
Uncertain Economic Outlook	The UK, like other governments around the world, has taken extraordinary and unprecedented measures to insulate the UK economy against the impacts of a forced shut-down across many sectors of commerce.	Despite unprecedented levels of economic support from the UK Government, the near and medium-term impacts of Covid-19 on business, employment and the economy more generally are unknown. The effects of such uncertainty on the Group include potential negative impacts on the existing loan portfolio in terms of interest receipts and property valuations as discussed above; and possible positive effects on returns from, for example, charging default interest or fees.	The Group is undertaking an orderly realisation of its investments in order to return capital to shareholders. The portfolio has a robust weighted average LTV of 70.8% as at the date of signing these financial statements, which the Board expects to prove generally resilient against ongoing impacts of Covid-19, at least in the short term, although the properties securing some investments may take longer to fully recover.
Portfolio Diversification	As loans repay and capital is returned to shareholders, the value of the Group's assets will reduce and be concentrated in fewer holdings.	As the loan portfolio reduces, the effect on the Group of any challenges experienced on the remaining investments (such as non-payment of interest) will be magnified and could lead to increased volatility in cashflows or net asset values. Further, some of the Group's costs are fixed and will therefore comprise a greater proportion of the Group's revenues, which may impact the funds available for distribution to shareholders.	The Board believes each individual loan investment remains well secured, with a maximum LTV of 83.3% as at the date of signing these financial statements. The Board will closely manage the Group's costs, including the number of Board members, to ensure best value is obtained during the realisation of the portfolio.

The Company's principal risk factors, subject to the recent change in the Investment Policy, are fully set out in the Company's 2018 Prospectus, available on the Company's website (www.lbow.co.uk) and should be reviewed by shareholders.

The United Kingdom's departure from the European Union represents a potential threat to the UK economy as well as wider Europe. On a cyclical view, national economies across Europe appear to be heading at best towards lower growth and alongside the economic impact of Covid-19, towards recession. The potential impact of Brexit could have a further destabilising effect as a result of Covid-19. To some extent the potential impact of an unsatisfactory UK exit from the EU has already been priced into markets and forecasts, but significant headwinds could still arise.

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory/legislative change and macroeconomic and political change.

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

By order of the Board



JACK PERRY
Chairman

7 May 2021



PATRICK FIRTH
Director

7 May 2021

REPORT OF THE AUDIT AND OPERATIONAL RISK COMMITTEE

The Audit and Operational Risk Committee, chaired by Mr Firth, operates within clearly defined terms of reference (which are available from the Company's website) and includes all matters indicated by Disclosure and Transparency Rule 7.1, the AIC Code and the UK Code. Its other members are Mr Beevor, Mr Meader, who held office throughout the year and Mrs Le Poidevin who was appointed on 25 September 2020. Mr Huntley retired from the committee on 25 September 2020. Only independent Directors can serve on the Audit and Operational Risk Committee. Members of the Audit and Operational Risk Committee must be independent of the Company's external auditor and Investment Manager. The Audit and Operational Risk Committee will meet no less than twice a year, and at such other times as the Audit and Operational Risk Committee Chairman shall require.

The Committee members have considerable financial and business experience and the Board has determined that the membership as a whole has sufficient recent and relevant sector and financial experience to discharge its responsibilities. The Board has taken note of the requirement that at least one member of the Audit and Operational Risk Committee should have recent and relevant financial experience and is satisfied that the Audit and Operational Risk Committee is properly constituted in that respect, with all members being highly experienced and, in particular, with two members being Chartered Accountants.

The duties of the Audit and Operational Risk Committee in discharging its responsibilities include reviewing the Annual Report and Consolidated Financial Statements and the Interim Report, the system of internal controls, and the terms of appointment of the Company's independent auditor together with their remuneration. It is also the formal forum through which the auditor will report to the Board of Directors. The objectivity of the auditor is reviewed by the Audit and Operational Risk 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 and Operational Risk Committee are:

- reviewing and monitoring the integrity of the Financial Statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices including critical judgement areas;
- reviewing any draft impairment reviews of the Group's investments prepared by the Investment Manager, and making a recommendation to the Board on any impairment in the value of the Group's investments;
- meeting regularly with the external auditor to review their proposed audit plan and the subsequent audit report and assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor and approving their remuneration and the terms of their engagement;
- monitoring and reviewing annually the auditor's independence, objectivity, expertise, resources, qualification and non-audit work;

- considering annually whether there is a need for the Company and its Group to have its own internal audit function;
- monitoring the internal financial control and risk management systems on which the Company and its Group is reliant;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on Audit and Operational Risk Committees; and
- reviewing the risks facing the Group and monitoring the risk matrix.

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

The external auditor is invited to attend the Audit and Operational Risk Committee meetings as the Directors deem appropriate and the Audit and Operational Risk Committee has the opportunity to meet the external auditor without representatives of the Investment Manager or the Administrator being present at least once per year.

FINANCIAL REPORTING

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

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

To aid its review, the Audit and Operational Risk Committee considers reports from the Administrator and Investment Manager and also reports from the auditor on the outcome of their annual audit. The Audit and Operational Risk Committee supports the external auditor and recognises the necessary professional scepticism their role requires.

MEETINGS

During the year ended 31 January 2021, the Audit and Operational Risk Committee met formally on 5 occasions. The matters discussed at those meetings include:

- review of the terms of reference of the Audit and Operational Risk Committee for approval by the Board;
- review of the accounting policies and format of the Financial Statements;

REPORT OF THE **AUDIT AND OPERATIONAL RISK COMMITTEE** (CONTINUED)

MEETINGS (CONTINUED)

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

PRIMARY AREA OF JUDGEMENT

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

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

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 Audit and Operational Risk Committee notes that critical judgements have been made in relation to the assessment of the staging of the loans together with the estimation of the probability of default and also the loss given default.

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

The Audit and Operational Risk Committee focused their work on disclosures required in the Annual Report following new requirements under the AIC Code, emerging risks, environmental, social and governance matters and on subsequent event disclosures which considered the potential impact of Covid-19 on the Group.

The Audit and Operational Risk Committee also focused on continuing to embed IFRS 9 and in particular the assessment of the credit risk changes, probability of default and loss given default in relation to the loan portfolio. The Audit and Operational Risk Committee has reviewed detailed impairment analysis and current loan performance reports prepared by the Investment Manager together with the consideration of the current collateral values underpinning the loan portfolio.

The Audit and Operational Risk Committee also considered the potential for impairment of the portfolio in the longer term, in accordance with IFRS 9, based on an agreed credit rating methodology which is benchmarked against the Group's previous experience in managing senior debt and whole loan portfolios.

The Audit and Operational Risk Committee also reviewed the income recognition and the treatment of arrangement and exit fees which were based on effective interest rate calculations prepared by the Investment Manager and the Administrator. The main assumptions of the calculations were that none of the loans were impaired and that each loan would be repaid at the end of the agreed loan term. These were discussed at the Audit and Operational Risk Committee meeting to review the Annual Report, with the Investment Manager, the Administrator and Auditor. The Audit and Operational Risk Committee is satisfied that the Group interest income has been recognised in line with the requirements of IFRS.

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

RISK MANAGEMENT

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit and Operational Risk Committee. The work of the Audit and Operational Risk Committee is driven primarily by the Group's assessment of its principal risks and uncertainties as set out on pages 30 to 32 of the Corporate Governance Report, and it receives reports from the Investment Manager and Administrator on the Group's risk evaluation process and reviews changes to significant risks identified. Furthermore, the Investment Risk Committee monitored the risks associated with the investments and the compliance of the investment portfolio with the investment restrictions of the Group. Following the appointment of an external Investment Manager, the Investment Risk Committee was disbanded on 10 December 2020 and its remaining duties assumed by the Board as a whole.

INTERNAL AUDIT

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

EXTERNAL AUDIT

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

The external auditor is required to rotate the audit partner every five years. The current Deloitte LLP lead audit partner, Mr David Becker, started his tenure in 2020 (in respect of the year ended 31 January 2020) and his current rotation will end with the audit of the 2024 Annual Report and Financial Statements. The Audit and Operational Risk Committee shall give advance notice of any retendering plans within the Annual Report. The Audit and Operational Risk Committee has considered the re-appointment of the auditor and decided not to put the provision of the external audit out to tender at this time.

