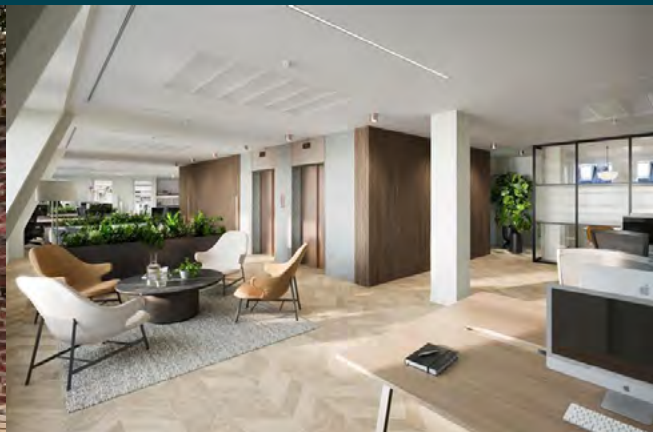


# ICG LONGBOW



## ICG-Longbow Senior Secured UK Property Debt Investments Limited

Annual Report and Consolidated  
Financial Statements

For the year ended 31 January 2022

Company Number: 55917

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All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 62 to 63 unless separately defined.

## FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 JANUARY 2022

### Portfolio

<p><b>Committed in six loans as at 31 January 2022</b></p> <p>.....</p> <p><b>£80.5 million<sup>(1)</sup></b></p>	<p><b>Invested in five loans as at 19 May 2022</b></p> <p>.....</p> <p><b>£74.6 million</b></p>	<p><b>Weighted average loan coupon<sup>(1)</sup></b></p> <p>.....</p> <p><b>7.39%</b> (2021: 7.19%)</p>	<p><b>Weighted average loan maturity<sup>(1)</sup></b></p> <p>.....</p> <p><b>0.97 years</b> (2021: 1.76 years)</p>	<p><b>Weighted average loan to value ratio<sup>(1)</sup></b></p> <p>.....</p> <p><b>67.8%</b> (2021: 69.3%)</p>
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### Performance

<p><b>Earnings per Share</b></p> <p>.....</p> <p><b>6.05 pence</b> (2021: 6.11 pence)</p>	<p><b>Total Income per Share<sup>(1)</sup></b></p> <p>.....</p> <p><b>7.85 pence</b> (2021: 8.21 pence)</p>	<p><b>NAV per Share<sup>(1)</sup></b></p> <p>.....</p> <p><b>72.4 pence</b> (2021: 98.3 pence)</p>	<p><b>Declared Dividend per Share<sup>(1)</sup></b></p> <p>.....</p> <p><b>5.60 pence</b> (2021: 6.00 pence)</p>	<p><b>Capital Distribution per Share<sup>(1)</sup></b></p> <p>.....</p> <p><b>26.0 pence</b> (2021: — pence)</p>
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<sup>(1)</sup> These are Alternative Performance Measures, refer to page 61 below for details.

## CORPORATE SUMMARY

### INVESTMENT OBJECTIVE

In line with the revised Investment Objective and Policy approved by shareholders at the Extraordinary General Meeting in January 2021, the Company is 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 previously made investments in its portfolio through ICG-Longbow Senior Debt S.A., the Company's wholly owned Luxembourg subsidiary. The Board resolved to simplify its corporate structure by collapsing the subsidiary company which has historically acted as the lender for the Company's investments. Following this decision, the subsidiary, ICG Longbow Senior Debt S.A. was dissolved under Luxembourg Law with effect from 18 January 2022. Following the dissolution, the Company has assumed the assets and liabilities of its former subsidiary.

### INVESTMENT MANAGER

During the year ended 31 January 2021, 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

- In line with its objective of an orderly realisation of its assets, during the year the Company returned £31.5 million of shareholder capital, equating to 26.0 pence per Ordinary Share.
- On 18 May 2022 the Directors approved a further return of capital equivalent to 6.0 pence per Ordinary Share.
- NAV of £87.77 million as at 31 January 2022 (31 January 2021: £119.25 million), equivalent to 72.35 pence per ordinary share (31 January 2021: 98.30 pence per ordinary share).
- Notwithstanding the capital returns, total income for the year ended 31 January 2022 was £9.52 million (31 January 2021: £9.95 million), and profit after tax was £7.34 million (31 January 2021: £7.41 million).
- Earnings per share of 6.05 pence (31 January 2021: 6.11 pence) with total dividends paid or declared for the year ended 31 January 2022 of 5.6 pence per share (31 January 2021: 6.0 pence per share).
- Following dividend distributions and the return of capital in the year, retained earnings increased by £57,597, representing 0.05 pence per Ordinary Share.
- There have been no credit losses or impairments in the investment portfolio.

### DIVIDEND AND CAPITAL DISTRIBUTIONS

- Total dividends paid or declared for the year ended 31 January 2022 of 5.6 pence per share (31 January 2021: 6.0 pence per share), made up as follows:
  - Interim dividend of 1.5 pence per share paid in respect of quarter ended 30 April 2021
  - Interim dividend of 1.5 pence per share paid in respect of quarter ended 31 July 2021
  - Interim dividend of 1.5 pence per share paid in respect of quarter ended 31 October 2021
  - Interim dividend of 1.1 pence per share paid in respect of quarter ended 31 January 2022

- Total capital distributions paid or declared for the year ended 31 January 2022 of 26.0 pence per share (31 January 2021: nil), made up as follows:
  - Return of capital equivalent to 5.5 pence per Ordinary Share paid in September 2021
  - Return of capital equivalent to 6.5 pence per Ordinary Share paid in December 2021
  - Return of capital equivalent to 14.0 pence per Ordinary Share paid in January 2022
- Total capital distributions paid or declared post year ended 31 January 2022 of 6.0 pence per share made up as follows:
  - On 18 May 2022 the Directors approved a further return of capital equivalent to 6.0 pence per Ordinary Share

### INVESTMENT PORTFOLIO

- As at 31 January 2022, the Company's investment portfolio comprised six loans with an aggregate principal balance of £80.54 million, representing 91.77% of the shareholders' equity (31 January 2021: nine loans with aggregate principal balance of £109.32 million, representing 91.67% of the shareholders' equity).
- The weighted average coupon on drawn capital, before recognition of arrangement and exit fees, was 7.39% (31 January 2021: 7.19%).
- The portfolio weighted average LTV was 67.8% (31 January 2021: 69.1%), reflecting revaluations and changes to the composition of the loan portfolio.
- The portfolio weighted average residual term was 0.97 years (31 January 2021: 1.76 years).
- As a result of certain loan redemptions after the financial year end, the Company's portfolio as at 19 May 2022 comprises five loans with an aggregate principal balance of £74.6 million.
- The pro forma portfolio weighted average LTV as at 19 May 2022 is 67.3%, the weighted average residual loan term is 0.75 years, and the weighted average loan coupon is 7.34%.
- The Directors do not consider there to have been any impairments or incurred losses on loan balances as at 19 May 2022.

## CHAIRMAN'S STATEMENT



**JACK PERRY CHAIRMAN**

**“The Company continues to return shareholder capital while maintaining covered quarterly dividends”**

### INTRODUCTION

On behalf of the Board, it is my pleasure to present the ninth Annual Report for the Company, for the year ended 31 January 2022.

The feeling of increased optimism in the UK economy which was apparent in early 2022, as a result of the unwinding of all remaining Covid-19 restrictions in England, has in recent months been replaced by concerns over energy prices, the rising cost of living, and of course the tragic events resulting from the Russian invasion of Ukraine. The near- and long-term consequences of this remain uncertain at the time of writing.

At a domestic level, the UK property market has largely shaken off the effects of the Covid-19 pandemic with occupational, investment and finance market transactions returning to something like normal levels. Although the trends seen pre-Covid-19 which had especially impacted some sub-sectors of retail property have continued. Against this backdrop, several of the Company's borrowers have been able to secure successful sales and refinancing of their property holdings and repay the Company's loans in full, and this allowed the Company to commence its programme of returning capital to shareholders.

As at the date of these accounts, the Company has paid capital distributions of 26.0 pence per share and a further capital distribution equivalent to 6.0 pence per Ordinary Share was approved by the Directors on 18 May 2022.

I am pleased to report that the Company delivered robust earnings performance during the period, with pre-tax profits substantially in line with the prior year despite a meaningful reduction in the investment portfolio in the second half of the reporting period. The declared dividend was fully covered during the period.

Notwithstanding the reduction in size of the investment portfolio, the Board has also been able to maintain a robust level of quarterly dividends, with the total dividend declared of 5.6 pence per share in respect of the financial year to 31 January 2022. This has been bolstered by the significant prepayment protection originally negotiated by the Investment Manager on the underlying loans, which served to generate additional income for the Company following some of the recent early repayments.

The underlying performance of the Company's portfolio has been steady

in another challenging year, and the Board has been pleased to see that the Investment Manager has been able to work through some of the difficulties presented by Covid-19 to improve the Company's risk positioning and in certain instances secure additional returns.

As the number of remaining investments reduces, the Investment Manager has been focused on working closely with borrowers to establish likely exit timetables for the remaining loans, with a particular focus on the likelihood of any further early repayments. As the critical mass of the portfolio reduces, the Board and Investment Manager may explore the potential for negotiated early exits, or other solutions which allow for an acceleration of capital return while preserving shareholder value.

### PORTFOLIO

At 31 January 2022, the portfolio comprised six loans with a total principal balance outstanding of £80.5 million.

The Company received three full repayments during the year. In July 2021 the remaining £5.7 million balance of the Halcyon loan was repaid, following a refinancing of the underlying security portfolio. In October 2021 the £7.8 million Knowsley loan repaid, following a sale of the underlying property. The £16.3 million remaining balance of the GMG loan was repaid in full in December 2021, again following a sale of the underlying property. The latter came with interest, exit and prepayment fees of £0.8 million, which was modestly accretive to overall NAV.

During the period, the Company received a partial repayment of the Southport loan, representing the pay down of previously capitalised loan interest, and a series of partial repayments of the Quattro loan (which repaid in full after period end). Also, during the year the Investment Manager negotiated a number of amendments to the RoyaleLife loan, with the associated amendment to fees being both accretive to NAV during the period and improving the prepayment protection provisions.

### DIVIDEND

As a result of its strong performance the Company delivered a fully covered 5.6 pence per share dividend with respect to the financial year to 31 January 2022, despite the challenges presented by Covid-19 and notwithstanding the reduction in the size of the loan portfolio upon which the Company is reliant for its income.

## CHAIRMAN'S STATEMENT (CONTINUED)

At the date of these accounts, and based on the current outlook, the Board is targeting payment of dividends equating to 6% (on an annualised basis) of the preceding quarter's net asset value, for as long as it is prudent and economic to do so.

### GOVERNANCE AND MANAGEMENT

As reported last year, the Board resolved to simplify the Group's corporate structure by collapsing the Luxembourg subsidiary company which has historically acted as the lender for the Company's investments. These investments have been transferred to the Company following the dissolution of the Luxembourg subsidiary. Over time, the Company expects this restructuring to reduce pro forma operating expenses by approximately £200,000 per annum.

### POST YEAR END TRADING

In April 2022, the Company received full repayment of the outstanding £6.0 million balance of the Quattro loan, together with interest and fees totalling £0.5 million in aggregate.

Following this repayment, on 18 May 2022 the Board resolved to make a further capital distribution to shareholders equivalent to 6.0 pence per Ordinary Share.

### OUTLOOK

The Company is continuing the orderly realisation of its investment portfolio. As funds become available the Board intends to continue to return capital to shareholders, taking account of the Company's working capital requirements.

The Board is mindful that shareholders will be eager to understand the likely quantum and timing of capital distributions. Forecasting repayments from the underlying loan investments is uncertain given the borrowers' rights to repay early. As noted in the Investment Manager's report below, certain of the Company's borrowers have already commenced sales processes or refinance searches. The Board's current expectation is for the LBS and Affinity loans to repay in H2 2022, with both properties currently on the market for sale, and the Northlands loan to repay later in 2022. The RoyaleLife and Southport loans have legal maturity dates in 2023. The unexpired term to maturity of the investments, as set out on page 7, may also provide a degree of guidance. We will continue to keep shareholders updated on the timing and likelihood of any repayments and associated capital distributions.

The Company's financial position remains strong, with all remaining investments expected to be repaid in full together with interest and exit fees. As such, the Board expects to be able to return to shareholders all, or substantially all, of the Company's current net asset value, based on prudent assumptions on the Company's ongoing cost base and the level of the ongoing dividend. As set out in last year's report, as the Company's portfolio further reduces, the Board and Investment Manager may begin to consider opportunities which might accelerate the return of capital while seeking to preserve shareholder value.

