



ICG-Longbow Senior Secured UK Property Debt Investments Limited

Interim Report and Unaudited Condensed
Consolidated Interim Financial Statements

For the six months ended 31 July 2018

Table of Contents

Corporate Summary	2
Highlights	3
Chairman's Statement	5
Investment Adviser's Report	7
Directors' Responsibilities Statement	19
Condensed Consolidated Statement of Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes In Equity	22
Condensed Consolidated Statement of Cash Flows	23
Notes to the Unaudited Condensed Consolidated Interim Financial Statements	24
Glossary of Capitalised Defined Terms	30
Directors and General Information	34

Corporate Summary

Investment Objective

The investment objective of the Group, as approved by the shareholders of the Company, is to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive, quarterly dividends, capital preservation and, over the longer term, a degree of capital appreciation.

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 UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange as part of its IPO, which completed on 5 February 2013. The issued capital comprises the Company's ordinary shares denominated in Pounds Sterling. The Company is an internally managed non-EU domiciled alternative investment fund and makes investments in its portfolio through ICG-Longbow Senior Debt S.A., the Company's wholly owned subsidiary.

Investment Adviser

The Investment Adviser (Intermediate Capital Managers Limited), which trades under the name of ICG-Longbow, is authorised and regulated by the FCA. The Board manages the assets of the Group after receiving advice from the Investment Adviser under the terms of the non-discretionary Investment Advisory Agreement.

Highlights

Key Developments

- Continued dividend of 1.5 pence per quarter.
- Progress in transitioning the portfolio to the Investment Policy approved on 1 March 2017.
- Working capital facility arranged with OakNorth Bank plc on 1 October 2018 to support the investment in new loan opportunities and also reduce potential cash drag between maturities and replacement loans.
- Growing pipeline with opportunities to deploy capital beyond the current size of the Company's portfolio.

Performance

- NAV of £121.36 million as at 31 July 2018 (31 January 2018: £117.98 million).
- Total investment income excluding prepayment fees of £3.60 million (31 July 2017: £3.42 million).
- Prepayment fees of £0.39 million (31 July 2017: £0.99 million), reflect the lower volume of early loan repayments and maturing nature of the existing investment portfolio.
- Profit after tax of £2.70 million for the six months ended 31 July 2018 (31 July 2017: £3.15 million).
- Earnings per share for the period of 2.25 pence (31 July 2017: 2.91 pence).
- The portfolio continues to perform in line with expectation.
- Total NAV returns (dividends reinvested) achieved since inception, 5 February 2013, 30.6%.

Dividend

- Dividends maintained in line with policy utilising prior period retained earnings to supplement current income through portfolio transition.
- Total dividends paid or declared for the period ended 31 July 2018 of 3 pence per share (31 July 2017: 5.25 pence per share which included the special dividend of 2.25 pence), made up as follows:
 - First interim dividend of 1.50 pence per share approved in respect of the quarter ended 30 April 2018.
 - Second interim dividend of 1.50 pence per share approved in respect of the quarter ended 31 July 2018.
- Second interim dividend details

◦ Approved	27 September 2018
◦ Amount	1.5 pence per share
◦ Dividend ex-date	11 October 2018
◦ Dividend payment date	2 November 2018

Highlights

(continued)

Investment Portfolio

- During the six-month period, the IRAF loan was repaid £11.94 million, and the proceeds reinvested into a new £16.20 million, four-year loan secured by a multi-let office property in Bristol.
- An increase to the Northlands loan of £0.92 million completed in the period, together with an extension to the prepayment protection period.
- As at 31 July 2018, the Group's investment portfolio comprised ten loans with an aggregate principal balance of £112.16 million (31 January 2018: ten loans with aggregate principal balance of £111.15 million).
- The portfolio weighted average LTV was 61.2% (31 January 2018: 58.0%), reflecting changes to the composition of the loan portfolio, and the weighted average ICR was 216% (31 January 2018: 218%).
- The portfolio weighted average residual term was 1.31 years, of which on average 0.69 years remains income protected (31 January 2018: residual term 1.37 years, income protected term 0.53 years).

Chairman's Statement

Introduction

On behalf of the Board, I am pleased to present the Interim Financial Statements for the Group for the six months ended 31 July 2018. As the portfolio transitions under the new investment strategy, the Group's performance has remained solid in the period, even if a little below our historic long term rate of returns. This solid performance reflects the robust characteristics of our loan investments, which have allowed us to continue to declare regular interim dividends of 1.50 pence per share.