REPORT OF THE AUDIT AND OPERATIONAL RISK COMMITTEE (CONTINUED)

EXTERNAL AUDIT (CONTINUED)

The objectivity of the auditor is reviewed by the Audit and Operational Risk Committee which also reviews the terms under which the external auditor may be appointed to perform non-audit services. The Audit and Operational Risk 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 and Operational Risk Committee ensures that any other advisory and/or consulting services provided by the external auditor do not conflict with its statutory audit responsibilities. Advisory and/or consulting services will generally only cover reviews of Interim Reports and capital raising work. Any non-audit services conducted by the auditor outside of these areas will require the consent of the Audit and Operational Risk 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, provision of tax advice, taking management decisions or advocacy work in adversarial situations.

The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to the level of non-audit fees.

The Committee regularly monitors non-audit services being provided by the external auditor to ensure there is no impairment to their independence or objectivity.

Notwithstanding such services, the Audit and Operational Risk 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 and Operational Risk Committee will consider:

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

To assess the effectiveness of the auditor, the Audit and Operational Risk 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;
- the robustness of the auditor in handling key accounting and audit judgements; and
- a summary of the FRC's Audit Quality Review report for Deloitte and discuss the findings with the audit partner to determine if any of the indicators in that report had particular relevance to this year's audit of the Company. Specifically, the Audit and Operational Risk Committee discuss the extent of the auditors' challenge of key estimates and assumptions in key areas of judgement, including asset valuations and impairment testing and the quality of the firm's audit of revenue.

The Audit and Operational Risk 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 and Operational Risk Committee has concluded that the auditor implemented sufficiently robust processes to deliver a high quality audit. Accordingly, the Committee recommended to the Board that Deloitte LLP be reappointed as auditor for the year ending 31 January 2022.

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

Subject to the Covid-19 restrictions being lifted, the Chairman of the Audit and Operational Risk Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

On behalf of the Audit and Operational Risk Committee



PATRICK FIRTH
Chairman of the Audit and Operational Risk Committee

7 May 2021

INDEPENDENT AUDITOR'S REPORT

to the Members of ICG-Longbow Senior Secured UK Property Debt Investments Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion the financial statements of ICG Longbow Senior Secured UK Property Debt Investments Limited (the 'Company') and its subsidiary (together the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 January 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.





We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. EMPHASIS OF MATTER – FINANCIAL STATEMENTS PREPARED OTHER THAN ON A GOING CONCERN BASIS

We draw attention to Note 2b of the consolidated financial statements, which indicates that the consolidated financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

4. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> ■ The assessment of expected credit losses (ECL) on loans advanced; and ■ Revenue recognition. <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used for the group financial statements in the current year was £2.4 million which was determined on the basis of 2% of the net asset value.
Scoping	Our scope provides full scope audit of 100% of the loans advanced, income from loans and net assets of the Group.
Significant changes in our approach	There have been no significant changes in our approach.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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

5.1. The assessment of expected credit losses (ECL) on loans advanced

Key audit matter description

As at 31 January 2021, the aggregate value of loans advanced amounted to £110.71 million (2020: £121.65 million) representing 92% of total assets (2020: 96%).

As described in the Report of the Audit and Operational Risk Committee, the Group's loans are the key value driver for the Group Net Asset Value and income from loans. Judgements over the level of potential impairment of loan values using the expected credit losses model under IFRS 9, and the recoverability thereof, has been identified as a key audit matter.

The key areas of judgement and estimation uncertainty include the determination of appropriate assumptions for calculating the loss allowance under IFRS 9 (including the probability of default ('PD'), the loss given default ('LGD'), exposure at default ('EAD') and the categorisation of loans into the various credit stages in light of qualitative and quantitative factors against management's definition of significant increase in credit risk ('SICR' and default), as well as considering the impact of loan-specific matters included in the loan monitoring reports such as:

- movement in loan to value and interest cover ratios since date of initial recognition (i.e. deterioration in assets security);
- covenant breaches;
- delinquency in contractual payments including unexpected modifications to contractual cash flows;
- borrower's actual performance in relation to business plan;
- changes to the contractual documentation that could indicate financial stress on the part of the borrower; and
- other signs of financial stress.

This matter is explained further in the Report of the Audit and Operational Risk Committee on page 33. Note 2 (l) and Note 3 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, Note 5 set out the composition of the debt portfolio, with Note 11 setting out details of the associated risk factors, including credit risk.

How the scope of our audit responded to the key audit matter

We have:

- Obtained an understanding of relevant controls relating to the loan loss provisioning review process;
- Challenged the judgments (including qualitative and quantitative criteria) taken by management related to the categorisation of loans into the various credit stages required under IFRS 9. We considered this in the context of management's definition of 'SICR' and performed a review of the Loan Monitoring Report to assess evidence of changes in credit risk resulting from factors mentioned in our description of the key audit matter;
 - covenant breaches;
 - other signs of financial stress.
- Challenged the assumptions made by management in respect of the recoverable value of any non performing loans in light of available evidence and the underlying collateral;
- Challenged the assumptions made by management on the macroeconomic factors including any overlays required to compensate for the change in the market environment and impact of Covid 19 not reflected in the ECL model;
- Obtained corroboratory evidence to check reasonableness of estimates applied to determine the PD, LGD and EAD for each stage within which loans are classified and their compliance with IFRS 9 requirements;
- Tested the clerical accuracy of the expected credit loss provision based on the above inputs;
- Worked with our internal credit specialists to challenge in respect of the above procedures; and
- Evaluated the appropriateness of disclosures made in the financial statements in light of the requirements of IFRS 9.

Key observations

Having carried out the procedures, we determined that the assumptions were reasonable and the resultant ECL provision was within an acceptable range.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

5.2. Revenue recognition **Key audit matter description**

Interest income from loans advanced totalled £9.95 million for the year ended 31 January 2021 (2020:£8.15 million), with further other income of £0.30 million (2020: £0.35 million) received as a result of repayments (see note 5 to the financial statements). Management applies the effective interest rate ('EIR') method to amortise any premium/discount over the loan asset life with further assumptions on these loan assets' future cash flows.

There is a risk that revenue may be recognised in the incorrect period due to differences in timing between cash receipts of interest and investment principal repayments and the application of the EIR method. Incorrect treatment of any upfront fees and exit fees and the impact of ECL assessment on the EIR calculation may significantly affect the level of distributable income. In addition the existence of prepayments and exits arising from early repayments in the period will have an impact on the recorded income and may not be correctly recorded in accordance with the EIR requirements set out in IFRS 9.

The recognition timing of these one-off fees with the consideration of any contractual restriction is considered a potential fraud risk given the involvement of management judgement.

The key accounting policies related to this key audit matter can be found in Note 2f) and Note 3 to the financial statements. This matter is also described on page 34 of the Report of the Audit and Operational Risk Committee.

How the scope of our audit responded to the key audit matter

We have:

- Obtained an understanding of the relevant controls relating to the revenue process;
- Assessed management's judgements in respect in respect of the inclusion of the upfront fees and exit fees in the EIR calculation;
- Recalculated the interest income from loans which is accrued under the EIR method, taking into account any prepayments on the investments and the impact on interest income recognised;
- Evaluated the impact of any loan loss provisioning on the recognition and valuation of interest income recorded in the period;
- Evaluated the impact of any prepayments or exit fees from early repayments on the interest income recorded in the period; and
- Agreed cash receipts in the year to and from the bank statements.

Key observations

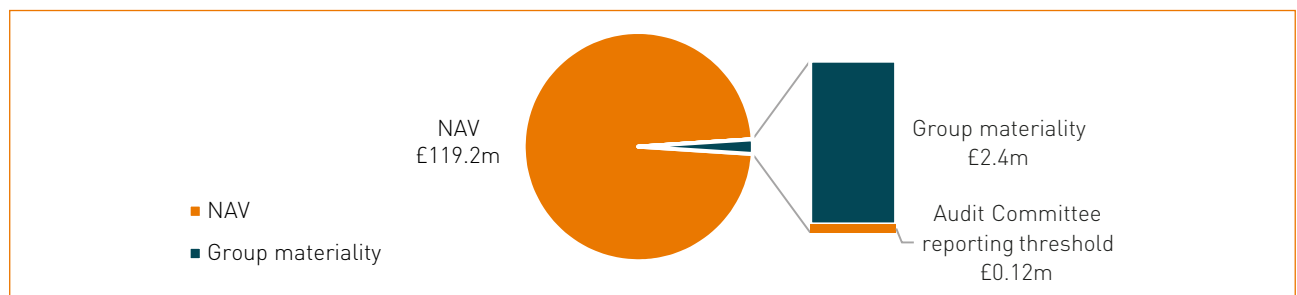
Having carried out the procedures, we determined that interest income and loan related fees are appropriately accounted for in the financial statements.