**JACK PERRY**  
Chairman

19 May 2022

## 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 2022, and the general market conditions prevailing at that date. Any forward-looking statements in this report reflect the latest information available as at 19 May 2022.

### INVESTMENT OBJECTIVE

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

Fund facts	
Fund launch:	5 February 2013
Investment Manager:	ICG-Longbow
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 2022	
Share price (pence per share):	71.40
NAV (pence per share) <sup>(1)</sup> :	72.35
Premium/(Discount) <sup>(1)</sup> :	(1.3%)
Approved dividend (pence per share) <sup>(2)</sup> :	1.1
Dividend payment date <sup>(2)</sup> :	29 April 2022

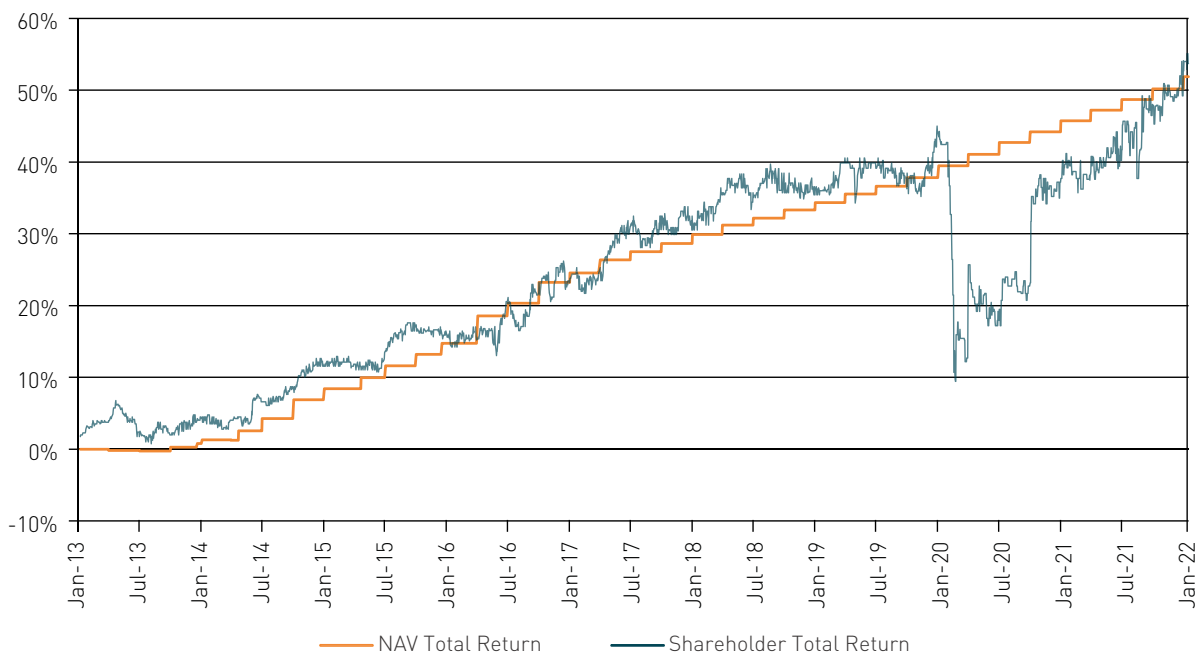
Key portfolio statistics at 31 January 2022	
Number of investments:	6
Percentage capital invested <sup>(1)(3)</sup> :	94.9%
Weighted avg. investment coupon:	7.39%
Weighted avg. LTV:	67.8%

<sup>(1)</sup> These are Alternative Performance Measures, refer to page 61 for details.

<sup>(2)</sup> For the Quarter ended 31 January 2022

<sup>(3)</sup> 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 2022)



## INVESTMENT MANAGER'S REPORT (CONTINUED)

### SUMMARY

At 31 January 2022, the investment portfolio comprised six loans. Principal activity in the period included:

- Repayment in full of the £5.7 million Halcyon loan, together with exit and prepayment fees of £0.1 million;
- Repayment in full of the £7.8 million Knowsley loan, together with exit and prepayment fees of £0.2 million;
- Repayment in full of the £16.3 million GMG loan, together with exit and prepayment fees of £0.8 million;
- Partial £4.0 million repayment of the Quattro loan;
- Partial £1.5 million repayment of the Southport loan;
- Amendment to terms of the £25.4 million RoyaleLife loan, securing additional returns for the Company.

As a consequence of the above activity, total commitments at period end stood at £80.9 million (31 January 2021: £117.3 million) with the par value of the loan portfolio being £80.5 million (31 January 2021: £109.3 million).

The weighted average loan to value ratio reduced to 67.8% (31 January 2021: 69.3%) reflecting the changes to the portfolio composition. The weighted average coupon rate at year end was 7.39% (31 January 2021: 7.19%), with returns supplemented by contractual arrangement and exit fees.

Following the year end, the Company received repayment of the remaining £6.0 million balance of the Quattro loan, together with interest and fees totalling £0.5 million in aggregate.

As at the date of this report, the Company's portfolio totals five investments with an aggregate committed balance of £74.6 million, which is now fully drawn. The weighted average LTV is 67.3%, with a weighted average interest coupon of 7.34% and weighted average loan maturity of 0.75 years.

### COMPANY PERFORMANCE

The Investment Manager's focus during the period was monitoring and seeking to maintain the credit quality of the portfolio investments while encouraging the underlying borrowers towards early exits, where possible. 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 its investments and does not expect any shortfall in interest, principal or fees on any of the investments.

As a result of the repayments received during the year, the Company's loan commitments at year end stood at approximately £80.9 million, of which £80.5 million was drawn. Portfolio LTV was 67.8% on a weighted average basis, all secured by first ranking mortgage investments. The weighted average loan coupon of 7.39% is supplemented by contractual arrangement and exit fees, along with the possibility of ad hoc returns from repricing loans or receiving prepayment fees.

Our borrowers have continued to progress their business plans during the year:

- The sponsor of the Affinity loan had a successful period of leasing activity, with occupancy at the property now at its highest level during the loan term.
- The RoyaleLife sponsor secured further planning permissions across its portfolio and took advantage of easing Covid-19 restrictions to achieve an acceleration in sales velocities in Q1 2022 in particular.
- The Northlands sponsor substantially completed a residential development project within its portfolio.
- The LBS loan sponsor invested further capital in its asset to fit out space for flexible offices.
- The Quattro sponsor secured planning permission for redevelopment of one of its portfolio assets.

The most challenging investment remains the Southport loan, due to disruption in the hotel sector. A strong summer of trading was offset by headwinds caused by the Omicron variant and, while interest has been paid, we have seen a value reduction during the period. Nonetheless, the Sponsor remains confident of a return to stabilised trade over the coming quarters, and the Investment Manager is monitoring the position closely.

### PORTFOLIO

Portfolio statistics	31 January 2022	31 January 2021
Number of loan investments	6	9
Aggregate principal advanced	£80,543,427	£109,258,944
Weighted average LTV	67.8%	69.1%
Weighted average interest coupon	7.39%	7.19%
Weighted average unexpired loan term	0.97 years	1.76 years
Cash held	£4,801,224	£8,773,640
Drawings on Working Capital Facility	£nil	£nil

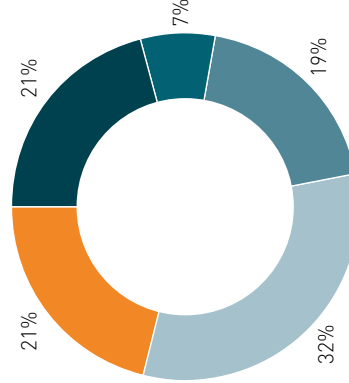
INVESTMENT MANAGER'S REPORT (CONTINUED)

INVESTMENT PORTFOLIO AS AT 31 JANUARY 2022

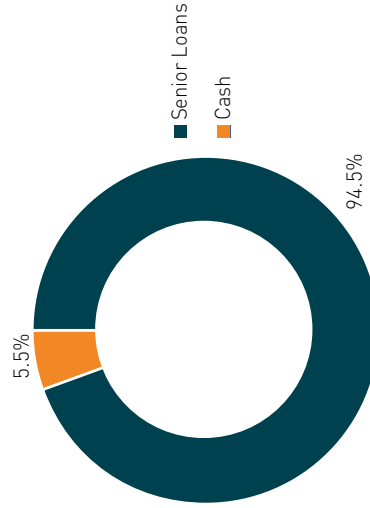
Project	Region	Sector	Term start	Unexpired term (years)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding <sup>(1)(2)</sup> (£m)	Balance undrawn (£m)	Current LTV (%)
Quattro	South East	Mixed use	Oct-17	0.00	9.00	83.7	5.96	-	74.0
Affinity	South West	Office	Mar-18	0.28	14.20	67.3	17.30	0.40	68.4
Southport	North West	Hotel	Feb-19	1.20	12.50	59.5	15.00	-	85.7
Northlands	London	Mixed use	Aug-19	0.70	9.00	55.3	10.43	-	58.3
RoyaleLife	National	Residential	Sept-19	1.70	20.27	74.3	25.38	-	61.5
LBS	London	Office	Oct-19	0.70	4.92	69.3	6.47	-	58.9
<b>Total/weighted average</b>				<b>0.97</b>	<b>86.14</b>	<b>68.2</b>	<b>80.54</b>	<b>0.40</b>	<b>67.8</b>

<sup>(1)</sup> For the RoyaleLife facility, Balance outstanding includes capitalised interest

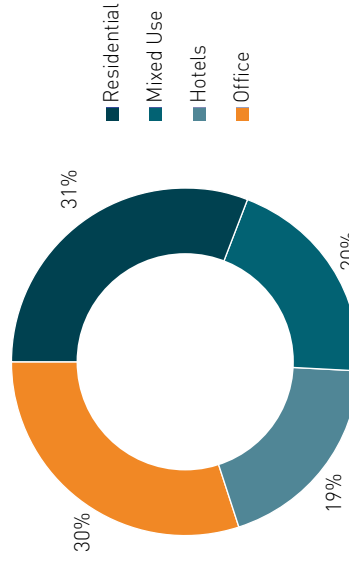
Regional Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



## INVESTMENT MANAGER'S REPORT (CONTINUED)

### ECONOMY AND FINANCIAL MARKET UPDATE

In 2021 the UK economy bounced back to its pre-pandemic (February 2020) level, with 7.5% GDP growth on the year. After a drop in December resulting from the Omicron variant, January 2022 saw a rebound with a 0.8% GDP rise, and growth reported across all sectors, according to the ONS. This slowed to 0.1% in February 2022 and latest Bank of England growth forecasts indicate the UK economy will contract from Q4 2022 and into 2023.

Despite the sedate level of growth, the high and rising inflation levels have led to four increases in Bank rate over the past few months, from 0.1% in Q4 2021 to 1.0% currently. The MPC seems to be walking a tightrope on rates between rising inflation, driven by rocketing energy prices on the one hand and sluggish economic growth on the other, with an increasingly challenging global economic outlook. The market is nonetheless pricing in at least three more rate rises by year end.

Labour markets however continue to show strength and have largely shaken off the Covid-19 disruption. The UK employment rate rose by 0.1% to 75.5% in Q4 2021, with a further 108,000 jobs added in January, taking payrolled employees to a record 29.5 million. The unemployment rate was 3.8% in the three months to February 2022 and job vacancies also remain high.

Nominal wages are growing, with average pay including bonuses rising 5.4% in the three months to February. The challenge for the UK economy is that this rate of growth is not keeping up with inflation. With CPI at 7.0% in March 2022 and RPI still higher, and tax rises and further energy price hikes to come, many households will see their finances come under pressure this year.

### OCCUPATIONAL DEMAND/SUPPLY

#### Offices

The prevailing Government narrative through the latter part of 2021 and coming into 2022 is supporting a 'return to work' policy, reversing the work from home Covid-19 policy prevalent over the previous two years.

Whilst this change in guidance – combined with steady momentum of employers encouraging a return to the workplace – should bolster office demand relative to the previous two years, the more widespread acceptance of flexible working generally may impact absolute levels of office demand. As highlighted in last year's report, some commentators such as Savills consider that this will be offset by reducing densities (i.e. offering more space per worker and greater amenity provision). Knight Frank's latest occupational survey, for example, highlights that 65% of businesses surveyed plan to either increase or maintain the amount of office space they occupy, but change how the space is utilised, with fewer desks and more common areas, amenity and collaborative spaces.