Despite the political uncertainty arising from the UK's exit from the European Union, economic conditions have remained relatively robust, with the labour market in particular showing strength and in turn contributing to a marked improvement in the public finances through strong income tax receipts. The various UK property sub-markets have also seen a period of relative stability, where aside from ongoing weaknesses in the retail sector, occupational and investor demand has remained steady. In the second half of the year, there remains the potential for a drop off in leasing and investment transactional activity as occupiers and investors await the outcome of Brexit negotiations.

Portfolio

During the reporting period, the IRAF loan was repaid as the sponsor sold the assets to a Blackstone joint venture, as part of a wider portfolio trade. Although the loan was outside its prepayment protection period, the Company nonetheless received interest and exit fees of approximately £0.43 million. The repayment proceeds, together with Group cash, were rapidly reinvested into the £16.20 million Affinity loan which, at an initial loan to value (LTV) ratio of 67.3%, demonstrates that high quality, modestly leveraged transactions are still available at returns accretive to shareholders.

The Group's portfolio now comprises ten loans with a weighted average portfolio LTV ratio of 61.20% (31 January 2018: 58.03%). The weighted average ICR has reduced modestly to 216% (31 January 2018: 218%) but remains at a comfortable level. Wider portfolio performance continues to be stable, as outlined more fully in the Investment Adviser's commentary below.

Following the end of the reporting period, the Company agreed terms to extend the Halcyon and Carrara loans at the existing coupon rate for a further 12 months, together with an extended coupon protection period. In addition to managing the Company's redemption profile, the extensions will allow shareholders to benefit from the attractive returns available from these high quality defensive investments for a longer period.

Should these extensions complete, the Investment Adviser will have succeeded in reinvesting, increasing or extending £90 million over loans since the first repayment was received from the original portfolio in Q1 2016.

Following these changes, the Company's weighted average loan maturity stands at 1.38 years, slightly ahead of the 1.37 years reported at 31 January 2018, with weighted average coupon protection of 0.72 years (31 January 2018: 0.53 years).

Revenue and Profitability

Income from the loan portfolio for the six month period of £3.60 million (31 July 2017: £3.42 million), was in line with expectations, reflecting the modest growth in loans advanced during the period. Total Income fell to £3.99 million (31 July 2017: £4.41 million) owing to a reduced level of early prepayment fees received by the Company in the period. The nature of these fees is such that there will always be some variability in the timings of their receipt but we have been able to continue to deploy capital into new loans with similar fee revenue streams for the future. Total expenses are comparable to those incurred in the first half of 2017, although the 2017 one-off tax rebate was not repeated. As a result, post tax earnings were £0.45 million lower at £2.70 million (31 July 2017: £3.15 million).

Dividend Performance

As we outlined in our 31 January 2018 Annual Report, while the Group is in the process of transitioning the investment portfolio we will continue to use prior period retained earnings to supplement current income to maintain our dividend at the current level. We anticipate returning to full dividend cover by Q2 2019.

Chairman's Statement

(continued)

Dividend Performance (continued)

The Company paid a first interim dividend of 1.50 pence per share in respect of the quarter ended 30 April 2018 on 27 July 2018, and on 27 September 2018 declared a second interim dividend in respect of the quarter ended 31 July 2018 of 1.50 pence per share. Given the high quality nature of the security that underpins our loans, the dividend yield of 6% remains highly attractive.

NAV and Share Price Performance

The Group's NAV increased by £3.38 million, to £121.36 million (31 January 2018: £117.98 million) in the period. The issuance of 4,260,000 new ordinary shares in March 2018 was partially offset by the distribution of retained earnings as previously noted. The period end NAV per share was 100.05 pence (31 January 2018: 100.80 pence).

The Company's shares traded in a range of 100.25 pence per share to 105.50 pence per share finishing the quarter at a circa 2.0% premium to NAV, reflecting the value that investors place upon the stable and predictable nature of our underlying high yield income stream in a low interest rate environment.

Outlook

During the reporting period, the Board has been firmly focused on laying the foundations for the future growth of the Company. Key to this has been the establishment of a £25 million working capital facility with OakNorth Bank plc. This will enable new investments to be made in advance of anticipated redemptions, as well as in anticipation of potential share issuance through the placing programme. This will help minimise cash drag and allow the Investment Adviser to provide greater certainty to the Company's borrowers.