6. OUR APPLICATION OF MATERIALITY**6.1. Materiality**

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

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

Group Materiality	£2.4 million (2020: £2.4 million)
Basis for determining materiality	2% (2020: 2%) of net asset value We have applied a lower materiality threshold of £497,000 (2020: £407,000) based on 5% of income from loans (2020: 5% of net income).
Rationale for the benchmark applied	We believe net asset value is the most appropriate benchmark as it is considered one of the principal considerations for members of the Group in assessing financial performance. A lower threshold has been used for loan interest income and expenses as such transactions are important to investors and provide the profit to support distributions to shareholders.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit and Operational Risk Committee that we would report to the Committee all audit differences in excess of £119,000 (2020: £119,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Operational Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. Scoping

Our audit was scoped by obtaining an understanding of the group and its environment, including internal control, and assessing the risks of material misstatement for the Company and its subsidiary. Audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team.

We performed a full scope audit coverage of 100% of the Group's income from loans, loans advanced and 100% of net assets. Our audit focus was on the parent entity and its wholly owned subsidiary, ICG-Longbow Senior Debt S.A., which holds the portfolio of loan investments of the Group.

At the Group level, we have tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no additional risks of material misstatement on the aggregated financial information of the Group.

7.2. Our consideration of the control environment

The Company is administered by a third party Guernsey regulated service provider. As part of our audit, we obtained an understanding of relevant controls established at the service provider.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 10 December 2020;
- results of our enquiries of management and the Audit and Operational Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non compliance with laws and regulations; and
 - the matters discussed among the audit engagement team and relevant internal specialists, including tax and credit specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- The assessment of expected credit losses (ECL) on loans advanced ; and
- Revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008 and the Listing Rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the assessment of ECL on loans advanced and revenue recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit and Operational Risk Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with Guernsey Financial Services Commission;
- reviewing the disclosures in the Audit and Operational Risk Committee Report; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non compliance with laws and regulations throughout the audit.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the AIC Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting a basis of accounting other than that of a going concern set out on page 20;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 20;
- the directors' statement on fair, balanced and understandable set out on page 24;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 30;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 29; and
- the section describing the work of the Audit and Operational Risk Committee set out on page 30.

13. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

14.1. Auditor tenure

Following the recommendation of the Audit and Operational Risk Committee, we were re-appointed by board on 25 September 2020 to audit the financial statements for the year ending 31 January 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 January 2014 to 31 January 2021.

14.2. Consistency of the audit report with the additional report to the Audit and Operational Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Operational Risk Committee we are required to provide in accordance with ISAs (UK).

15. USE OF OUR REPORT

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 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.



DAVID BECKER
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey

7 May 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2021

	Notes	1 February 2020 to 31 January 2021 £	1 February 2019 to 31 January 2020 £
Income			
Income from loans	2 f)	9,655,862	8,148,411
Other fee income from loans	2 g), 5	297,979	354,300
Income from cash and cash equivalents		49	10,790
Total income		9,953,890	8,513,501
Expenses			
Investment advisory fees	14	1,195,588	1,192,620
Other expenses	17	677,782	680,927
Reorganisation costs		208,397	–
Finance costs	18	194,664	245,582
Directors' remuneration	13	199,953	197,500
Audit fees for the Company	15	47,355	69,275
Audit fees for the Subsidiary	15	14,885	15,143
Total expenses		2,538,624	2,401,047
Profit for the year before tax		7,415,266	6,112,454
Taxation charge	4	4,461	2,173
Profit for the year after tax		7,410,805	6,110,281
Total comprehensive income for the year		7,410,805	6,110,281
Basic and diluted Earnings per share (pence)	9	6.11	5.04

All items within the above statement have been derived from discontinuing activities on the basis of the orderly realisation of the company's assets.

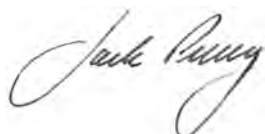
The Group has no recognised gains or losses for either period other than those included in the results above, therefore, no separate statement of other comprehensive income has been prepared.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2021

	Notes	31 January 2021 £	31 January 2020 £
Assets			
Cash and cash equivalents	7	8,773,640	3,383,841
Trade and other receivables	6	1,233,834	1,285,466
Loans advanced at amortised cost	5	110,712,112	121,649,346
Total assets		120,719,586	126,318,653
Liabilities			
Loans and borrowings	16	–	5,200,000
Other payables and accrued expenses	8	1,470,447	2,002,151
Total liabilities		1,470,447	7,202,151
Net assets		119,249,139	119,116,502
Equity			
Share capital	10	119,115,310	119,115,310
Retained earnings		133,829	1,192
Total equity attributable to the owners of the Company		119,249,139	119,116,502
Number of ordinary shares in issue at year end	10	121,302,779	121,302,779
Net Asset Value per ordinary share (pence)	9	98.31	98.20

The Financial Statements were approved by the Board of Directors on 7 May 2021 and signed on their behalf by:



JACK PERRY
Chairman

7 May 2021



PATRICK FIRTH
Director

7 May 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2021

	Notes	Number of shares	Share capital £	Retained earnings £	Total £
As at 1 February 2020		121,302,779	119,115,310	1,192	119,116,502
Profit for the year		-	-	7,410,805	7,410,805
Dividends paid	10	-	-	(7,278,168)	(7,278,168)
As at 31 January 2021		121,302,779	119,115,310	133,829	119,249,139

For the year ended 31 January 2020

	Notes	Number of shares	Share capital £	Retained earnings £	Total £
As at 1 February 2019		121,302,779	119,115,310	1,169,079	120,284,389
Profit for the year		-	-	6,110,281	6,110,281
Dividends paid	10	-	-	(7,278,168)	(7,278,168)
As at 31 January 2020		121,302,779	119,115,310	1,192	119,116,502

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 January 2021

	Notes	1 February 2020 to 31 January 2021 £	1 February 2019 to 31 January 2020 £
Cash flows generated from operating activities			
Profit for the year		7,410,805	6,110,281
Adjustments for non-cash items and working capital movements:			
Movement in other receivables		51,632	(1,158,812)
Movement in other payables and accrued expenses		(522,614)	1,235,535
Movement in tax payable		(9,090)	(7,255)
Loan amortisation		(512,292)	460,101
		6,418,441	6,639,850
Loans advanced less arrangement fees		(27,144,200)	(44,621,285)
Loans repaid		38,593,726	31,073,315
Net loans repaid/(advanced) less arrangement fees		11,449,526	(13,547,970)
Net cash generated/(used in) operating activities		17,867,967	(6,908,120)
Cash flows used in financing activities			
Net amounts (repaid)/drawn down on loan facility	16	(5,200,000)	5,200,000
Dividends paid	10	(7,278,168)	(7,278,168)
Net cash used in financing activities		(12,478,168)	(2,078,168)
Net movement in cash and cash equivalents		5,389,799	(8,986,288)
Cash and cash equivalents at the start of the year		3,383,841	12,370,129
Cash and cash equivalents at the end of the year		8,773,640	3,383,841

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 January 2021

1. GENERAL INFORMATION

ICG-Longbow Senior Secured UK Property Debt Investments Limited is a non-cellular company limited by shares and was incorporated in Guernsey under the Companies Law on 29 November 2012 with registered number 55917 as a closed-ended investment company. The registered office address is Floor 2, PO Box 286, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

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

The Consolidated Financial Statements comprise the Financial Statements of the Group as at 31 January 2021.

In line with the revised Investment Objective and Policy approved by shareholders in the Extraordinary General Meeting in January 2021, the Company is now undertaking an orderly realisation of its investments. As sufficient funds become available the Board intends to return capital to shareholders, taking account of the Company's working capital requirements and funding commitments.

During the year, the Company's management arrangements were amended and the Company appointed ICG Alternative Investment Limited as external discretionary investment manager, under the Alternative Investment Fund Management Directive (AIFMD) within a remit set by the Board. The Board resolved to simplify its corporate structure by collapsing the Luxembourg subsidiary company which has historically acted as the lender for the Group's investments. Following year ended 31 January 2021, the process of winding up the Luxembourg company has now commenced.

2. ACCOUNTING POLICIES

a) Basis of preparation

The Financial Statements for the year ended 31 January 2021 have been prepared in accordance with IFRS as adopted in the EU and the Companies Law and on the historical cost basis as modified for the measurement of certain financial instruments.