In the leasing markets, Manchester City Centre leasing statistics for FY2021, reported by Knight Frank, note a positive rebound in take-up to levels close to the 5 and 10 year averages, both in terms of square footage and number of deals, together with c.750k sq ft of active requirements in the market. Conversely, Savills report that, whilst Central London has also seen a rebound in demand (+54% YoY as at the end of November 2021), take-up remains c.22% below the long-term average. Bristol had a steady year, with take up being 7% below the 10-year average but Q4 2021 being the second-highest quarterly figure in the past five years. The strength of the Bristol occupational market has been evidenced by the letting success seen in the property securing the Company's Affinity loan.

A developing trend is that of employers seeking to provide higher quality workplaces to continue to maintain the attraction of the office to employees and coax them back into the cities. Additionally, firms are increasingly realising the importance

of their office estates in delivering – and signalling – their commitments to sustainability and climate goals. We therefore expect a polarisation in the market between best-in-class (Grade A) offerings and the Grade B/C market. This is supported by the major consultancies, including JLL who comment that they expect the rental differential between prime space and the rest to widen as occupiers focus on best-in-class offices, particularly those with a high focus on sustainability, wellness and smart technology.

According to JLL, in their 'Big 6' regional office market review, overall vacancy rates are 6.2% across all classes of office, but only 2.8% in Grade A stock and forecast to fall further. Prime rents continued to increase across the regional markets, with all now showing record rents and Edinburgh and Glasgow showing the strongest growth on the year. JLL forecast further increases in 2022, supported by favourable supply/demand dynamics, with a number of cities expected to breach the £40 per sq ft level in the coming months.

The Central London market, according to Savills, will see material development and refurbishment activity over the next three years, with a record level of 7.4m sq ft scheduled for delivery in 2023, and a similar level anticipated for 2024. Total forecast deliveries over the next five years are only 17% pre-let, with Savills estimating that the speculative pipeline for the next five years equates to c.43 months of average estimated post-Covid-19 take-up of 7m sq ft per annum. This highlights a potential oversupply issue in parts of the Central London market that may put pressure on prime rental levels.

### Industrial and warehousing

The structural tailwinds supporting the UK industrial and warehousing market continued in 2021, with a new annual record take-up of 55.1m sq ft reported by Savills, surpassing the previously exceptional total of 51.6m sq ft in 2020 and 86% above the long-term average. The take-up in terms of square footage was mirrored by the number of deals, with 220 separate transactions recorded in the +50,000 sq ft bracket; the first time there has been more than 200 transactions in a calendar year.

Supply continues to fall with the vacancy rate standing at 2.9%, the lowest level ever recorded, with market conditions supportive of speculative development with the result that 18.6m sq ft is under construction.

The supply/demand dynamics have promoted significant year-on-year rental growth in almost all key UK markets, with quoted Grade A rents increasing in the East Midlands (+29% YoY), West Midlands (+26%), Yorkshire & North East (+20%) and East of England (+16%).

The positive market conditions have also been seen in the multi-let sub-sector, with Gerald Eve reporting a continued decline in void rates and annualised rental growth in London (+7.4% YoY) and across the wider UK market (+5%). Although Amazon's recent announcement of falling year-on-year sales may take some of the heat out of the sector.

### Retail

The Covid-19 pandemic accelerated pre-existing trends of online sales growth, with the ONS reporting that online sales penetration peaked at c.38% of total sales in January 2021 (versus pre-pandemic penetration of c.20%). Clothing/fashion retailers appear to have been more heavily affected by the pandemic, with more defensive areas such as food retail and DIY faring better.

With Covid-19 restrictions now ended, Google mobility data indicates that footfall is now close to pre-pandemic levels on an aggregate basis, however PwC note that the footfall recovery is more polarised at sub-sector level, with retail parks outperforming shopping centres and the high street.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

Owing to their projected growth in online sales and what is viewed as still an oversupply of physical real estate in the sector, PwC forecast rental declines in 2022, albeit at a reduced pace than has been seen in the previous five years. More recently, there were some reports of green shoots on the high street; the Local Data Company reported vacancy rates dropped in H2 2021 to 14.4% of all shops, the first decline in three years, with a 0.3% reduction in the shopping centre vacancy rate.

### Hotel

Perhaps the starkest indication of the effect of the pandemic on UK hotel markets is in occupancy figures. According to Lambert Smith Hampton (LSH), during the peak of the pandemic where hotels were only able to accommodate guests for essential, legally permitted reasons, occupancy rates dipped down to 25-35% in most UK markets. An immediate bounce-back in occupancy rates was seen after hotels were able to reopen, and strong demand for staycations pushed nationwide occupancy to above 70% in August.

Unsurprisingly, summer 2021 occupancy rates were highest in markets driven by domestic tourism and leisure such as Brighton, Bournemouth and York. Each of these saw occupancy rise above 80%, while average daily rates and RevPAR were well in excess of pre-pandemic norms. Larger cities, more reliant on international and business travel, continued to struggle – occupancy levels in Manchester and Birmingham were below the national average in August and London had the lowest occupancy rate of any major UK market at 56%.

With UK Government policy in 2022 easing travel restrictions, an approach that is mirrored in the EU for vaccinated travellers, a recovery in international travel is expected albeit with PwC estimating that travel volumes will not return to normal until 2023/24. As a result, it is expected that the 2021 trend will continue into 2022, with 'staycation' markets faring better than city markets, which should bode well for the Company's Southport Hotel loan.

### PROPERTY INVESTMENT MARKET

According to Lambert Smith Hampton's investment transactions report, sales volumes in the UK were a respectable £57bn, some 6% above the five year average and a 40% rebound on the 2020 figure. LSH report that Q4 2021 saw £17.3bn of trades (although Savills has a higher figure, of £19.7bn) which gave the market strong momentum coming into 2022.

Across the property sectors, industrial was the standout performer, once again dominating the headlines from both a volume and pricing perspective. LSH report that Q4 2021 volumes of £4.3bn were a new all-time high, with the annual volume of £15.2bn being almost double the previous annual record. Prime industrial yields fell from 3.75% to 3.25% during the year, according to Savills, however we are aware of several deals in London which traded at yields below this level, driven by relentless investor demand and rising rental growth expectations.

Retail warehousing was another success story. Savills headline yields fell from 6.5% to 5.5% on the year, as UK institutions returned to the market in earnest, however, there have been individual outperformers. The Investment Manager financed one retail park in Q1 2021 at a price of £28m, with a sale due to complete in Q2 2022 at a headline price of £44m. LSH describe the run of deals as 'meteoric', with 2021 volumes of £3.0bn being a six-year high. An element of liquidity also returned to the shopping centre market, particularly with smaller lot sizes of sub-£25m where the double-digit yields available finally attracted private buyers. While there were certain well-publicised larger deals, such as the sale of a 25% stake in Bluewater to Landsec for a reported £172m, some of these

deals were not to true third-party buyers (Landsec already had a stake in Bluewater, for example).

The office sector overall had a solid year, with a strong Q4 (dominated by the £1.25bn acquisition of 5 Broadgate in London) offsetting a weak Q1 2021 during the Covid-19 lockdown. Manchester saw the largest-ever single asset deal in the UK regions, when NatWest acquired its existing office at One Hardman Boulevard, and the Assembly building in Bristol traded for £135m. City of London and regional offices each saw modest (25bp) compression in prime yields during the year, to 3.75% and 4.75% respectively, driven largely by demand from international buyers, such as the National Pension Service of Korea (NPS) in the case of 5 Broadgate.

Encouragingly for the Company's RoyaleLife loan, there has been increasing investor interest in the bungalow, holiday home and manufactured housing sector. Park Holidays and Park Leisure have each been acquired during recent months, with investors including Blackstone reportedly mulling bids for Parkdean Resorts.

### FINANCE MARKETS

The principal changes to the finance markets during the year were driven by a renewed confidence in the economic outlook, particularly in the second half, and latterly the changes in inflation and interest rate expectations, with around a 1.5% increase in the benchmark five year swap rate during the period.

Outstanding debt to the UK property markets, as reported to the Bank of England, was up on the year. Lending stood at £169.9 billion at the end of January 2022, up from £167.6 billion in the prior year. This was led by a very strong month of deployment in December (+£1.35bn), as lenders sought to close deals prior to year-end.

In certain sectors – particularly the sought after 'beds and sheds' – we have seen lending margins compressed and we are aware of industrial loans being quoted at sub-175bps for 60% LTV and 250 – 275bp for 70% LTV. Even at these levels, with swap rates in excess of 2% again the overall cost of debt is still notably higher for borrowers now than in 2020 and 2021. In some instances, debt is not accretive to equity returns in these markets.

An element of liquidity returned to the UK shopping centre finance market, with ABRDN, OakNorth Bank and Bentall GreenOak among those reportedly closing loans during the year. LTVs remain conservative and spreads far wider than in other sectors, reflecting the uncertain income outlook and valuation challenges.

### PORTFOLIO OUTLOOK

The Portfolio is now firmly in run off, and as at the date of this report over 35% of the loan commitments in place when the decision was taken to realise the Company's assets have now been repaid. Of the remainder, all of the security has either been revalued during the year or we have clear line of sight towards a repayment.

The Hotel securing the Southport investment has seen its valuation decline during the period, although this was not unexpected given the challenges facing the hotel sector. The sponsor reports trading ahead of budget with a favourable level of reservation for the coming months and has continued to service interest. As a result, and assuming no further Covid-19 disruption to the sector, the outlook for the hotel appears more positive.

Our focus remains on managing the portfolio towards exit, supporting borrowers in their sales or refinancing strategies, and ensuring the portfolio continues to generate optimal returns during the period of run off. In doing so we will continue to balance the 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 2022 is set out below:

#### 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 83.7%.

The loan passed its maturity date in the period and we have been working with the sponsor in good faith towards an exit strategy to maximise shareholder value. Strong progress has been made with several sales and one asset refinancing reducing the outstanding loan balance. Further, planning permission was secured in the period for the redevelopment of the largest remaining asset, which should be accretive to value.

The loan repaid in full after the period end.

Property profile	
Number of properties	2
Property value	£8,050,000
Property value per sq. ft.	£235
Property area (sq. ft.)	34,209
Number of tenants	7
Weighted lease length	6.03 years

Debt profile	
Day one debt	£9,000,000
Debt outstanding	£5,956,304
Original term	3.2 years
Maturity	January 2021
LTV as at 31 January	74.0%
Loan exposure per sq. ft.	£174

#### 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 commitment was increased to £17.70 million in support of the borrower's business plan, of which £17.30 million has been drawn.

During the period the Sponsor made substantial leasing progress in line with its business plan, capitalising on refurbishment works undertaken earlier in the loan term. As a result, the property was fully occupied at period end, and the Sponsor is pursuing a sale of the asset. The Company has agreed to a short-term extension of the loan facility to allow for the sales process to conclude, with the expectation of repayment in the coming months.

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	12
Weighted lease length	6.46 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	68.1%
Loan exposure per sq. ft.	£146

## INVESTMENT MANAGER'S REPORT (CONTINUED)

### LOAN PORTFOLIO (CONTINUED)

#### Southport

A £15.00 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.

The hotel again suffered from the Government-mandated closure of all hotels for substantially all of the first half of 2021. It re-opened for trade in July 2021 and enjoyed a strong summer of trade, albeit the winter period has suffered owing to the effects of the Omicron variant.

During the period, the Company agreed to the Sponsor entering into a lease surrender arrangement with one of the commercial tenants; the proceeds received allowed for the repayment of previously capitalised interest, with the balance of £15.00 million in line with the original loan commitment.

In Q4 2021 the asset was revalued which resulted in an 85.7% LTV, in breach of the lending covenant. The Company has reserved its rights in respect of this breach and is in discussions with the Sponsor as to next steps.

Property profile	
Number of properties	1
Property value (£)	£17,500,000
Property value (£/bedroom)	£131,579
Property value (£/sq. ft.)	£385
Bedrooms	133
Property area (sq. ft.)	45,430

Debt profile	
Day one debt	£12,500,000
Debt outstanding	£15,000,000
Original term	4 years
Maturity	April 2023
LTV as at 31 January	85.7%
Loan exposure per bedroom	£112,781

#### 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 £10.43 million and LTV 58.3%.

Property profile	
Number of properties	14
Property value	£17,910,650
Property value per sq. ft.	£147
Property area (sq. ft.)	121,285
Number of tenants	89
Weighted lease length	1.9 years

Debt profile	
Day one debt	£9,000,000
Debt outstanding	£10,431,142
Original term	3.0 years
Maturity	October 2022
LTV as at 31 January	58.3%
Loan exposure per sq. ft.	£86

## INVESTMENT MANAGER'S REPORT (CONTINUED)

## LOAN PORTFOLIO (CONTINUED)

**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 has been fully drawn and was increased during 2020 as a result of partial interest capitalisation when Covid-19 restrictions adversely affected home sales. The total outstanding loan balance is now £25.38 million.