The Board is encouraged by the pipeline of new opportunities sourced by the Investment Adviser, with a new investment in excess of £20 million in solicitors' hands and a total advance pipeline in excess of £100 million, with loan coupons in the 6.5% to 8.0% range, and returns supplemented by arrangement and exit fees.

In addition to seeking new investments for the Company, the Investment Adviser has where appropriate, sought to provide further support to existing borrowers through quantum increases or term extensions. This has supported the continued stability of the Company's portfolio in the short term with the aim of maintaining high performing investments and avoiding a concentration of loan repayments. As a result of these agreements, the Company does not expect a significant volume of repayments in the near term, and can instead be fully focused on growth. It is, therefore, the Board's intention, when conditions are right, to approach shareholders for support for new share issuance under the approved share placement programme.

As highlighted in last year's report, with property and debt market conditions still supportive of the Company's product offering, we continue to expect the weighted average coupon on the portfolio to increase. This should be most notable in H1 2019 when the lower yielding Commercial Regional Space and BMO loans – which were put in place under the previous investment policy – come towards the end of their terms and are restructured or replaced with higher returning investments. Any such increase in average coupons will help underpin the full coverage of quarterly dividends from current income. This will also lay the foundations for modest capital growth over the medium to long term.



Jack Perry
Chairman

1 October 2018

Investment Adviser's Report

Investment Objective

The investment objective of the Group, as approved by the shareholders of the Company, is "to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive, quarterly dividends, capital preservation and, over the longer term, a degree of capital appreciation."

Fund facts

Fund launch:	5 February 2013	Fund type:	Closed ended investment company
Investment Adviser:	ICG-Longbow	Domicile:	Guernsey
Base currency:	GBP	Listing:	London Stock Exchange
Issued shares:	121.30 million	ISIN code:	GG00B8C23581
Management fee:	1.0%	LSE code:	LBOW
		Website:	www.lbow.co.uk

Share price & NAV at 31 July 2018

Share price (pence per share):	102.00
NAV (pence per share):	100.05
Premium:	1.95%
Approved dividend (pence per share) ⁽¹⁾ :	1.50
Dividend payment date ⁽¹⁾ :	2 November 2018

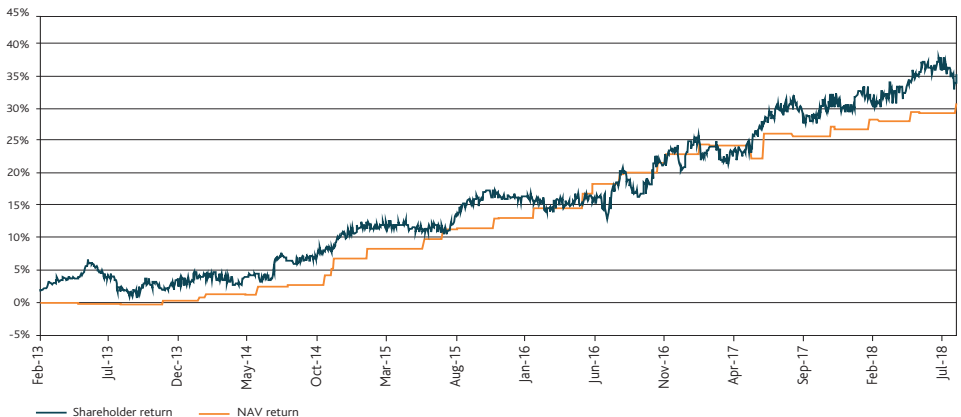
Key portfolio statistics at 31 July 2018

Number of investments:	10
Percentage capital invested ⁽²⁾ :	93.47%
Weighted avg. investment coupon:	6.30%
Weighted avg. LTV:	61.2%
Weighted avg. ICR:	216%

⁽¹⁾ For Quarter ended 31 July 2018 (Ex-dividend date 11 October 2018).

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

Share price versus NAV (from IPO to 31 July 2018)⁽³⁾



⁽³⁾ Reduction in NAV in April 2017 due to declaration of 2.25 pence per share special dividend

Investment Adviser's Report

(continued)

Summary

At 31 July 2018, the investment portfolio comprised ten loans.

- The par value of the loan portfolio was £112.16 million (31 January 2018: £111.15 million).
- NAV per share fell from 100.80 pence to an estimated 100.05 pence where, as in previous quarters, a modest level of retained earnings was applied towards the interim dividend payment of 1.5 pence per share.
- Weighted average interest coupon of 6.30% (31 January 2018: 6.29%).
- Portfolio LTV of 61.2% (31 January 2018: 58.03%) and portfolio ICR now 216% (31 January 2018: 218%).
- Weighted average loan maturity of 1.31 years (31 January 2018: 1.37 years) and weighted average remaining coupon protection of 0.69 years (31 January 2018: 0.53 years).