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

At the date of approval of these Financial Statements, the Group has reviewed the following new and revised IFRS standards and interpretations that have been issued and are now effective:

		Effective for periods commencing
IFRS 7	Financial Instruments Disclosures (Amendments regarding pre-replacement issues in the context of the IBOR reform)	1 January 2020
IFRS 9	Financial Instruments (Amendments regarding pre-replacement issues in the context of the LIBOR reform)	1 January 2020
IAS 1	Presentation of Financial Statements (Amendments regarding the definition of material)	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments regarding the definition of material)	1 January 2020

The adoption of these standards and interpretations has had no impact on the Consolidated Financial Statements of the Group.

b) Going concern

The Directors, at the time of approving the Financial Statements, are required to satisfy themselves that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. At the EGM of the Company on 14 January 2021, following a recommendation from the Board published in a circular on 16 December 2020, shareholders voted by the requisite majority in favour of a change to the Company's Objectives and Investment Policy which would lead to an orderly realisation of the Company's assets and a return of capital to shareholders.

It is intended that the investments will be realised as and when the loans fall due, and the Directors expect that the investments will be held to maturity with the last loan repaying by the end of 2023. Whilst the Directors are satisfied that the Company has adequate resources to continue in operation throughout the realisation period and to meet all liabilities as they fall due, given the Company is now in a managed wind down, the Directors consider it appropriate to adopt a basis other than a going concern in preparing the consolidated financial statements. The Directors anticipate that the basis of valuation for investments in future is expected to change to fair value. The Directors do not anticipate this will lead to any material change in their carrying value. No material adjustments arose as a result of ceasing to apply the going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

c) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Group is not considered an 'Investment Entity' as defined by IFRS 10 Consolidated Financial Statements as it does not meet the criteria set out therein, specifically it does not measure and evaluate the performance of substantially all of its investments on a fair value basis.

d) Functional and presentation currency

The Financial Statements are presented in Pounds Sterling, which is the functional currency as well as the presentation currency as all the Group's investments and most transactions are denominated in Pounds Sterling.

e) Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Consolidated Statement of Comprehensive Income.

f) Interest income

In accordance with IFRS 9 interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Arrangement and exit fees which are considered to be an integral part of the contract are included in the effective interest rate calculation.

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

g) Other fee income

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

h) 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.

i) Taxation

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

The Group is liable to Luxembourg tax arising on the results and capitalisation of its Luxembourg registered entity which is included in tax charge for the year (see Note 4).

j) Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's obligation to make payment has been established. Dividends paid during the year are disclosed in the Consolidated Statement of Changes in Equity. Dividends declared post year end are disclosed in Note 10.

k) Segmental reporting

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

U) Financial instruments

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

Financial assets

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, financial assets at fair value through Other Comprehensive Income or financial assets at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

i) Loans and receivables

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

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

ii) 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.

iii) Effective interest rate method

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

iv) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade receivables and loan receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises 12-month ECL for trade receivables and loan receivables that fall under stage 1 assets. For stage 2 assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Group has adopted a simplified model for trade receivables where lifetime ECL is estimated and does not materially differ from the twelve-month ECL.

v) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

i) Financial instruments (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument,
- e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default;
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

vii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

viii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (vii) above);
- (c) the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty having granted to the borrower concessions that the lenders would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

viii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of loan receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)**l) Financial instruments (continued)***ix) Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which a simplified approach was used.

The Group's measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Group has also considered reasonable and supportable information from past events, current conditions and reasonable and supportable forecasts for future economic conditions when measuring ECL.

- Stage 1 covers financial assets that have not deteriorated significantly in credit risk since initial recognition;
- Stage 2 covers financial assets that have significantly deteriorated in credit quality since initial recognition; and
- Stage 3 covers financial assets that have objective evidence of impairment at the reporting date.

Twelve month ECL are recognised in stage 1, while lifetime ECL are recognised in stages 2 and 3.

x) Modification of cash flows

Having performed adequate due diligence procedures, the Group may negotiate or otherwise modify the contractual cash flows of loans to customers, usually as a result of loan extensions. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

If terms are substantially different the original asset is derecognised and a new financial asset is recognised. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses as explained in paragraph above.

xi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

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

i) Financial liabilities measured at amortised cost

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

ii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

m) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES 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 periods if the revision affects both current and future periods.

Critical judgements

In assessing the ECL, the Board have made critical judgements in relation to the staging of the loans and assessments which impact the loss given default. In assessing whether the loans have incurred a significant increase in credit risk the Investment Manager, on behalf of the Board, assesses the credit risk attaching to each of the loans. The Group has adopted the Investment Manager's internal credit rating methodology and has used its loss experience to benchmark investment performance and potential impairment for both Stage 1 and Stage 2 loans under IFRS 9 considering both probability of default and loss given default. The judgement applied in allocating each investment to Stage 1, 2 or 3 is key in deciding whether losses are considered for the next 12 months or over the life of the loan. The Board has estimated that three loans have shown evidence of heightened credit risk. In assessing the ultimate ECL in relation to these loans, the Board has made assumptions regarding the collateral value and headroom over the principal loan amounts.

Critical accounting estimates

The measurement of both the initial and ongoing expected credit loss allowance for loan receivables measured at amortised cost is an area that requires the use of significant assumptions about credit behaviour such as likelihood of borrowers defaulting and the resulting losses. This is described further in Note 2 l). In assessing the probability of default the Board has taken note of the experience and loss history of the Investment Manager which may not be indicative of future losses. The default probabilities are based on LTV headroom which the Investment Manager believes to be a good predictor of the probability of default, in accordance with recent market studies of European commercial real estate loans. The effects of Covid-19 on certain real estate markets has impacted valuations and resulting LTVs, with any future impact of the pandemic across the wider markets remaining uncertain. However, the Directors consider the loss given default to be close to zero as the loans are the subject of very detailed due diligence procedures on inception and, in addition, there is significant LTV headroom. As a result, no loss allowance has been recognised based on 12-month expected credit losses for those in stage 1 and or lifetime losses for those in stage 2, as any such impairment would be wholly insignificant to the Group. Note 5(iii) details management's assessment of the sensitivity of expected credit losses to LTV and ICR movements across the portfolio.

Revenue recognition is considered a significant accounting judgement and estimate that the Directors make in the process of applying the Group's policies (see Notes 2 e) and 2 f)). The Directors also make estimates in determining the fair value of prepayment options embedded within the contracts for loans advanced. The key factors considered in the valuation of prepayment options include the exercise price, the interest rate of the host loan contract, differential to current market interest rates, the risk free rate of interest, contractual terms of the prepayment option, and the expected term of the option. Given the low probability of exercise and undeterminable exercise date, the value attributed to these embedded derivatives is considered to be £nil (31 January 2019: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. TAXATION

The Group's tax charge of £4,461 (31 January 2020: £2,173) consists of taxes and non-deductible VAT levied on Luxco. The net wealth tax charge was £4,461 for the financial year ended 31 January 2021 (31 January 2020: £2,173). The net wealth tax charge, set at a rate of 0.5% (31 January 2020: 0.5%), on Luxco's global assets (net worth), determined as at the 1 January of each calendar year. The corporate income tax charge, including corporate income tax and municipal business tax, amounted to Enil for 2021 (31 January 2020: Enil) set by the Luxembourg Tax Administration.

	1 February 2020 to 31 January 2021 £	1 February 2019 to 31 January 2020 £
Net wealth tax – current year	4,461	4,162
Net wealth tax – prior year	–	(1,989)
Fixed income tax – current year	–	–
Non-deductible VAT	–	–
	4,461	2,173

5. LOANS ADVANCED**(i) Loans advanced**

	31 January 2021 Principal advanced £	31 January 2021 At amortised cost £	31 January 2020 Principal advanced £	31 January 2020 At amortised cost £
Meadow	–	–	21,500,000	21,970,264
Northlands	9,578,514	9,542,788	9,241,378	9,073,080
Halcyon	5,732,465	5,864,704	5,732,465	5,864,797
Carrara	–	–	1,300,000	1,339,542
BMO	–	–	15,793,727	15,870,152
Quattro	8,853,459	8,974,982	9,000,000	9,063,450
Affinity	16,700,000	17,010,855	16,700,000	16,934,764
Southport	16,059,285	16,157,217	13,769,804	13,790,726
Royale Life	25,382,017	26,174,473	22,462,491	22,525,659
LBS	6,283,119	6,271,791	5,269,651	5,216,912
Knowsley	7,750,000	7,747,844	–	–
GMG	12,981,133	12,967,458	–	–
	109,319,992	110,712,112	120,769,516	121,649,346

(ii) Valuation considerations

As noted above the Company is now in the process of an orderly wind down. It remains the intention of the Manager and Directors to hold loans through to their repayment date. 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. For further information regarding the status of each loan and the associated risks see the Investment Manager's Report, the Statement of Principal Risks on pages 30 to 32 and Note 11.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. LOANS ADVANCED (CONTINUED)

(ii) Valuation considerations (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. 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 forced closure of much of the UK economy due to Covid-19 lockdown's during the financial year has impacted rent collection and business plan progress on a number of investments, resulting in interest deferral, capitalisation and in some cases term extensions, 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 any loan to be subject to specific impairment, or for there to be a risk of not achieving full recovery, including areas of interest over the residual term of each loan.