The sponsor continues to deliver on its business plan, and a positive revaluation was received at the end of the reporting period. During the year, a series of amendments to the loan were negotiated for which the Company received some additional return and also improved the contracted minimum earnings from the investment.

Property profile	
Number of properties	10
Property value (£)*	£34,024,151
Number of tenants	n/a
Weighted lease length	n/a

Debt profile	
Day one debt	£20,267,119
Debt outstanding	£25,382,017
Original term	4.1 years
Maturity	October 2023
LTV as at 31 January	61.5%

\*Pro rata based on Company's share of total loan

**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 included a capital expenditure commitment in support of the borrower's business plan, which has now been fully drawn. The loan is performing in line with expectations and shortly after period end the asset was revalued at £11.07m, reflecting 58.5% LTV.

After period end, the property was placed on the market for sale.

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	8.5 years

Debt profile	
Day one debt	£4,922,000
Debt outstanding	£6,474,000
Original term	3.1 years
Maturity	October 2022
LTV as at 31 January	58.9%
Loan exposure per sq. ft.	£613

## INVESTMENT POLICY

### INVESTMENT OBJECTIVE

The investment objective of the Company, as approved by the shareholders of the Company, is to conduct an orderly realisation of the Company's assets.

### INVESTMENT POLICY

The assets of the Company are being 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 Company'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 Company 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 Company 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 Company 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 Risk Committee, Nomination Committee, Remuneration 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 25 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 Risk Committee (Chair), 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 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 Company and its dissolved subsidiary, ICG-Longbow S.A Debt, for the year ended 31 January 2022. This Report of the Directors should be read together with the Corporate Governance Report on pages 23 to 29.

### 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 Company's investments. These investments have now been transferred to the Company, at par, and in a manner understood to be tax neutral for the Company. The subsidiary, ICG Longbow Senior Debt S.A., was dissolved under Luxembourg Law with effect from 18 January 2022. The Company expects this restructuring to reduce pro forma operating expenses by approximately £200,000 per annum.

### 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 and the Board has commenced capital distributions.

### BUSINESS REVIEW

A review of the Company'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 12.

### 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 39 to 60.

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 2021	24 March 2021	30 April 2021	1.5
Interim dividend	30 April 2021	28 June 2021	6 August 2021	1.5
Interim dividend	31 July 2021	30 September 2021	5 November 2021	1.5
Interim dividend	31 October 2021	7 December 2021	14 January 2022	1.5
Interim dividend	31 January 2022	24 March 2022	29 April 2022	1.1

### 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.

Holders of Ordinary 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.

Under Company Articles the Company may, from time to time, issue Redeemable B Shares in order to return capital to holders of Ordinary Shares. The Company has made three such issuances during the period as follows:

No. B Shares issued	Purpose	Date of Declaration	Payment Date	Par Value per Redeemable B Share (pence)
121,302,779	Return of Capital	13 September 2021	30 September 2021	5.5
121,302,779	Return of Capital	7 December 2021	24 December 2021	6.5
121,302,779	Return of Capital	11 January 2022	28 January 2022	14.0

As set out in the recent RNS announcement, the Directors resolved on 18 May 2022 to return a further 6.0 pence per share.

## REPORT OF THE DIRECTORS (CONTINUED)

### SHAREHOLDINGS OF THE DIRECTORS

The Directors' beneficial interests in the shares of the Company as at 31 January 2022 and 2021 are detailed below:

Director	Ordinary Shares of £1 each held 31 January 2022	% holding at 31 January 2022	Ordinary Shares of £1 each held 31 January 2021	% holding at 31 January 2021
Mr Perry	108,609	0.09	89,398	0.07
Mr Beevor	30,000	0.02	30,000	0.02
Mr Meader <sup>(1)</sup>	290,766	0.24	210,766	0.17
Mr Firth (retired 28 June 2021)	10,000	0.01	10,000	0.01
Mrs Le Poidevin	–	0.00	–	0.00

<sup>(1)</sup> Including persons closely associated with Mr Meader

Following the year end, Mr Meader purchased an additional 35,921 shares and Mr Perry purchased an additional 22,630 shares bringing their total holdings at the date of this report to 326,687 shares and 131,239 shares respectively.

Directors' beneficial interests in the shares of the Company as at 19 May 2022, being the most current information available, are unchanged from those disclosed above.

### DIRECTORS' AUTHORITY TO BUY BACK SHARES

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

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

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

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.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

## REPORT OF THE DIRECTORS (CONTINUED)

### SUBSTANTIAL SHAREHOLDINGS

As at 31 January 2022, 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	20,457,963	16.87%
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%
Hargreaves Lansdown, stockbrokers (EO)	6,191,779	5.10%
Brewin Dolphin, stockbrokers	6,616,958	5.45%
CG Asset Management	5,586,000	4.61%
Kleinwort Hambros	5,062,714	4.17%
AXA Framlington Investment Managers	3,750,000	3.09%

In addition, the Company also provides the same information as at 29 April 2022, being the most current information available.

Shareholder	Shareholding	% holding
Close Brothers Asset Management	20,364,450	16.79%
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%
Hargreaves Lansdown, stockbrokers (EO)	6,484,133	5.35%
Brewin Dolphin, stockbrokers	6,261,802	5.16%
CG Asset Management	5,586,000	4.61%
Kleinwort Hambros	5,010,593	4.13%
AXA Framlington Investment Managers	3,750,000	3.09%

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

### INDEPENDENT EXTERNAL AUDITOR

Deloitte LLP has been the Company's external auditor since the Company's incorporation. The Audit and 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 was proposed and accepted 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 Risk Committee on pages 30 to 32.

### 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.

## REPORT OF THE DIRECTORS (CONTINUED)

### 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 Company 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 Company. 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 considered it appropriate to adopt a basis other than a going concern in preparing the consolidated financial statements, as was the case for the year ended 31 January 2021. No material adjustments have arisen 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 Company 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.

Since the EGM four loans have repaid in full and £31.6m of capital has been returned to Shareholders. Based on the maturity profile of the Company's investments, the Board expects the wind down of the Company to be completed within two years, although this cannot be guaranteed.

Cashflow projections have been prepared based on the Board's current intention to hold all investments to 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 on this basis, the Directors remain satisfied that the Company 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, before dividends, in all but the final quarter, and intends to distribute surplus net profits by way of capital distribution whilst it remains prudent to do so and retaining an appropriate working capital reserve to continue its operations given the unpredictable timing of loan repayments.

### 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)

### DIRECTORS' RESPONSIBILITIES TO STAKEHOLDERS (CONTINUED)

Stakeholder Group	Methods of Engagement	Outcomes of Engagements
<p><b>Shareholders</b> The major investors in the Company's shares are set out on page 18.</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"> <li>■ Transparency of communication</li> <li>■ Capital preservation</li> <li>■ Payment of regular and sustainable dividends and</li> <li>■ Return of capital on loan repayments</li> </ul>	<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 and annual financial statements.</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"> <li>■ 3 Portfolio updates by way of RNS</li> <li>■ 4 Quarterly fact sheets.</li> </ul> <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. The Company has continued to execute this realisation during the year.</p> <p>Engagement with shareholders through regular announcements and fact sheets enables shareholders to take informed decision as to the winding up process and timetable, which in turn, should support the share price and reduce any discount to NAV in normal market conditions.</p>
<p><b>Borrowers</b> The Company's principal clients are its Borrowers to whom the Company 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 Company 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 execution of new loans, 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 Southport borrower, the Investment Manager agreed to the surrender of a commercial lease at the property, which allowed for a partial repayment of the loan. Similarly, the Investment Manager engaged in a series of amendments to the RoyaleLife loan, which are expected to generate additional returns for shareholders. In each case the Board considers this to be evidence of positive and consensual engagement.</p> <p>One investment had passed its maturity date. The Investment Manager successfully worked with the borrower to ensure an orderly repayment of the loan can be made, and 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>
<p><b>Service Providers</b> The Company does not have any direct employees; however, it works closely with a number of service providers (the Investment Manager, Administrator, Company Secretary, Broker and other professional service providers) 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, controls, and procedures to ensure open lines of communication, operational efficiency, robustness and appropriate pricing for services provided.</p>

## REPORT OF THE DIRECTORS (CONTINUED)

Stakeholder Group	Methods of Engagement	Outcomes of Engagements
<p><b>Lenders</b></p> <p>The Company had a three-year Revolving Credit Facility which expired in the period.</p> <p>The Facility provided the Company with a flexible funding line which could be used to finance new investments or working capital and therefore 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 was primarily through its Investment Manager who provided regular reports to the Bank and had an open line of communication in respect of the ongoing operation and maintenance of the Facility.</p> <p>The Investment Manager provided feedback to the Board in terms of actual and planned utilisation of the Facility as well as covenant compliance.</p>	<p>The Facility continued to operate and remained available throughout most of the period, however with the Company in an orderly wind down it was not renewed at the end of the contractual loan term.</p> <p>There have been no issues or concerns raised by the Bank, who offered terms to extend the Facility.</p>
<p><b>Community &amp; Environment</b></p> <p>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 community and 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 friendly 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 was an important consideration when it had made its investments.</p>	<p>In the year to 31 January 2022 the Company made no new loans, but previous loans included substantial capital expenditure facilities, generally to be applied towards the refurbishment of existing properties which has a substantially lower environmental impact than demolition and redevelopment.</p> <p>Such refurbishments generally seek to improve the energy performance of the target properties as well as providing improved working or living environments for their occupiers.</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 Company, but also those that are significant to any of our key stakeholder Company's 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 the Board decided to maintain its paid dividend at 1.5 pence per share for the first three periods and a dividend of 1.1 pence per share in respect of the final quarter, during which the portfolio was being transitioned.

Given that some of the Company's loans were fully repaid, the board approved three distributions of capital equating to a total of 26.0 pence per share for the year. A fourth distribution equivalent to 6.0 pence per Ordinary Share was approved after the year end.

As the Company is winding up and no longer making new investments, the Board reviewed the need for its revolving credit facility and decided not to pursue a renewal or secure a replacement.

The Board reviewed the performance of the Investment Manager which was considered to be highly satisfactory. Accordingly, the Investment Manager's reappointment was confirmed.

During the year and following a decision by the Board, the Company's Luxembourg subsidiary, ICG Longbow Senior Debt S.A., was dissolved under Luxembourg Law with effect from 18 January 2022.

### FINANCIAL RISK MANAGEMENT POLICIES AND PROCEDURES

Financial Risk Management Policies and Procedures are disclosed in Note 11 on pages 54 to 58.

### PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties are discussed in the Corporate Governance Report on pages 28 to 29.

### SUBSEQUENT EVENTS

Significant subsequent events have been disclosed in Note 19 to the Financial Statements on page 60.

### 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 Company is meeting its objectives. The alternative performance measures are described in the table on page 61.

### ANNUAL GENERAL MEETING

The AGM of the Company will be held at 12:00 BST on 22 June 2022 at Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY. 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.

Members of the Board will be in attendance at the AGM and will be available to answer shareholder questions.

By order of the Board

**JACK PERRY**  
Chairman

19 May 2022

## DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Companies Law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Consolidated Financial Statements in accordance with IFRS. Under the Companies Law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 Company's financial position and financial performance;
- state that the Company 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 Company 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 Company 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 Company's performance, business model and strategy.

The Directors are also responsible under the AIC Code to promote the success of the Company 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 themselves 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](http://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 14 and 15, confirms to the best of their knowledge and belief that:

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

### 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 Risk Committee, the Directors consider the Annual Report and Financial Statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

**JACK PERRY**  
Chairman

19 May 2022

**FIONA LE POIDEVIN**  
Director

19 May 2022

## 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](http://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](http://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.

Throughout the year ended 31 January 2022, 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 Risk Committee on page 31.

### ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

As an investment company, the Company's activities only have a limited direct impact on the environment.

Following the change in Investment Objective and Policy approved by shareholders in January 2021, the Company is now conducting an orderly realisation of its investments. As such

the opportunity to implement material ESG changes across its portfolio is 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 Website](#)

The Board relies on the Investment Manager to apply its Responsible Investment Policy and any associated ESG considerations to the investments of the Company. As a lender to rather than direct owner of real estate assets, the Company is generally in a position only to influence rather than control the ESG impacts of its borrowers. Moreover, as the Company 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.