Group Performance

The Group's loan portfolio saw some modest change in the period, with the £11.94 million IRAF loan repaid and the subsequent advance of a £16.20 million commitment secured by a Bristol office property. The Group also received circa £2.2 million repayment of the Halcyon loan, as the borrower refinanced one of the underlying security properties for future residential development. Elsewhere in the portfolio, the borrowers focused on executing their business plans.

As the unexpired loan terms of certain of the Group's original investments continue to shorten, discussions have commenced where appropriate for extensions or refinancing of the relevant loans, with a view to improving the weighted average loan term and coupon protection periods. The portfolio otherwise continues to perform in line with expectations and in compliance with all of the Group's investment parameters.

Portfolio

Portfolio statistics	31 July 2018	31 January 2018
Number of loan investments	10	10
Aggregate principal advanced	£112,164,507	£111,153,477
Weighted average LTV	61.2%	58.03%
Weighted average ICR	216%	218%
Weighted average interest coupon	6.30% pa	6.29% pa
Weighted average unexpired loan term	1.31 years	1.37 years
Weighted average unexpired interest income protection	0.69 years	0.53 years
Cash held	£8,937,259	£6,486,150

Investment Adviser's Report

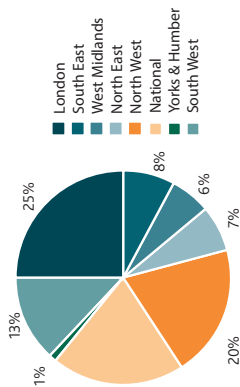
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Investment Portfolio as at 31 July 2018

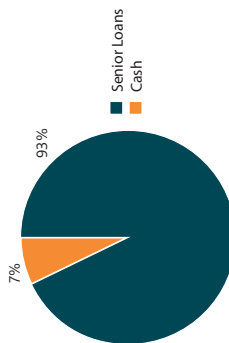
Project	Region	Sector	Term start	Unexp term (yrs)	Day 1 balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Principal Balance outstanding (£m) ⁽ⁱ⁾	Current LTV (%)	Current ICR (%)
Meadows	London	Retail	Sep-13	1.50	18.07	65.0	150	20.00	69.4	100
Northlands	London	Mixed use	Nov-13	0.32	7.20	61.7	192	8.50	53.5	159
Hulbert	West Midlands	Industrial/distribution	Dec-13	0.34	6.57	65.0	168	6.57	50.4	194
Halcyon	National	Industrial/distribution	Dec-13	0.35	8.60	64.8	116	6.42	65.2	151
Carrara	Yorks/Humberside	Office	Dec-13	0.35	1.30	65.0	113	1.30	65.0	113
Ramada	North East	Other (hotel)	Apr-14	0.75	7.98	64.4	180	7.98	66.0	163
Commercial Regional Space	North West	Industrial/distribution	Mar-16	0.71	22.40	64.0	280	22.40	50.9	402
BMO	National	Mixed use	Jan-17	0.71	16.00	55.4	404	15.79	51.1	372
Quattro	South East	Mixed use	Oct-17	2.46	9.00	83.7	100	9.00	83.7	100
Affinity	South West	Office	Mar-18	3.79	14.20	67.3	100	14.20	67.3	100
Total/weighted average				1.31	111.32	65.0	287	112.16	61.2	216

⁽ⁱ⁾ Total may vary due to rounding.

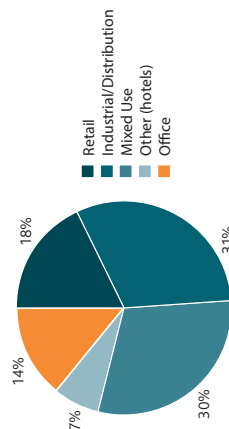
Region Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



Investment Adviser's Report

(continued)

Economy and Financial Market Update

Q2 2018 saw the UK economy improve from its weak start to the year, with GDP rising by 0.4% to June 2018 pushing annualised growth up to 1.3%. Whilst employment growth was slightly weaker in the three months to June 2018, unemployment again reached lows not seen since 1975. Unemployment remains steady at just over 4%. The tight labour market is now beginning to trigger real wage growth, and improved consumer confidence is expected to follow.