(iii) IFRS 9 – Impairment of Financial Assets

In accordance with the Group's Accounting Policy for Financial Instruments as set out in Note 2 l) (iv) above, the Board is required to consider the future potential impairment of the loan portfolio. Accordingly, the internal credit rating of each loan as at 31 January 2021 has been reviewed. Of the three loans identified as Stage Two assets in the previous reporting year one has since repaid in full, one has been upgraded following completion of refurbishment works and positive lettings progress and one is still identified as Stage 2. One additional loan showed deterioration in its internal credit rating since 31 January 2020 and has been identified as a stage 2 asset; all other loans showed no deterioration, and were considered as Stage 1 assets with no ECL over a twelve month period.

As at 31 January 2021

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	84,407,248	24,912,744	–	109,319,922
Gross carrying value	85,579,913	25,132,199	–	110,712,112
Less ECL allowance	–	–	–	–
	85,579,913	25,132,199	–	110,712,112

As at 31 January 2020

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	79,275,789	41,493,727	–	120,769,516
Gross carrying value	79,780,980	41,868,366	–	121,649,346
Less ECL allowance	–	–	–	–
	79,780,980	41,868,366	–	121,649,346

The Stage 2 loans at 31 January 2021 were Quattro and Southport.

The Stage 2 loan, Quattro, was identified as a Stage 2 asset at 31 January 2019 following a deterioration in credit rating as a result of a reduction in interest cover as the interest reserve was utilised. The borrower has made significant progress in new lettings and adding value through the development of residential apartments above one of the properties. The new apartments were completed following the period end and are now under offer for sale which will lead to a further pay down of the loan and a consequential improvement in risk profile. Whilst the loan has passed its formal maturity date, given the positive progress in the period and favourable valuation outlook, the Investment Manager has agreed a short term extension of the facility to allow for an orderly repayment. The loan remains at Stage 2 and no provision for impairment is deemed necessary.

In the case of the Southport loan, the hotel has been required to close for much of the period due to the Covid-19 pandemic leading to the borrower requesting a deferral and capitalisation of interest which was agreed. The borrower has recently repaid all previously capitalised interest, and the hotel is expected to benefit from increased occupation as the UK re-opens in the summer of 2021. Moreover, in May 2021 the property was independently revalued at £20.6 million, reflecting an LTV of 72.8%. As such no provision for impairment is deemed necessary.

The debt outstanding on RoyaleLife loan increased during the period as a result of a drawdown on committed capital expenditure facilities, along with the capitalisation of interest. This increase in loan exposure was offset by a significant increase in the value of the underlying security portfolio, with the result that LTV reduced over the period from 76.9% in the prior year to 75.4% at year end. As such the loan is not recognised as a Stage 2 facility.

All other loans showed no deterioration and were considered as Stage 1 assets with no ECL over a twelve month period.

Following the change in Investment Policy and expectation that the Company will be wound up through an orderly repayment of loans by the borrowers, and given the significant equity valuation buffer present in all loans relative to the residual term, then, notwithstanding the IFRS9 sensitivity analysis discussed below, the loans are not considered to be permanently impaired and no provision for ECL has been raised in the year.

A reconciliation of the ECL allowance was not presented as the allowance recognised at period end was £nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. LOANS ADVANCED (CONTINUED)**IFRS 9 Impairment – Stress Analysis**

As discussed above, and in Note 2, the Group's ECL is a function of the probability of default ("PD") and loss given default ("LGD"), where PD is benchmarked against ICG Real Estate's internal credit rating model and LGD is based on ICG Real Estate's track record of over £3.7 billion of senior and whole loans which would satisfy the Company's investment parameters.

Whilst all loans are expected to repay in full within their residual term, the Company has performed stress analysis on its expected credit loss by considering the impact of a one two and three grade deterioration in the credit rating of each loan as if they were all Stage 2 Assets and considered the impact of impairment over the life of the loans.

As discussed above the Covid-19 pandemic has impacted the performance of a number of loans with a resultant reduction in interest cover, and the capitalisation of interest leading to higher LTV exposures. The Covid-19 pandemic and its impact of valuation of the retail sector in particular, has reduced ICG Real Estate's recovery expectations for non-performing loans across its wider portfolio, although it should be noted that the Company has very limited exposure to the retail sector. As a result the application of stress tests in accordance with the Company's policy results in a significantly higher risk profile than in 2020.

A three-grade stress on the portfolio would result in four loans (Quattro, GMG, RoyaleLife and Southport) moving to sub-standard or doubtful with a materially increased probability of default leading to 12 month expected aggregate losses of £2.8 million.

The majority of loans still benefit from strong equity value protection.

Refer to note 11 for further details of the Group's credit risk grading framework.

Stress test impact on Expected Credit Loss at 31 January 2021

	ECL Impact
One grade deterioration in credit rating	£473,000
Two grade deterioration in credit rating	£925,000
Three grade deterioration in credit rating	£2,819,000

One loan with a value of £13.8 million at 31 January 2020 moved from stage 1 to stage 2 and one loan with a value of £16.7 million as at 31 January 2020 moved from stage 2 to stage 1. Furthermore, one loan with a balance of £15.8 million classified under stage 2 and two loans with an aggregate balance of £22.8 million classified as stage 1 as at 31 January 2020 were fully repaid during the current year. Two loans with an aggregate balance of £20.7 million were drawn and are classified as stage 1. Any other movements relate to current year interest.

Other fee income from loans excluding capitalised loan repayments totalled £297,979 (31 January 2020: £354,300).

6. TRADE AND OTHER RECEIVABLES

	31 January 2021 £	31 January 2020 £
Other receivables	1,233,834	1,285,466

Other receivables include accrued interest on loans receivable. There were no factors to indicate significant increase in credit risk or objective evidence of impairment or default at year end, hence no lifetime ECL was recognised on the balances. Please see comments in note 5 above in respect of the loan portfolio.

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

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits held with maturities of twelve months or less. The carrying amounts of these assets approximate their fair value. This includes restricted cash of £174,175 (31 January 2020: £153,585), representing cash held pending transfer to borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. OTHER PAYABLES AND ACCRUED EXPENSES

	31 January 2021 £	31 January 2020 £
Investment Advisory/Management fees (see Note 14)	897,928	595,916
Taxes payable	(7,411)	(5,576)
Directors' remuneration (see Note 13)	45,995	49,375
Administration fees (see Note 14)	35,907	21,667
Broker fees	25,825	25,817
Audit fees	50,664	45,745
Loan interest	–	16,918
Other expenses	17,014	13,153
Reorganisation costs	171,397	–
Trade creditors	233,128	1,239,136
	1,470,447	2,002,151

Trade creditors comprise amounts payable to borrowers. The Group has management policies in place to ensure that all payables are paid within the credit time frame. The Board of Directors considers that the carrying amount of all payables approximates to their fair value.

9. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

Earnings per share

	1 February 2020 to 31 January 2021	1 February 2018 to 31 January 2020
Profit for the year (£)	7,410,805	6,110,281
Weighted average number of ordinary shares in issue	121,302,779	121,302,779
Basic and diluted EPS (pence)	6.11	5.04
Adjusted basic and diluted EPS (pence)	6.11	4.77

The calculation of basic and diluted Earnings per share is based on the profit for the year and on the weighted average number of ordinary shares in for the year ended 31 January 2021.

The calculation of adjusted basic and diluted Earnings per share is based on the profit for the year, adjusted for one-off other fee income during the year totalling £nil (31 January 2020: £354,300).

There are no dilutive shares in issue at 31 January 2021 (31 January 2020: none).