The Investment Manager nonetheless continues to work consensually with borrowers to assist them in delivering their business plans. The Company's loan commitments have, during the period, been used by certain of the borrowers to upgrade energy efficiency at the underlying assets securing the loans. In particular the GMG borrower used the Company's finance to generate an Energy Performance Certificate (EPC) rating improvement from a D to a B standard, and the Knowsley borrower constructed a high specification, EPC C rated industrial unit on its site. The property securing the Affinity loan has seen the Company-funded refurbishment work improve the EPC rating to a B on the renovated space during the Company's loan term. This is consistent with the Investment Manager's goals of securing improved investment outcomes through supporting sustainable, value-add business plans.

### 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)

The Board recognises that the Company will take 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 remaining realisation period 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 14 and 15 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 is 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

On 28 June 2021 Patrick Firth retired from the Board.

Three of the four remaining Directors were appointed in November 2012 and Fiona Le Poidevin was appointed on 1 September 2020. Therefore, three of the four members of the Board have served for longer than nine years to date. The issue with respect to long tenure has arisen and, 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. In addition, it is considered beneficial for shareholders that there is continuity of Board leadership during this final managed realisation phase before placing the Company in liquidation. Board and Chairman tenure is discussed further below.

The Nomination Committee takes the lead in any discussions relating to the appointment or re-appointment of Directors and gives 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 ongoing 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.

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

The Board remains confident that its membership respects 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.

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 two years from the date of this report, 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 means that his tenure will continue to exceed the recommended nine-year term. Similarly, Mr Beevor and Mr Meader will also continue to exceed the recommended nine-year term for the reasons stated, until the Company is placed in liquidation.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### DIRECTORS' REMUNERATION

The level of remuneration of the Directors reflects the time commitment and responsibilities of their roles. The Chairman is entitled to annual remuneration of £50,000 (31 January 2021: £50,000). The Chairman of the Audit and Risk Committee is entitled to annual remuneration of £40,000 (31 January 2021:

£40,000). The other independent Directors are entitled to annual remuneration of £35,000 (31 January 2021: £35,000). These levels of remuneration have remained unchanged since July 2017.

During the year ended 31 January 2022 and the year ended 31 January 2021, the Directors' remuneration was as follows:

Director	Expected Fees 1 February 2022 to 31 January 2023 £	1 February 2021 to 31 January 2022 £	1 February 2020 to 31 January 2021 £
Jack Perry	50,000	50,000	50,000
Patrick Firth <sup>(1)</sup>	–	16,466	40,000
Paul Meader	35,000	35,000	37,500
Stuart Beevor	35,000	35,000	35,000
Mark Huntley <sup>(2)</sup>	–	–	22,870
Fiona Le Poidevin <sup>(3)</sup>	40,000	38,024	14,584

<sup>(1)</sup> Patrick Firth retired 28 June 2021

<sup>(2)</sup> Mark Huntley retired 25 September 2020

<sup>(3)</sup> Fiona Le Poidevin appointed 1 September 2020 and was appointed Audit and Risk Committee Chair on 28 June 2021

The Company Directors' fees for the year amounted to £171,375 (31 January 2021: £199,953) with outstanding fees of £31,250 due to the Directors at 31 January 2022 (31 January 2021: £45,995) (see Note 8).

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 22. 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 will 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 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 Risk Committee Meetings	Ad-hoc Committee Meetings	Nomination Committee Meeting	Management Engagement Committee Meeting	Remuneration Committee Meeting
	5	5	4	3	3	1	0
Stuart Beevor	5	3	5	0	1	2	0
Patrick Firth <sup>(1)</sup>	3	2	3	0	1	2	0
Paul Meader	5	6	5	1	1	2	0
Jack Perry	5	6	5	0	1	2	0
Fiona Le Poidevin	5	6	5	1	1	2	0

<sup>(1)</sup> Retired 28 June 2021

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.

## 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](http://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 RISK COMMITTEE

The Audit and Risk Committee is chaired by Mrs Le Poidevin who was appointed Chair on 28 June 2021, after Mr Firth's retirement on 28 June 2021. The Committee also comprises Mr Beevor and Mr Meader, who held office throughout the year. Mr Perry has a standing invitation to attend meetings. However, his attendance at these meetings is as an observer

only. The Chair of the Audit and 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 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 Risk Committee activities are contained in the Report of the Audit and Risk Committee on pages 30 to 32.

## MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee is chaired by Mr Perry and also comprises Mr Meader, Mr Beevor and Mrs Le Poidevin all of whom 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 Management Agreement and will keep under review the performance of the Investment Manager (including effective and active monitoring and supervision of the activities of the Investment Manager) in its role as investment manager to the Company as well as the performance of other principal service providers to the Company. The Audit and Risk Committee also reports on its relationship with the external auditor.

## NOMINATION COMMITTEE

The Nomination Committee is chaired by Mr Perry and also comprises Mr Beevor, Mr Meader and Mrs Le Poidevin all of whom held office throughout the year. The Nomination Committee meets at least once a year pursuant to its terms of reference and last met on 24 March 2021. 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 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 having the time available to discharge their duties effectively.

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

### Succession Planning

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. In addition, it is considered beneficial for shareholders that there is continuity of Board leadership during this final managed realisation phase before placing the Company in liquidation. Therefore, with the Company in a managed realisation phase, the Board has determined that, barring unforeseen circumstances, the present complement of Directors will continue in office until the appointment of a liquidator.

### REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr Meader and comprises of Mr Perry, Mr Meader, Mrs Le Poidevin 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. 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. The Remuneration Committee was not formally held in this year but the Board had discussed remuneration at a board meeting and it was agreed that there will be no increase to fees during the realisation period subject to any unforeseen circumstances. Current levels of remuneration were set on 1 July 2017 and have remained unchanged since then. No change in remuneration is proposed for the year to 31 January 2023.

### INTERNAL CONTROL AND FINANCIAL REPORTING

The Directors acknowledge that they are responsible for establishing and maintaining 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:

- the Board has delegated the day-to-day operations of the 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 Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary, as explained on page 31.

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 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### INTERNAL CONTROL AND FINANCIAL REPORTING (CONTINUED)

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 was undertaken in January 2022. The conclusions of these reviews were highly satisfactory, providing assurance to the Board. In addition, the Company maintains a website which contains comprehensive information, including regulatory announcements, share price information, financial reports, investment objectives and strategy, investor contacts and information on the Board.

### INVESTMENT MANAGER AGREEMENT

The Company has entered into an agreement with the Investment Manager. This sets out the Investment Manager's key responsibilities, this includes being 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 Company's risk management framework and risk culture. The Audit and Risk Committee undertook a robust assessment of the Company's principal risks and associated risk appetite, taking into account changes in the business and the external environment.

The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an on-going basis and these risks are reported and discussed at Board meetings. 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 the Ukrainian Crisis 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.

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	Rising corporate insolvencies and working capital challenges may mean some businesses, including tenants of the Company's borrowers, are unwilling or unable to pay rents.  Moreover, in the wake of Covid-19 the UK government had lifted measures which removed some of the actions available to a landlord if a tenant fails to pay rent.	Rental income is generally the primary source of income for the Company's borrowers and has a direct link, in most cases, to the borrower's ability to service its debt obligations and pay interest.  Should a material number of the tenants in the properties securing the Company's investments fail to pay rents, the Company may, consequently, experience a shortfall in receipts of interest over the coming quarters.	The Board and the Investment Manager work pro-actively with borrowers to monitor, mitigate and manage any issues and, where appropriate, will capitalise interest and/or reserve its rights. Loans were restructured/extended and repayment plans agreed within this year.
Fall in collateral values, and accuracy of valuations	Certain sections of the economy continue to deal with the ramifications of Covid-19 and rising interest rates, leading to a re-rating of property values particularly amongst leisure and some retail assets.	Ongoing Covid-19 related disruption, changes to working patterns and higher interest rates may continue to impact certain property values and/or investors reassess likely occupational demand due to changing working practices. Higher interest rates are likely to depress real estate values, other factors being equal.  Falling property values may delay refinancing and exit strategies of borrowers adding to uncertainty over the timing of capital repayments to shareholders.	The Company invests on a hold to maturity basis and 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.  Further, the Company currently enjoys a strong balance sheet and maintains an appropriate cash surplus for working capital purposes. If necessary, the Company has the ability to extend loans where its borrowers are unable to sell or refinance properties due to any market dislocation.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

Description	Nature of Risk	Potential Impact	Mitigation
Uncertain Economic Outlook and Geopolitical risk	Higher inflation caused by supply side constraints in the face of strong demand has been exacerbated by the Ukrainian Crisis. The interest rate and macro-economic implications of this are highly uncertain.	Inflationary pressures, higher interest rates and the resultant increase in cost of borrowing may reduce investor appetite with a knock on effect on property liquidity and valuations.	<p>The remaining loans are in the final stages of their term and the Investment Manager is closely monitoring exit and repayment strategies of each borrower. A number of loans are expected to mature soon.</p> <p>The existing loan book is well diversified with a robust weighted average LTV of 67.3% as at the date of signing these financial statements, which the Board expects to prove generally resilient against the likely impacts.</p>

The Company's principal risk factors are fully set out in the Company's 2018 Prospectus available on the Company's website ([www.lbow.co.uk](http://www.lbow.co.uk)) and should be reviewed by shareholders, together with the supplemental prospectus issued in 2019.

Emerging risks are regularly considered to assess any potential impact on the Company and to determine whether any actions are required. Emerging risks include those related to regulatory/legislative change, the Ukrainian Crisis, 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 Company faces. When required, experts will be employed to gather information, including property surveyors, tax managers, legal managers, and environmental managers as appropriate.

By order of the Board

**JACK PERRY**  
Chairman

19 May 2022

**FIONA LE POIDEVIN**  
Director

19 May 2022

## REPORT OF THE **AUDIT AND RISK COMMITTEE**

The Audit and Risk Committee, chaired by Mrs Le Poidevin, appointed on 28 June 2021, following the retirement of Patrick Firth on 28 June 2021, 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 and Mr Meader.

Only independent Directors can serve on the Audit and Risk Committee. Members of the Audit and Risk Committee must be independent of the Company's external auditor and Investment Manager. The Audit and Risk Committee will meet no less than twice a year, and at such other times as the Audit and 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 Risk Committee should have recent and relevant financial experience and is satisfied that the Audit and Risk Committee is properly constituted in that respect, with all members being highly experienced and, in particular, with one member having a background as a chartered accountant.

The duties of the Audit and 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 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 Risk Committee are:

- reviewing and monitoring the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- reporting to the Board on the appropriateness of the Company's accounting policies and practices including critical judgement areas;
- reviewing any draft impairment reviews of the Company's investments prepared by the Investment Manager, and making a recommendation to the Board on any impairment in the value of the Company'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 to have its own internal audit function;

- monitoring the internal financial control and risk management systems on which the Company is reliant;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on Audit and Risk Committees; and
- reviewing the risks facing the Company and monitoring the risk matrix.

The Audit and 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 Risk Committee meetings as the Directors deem appropriate and the Audit and 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 Risk Committee in relation to the financial reporting is to review with the Administrator, Investment Manager and the auditor the appropriateness of the 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 Company's performance, business model and strategy; and
- any correspondence from regulators in relation to the Company's financial reporting.

To aid its review, the Audit and 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 Risk Committee supports the external auditor and recognises the necessary professional scepticism their role requires.

### MEETINGS

During the year ended 31 January 2022, the Audit and Risk Committee met formally on five occasions. The matters discussed at those meetings included:

- review of the terms of reference of the Audit and Risk Committee for approval by the Board;
- review of the accounting policies and format of the Financial Statements;
- detailed review of the Annual Report and Financial Statements, Interim Report and recommendation for approval by the Board including the basis other than that of a going concern and the viability statement;
- review of the Company's risk matrix;

## REPORT OF THE AUDIT AND RISK COMMITTEE (CONTINUED)

- review and approval of the audit plan and final Audit and 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 Company's key risks and internal controls.

### PRIMARY AREA OF JUDGEMENT

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

The Company's loans are the key value driver for the Company's NAV and interest income. Judgements over the level of any impairment and recoverability of loan principal and 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 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 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 the Ukrainian Crisis on the Company.

The Audit and Risk Committee also focused on 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 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 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 Investment Manager's previous experience in managing senior debt and whole loan portfolios.