The Bank of England responded to these potential inflationary pressures by raising interest rates to 0.75% in August. This had been largely priced in by markets, with the benchmark five year swap rate continuing to trade in a tight range around the 1.25% area during the quarter.

Occupational Demand/Supply

The economic environment continues to be generally positive for the occupational markets, with another robust quarter in UK office markets, led by Central London take-up at over 3 million sq. ft. – the best quarter since Q2 2015. In the regions, strong activity was evident in Glasgow, Birmingham and Bristol. According to GVA, take-up in the Big Nine regional cities totalled 2.57m sq. ft. in Q2, an increase of 12% on the first quarter and 15% higher than a year ago.

Industrial take-up totalled 6.3 million sq. ft., down 32% on a strong Q2 last year. However, with a lack of 'ready' supply, prime rents remain under upward pressure, as evidenced by the record £30 per sq. ft. rent secured for an industrial unit in Battersea. JLL are currently forecasting over 5% p.a. rental growth in the sector for 2018 and 2019. The weakness in retail markets identified in previous quarters has become more broad-based, with a number of high-profile retailers announcing CVA's and/or closures, most recently Homebase. Whilst retail and leisure vacancy rates held stable at around 12%, this figure is expected to increase as store rationalisation programmes continue.

Property Investment Market

The Investment market was robust in the first six months of 2018 with £13.5bn worth of assets transacted in Q2 2018 according to Lambert Smith Hampton, closely in line with Q1 volume albeit 8% down on the five-year quarterly average. Central London office deals totalled £4.3bn in Q2 after three quarters of subdued investment; this was underpinned by several large transactions notably CK Asset Holdings' £1.0bn acquisition of 5 Broadgate. Post-quarter end, the largest transaction in The City this year was announced as the Korean Pension Fund agreed the sale and leaseback of the Goldman Sachs HQ for £1.16bn. These transactions provide evidence that overseas interest in UK commercial property has not been deterred by Brexit uncertainty, in particular demand for prime assets.

Appetite for industrial and logistics assets continues to remain strong despite strong upward movements in prices over the past two years. In particular, regional industrial deals at £636m were 28% above the quarterly average to June 2018. The retail investment market meanwhile remains subdued amid the challenges in the occupier markets, with the reported £1.87bn of deals identified by Lambert Smith Hampton flattered by a few large transactions, including Motcomb Estates acquisition of Burlington Arcade for close to £300m, and M&G's purchase of Fort Kinnaird Retail Park, Edinburgh for £167m. These deals are not reflective of the wider market however, and overall sentiment remains weak.

Finance Markets

The Cass (formerly DeMontfort University) Commercial Real Estate Lending Report for the calendar year 2017 was published during the period, which recorded flat year-on-year lending activity at circa £44.5 billion. Non-bank lenders, such as the Company, were reported as continuing to increase market share.

Investment Adviser's Report

(continued)

Finance Markets (continued)

The period also saw the modest return of UK CMBS issuance, with BAML and Goldman Sachs both sponsoring new transactions at pricing levels which, if sustained, would allow the investment banks to compete for deals where they have previously been uncompetitive. It should be noted that these issuances have focused on larger loans, rather than the sub-£25m investments which represent the Company's target market. As such, CMBS lenders are not expected to compete with the Company's core business. In the sub £100m bracket, liquidity continues to remain challenging, particularly in the regions, and the continued lack of activity amongst the UK clearers allows alternative lenders such as the Company, room to grow.

Portfolio Profile and Activity

The Group's investment portfolio was again generally stable during the reporting period, with one repayment in full (the IRAF facility, comprising an £11.94 million principal balance accompanied by interest and exit fees of £0.44 million) and one part repayment (the Halcyon facility, which saw its principal balance reduce from £8.60 million to £6.42 million). One new investment was made, a £16.20 million commitment secured by a multi-let office facility in Bristol, along with a £0.92 million increase to the Group's Northlands borrower.

The Group's investments have generally continued to perform to business plan, with all financial covenants in compliance at the end of the reporting period. The weighted average LTV of 61.2% (31 January 2018: 58.03%) increased modestly, largely owing to the repayment of the relatively lowly leveraged IRAF loan, replaced by the Bristol office loan at a higher LTV. The weighted average ICR on the portfolio remains broadly stable at 216% (31 January 2018: 218%) and, as highlighted in previous reports, those investments such as Meadows and Quattro with low interest coverage benefit from funded interest reserves.