Net Asset Value per share

	31 January 2021	31 January 2020
NAV (£)	119,249,139	119,116,502
Number of ordinary shares in issue	121,302,779	121,302,779
NAV per share (pence)	98.31	98.20

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. SHARE CAPITAL

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

	31 January 2021 £	31 January 2020 £
Authorised		
Ordinary shares of no par value	Unlimited	Unlimited
	Total No	Total No
Issued and fully paid:	121,302,779	121,302,779
	£	£
Share capital brought forward	119,115,310	119,115,310
Share capital	119,115,310	119,115,310

Dividends

Dividends are recognised by the Company in the quarterly NAV calculation following the declaration date. A summary of the dividends declared and/or paid during the year ended 31 January 2021 and 31 January 2020 are set out below:

1 February 2020 to 31 January 2021	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2020	1.50	1,819,542
Interim dividend in respect of quarter ended 30 April 2020	1.50	1,819,542
Interim dividend in respect of quarter ended 31 July 2020	1.50	1,819,542
Interim dividend in respect of quarter ended 31 October 2020	1.50	1,819,542
	6.00	7,278,168

1 February 2019 to 31 January 2020	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2019	1.50	1,819,542
Interim dividend in respect of quarter ended 30 April 2019	1.50	1,819,542
Interim dividend in respect of quarter ended 31 July 2019	1.50	1,819,542
Interim dividend in respect of quarter ended 31 October 2019	1.50	1,819,542
	6.00	7,278,168

Following shareholder approval of proposed changes to the Company's Investment Objectives and Investment Policy which will allow an orderly realisation of the Company's assets and return of capital to shareholders, the Board expects the Company to continue the payment of quarterly dividends whilst it remains prudent to do so. The dividend payable per ordinary share will however reduce over time as assets are realised and as capital is returned to shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. SHARE CAPITAL (CONTINUED)

Additional interim dividend

On 24 March 2021, the Directors declared an interim dividend in respect of the quarter ended 31 January 2021 of £1,819,542 equating to 1.5 pence per ordinary share to shareholders on the register as at the close of business on 6 April 2021, payable on 30 April 2021.

Following shareholder approval of proposed changes to the Company's Investment Objectives and Investment Policy which will allow an orderly realisation of the Company's assets and return of capital to shareholders, the Board expects the Company to continue the payment of quarterly dividends whilst it remains prudent to do so. The dividend payable per ordinary share will however reduce over time as assets are realised and as capital is returned to shareholders.

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.

The Company's Articles include a B Share mechanism for returning capital to Shareholders and following Shareholder approval on 14 January 2021, the Company will utilise this mechanism. When the Board determines to return capital to Shareholders, the Company will issue B Shares, paid up out of the Company's assets, to existing Shareholders pro rata to their holding of Ordinary Shares at the time of such issue. The amount paid up on the B Shares will be equal to the cash distribution to be made to Shareholders via the B Share Mechanism. The B Shares shall be redeemable at the option of the Company following issue and the redemption proceeds (being equal to the amount paid up on such B Shares) paid to the holders of such B Shares on such terms and in such manner as the Directors may from time to time determine. It is therefore expected that the B Shares will only ever be in issue for a short period of time and will be redeemed shortly after their issue in order to make the return of capital to Shareholders.

It is intended that following each return of capital the Company will publish a revised estimated Net Asset Value and Net Asset Value per Ordinary Share based on the prevailing published Net Asset Value and Net Asset Value per Ordinary Share adjusted to take into account the return of capital.

The number of Ordinary shares in issue will remain unchanged.

11. RISK MANAGEMENT POLICIES AND PROCEDURES

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

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

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

Market risk

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

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

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the value of financial instruments and related income from 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 and drawing on the RCF.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)**Interest rate risk (continued)**

The following table shows the portfolio profile of the material financial assets at 31 January 2021 and 31 January 2020:

	31 January 2021 £	31 January 2020 £
Floating rate		
Cash	8,773,640	3,383,841
Fixed rate		
Loans advanced at amortised cost	110,712,112	121,649,346
	119,485,752	125,033,187

The timing of interest payments on the loans advanced is summarised in the table on pages 59 to 60.

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.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and investments in these instruments, including bills of exchange, debentures and redeemable notes, where the counterparties have minimum BBB- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group has adopted the Investment Manager's internal credit rating methodology to assess the creditworthiness of each loan and resultant credit risk, PD and LGD. The model takes into account factors below such as:

- financial risk of the debtor – considers the financial position of the debtor in general and considers LTV, ICR and amortisation profile/ debt maturity;
- property risk – where the property location, quality (specification, condition) and letting risk are considered;
- income risk – the income risk category considers, tenant diversity, tenant credit quality and lease length ratio, sector diversity and geographical diversity; and
- borrower/structure risk – where factors such as history of the borrower/sponsor, loan control (security package) and covenants are considered.

The credit risk model is dynamic and recognises the interplay between diversity and quality as a risk mitigant. The Group's current credit risk grading framework comprises the following categories:

Grade	Description	Staging	Basis for recognising ECL
AAA, AA+	Virtually no risk	Stage 1	12 month ECL
AA to A	Low risk	Stage 1	12 month ECL
BBB	Moderate risk	Stage 1	12 month ECL
BB	Average risk	Stage 1	12 month ECL
B	Acceptable risk	Stage 1	12 month ECL
CCC+	Borderline Risk	Stage 2	Lifetime ECL-not credit impaired
CCC	Special Mention	Stage 2	Lifetime ECL-not credit impaired
CC	Substandard	Stage 3	Lifetime ECL-credit impaired
D	Doubtful	Stage 3	Lifetime ECL-credit impaired
D	Loss	N/A	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

Credit risk (continued)

The Group has adopted the Investment Manager's internal credit rating methodology and used its loss experience to benchmark investment performance and potential impairment for both Stage 1 and Stage 2 loans under IFRS 9 considering both probability of default and expected credit loss. The total exposure to credit risk arises from default of the loan counterparty and the carrying amounts of other financial assets best represent the maximum credit risk exposure at the year end date, including the principal advanced on loans, interest outstanding on loans and cash and cash equivalents and. As at 31 January 2021, the maximum credit risk exposure was £118,093,632 (31 January 2020: £124,170,275).

The Investment Manager has adopted procedures to reduce credit risk exposure through the inclusion of covenants in loans issued, along with conducting credit analysis of the counterparties, their business and reputation, which is monitored on an on-going basis. The Investment Manager routinely analyses the profile of the Group's underlying risk in terms of exposure to significant tenants, reviewing market data and forecast economic trends to benchmark borrower performance and to assist in identifying potential future stress points. As at 31 January 2021, the gross exposure by credit grade was as follows: £9,542,788 as BBB (31 January 2020: £38,804,909), £66,019,869 as BB (31 January 2020 £67,694,956), and £35,149,455 as B (31 January 2020 £14,269,651).

Collateral held as security

Each loan is secured by a charge of commercial real estate property pledged by the borrower. The current valuations for these properties and LTV information for each loan (and for the portfolio as a whole) are detailed in the loan summary pages in the Investment Manager's report on pages 10 to 14.

To diversify credit risk the Company maintains its cash and cash equivalents across four (31 January 2020: four) different banking groups as shown below. In order to cover operational expenses, a working capital balance at Royal Bank of Scotland International Limited is monitored and maintained. To diversify credit risk within Luxco, cash and cash equivalents are maintained at appropriate levels of operational capital with interest payments made to the Company on a regular basis. This is subject to the Group's credit risk monitoring policies.

The table below shows the Company's cash balances and the credit rating for each counterparty:

	S&P Rating	31 January 2021 £	31 January 2020 £
The Royal Bank of Scotland International Luxembourg Branch ⁽¹⁾	A-	6,361,893	2,331,319
Lloyds Bank International Limited ⁽²⁾	A	109,769	99,996
Barclays Bank plc	A	109,835	34,388
Butterfield Bank (Guernsey) Limited ⁽³⁾	BBB+	109,738	95,725
Royal Bank of Scotland International Limited	A-	2,082,405	822,413
		8,773,640	3,383,841

⁽¹⁾ Rating from parent, Royal Bank of Scotland International Limited

⁽²⁾ Rating from parent, Lloyds Bank Corporate Markets Plc

⁽³⁾ Formerly ABN Amro CI

The carrying amount of these assets approximates their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. 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.

The Group manages its liquidity risks through the regular preparation and monitoring of cash flow forecasts to ensure that it can meet its obligations as they fall due.