The Audit and 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 with the exception of Quattro, which was not repaid at maturity. No provisioning was deemed necessary for this loan which was repaid in full following the year end. All loans were discussed at the Audit and Risk Committee meeting to review the Annual Report, with the Investment Manager, the Administrator and Auditor. The Audit and Risk Committee is satisfied that the Company's interest income has been recognised in line with the requirements of IFRS.

The Audit and 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 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 Risk Committee. The work of the Audit and Risk Committee is driven primarily by the Company's assessment of its principal risks and uncertainties as set out on pages 28 to 29 of the Corporate Governance Report, and it receives reports from the Investment Manager and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified. Furthermore, the Investment Manager monitors the risks associated with the investments and the compliance of the investment portfolio with the investment restrictions of the Company.

### INTERNAL AUDIT

The Audit and 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 Company's assets, is maintained. Furthermore, the visit to the Investment Manager's London office in January 2022 gave the board assurance around the Investment Manager's internal controls and included a discussion with the Investment Manager's head of internal audit. 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 ninth audit period. With the audit period approaching ten years, the Company is obliged to consider tendering for a new audit firm. As the Company is in a managed realisation the Audit and Risk Committee has decided that Deloitte LLP should remain as auditor until the Company has wound up.

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 Risk Committee shall give advance notice of any retendering plans within the Annual Report. The Audit and Risk

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

Committee has considered the re-appointment of the auditor and decided not to put the provision of the external audit out to tender, given the limited life of the Company.

### EXTERNAL AUDIT (CONTINUED)

The objectivity of the auditor is reviewed by the Audit and Risk Committee which also reviews the terms under which the external auditor may be appointed to perform non-audit services. The Audit and 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 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 Risk Committee before being initiated.

The external auditor may not undertake any work for the Company in respect of the following matters – preparation of the Financial Statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

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

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 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 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 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 Risk Committee discuss the extent of the auditor's 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 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 Risk Committee has recommended to the Board that Deloitte LLP be reappointed as auditor for the year ending 31 January 2023.

The Audit and 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.

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

**FIONA LE POIDEVIN**  
Chair of the Audit and Operational Risk Committee

19 May 2022

# 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 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; 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 United Kingdom adopted international accounting standards.

### 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

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>■ The assessment of expected credit losses (ECL) on loans advanced; and</li> <li>■ Revenue recognition.</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li>ⓘ Newly identified</li> <li>⤴ Increased level of risk</li> <li>⤵ Similar level of risk</li> <li>⤶ Decreased level of risk</li> </ul>
<b>Materiality</b>	The materiality that we used for the group financial statements in the current year was £1.8 million which was determined on the basis of 2% of the net asset value.
<b>Scoping</b>	We performed full scope audit of the Group and audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team.
<b>Significant changes in our approach</b>	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 2022, the aggregate value of loans advanced amounted to €83.3 million (2021: €110.7 million) representing 94% of total assets (2021: 92%).

As described in the Report of the Audit and 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 (ECL) 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 ECL provision under IFRS 9 (including the probability of default ('PD'), the loss given default ('LGD'), exposure at default ('EAD'), estimation of recoverable amount of any non-performing loans 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 Risk Committee on page 31. Note 2 (I) and note 3 to the financial statements 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 as well as the stress analysis and note 11 sets 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 evaluation of 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 an assessment 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;
- Challenged the assumptions made by management in respect of the estimated recoverable value of any non-performing loans with reference to the valuation of the underlying collateral;
- Obtained corroboratory evidence to assess 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;
- With the involvement of our internal credit specialists, we challenged the appropriateness of the ECL provision with respect to the covenant breaches; 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 concluded that the assumptions applied by management in relation to the staging of loans, were appropriate, and that the resulting 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 £8.6 million for the year ended 31 January 2022 (2021:£9.7 million), with further other income of £1.0 million (2021: £0.3 million) recognised 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 made as to 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 timing of recognition timing of these one-off fees including 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 31 of the Report of the Audit and 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 recognition of interest income;
- Tested relevant controls relating to recognition of interest income;
- 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.

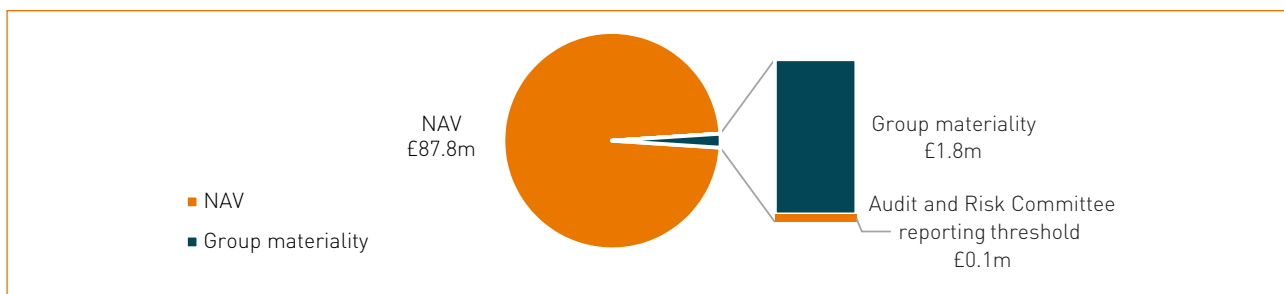
### 6. OUR APPLICATION OF MATERIALITY

#### 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:

<b>Group Materiality</b>	£1.8 million (2021: £2.4 million)
<b>Basis for determining materiality</b>	2% (2021: 2%) of net asset value We have applied a lower materiality threshold of £427,000 (2021: £497,000) to the income statement based on 5% of income from loans (2021: 5% of net income).
<b>Rationale for the benchmark applied</b>	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 2022 audit (2021: 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 Risk Committee that we would report to the Committee all audit differences in excess of £87,000 (2021: £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 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. 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 of the Group. Our audit focus for the current year was only on the parent entity. This is because during the year, the board dissolved the Luxembourg subsidiary which was holding all the loan investments for the Group. All investments have been transferred to the Company.

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](http://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 6 December 2021;
- results of our enquiries of management and the Audit and 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, the Listing Rules and relevant tax legislation.

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 Company's regulatory licenses and The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

#### 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 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; 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 UK Corporate Governance 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 the going concern basis of accounting and any material uncertainties identified set out on page 19;
- 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 19;
- the Directors' statement on fair, balanced and understandable set out on page 22;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 28;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 28; and
- the section describing the work of the Audit and 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 28 June 2021 to audit the financial statements for the year ending 31 January 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years, covering the years ending 31 January 2014 to 31 January 2022.

##### 14.2. Consistency of the audit report with the additional report to the audit and risk committee

Our audit opinion is consistent with the additional report to the audit and 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

#### DAVID BECKER

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

19 May 2022

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2022

	Notes	1 February 2021 to 31 January 2022 £	1 February 2020 to 31 January 2021 £
<b>Income</b>			
Income from loans	2 f)	9,310,030	9,655,862
Other fee income from loans	2 g)	207,739	297,979
Income from cash and cash equivalents		–	49
<b>Total income</b>		<b>9,517,769</b>	<b>9,953,890</b>
<b>Expenses</b>			
Investment Management fees	14	1,165,922	1,195,588
Directors' remuneration	13	171,375	199,953
Audit fees for the Company	15	46,454	47,355
Audit fees for the Subsidiary	15	–	14,885
Finance cost	18	63,351	95,812
Bank loan Interest	18	–	98,852
Reorganisation Costs		129,941	208,397
Other expenses	17	594,049	677,782
<b>Total expenses</b>		<b>2,171,092</b>	<b>2,538,624</b>
<b>Profit for the year before tax</b>		<b>7,346,677</b>	<b>7,415,266</b>
Taxation charge	4	10,912	4,461
<b>Profit for the year after tax</b>		<b>7,335,765</b>	<b>7,410,805</b>
<b>Total comprehensive income for the year</b>		<b>7,335,765</b>	<b>7,410,805</b>
<b>Basic and diluted Earnings per Share (pence)</b>	9	<b>6.05</b>	<b>6.11</b>

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 had 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 2022

	Notes	31 January 2022 £	31 January 2021 £
<b>Assets</b>			
Loans advanced at amortised cost	5	83,257,529	110,712,112
Trade and other receivables	6	502,485	1,233,834
Cash and cash equivalents	7	4,801,224	8,773,640
<b>Total assets</b>		<b>88,561,238</b>	<b>120,719,586</b>
<b>Liabilities</b>			
Other payables and accrued expenses	8	793,223	1,470,447
<b>Total liabilities</b>		<b>793,223</b>	<b>1,470,447</b>
<b>Net assets</b>		<b>87,768,015</b>	<b>119,249,139</b>
<b>Equity</b>			
Share capital	10	87,576,589	119,115,310
Retained earnings		191,426	133,829
<b>Total equity attributable to the owners of the Company</b>		<b>87,768,015</b>	<b>119,249,139</b>
<b>Number of Ordinary Shares in issue at year end</b>	10	<b>121,302,779</b>	<b>121,302,779</b>
<b>Net Asset Value per Ordinary Share (pence)</b>	9	<b>72.35</b>	<b>98.31</b>

The Financial Statements were approved by the Board of Directors on 19 May 2022 and signed on their behalf by:

**JACK PERRY**  
Chairman

19 May 2022

**FIONA LE POIDEVIN**  
Director

19 May 2022

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2022

	Notes	Number of shares	Ordinary Share capital £	B Share capital £	Retained earnings £	Total £
<b>As at 1 February 2021</b>		121,302,779	119,115,310	-	133,829	119,249,139
Share issue		-	-	-	-	-
Share issue costs		-	-	-	-	-
Profit for the year		-	-	-	7,335,765	7,335,765
Dividends paid	10	-	-	-	(7,278,168)	(7,278,168)
B-Shares issued September 2021	10	121,302,779	(6,671,651)	6,671,651	-	-
B Shares redeemed & cancelled September 2021	10	(121,302,779)	-	(6,671,651)	-	(6,671,651)
B-Shares issued December 2021	10	121,302,779	(7,884,681)	7,884,681	-	-
B Shares redeemed & cancelled December 2021	10	(121,302,779)	-	(7,884,681)	-	(7,884,681)
B-Shares issued January 2022	10	121,302,779	(16,982,389)	16,982,389	-	-
B Shares redeemed & cancelled January 2022	10	(121,302,779)	-	(16,982,389)	-	(16,982,389)
<b>As at 31 January 2022</b>		<b>121,302,779</b>	<b>87,576,589</b>	<b>-</b>	<b>191,426</b>	<b>87,768,015</b>

For the year ended 31 January 2021

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 January 2022

	Notes	1 February 2021 to 31 January 2022 £	1 February 2020 to 31 January 2021 £
<b>Cash flows generated from operating activities</b>			
Profit for the period		7,335,765	7,410,805
Adjustments for non-cash items & working capital movements:			
Movement in other receivables		731,350	51,632
Movement in other payables and accrued expenses		(675,545)	(522,614)
Movement in tax payable		(1,679)	(9,090)
Loan amortisation		(1,321,983)	(512,292)
		6,067,908	6,418,441
Loans advanced less arrangement fees		(1,643,473)	(27,144,200)
Loans repaid at par		30,420,038	38,593,726
Net loans repaid less arrangement fees		28,776,565	11,449,526
<b>Net cash generated from operating activities</b>		<b>34,844,473</b>	<b>17,867,967</b>
<b>Cash flows used in financing activities</b>			
Net amounts (repaid) on loan facility		-	(5,200,000)
Dividends paid	10	(7,278,168)	(7,278,168)
Return of Capital paid	10	(31,538,721)	-
<b>Net cash (used in) financing activities</b>		<b>(38,816,889)</b>	<b>(12,478,168)</b>
Net movement in cash and cash equivalents		(3,972,416)	5,389,799
Cash and cash equivalents at the start of the year		8,773,640	3,383,841
<b>Cash and cash equivalents at the end of the year</b>		<b>4,801,224</b>	<b>8,773,640</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 January 2022

## 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 2022.

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.

ICG Alternative Investment Limited is the external discretionary investment manager. 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. The subsidiary was dissolved on 18 January 2022. Under Luxembourg Law, and as sole shareholder, the Company has taken responsibility for the remaining assets and liabilities of its subsidiary following its dissolution.