Notable changes during the reporting period included:

1. **Meadows** – the London Borough of Barnet turned down the sponsor's residential-led planning application at first instance, albeit discussions continue with the Greater London Authority as to whether the London Mayor will call in the scheme for his own determination. A decision is expected imminently, but the property continues to benefit from an enhanced retail warehousing consent, which underpins the value of the site as previously reported.
2. **Halcyon/Carrara** – after the period end, agreement was reached with the sponsor of these two strongly secured ground rent investments to provide a 12-month extension to the existing facility maturities, with the Group benefiting from a further coupon protection period.
3. **Quattro** – as previously reported, contracts have been exchanged to sell one of the assets in the portfolio and, in consideration for a delay in the completion date (which is scheduled for the second half of the year), the sponsor has procured an increase in the sale price to a level above the book valuation. Further, heads of terms have been agreed with a third party lender for a refinancing of one of the remaining properties. To the extent both of these are concluded, the Group facility will be secured by a single prominent retail and office asset at a reduced LTV, with the Group retaining its profit participation element in that asset, where the greatest potential upside resides.

The Investment Adviser believes the Group's loan portfolio remains satisfactorily secured, with senior-ranking mortgages and a weighted average LTV of 61.2% at the end of the period. Risk remains well diversified, with interest typically covered through multi-tenanted property and where appropriate supplemented by funded cash reserves.

Investment Adviser's Report

(continued)

Portfolio Outlook

As highlighted at year end, where prudent and desirable to do so we continue to look to extend the Company's existing performing loan investments, and following the end of the period agreed terms with the borrowers of the Halcyon and Carrara loans to extend these secure ground rent investments at existing coupon rates, together with new prepayment protection periods. We are also in discussions with certain of the Company's borrowers for longer term refinancing opportunities.

We continue to seek new investment opportunities taking advantage of the Company's more flexible investment parameters under the new investment policy and, with the fourth quarter of the year traditionally being one of the busiest periods in UK property markets, we are beginning to see a pick-up in the deal pipeline reflecting this, which should allow for growth in the Company's portfolio.

Loan Portfolio

As set out above, as at 31 July 2018, the Group's portfolio comprised of ten loans with an aggregate balance outstanding of £112.16 million.

A summary of each of the individual loans as at 31 July 2018 is set out below:

Loan 1	Meadows		
Originally, an £18.07 million senior loan facility used to assist financing an established and well-supported international real estate fund in the acquisition of a highly prominent retail park in North London. The borrower is an SPV owned by Meadow Real Estate Fund II LP and is managed by Meadow Partners, an international real estate investor and asset manager.			
A £1.93 million increase was advanced to the borrower in January 2018, with the loan extended for a further period of up to two years. Whilst the estate is now vacant, save for some temporary occupancy of part of the site, debt service continues to be met from a pre-funded reserve account (topped up quarterly) which provides interest cover through to loan maturity. The loan remains compliant with all covenants and is satisfactorily secured.			
The borrower remains committed towards its business plan of securing a major residential-led planning consent on the site, however the local planning authority refused its application for a 717 unit build-to-rent scheme, with ancillary retail and leisure provision, in July 2018. The Greater London Authority is currently considering whether to exercise its call in powers in respect of the application, following which the sponsor will determine its next steps. The site continues to benefit from its existing enhanced retail warehouse planning consent.			
Property profile		Debt profile	
Number of properties	1	Day one debt	£18,070,000
Property value (£)	£28,825,000	Debt outstanding	£20,000,000
Property value (£/sq. ft.)	£310	Original term	4.3 years
Property area (sq. ft.)	92,882	Maturity	January 2020
Number of tenants	n/a	Current LTV	69.4%
Weighted lease length	n/a	Current ICR	100%
		Loan exposure per sq. ft.	£215

Investment Adviser's Report

(continued)

Loan Portfolio (continued)