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

	Less than one year £	Between one and five years £	Total as at 31 January 2021 £
Northlands – principal	–	9,578,514	9,578,514
Northlands – interest and exit fees	622,603	656,815	1,279,418
Halcyon – principal	5,732,465	–	5,732,465
Halcyon – interest and exit fees	132,239	–	132,239
Quattro – principal	8,853,459	–	8,853,459
Quattro – interest and exit fees	121,523	–	121,523
Affinity – principal	–	16,700,000	16,700,000
Affinity – interest and exit fees	1,249,068	783,103	2,032,171
Southport – principal	–	16,059,285	16,059,285
Southport – interest and exit fees	1,124,150	1,642,227	2,766,377
Royale – principal	–	25,382,017	25,382,017
Royale – interest and exit fees	2,030,561	6,585,517	8,616,078
LBS – principal	–	6,283,119	6,283,119
LBS – interest and exit fees	410,641	329,132	739,773
Knowsley – principal	–	7,750,000	7,750,000
Knowlsey – interest and exit fees	658,904	816,776	1,475,680
GMG – principal	–	12,981,133	12,981,133
GMG – interest and exit fees	778,868	1,168,302	1,947,170
	21,714,481	106,715,940	128,430,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

Liquidity risk (continued)

	Less than one year £	Between one and five years £	Total as at 31 January 2020 £
Meadow – principal	21,500,000	–	21,500,000
Meadow – interest and exit fees	1,282,637	–	1,282,637
Northlands – principal	–	9,241,378	9,241,378
Northlands – interest and exit fees	602,335	1,234,386	1,836,721
Halcyon – principal	5,732,465	–	5,732,465
Halcyon – interest and exit fees	473,046	–	473,046
Carrara – principal	1,300,000	–	1,300,000
Carrara – interest and exit fees	107,277	–	107,277
BMO – principal	15,793,727	–	15,793,727
BMO – interest and exit fees	76,425	–	76,425
Quattro – principal	9,000,000	–	9,000,000
Quattro – interest and exit fees	720,000	–	720,000
Affinity – principal	–	16,700,000	16,700,000
Affinity – interest and exit fees	1,253,381	2,034,740	3,288,121
Southport – principal	–	13,769,804	13,769,804
Southport – interest and exit fees	966,527	2,371,990	3,338,517
RoyaleLife – principal	–	22,462,491	22,462,491
RoyaleLife – interest and exit fees	2,166,224	7,974,263	10,140,487
LBS – principal	–	5,269,651	5,269,651
LBS – interest and exit fees	343,466	618,571	962,037
	61,317,510	81,677,274	142,994,784

The Group could also be exposed to prepayment risk, being the risk that the principal may be repaid earlier than anticipated, causing the return on certain investments to be less than expected. The Group, where possible, seeks to mitigate this risk by inclusion of income protection clauses that protect the Group against any prepayment risk on the loans advanced for some of the period of the loan. All loans advanced have included income protection clauses in the event of prepayment of the loans for the majority of the loan term. As at the year end date the residual weighted average income protection period was 0.72 years (31 January 2020: 1.01 years).

The Group has loans and receivables with a prepayment option embedded. Given the low probability of exercise and indeterminable exercise date, the value attributed to these embedded derivatives is considered to be £nil (31 January 2020: £nil).

Capital management policies and procedures

The Group's capital management objectives are to ensure that the Group will be able to continue to meet all of its liabilities as they fall due and to maximise the income and capital return to equity shareholders.

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

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

The Company has no externally imposed capital requirements. The Group's capital at the year end comprised equity share capital and reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. SUBSIDIARY

At 31 January 2021 the Company had one wholly owned subsidiary, ICG-Longbow Senior Debt S.A., registered in Luxembourg. As reported in the Company's interim report and accounts, the Board resolved to simplify its corporate structure by collapsing the Luxembourg subsidiary company which has historically acted as the lender for the Group's investments. As at 31 January 2021 the loans were still held by the Luxembourg subsidiary. While the subsidiary remained active as at the date of this accounts, steps have now commenced to wind it up and its liquidation is expected to be completed within the current financial year.

13. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION

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

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

Directors

The Directors' fees for the year amounted to £199,953 (31 January 2020: £197,500) with outstanding fees of £45,995 due to the Directors at 31 January 2021 (31 January 2020: £49,375) (see Note 8).

14. MATERIAL AGREEMENTS

Investment Management Agreement

Investment Manager

Investment advisory fees for the year amounted to £1,195,588 (31 January 2020: £1,192,620), of which £897,928 (31 January 2020: £595,916) was outstanding at the year end (see Note 8).

Previously the Company was internally managed by the Board, after receiving advice from Intermediate Capital Managers Limited (an affiliate of ICG Alternative Investment Limited), under the terms of a non-discretionary investment advisory agreement. This agreement has now been terminated. The fees payable to ICG Alternative Investment Limited under the new arrangements are at the same rate as those previously payable to Intermediate Capital Managers Limited.

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

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

Administration Agreement

The Administrator has been appointed to provide day to day administration and company secretarial services to the Company, as set out in the Administration Agreement. Under the terms of the Administration Agreement, the Administrator is entitled to a fixed fee of £90,000 per annum for services such as administration, corporate secretarial services, corporate governance, regulatory compliance and stock exchange continuing obligations provided both to the Company and some limited administration services to Luxco in conjunction with the Luxembourg Administrator. The Administrator will also be entitled to an accounting fee charged on a time spent basis with a minimum fee of £40,000 per annum. Administration and accounting fees for the year amounted to £172,421 (31 January 2020: £95,188) of which £35,907 (31 January 2020: £15,000) was outstanding at the year end.

Registrar Agreement

The Registrar has been appointed to provide registration services to the Company and maintain the necessary books and records, as set out in the Registrar Agreement.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual fee from the Company equal to £1.78 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.

Depository Agreement

The Depository has been appointed from 25 November 2020 to provide depository services under the AIFMD to the Company, which include cash monitoring, asset verification and oversight, as set out in the Depository Agreement.

Under the terms of the Depository Agreement, the Depository is entitled to a fixed fee from the Company of £25,000 per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. AUDITOR'S REMUNERATION

Audit and non-audit fees payable to the auditors can be analysed as follows:

	31 January 2021 £	31 January 2020 £
Audit fees for the Company	47,355	69,275
Audit fees for the Subsidiary	14,885	15,143
Total Audit fees	62,240	84,418
Professional services in relation to tax advice	-	12,000
Total non-audit fees	-	12,000

16. REVOLVING CREDIT FACILITY

On 1 October 2018, the Group entered into a revolving credit facility with OakNorth Bank plc. This facility is for an amount equal to the lower of £25 million and 20% of the NAV from time to time. The loan matures 36 months from the date of the agreement. Interest accrues on each loan at a rate of LIBOR plus 3.95% per annum. An arrangement fee is payable on first drawing the facility and on the termination date.

This facility has been used towards maintaining and preserving liquidity, making new customer loans and payment of the fees, costs and expenses due. Two drawdowns were made during the year. The opening drawn down balance of £5.2m at 01 February 2020 was repaid on 13 March 2020. A further £4.4m was drawn down on 17 July 2020 and subsequently the full amount repaid 17 November 2020 leaving the overall balance drawn down at 31 January 2021 £nil (31 January 2020: £5.2m).

17. OTHER EXPENSES

The other expenses shown in the Consolidated Statement of Comprehensive Income are made up as shown below.

	31 January 2021 £	31 January 2020 £
Luxco operating expenses	278,661	278,964
Broker fees	52,163	51,434
Administration fees	172,421	159,967
Regulatory fees	19,351	19,457
Listing fees	13,375	8,689
Legal & professional fees	70,311	26,561
Tax advice	-	12,000
Other expenses	71,500	123,855
	677,782	680,927

18. FINANCE COSTS

Finance costs comprise £95,812 (31 January 2020: £90,836) relating to the interest paid on the revolving credit facility and £98,852 (31 January 2020: £154,746) relating to facility set-up costs.

19. SUBSEQUENT EVENTS

On 24 March 2021, the Directors declared an interim dividend in respect of the quarter ended 31 January 2021 of £1,819,542 equating to 1.5 pence per ordinary share to shareholders on the register as at the close of business on 6 April 2021, payable on 30 April 2021.

Following the year ended 31 January, the process of winding up the Luxembourg company has now commenced, which will allow the loan investments to be transferred to the Company. Over time the Company expects this restructuring to reduce pro forma operating expenses by approximately £200,000 per annum, the benefit of which will support the dividend and process of shareholder capital return in future periods.