## 2. ACCOUNTING POLICIES

### a) Basis of preparation

The Financial Statements for the year ended 31 January 2022 have been prepared in accordance with IFRS as adopted in the UK 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:

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

		Effective for periods commencing
IFRS 7	Financial Instruments Disclosures (Amendments regarding the interest rate benchmark rate)	1 January 2021
IFRS 9	Financial Instruments (Amendments regarding the interest rate benchmark rate)	1 January 2021
IFRS 3	Business Combinations (Amendments regarding references to the Conceptual Framework for Financial Reporting)	1 January 2022
IFRS 9	Financial Instruments (Amendments regarding fees to be included in the 10% test for derecognition of financial liabilities)	1 January 2022

The following new and revised IFRS standards and interpretations that have been issued and are not yet effective:

		Effective for periods commencing
IAS 1	Presentation of Financial Statements (Amendments regarding the liabilities classification and materiality)	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments regarding the definition of Accounting Estimates)	1 January 2023

### 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 Company has adequate resources to continue in operational existence for the foreseeable future. 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 due for repayment 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 basis of valuation for investments is amortised cost, recognising the realisable value of each investment in the orderly wind down of the Company and in the absence of a ready secondary market in real estate loans by which to assess market value. There has been no material change in the carrying value of the investments. No material adjustments have arisen as a result of ceasing to apply the going concern basis.

The Luxembourg subsidiary was dissolved on 18 January 2022. The loans were transferred to the Company and will be held to their maturity.

## 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, disposed of, or dissolved 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, or dissolution, 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 subsidiary, ICG Longbow Senior Debt S.A., was consolidated into the Company's accounts, and was liquidated on 18 January 2022. The Company's financial statements are prepared on a consolidated basis as the Group existed for the majority of the financial year. Accordingly, when a parent had had subsidiaries at any time during a reporting period, IFRS 10 requires consolidated financial statements to be presented (unless any of the exemptions in IFRS 10 are available).

#### 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 Company 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 Company's costs incurred in connection with the on-going management of the Company'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 was 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 Company's performance and to allocate resources is the total return on the Company's Net Asset Value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the Financial Statements.

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

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

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

The Company'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)

#### i) 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 Expected Credit Loss (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 Company 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 Company always recognises 12-month ECL for trade receivables and loan receivables that fall under stage 1 assets. For stage 2 assets, the Company 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 Investment Manager'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 Company 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 Company 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 Company 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 Company'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 Company'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;
- any 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 Company 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 Company 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 Company 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.

*vi) Definition of default*

The Company 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 may not be fully 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 Company, in full (without taking into account any collateral held by the Company).

*vii) 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 (vi) above);
- (c) the lenders to 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. ACCOUNTING POLICIES (CONTINUED)

#### l) Financial instruments (continued)

##### viii) Write-off policy

The Company 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 Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### 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 Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company 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 Company 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 Company'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 Company 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 Company may negotiate or otherwise modify the contractual cash flows of loans to customers, usually as a result of loan extensions. When this happens, the Company 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 Company 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 per cent 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. ACCOUNTING POLICIES (CONTINUED)

#### l) Financial instruments (continued)

##### *Financial liabilities*

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

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

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

##### *i) Financial liabilities measured at amortised cost*

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

##### *ii) Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company'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 Company 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 two loans have shown evidence of heightened credit risk since origination. 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 as well as the residual term of the loans.

#### Critical accounting estimates

The measurement of both the initial and ongoing ECL 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 a number of factors including rental income trends, interest cover and LTV headroom and sectoral trends 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. Covid-19 impacted valuations in those real estate sectors most impacted by lockdowns and social restrictions and changes in working habits. As the restrictions have been lifted and the vaccination programme has been rolled out, most sectors have recovered somewhat and investors, and tenants, have returned to the market. Inflation and interest rate pressures remain a concern and the prospect for growth has deteriorated since the start of the Ukrainian crisis. However, given the exit plans in place for each remaining loans, supported by valuation equity headroom, 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, close monitoring through their life to provide early warning of a deteriorating credit position and LTV headroom. In line with the Company's investment strategy at the time, most loans benefited from significant LTV headroom, and business plans designed to deliver further value increases over time. This combined with tight covenants have enabled the Investment Manager to manage risk over the term of the loans. Following the change in Investment Strategy to one of orderly wind down, the Investment Manager and the Board have placed greater emphasis on the source and delivery of repayment over the residual term of each loan when assessing the risk of capital loss. As a result of these considerations, no loss allowance has been recognised based on 12-month expected credit losses for those in stage 1 nor for lifetime losses for those in stage 2, as any such impairment would be wholly insignificant to the Company. Note 5(iii) details management's assessment of the sensitivity of expected credit losses to LTV and ICR movements across the portfolio.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

Revenue recognition is considered a significant accounting judgement and estimate that the Directors make in the process of applying the Company's accounting policies (see Notes 2e) 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 Enil (31 January 2021: Enil).

### 4. TAXATION

The Group's tax charge of £10,912 (31 January 2021: £4,461) consists of taxes levied on Luxco. The net wealth tax charge was £10,912 (including adjustments of previous years of £3,713) for the financial year ended 31 January 2022 (31 January 2021: £4,461). The net wealth tax charge, set at a rate of 0.5% (31 January 2021: 0.5%), on Luxco's global assets (net worth), is 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 2022 (31 January 2021: Enil) set by the Luxembourg Tax Administration.

	1 February 2021 to 31 January 2022 £	1 February 2020 to 31 January 2021 £
Net wealth tax – current year	7,199	4,461
Net wealth tax – prior year	3,713	–
	10,912	4,461

### 5. LOANS ADVANCED

#### (i) Loans advanced

	31 January 2022 Principal advanced £	31 January 2022 At amortised cost £	31 January 2021 Principal advanced £	31 January 2021 At amortised cost £
Northlands	10,431,142	10,548,056	9,578,514	9,542,788
Quattro	5,956,304	5,984,263	8,853,459	8,974,982
Affinity	17,299,963	17,706,033	16,700,000	17,010,855
Southport	15,000,000	15,348,830	16,059,285	16,157,217
RoyaleLife	25,382,017	27,145,110	25,382,017	26,174,473
LBS	6,474,000	6,525,237	6,283,119	6,271,791
Halycon	–	–	5,732,465	5,864,704
Knowsley	–	–	7,750,000	7,747,844
GMG	–	–	12,981,133	12,967,458
	80,543,427	83,257,529	109,319,992	110,712,112

#### (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, 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 10 to 12 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 such 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 Company's accounting policy on the measurement of financial assets is discussed further in Note 2.

The Company'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)****(i) Loans advanced (continued)**

Each property on which investments are secured was subject to an independent, third party valuation at the time the investment was entered into. All investments are made on a hold to maturity basis. 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. Beyond the impact of Covid-19 discussed below, 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 lockdowns impacted rent collection and business plan progress on a number of investments, resulting in interest deferral or capitalisation and in some cases term extensions, the balance outstanding in each case remains at sufficient discount to the value of the underlying real estate on which they are secured. The Investment Manager has reviewed the plans in place and prospects for repayment of each loan over its residual term and 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 arrears of interest over the residual term of each loan.

**(iii) IFRS 9 – Impairment of Financial Assets**

In accordance with the Company'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 2022 has been reviewed. Of the two loans identified as Stage 2 assets in the previous reporting year one has since repaid in full while the other is still identified as Stage 2. An additional loan showed a deterioration in their internal credit rating since 31 January 2021 and has been identified as a stage 2 asset. One further loan, Affinity, was identified as Stage 2 in the interim accounts but has since shown material credit improvement and is no longer considered to be Stage 2. 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 2022**

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	59,587,122	20,956,304	–	80,543,426
Gross carrying value	61,924,436	21,333,093	–	83,257,529
Less ECL allowance	–	–	–	–
	61,924,436	21,333,093	–	83,257,529

**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

Two loans were considered as Stage 2 loans as at 31 January 2022 (31 January 2021 two loans)

The Stage 2 loan, Quattro, was identified as Stage 2 since January 2019 reflecting delays in delivery of its business plan and poor interest cover. Interest arrears reported have now been resolved, an element of the business plan has been delivered resulting in a partial repayment of the loan and a material improvement has been observed in the remaining property value. More recently the Sponsor has secured additional planning consents at one of the remaining properties which will further enhance value and has enabled the borrower to secure terms for a refinance which would see the Company repaid in full. The refinance was completed, and the loan repaid in full including accrued interest and fees, in April 2022.

The Second stage 2 loan, Southport, was recognised as Stage 2 for the first time this period following a downward valuation of the hotel which has been adversely impacted by the intermittent Covid-19 lockdowns and related trading restrictions. The hotel recorded record trading results during summer 2021, which enabled a catch up in interest arrears, and reports a strong order book for 2022. Whilst diminished, the valuation headroom and improved trading outlook remain sufficient for the Directors to expect the loan to be repaid in full at maturity.

The Affinity loan, considered as Stage 2 at 31 July 2021, has shown strong lettings in recent months and an improvement in valuation as a result leading to a credit rating upgrade.

All other loans have shown no material deterioration since inception or over the course of the financial year and were considered as Stage 1 assets with no ECL over a twelve month period.

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)

#### (iv) IFRS 9 Impairment – Stress Analysis

As discussed above, the Company's ECL is a function of the probability of default ("PD") and loss given default ("LGD"), where PD is benchmarked against ICG Alternative Investment's internal credit rating model and LGD is based on ICG Alternative Investment's track record of over £5.3 billion of senior and whole loans which would satisfy the Company's investment parameters.

With the exception of the Quattro loan which was extended, and has subsequently repaid, 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 either arrears or capitalisation of interest leading to higher LTV exposures, the Leisure sector in particular where properties have been subject to forced closure and operating restrictions. Within ICG's benchmark portfolio, the Covid-19 pandemic and its impact on valuation of the retail sector properties in particular has reduced ICG Alternative Investment's recovery expectations for non-performing loans across its wider benchmark 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 pre Covid-19, reflecting ICG's loss experience.

A three-grade stress on the portfolio would result in two loans (Quattro and Southport) moving to doubtful with a materially increased probability of default and loss given default leading to 12 month expected aggregate losses of £3.0 million, of which £754,000 was attributed to the Quattro loan which has now repaid in full.

The majority of loans still benefit from strong equity value protection and could withstand a 25% fall in property values before being at risk of loss. The exception is Southport where the current LTV is 85.7% and where a 20% fall in underlying property values would result in a loss of approximately £1.0million.

#### Stress test impact on Expected Credit Loss at 31 January 2022

	ECL Impact	31 January 2021
One grade deterioration in credit rating	£166,000	£473,000
Two grade deterioration in credit rating	£654,000	£925,000
Three grade deterioration in credit rating	£3,137,000	£2,819,000

The remaining loan portfolio is set out in 4(i) above and the current performance of each loan is discussed in the Investment Manager's report. The current aggregate exposure by internal credit rating of the loan portfolio is set out in note 11.

### 6. TRADE AND OTHER RECEIVABLES

	31 January 2022 £	31 January 2021 £
Other receivables	502,485	1,233,834

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 Company 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**7. CASH AND CASH EQUIVALENTS**

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

The table below shows the Company's cash balances and the banks in which they are held:

	31 January 2022 £	31 January 2021 £
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	1,266,096	6,361,893
Lloyds Bank International Limited	396,016	109,769
Barclays Bank plc	396,056	109,835
Butterfield Bank (Guernsey) Limited <sup>(1)</sup>	396,076	109,738
Royal Bank of Scotland International Limited	2,346,980	2,082,405
	4,801,224	8,773,640

<sup>(1)</sup> Formerly ABN Amro CI

**8. OTHER PAYABLES AND ACCRUED EXPENSES**

	31 January 2022 £	31 January 2021 £
Investment Management fees (see Note 14)	289,107	897,928
Taxes payable	–	(7,411)
Directors' remuneration (see Note 13)	31,250	45,995
Administration fees (see Note 14)	22,188	35,907
Broker fees	51,650	25,825
Audit fees	29,723	50,664
Other expenses	44,419	17,014
Reorganisation costs	–	171,397
Trade creditors	324,886	233,128
	793,223	1,470,447

Trade creditors comprise amounts payable to borrowers. The Company has management policies in place to ensure that all payables are paid within the credit time frame. The Directors consider 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 2021 to 31 January 2022	1 February 2018 to 31 January 2021
Profit for the year (£)	7,335,765	7,410,805
Weighted average number of Ordinary Shares in issue	121,302,779	121,302,779
Basic and diluted EPS (pence)	6.05	6.11
Adjusted basic and diluted EPS (pence)	5.25	6.11

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 issue in for the year ended 31 January 2022.

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 £207,739 (31 January 2021: £nil).