Loan 2		Northlands	
<p>Originally, a £7.20 million senior loan facility used to refinance existing senior debt secured on a mixed-use portfolio of high street retail and tenanted residential units located predominantly in London and the South East. The borrower is Northlands Holdings and group affiliates on a cross-collateralised basis.</p> <p>The security portfolio is highly diverse across its property and tenant base, principally being let to retail and residential occupiers. The borrower completed a small disposal from the portfolio in July 2014, resulting in a £0.72 million part prepayment of the loan, triggering prepayment and exit fees. Thereafter, a £0.5 million increase was advanced in March 2017 for the sponsor's general corporate purposes, followed by a further £0.6 million increase in May 2017 in support of the acquisition of a property adjoining one of the sponsor's existing assets.</p> <p>On a like-for-like basis, portfolio net income is up approximately 29% since origination, and given the exceptional income and valuation performance, the Group agreed and funded an additional £0.92 million advance during the period, accompanied by an improvement to the income protection period, which allows this strongly performing loan to be retained for an extended period.</p> <p>The Group is currently in discussions with the Sponsor to advance a new longer-term loan secured by the portfolio, albeit there is no assurance that any such loan will be made.</p>			
Property profile		Debt profile	
Number of properties	15	Day one debt	£7,200,000
Property value (£)	£15,877,950	Debt outstanding	£8,500,000
Property value (£/sq. ft.)	£131	Original term	5.0 years
Property area (sq. ft.)	121,285	Maturity	November 2018
Number of tenants	126	Current LTV	53.5%
Weighted lease length	2.36 years	Current ICR	159%
		Loan exposure per sq. ft.	£70

Loan 3		Hulbert	
<p>A £6.57 million loan to refinance a well let portfolio of industrial units predominantly located in Dudley in the West Midlands, with 80% by value being the 270,000 square foot Grazebrook Industrial Estate. The borrower, Hulbert Properties Ltd, is a West Midlands based private property company.</p> <p>Performance has been generally stable, and both LTV and ICR remain robust. With the loan maturing in December 2018, the sponsor has recently reaffirmed to us its intention to repay the facility, prior to loan maturity, via a sale of part of the portfolio and a refinance of the balance.</p>			
Property profile		Debt profile	
Number of properties	3	Day one debt	£6,565,000
Property value (£)	£13,040,000	Debt outstanding	£6,565,000
Property value (£/sq. ft.)	£46	Original term	5.0 years
Property area (sq. ft.)	286,454	Maturity	December 2018
Number of tenants	20	Current LTV	50.4%
Weighted lease length	2.99 years	Current ICR	194%
		Loan exposure per sq. ft.	£23

Investment Adviser's Report

(continued)

Loan Portfolio (continued)

Loan 4		Halcyon	
<p>Originally, an £8.60 million senior loan facility utilised to refinance a portfolio of freehold ground rents. The Halcyon security comprises a diversified portfolio of freehold ground rent investments with a weighted unexpired lease term of over 85 years, of which the majority are industrial with leasehold rents receivable based on 22-25% of market rents, with the balance being leisure uses at ground rents of 50%.</p> <p>During the period, the Sponsor refinanced one asset for possible future residential development, with a resultant circa £2.18 million repayment of the loan, however with the loan being secured by a portfolio of defensive freehold ground rent investments, the security position is considered strong.</p> <p>The Investment Adviser has agreed terms with the Sponsor for an extension of the loan, together with a new coupon protection period.</p>			
Property profile		Debt profile	
Number of properties	21	Day one debt	£8,600,000
Property value (£)	£9,856,000	Debt outstanding	£6,423,280
Property value (£/sq. ft.)	£37	Original term	5.0 years
Property area (sq. ft.)	292,997	Maturity	December 2018
Number of tenants	4	Current LTV	65.2%
Weighted lease length	84.27 years	Current ICR	151%
		Loan exposure per sq. ft.	£22

Loan 5		Carrara	
<p>A £1.30 million senior loan facility was used to refinance an individual ground rent investment. The Carrara security comprises a single virtual freehold ground rent investment located in Leeds with an unexpired lease term of 84 years, subject to a ground rent of 25% of market rent. The property is a modern office building on an established business park accessed from the M1 motorway, which is fully let to a strong covenant. The occupational tenant has recently agreed terms for a lease renewal on part of its space in the asset, which is expected to complete shortly, while the balance of the space will be released to the market.</p> <p>Given the Group's senior position in the capital structure against the superior freehold interest in the asset, the security position remains very strong.</p> <p>The Investment Adviser has agreed terms with the Sponsor for an extension of the loan, together with a new coupon protection period.</p>			
Property profile		Debt profile	
Number of properties	1	Day one debt	£1,300,000
Property value (£)	£2,000,000	Debt outstanding	£1,300,000
Property value (£/sq. ft.)	£82	Original term	5.0 years
Property area (sq. ft.)	24,470	Maturity	December 2018
Number of tenants	1	Current LTV	65.0%
Weighted lease length	82.44 years	Current ICR	113%
		Loan exposure per sq. ft.	£53

Investment Adviser's Report

(continued)

Loan Portfolio (continued)