ALTERNATIVE PERFORMANCE MEASURES

Performance Measure	Definition	Reason for Use
Weighted Average Loan Coupon	The money weighted average rate of interest being charged on each investment at the relevant reporting date.	To provide shareholders with a means to assess whether the interest payable on the Group's loans reflects the risk of such loans; and whether this is in line with the Company's investment parameters and shareholders' return expectations.
Weighted Average Loan Maturity	The money weighted average period from the relevant reporting date until the Group's investments reach their contractual repayment date.	To provide transparency to the Company's investment outlook and likely level of loan repayments, and to assist shareholders in identifying whether the remaining duration of the loans reflects their own investment time frames.
Weighted Average Loan to Value Ratio	The money weighted average Loan to Value ratio at the relevant reporting date, calculated on the basis of the outstanding loan amount for each investment as a percentage of the most recent Market Value of the properties securing each investment.	To provide transparency to the Company's risk positioning and to demonstrate compliance with the investment restrictions.
Total Income per Share	The total income of the Group as disclosed in the Consolidated Statement of Comprehensive Income divided by the number of Ordinary Shares in issuance at the relevant reporting date.	To provide transparency to the Company's investment returns.
NAV per Share	The net asset value of the Company divided by the number of Ordinary Shares in issuance at the relevant reporting date.	To assist shareholders in assessing the performance of the Company over a period in relation to its Investment Objectives.
Dividend per Share	The total dividends per Ordinary Share declared and/or paid during the relevant reporting period.	To assist shareholders in assessing the performance of the Company in relation to its Investment Objectives.
Shareholder Total Return since IPO	Share price movements combined with dividends paid on the assumption that dividends have been reinvested.	To assist shareholders in assessing the total return earned over the life of the Company.
Share Price Premium/Discount	The percentage difference between the NAV per share and the quoted price of each Ordinary Share as at the relevant reporting date.	To assist shareholders in identifying and monitoring the performance of the Company.
Percentage Capital Invested	The aggregate value of the investments at amortised cost divided by total shareholder equity. Where the figure exceeds 100%, the investments will be partially funded by the Company's debt facility.	To assist shareholders in identifying and monitoring the performance of the Company and the level of gearing.

GLOSSARY OF CAPITALISED DEFINED TERMS

“**Administrator**” means Ocorian Administration (Guernsey) Limited;

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

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

“**AEOI**” means Automatic Exchange of Information;

“**Affinity**” means Affinity Global Real Estate;

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

“**AIC**” means the Association of Investment Companies;

“**AIC Code**” means the AIC Code of Corporate Governance;

“**AIFMD**” means the Alternative Investment Fund Managers Directive;

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

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

“**BMO**” means BMO Real Estate Partners;

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

“**Brexit**” means the departure of the UK from the EU;

“**Carrara**” means Carrara Ground Rents;

“**CBI**” means the Confederation of British Industry;

“**Code**” or “**Corporate Governance Code**” means the UK Corporate Governance Code 2019 as published by the Financial Reporting Council;

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

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

“**Covid-19**” means the global coronavirus pandemic

“**CRS**” means Common Reporting Standard;

“**Depository**” means Ocorian Depository Company (UK) Limited;

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

“**ECL**” means expected credit losses;

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

“**ESG**” means Environmental, Social and Governance;

“**EU**” means the European Union;

“**Euro**” or “**€**” means Euros;

“**FATCA**” means Foreign Account Tax Compliance Act;

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

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

“**FRC**” means the Financial Reporting Council;

“**FTSE**” means the Financial Times Stock Exchange;

“**GDP**” means gross domestic product;

“**GFSC**” means the Guernsey Financial Services Commission;

“**GIIN**” means Global Intermediary Identification Number;

“**GMG**” means GMG Real Estate;

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

“**GFSC Code**” means the GFSC Finance Sector Code of Corporate Governance;

“**Halcyon**” means Halcyon Ground Rents;

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

“**ICG**” means Intermediate Capital Group PLC;

“**ICG Private Funds**” means private real estate debt funds managed or advised by the Investment Manager or its associates;

“**ICR**” means interest coverage ratio;

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

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

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

GLOSSARY OF CAPITALISED DEFINED TERMS (CONTINUED)

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

"Investment Manager" means ICG Alternative Investment Limited;

"Investment Management Agreement" means Investment Management Agreement dated 25 November 2020 between the Company and the Investment Manager ICG Alternative Investment Limited;

"IPF" means the International Property Forum;

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

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

"ISIN" means an International Securities Identification Number;

"Knowsley" means Knowsley (Image Business Park) Limited;

"LBS" means LBS Properties Limited;

"LGD" means loss given default;

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

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

"LTV" means Loan to Value ratio;

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

"Luxembourg Administrator" means Ocorian Services (Luxembourg) S.à r.l being the administrator of Luxco;

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

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

"Meadow" means Meadow Real Estate Fund II;

"Memorandum" means the Company's memorandum;

"MIS" means Moody's Investor Services;

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

"Net Asset Value" or **"NAV"** means the value of the assets of the Group less its liabilities, calculated in accordance with the valuation guidelines laid down by the Board, further details of which are set out in the 2017 Prospectus;

"Northlands" means Northlands Portfolio;

"NMPIs" means Non-Mainstream Pooled Investments;

"Official List" is the Premium Segment of the FCA's Official List;

"ONS" means Office for National Statistics;

"PD" means probability of default;

"Quattro" means the Quattro Portfolio;

"RCF" means Revolving Credit Facility;

"Registrar" means Link Asset Services (Guernsey) Limited (formerly Capita Registrars (Guernsey) Limited);

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

"RevPar" means revenue per available room;

"RoyaleLife" means the RoyaleLife Portfolio;

"Schedule of Matters" means the Schedule of Matters Reserved for the Board, adopted 23 January 2013, amended 25 September 2020;

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

"Southport" means the Southport Hotel property;

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

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

"2017 Placing Programme" means the placing programme in connection with the 2017 Prospectus published in April 2017;

"2017 Prospectus" means the prospectus published in April 2017 by the Company in connection with the 2017 Placing Programme; and

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

DIRECTORS AND GENERAL INFORMATION

Board of Directors

Jack Perry (*Chairman*)
Stuart Beevor
Patrick Firth
Mark Huntley (Retired 25 September 2020)
Paul Meader
Fiona Le Poidevin (Appointed 1 September 2020)

Audit and Operational Risk Committee

Patrick Firth (*Chairman*)
Stuart Beevor
Paul Meader
Fiona Le Poidevin (Appointed 25 September 2020)

Investment Risk Committee (Disbanded on 10 December 2020)

Paul Meader (*Chairman*)
Stuart Beevor
Mark Huntley (Retired 25 September 2020)
David Mortimer
Patrick Firth

Management Engagement Committee

Jack Perry (*Chairman*)
Patrick Firth
Paul Meader
Fiona Le Poidevin (Appointed 2 October 2020)
Stuart Beevor (Appointed 10 December 2020)

Nomination Committee

Jack Perry (*Chairman*)
Stuart Beevor
Patrick Firth
Mark Huntley (Retired 25 September 2020)
Paul Meader
Fiona Le Poidevin (Appointed 25 September 2020)

Remuneration Committee

Mark Huntley (Retired 25 September 2020)
Jack Perry
Stuart Beevor
Paul Meader (*Chairman*)
Fiona Le Poidevin (Appointed 10 December 2020)

Investment Manager

ICG Alternative Investment Limited
Procession House
55 Ludgate Hill
London
United Kingdom
EC4M 7JW

Registered office

P.O. Box 286
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey
GY1 4LY

Independent Auditor

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

Guernsey Administrator and Company Secretary

Ocorian Administration (Guernsey) Limited
P.O. Box 286
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey
GY1 4LY

Luxembourg Administrator

Ocorian Services (Luxembourg)
S.à r.l
6c Rue Gabriel Lippmann
Munsbach
Luxembourg
L-5365

Depository (Appointed 25 November 2020)

Ocorian Depository (UK) Limited
5th Floor
20 Fenchurch Street
London
England
EC3M 3BY

Registrar

Link Asset Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey
GY2 4LH

Corporate Broker and Financial Adviser

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

Identifiers

GIIN: 6IG8VS.99999.SL.831
ISIN: GG00B8C23S81
Sedol: B8C23S8
Ticker: LBOW
Website: www.lbow.co.uk

English Solicitors to the Company

Gowlings WLG (UK) LLP
4 More London Riverside
London
United Kingdom
SE1 2AU

Guernsey Advocates to the Company

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

Bankers

The Royal Bank of Scotland International
Luxembourg Branch
Espace Kirchberg
The Square
Building A-40 Avenue J.F. Kennedy
L-1855
Luxembourg

Butterfield Bank (Guernsey) Limited
PO Box 25
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3AP

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

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

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

OakNorth Bank plc
6th Floor Nightingale House
3rd Floor 57 Broadwick Street
Soho
London
W1F 9QS

CAUTIONARY STATEMENT

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

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

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

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

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

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

ICG-Longbow Senior Secured UK Property Debt Investments Limited

P.O. Box 286

Floor 2, Trafalgar Court

Les Banques, St Peter Port, Guernsey

GY1 4LY, Channel Islands.

T +44 (0) 1481 742742

F +44 (0) 1481 742698

Further information available online:

www.lbow.co.uk