There are no dilutive shares in issue at 31 January 2022 (31 January 2021: none).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (CONTINUED)

#### Net Asset Value per share

	31 January 2022	31 January 2021
NAV (£)	87,768,015	119,249,139
Number of Ordinary Shares in issue	121,302,779	121,302,779
NAV per share (pence)	72.35	98.31

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

### 10. SHARE CAPITAL

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

	31 January 2022 Number of shares	31 January 2021 Number of shares
<b>Authorised</b>		
Ordinary Shares of no par value	Unlimited	Unlimited
B Shares of no par value	Unlimited	Unlimited

	Total No	Total No
<b>Ordinary Shares</b>	121,302,779	121,302,779
<b>B Shares</b>		
B Shares issued September 2021	121,302,779	-
B Shares redeemed and cancelled September 2021	(121,302,779)	-
B Shares issued December 2021	121,302,779	-
B Shares redeemed and cancelled December 2021	(121,302,779)	-
B Shares issued January 2022	121,302,779	-
B Shares redeemed and cancelled January 2022	(121,302,779)	-
B Shares	-	-

	£	£
Share capital brought forward	119,115,310	119,115,310
Repaid in the year	(31,538,721)	-
<b>Share capital carried forward</b>	<b>87,576,589</b>	<b>119,115,310</b>

#### 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 2022 and 31 January 2021 are set out below:

1 February 2021 to 31 January 2022	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2021	1.50	1,819,542
Interim dividend in respect of quarter ended 30 April 2021	1.50	1,819,542
Interim dividend in respect of quarter ended 31 July 2021	1.50	1,819,542
Interim dividend in respect of quarter ended 31 October 2021	1.50	1,819,542
	6.00	7,278,168

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**10. SHARE CAPITAL (CONTINUED)****Dividends (continued)**

	Dividend per share Pence	Total dividend £
<b>1 February 2020 to 31 January 2021</b>		
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

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.

**Return of Capital**

Return of Capital is recognised by the Company in the quarterly NAV calculation following the declaration date.

The Directors announced three returns in the year and have returned a total amount of 26.00 pence per Ordinary Share to shareholders, being £31,538,721 in total based on the current number of Ordinary Shares in issue. This return of capital was effected by way of an issue of redeemable B Shares to existing shareholders pro rata to their shareholding on the record date set out below and the subsequent redemption of those B Shares.

	Return of Capital per share Pence	Total Return of Capital £
<b>1 February 2021 to 31 January 2022</b>		
Return of Capital September 2021	5.50	6,671,651
Return of Capital December 2021	6.50	7,884,681
Return of Capital January 2022	14.00	16,982,389
	26.00	31,538,721

**Rights attaching to Shares**

The Company has a single class of Ordinary Shares which are not entitled to a fixed dividend. The company had three issues of redeemable B shares which were redeemed throughout the year on a Return of Capital payment to shareholders of the redeemable B shares. 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 has and will continue to utilise this mechanism in future. When the Board determines to return capital to Shareholders, the Company has issued 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 for cash 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 amounts 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 Company 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 Company'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 Company's financial performance.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

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 Company's overall market position is monitored by the Investment Manager and is reviewed by the Directors on an on-going basis.

#### Currency risk

The Company'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. With the liquidation of Luxco finalised on 18 January 2022, the Company does not anticipate being exposed to currency risk henceforth.

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

The following table shows the portfolio profile of the material financial assets as at 31 January 2022 and 31 January 2021:

	31 January 2022 £	31 January 2021 £
<b>Floating rate</b>		
Cash	4,801,224	8,773,640
<b>Fixed rate</b>		
Loans advanced at amortised cost	83,257,529	110,712,112
	88,058,753	119,485,752

The timing of interest payments on the loans advanced is summarised in the table on page 57.

#### Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company's main credit risk exposure are on the loans advanced, where the Company invests in secured senior debt, and in respect of monies held with banks.

Outside of its investment portfolio, discussed below, in order to minimise credit risk, the Company has adopted a policy, where possible, of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company 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 Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

With respect to its loan portfolio the Company has adopted the Investment Manager's internal credit rating methodology to assess and monitor 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 borrower – considers the financial position of the borrower 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11. RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

## Credit risk (continued)

The credit rating methodology is dynamic and recognises the interplay between diversity and quality as a risk mitigant. The Company's current credit risk grading framework comprises the following categories and portfolio weightings:

Grade	Description	Staging	Basis for recognising ECL	Maximum credit risk exposure 2022	Maximum credit risk exposure 2021
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	10,548,056	9,542,788
BB	Average risk	Stage 1	12 month ECL	49,155,980	66,019,869
B	Acceptable risk	Stage 1	12 month ECL	20,956,304	35,149,455
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	-	-

The Company has used the Investment Manager's 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. As at 31 January 2022, the maximum credit risk exposure was £88,344,670 (31 January 2021: £118,093,632).

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 Company'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.

## 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 12.

To diversify credit risk the Company maintains its cash and cash equivalents across four (31 January 2021: 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 maintained and monitored. This is subject to the Company's credit risk monitoring policies.

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

	Rating	31 January 2022 £	31 January 2021 £
Royal Bank of Scotland Global Banking (Luxembourg) S.A.	A-	1,266,096	6,361,893
Lloyds Bank International Limited	A	396,016	109,769
Barclays Bank plc	A	396,056	109,835
Butterfield Bank (Guernsey) Limited <sup>(1)</sup>	BBB+	396,076	109,738
Royal Bank of Scotland International Limited	A-	2,346,980	2,082,405
		4,801,224	8,773,640

<sup>(1)</sup> 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 Company will not be able to meet its liabilities as they fall due. The Company's loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice.

The Company 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 Company due to counterparties. The Company expects to meet its ongoing obligations from cash flows generated by the loan portfolio. Except for the loans advanced, the Company'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 2022 £
Northlands – principal	10,431,142	–	10,431,142
Northlands – interest and exit fees	715,242	–	715,242
Quattro – principal	5,956,304	–	5,956,304
Quattro – interest and exit fees	203,167	–	203,167
Affinity – principal	17,299,963	–	17,299,963
Affinity – interest and exit fees	801,862	–	801,862
Southport – principal	–	15,000,000	15,000,000
Southport – interest and exit fees	1,050,000	483,904	1,533,904
RoyaleLife – principal	–	25,382,017	25,382,017
RoyaleLife – interest and exit fees	2,030,561	5,268,400	7,298,961
LBS Inn – principal	6,474,000	–	6,474,000
LBS Inn – interest and exit fees	571,451	–	571,451
	45,533,692	46,134,321	91,668,013

## 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 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
RoyaleLife – principal	–	25,382,017	25,382,017
RoyaleLife – 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
Knowsley – 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
	21,715,106	106,667,054	128,382,160

The Company 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 Company, where possible, seeks to mitigate this risk by inclusion of income protection clauses that protect the Company against any prepayment risk on the loans advanced for some of the period of the loan. To date, 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 0.75 years (31 January 2021: 0.72 years).

The Company 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 2021: £nil).

**Capital management policies and procedures**

The Company's capital management objectives are to ensure that the Company 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 Company's investment policy, the Company'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 Company'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 Company's investments. The subsidiary was dissolved under Luxembourg Law on 18 January 2022 and its assets and liabilities transferred to the Company. As at 19 January 2022 the loans were held by the Company.

### 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 £171,375 (31 January 2021: £199,953) with outstanding fees of £31,250 due to the Directors at 31 January 2022 (31 January 2021: £45,995) (see Note 8).

### 14. MATERIAL AGREEMENTS

#### Investment Manager Agreement

Investment Management fees for the year amounted to £1,165,922 (31 January 2021: £1,195,588), of which £289,107 (31 January 2021: £897,928) was outstanding at the year-end (see Note 8).

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

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

#### 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 £205,285 (31 January 2021: £172,421) of which £22,188 (31 January 2021: £35,907) 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.

#### Depositary Agreement

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

Under the terms of the Depositary Agreement, the Depositary 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 2022 £	31 January 2021 £
Audit fees for the Company	46,454	47,355
Audit fees for the Subsidiary	–	14,885
<b>Total Audit fees</b>	<b>46,454</b>	<b>62,240</b>

There were no non-audit fees paid during the year.

**16. REVOLVING CREDIT FACILITY**

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

This facility was used towards maintaining and preserving liquidity, making new customer loans and payment of the fees, costs and expenses due. No drawdowns were made during the year. The opening drawn down balance was £nil at 1 February 2021. The overall balance drawn down at 31 January 2022 £nil (31 January 2021: £nil).

**17. OTHER EXPENSES**

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

	31 January 2022 £	31 January 2021 £
Luxco operating expenses	95,358	278,661
Broker fees	76,925	52,163
Administration fees	205,285	172,421
Regulatory fees	16,524	19,351
Listing fees	14,573	13,375
Legal & professional fees	122,555	70,311
Other expenses	62,829	71,500
	<b>594,049</b>	<b>677,782</b>

**18. FINANCE COSTS**

Finance costs comprise £63,351 (31 January 2021: £95,812) relating to the amortisation of arrangement fees on the revolving credit facility and £nil (31 January 2021: £98,852) relating to the facility set-up costs.

**19. SUBSEQUENT EVENTS**

On 24 March 2022, the Company declared a dividend of 1.1 pence per Ordinary Share in respect of the quarter ended 31 January 2022, payable on 29 April 2022.

On 18 May 2022, the Directors resolved to return £7,278,167 of capital to Ordinary shareholders, equivalent to 6.0 pence per Ordinary Share, through issuance and redemption of B shares, with a record date of 27 May 2022 and a payment date of 13 June 2022.

Following the Russian invasion of the Ukraine the Investment Manager has reviewed the portfolio and has not identified any direct exposure to either Russian or Ukrainian companies or individuals. The Company continues to monitor the situation for potential macro-economic impacts which may impact the performance or repayment of the remaining loans.

## 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 Company'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 Company'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 Company 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 Limited;

"**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;

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

"**B shares**" means a redeemable Ordinary Share of no par value in the capital of the Company issued and designated as a B Share of such class, and denominated in such currency, as may be determined by the Directors at the time of issue. Issued for the purpose of returning capital in accordance with Article 8;

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

"**CMBS**" means commercial mortgage-backed security;

"**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;

"**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 Euro;

"**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 Limited;

"**Group**" means the Company, ICG Longbow Senior Secured UK Property Debt Investments Limited together with its previously 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 Limited;

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

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

"**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 United Kingdom;

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

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

"**Investment Manager**" or "**ICG-Longbow**" means IC Alternative Investment Limited or its associates;

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

"**IoD**" means Institute of Directors;

## GLOSSARY OF CAPITALISED DEFINED TERMS (CONTINUED)

“**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;

“**Memorandum**” means the Company’s memorandum;

“**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 London & Guildford Properties Limited, London & Weybridge Properties Limited, Lamborfore Limited, Northlands Holdings Limited, Peeble Stone Limited, Auldana Limited, Felixstow Limited, Richmond Lodge Construction Limited, Piperton Finance Limited and Alton & Farnham Properties Limited;

“**NMPIs**” means Non-Mainstream Pooled Investments;

“**OBR**” means the Office of Budget Responsibility;

“**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 CNM Estates (New Malden) Limited, CNM Estates (Ewell Road) Limited, CNM Estates (Coombe Road) Limited and CNM Estates (Cox Lane) Limited;

“**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 Time GB Properties LendCo Limited;

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

“**Southport**” means the Bliss Hotels Limited and Bliss Hotels (Southport) Limited;

“**Sq ft**” means square feet;

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

“**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  
Paul Meader  
Fiona Le Poidevin  
Patrick Firth (Retired 28 June 2021)

### Audit and Risk Committee

Fiona Le Poidevin  
(*Chair from 28 June 2021*)  
Stuart Beevor  
Paul Meader  
Patrick Firth (*Chairman – Retired  
28 June 2021*)

### Management Engagement Committee

Jack Perry (*Chairman*)  
Paul Meader  
Fiona Le Poidevin  
Stuart Beevor  
Patrick Firth (retired 28 June 2021)

### Nomination Committee

Jack Perry (Chairman)  
Stuart Beevor  
Paul Meader  
Fiona Le Poidevin  
Patrick Firth (Retired 28 June 2021)

### Remuneration Committee

Paul Meader (Chairman)  
Jack Perry  
Stuart Beevor  
Fiona Le Poidevin

### 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

### Depositary

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

### Registrar

Link Asset Services (Guernsey) Limited  
Mont Crevett 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

Royal Bank of Scotland Global Banking  
(Luxembourg) S.A.  
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**

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GY1 4LY, Channel Islands.

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Further information available online:  
[www.lbow.co.uk](http://www.lbow.co.uk)