Loan 6		Ramada	
<p>A £7.98 million loan to Quay Hotels Limited, which has a maturity date of April 2019.</p> <p>The investment is secured by a first and only charge over the Ramada Encore hotel in Gateshead, a modern 200-bedroom hotel that was constructed in 2012. The secured property, which is operated by Wyndham Hotels Group, is situated in a highly visible location in Gateshead Quays, adjacent to the Baltic Centre for Contemporary Art and within a short walk of the Sage Gateshead concert venue and the Millennium footbridge, which links Gateshead and Newcastle quayside areas.</p> <p>After a softening in trading during 2017, as highlighted in our previous report, performance has now stabilised with year-to-date trading metrics slightly ahead of budget.</p> <p>The LTV position of the loan, at 66%, and ICR (163%) remain robust, and with the recent announcement of a new £200 million arena, concert hall and conference centre to be built in Gateshead, very close to the subject property, the prospects of longer-term growth have improved.</p>			
Property profile		Debt profile	
Number of properties	1	Day one debt	£7,982,500
Property value (£)	£12,100,000	Debt outstanding	£7,982,500
Property value (£/bed)	£60,500	Original term	5.0 years
Bedrooms	200	Maturity	April 2019
		Current LTV	66.0%
		Current ICR	163%
		Loan exposure per bed	£39,912.50

Loan 7		Commercial Regional Space	
<p>A £22.40 million loan to Commercial Regional Space Limited and affiliates made on 16 March 2016, and secured by first charges against two multi-let industrial estates located in Lancashire comprising 1.25 million sq. ft. of accommodation and providing a highly diversified income stream from lettings to over 160 tenants.</p> <p>Performance has remained robust during the year, with income stable. A revaluation concluded during the year showed a significant increase in value, with a resultant reduction in LTV from 64.0% to 50.9%. The loan is considered very well secured.</p>			
Property profile		Debt profile	
Number of properties	2	Day one debt	£22,400,000
Property value (£)	£44,000,000	Debt outstanding	£22,400,000
Property value (£/sq. ft.)	£35	Original term	3 years
Property area (sq. ft.)	1,247,090	Maturity	April 2019
Number of tenants	166	Current LTV	50.9%
Weighted lease length	1.46 years	Current ICR	402%
		Loan exposure per sq. ft.	£18

Investment Adviser's Report

(continued)

Loan Portfolio (continued)

Loan 8		BMO	
<p>On 31 January 2017, the Company advanced a new £16.00 million loan to clients of BMO Real Estate Partners, with an initial LTV ratio of 55.4% and a maturity date in April 2019. The loan was secured by first charges against a portfolio of 17 properties located across the UK, principally in the high street retail and industrial sectors, and provides a diversified income stream from lettings to 57 tenants.</p> <p>Income and portfolio performance has generally been stable during the period, with LTV and ICR both remaining at robust levels.</p>			
Property profile		Debt profile	
Number of properties	15	Day one debt	£16,000,000
Property value (£)	£30,930,000	Debt outstanding	£15,793,727
Property value (£/sq. ft.)	£97	Original term	2 years
Property area (sq. ft.)	318,036	Maturity	April 2019
Number of tenants	57	Current LTV	51.1%
Weighted lease length	8.73 years	Current ICR	372%
		Loan exposure per sq. ft.	£50

Loan 9		Quattro	
<p>On 17 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, acquiring the minority £3.00 million position from ICG following an equity issuance under the 2017 Placing Programme.</p> <p>The loan carries an initial LTV ratio of 83.7%, at the top end of the Group's investment parameters, however it offers significant income and value growth opportunities. The sponsor's business plan envisaged the sale of one of the security assets in the short term, and contracts have been exchanged for sale at a price ahead of book value.</p> <p>The loan is structured with a profit participation component, allowing the Group to benefit from any future value growth in the portfolio whilst retaining the security of a senior first mortgage position. There has been no value growth to date.</p>			
Property profile		Debt profile	
Number of properties	3	Day one debt	£9,000,000
Property value (£)	£10,750,000	Debt outstanding	£9,000,000
Property value (£/sq. ft.)	£283	Original term	3.2 years
Property area (sq. ft.)	38,038	Maturity	January 2021
Number of tenants	7	Current LTV	83.7%
Weighted lease length	12.23 years	Current ICR	100%
		Loan exposure per sq. ft.	£234

Investment Adviser's Report

(continued)

Loan Portfolio (continued)

Loan 10		Affinity	
<p>On 1 March 2018, the Group advanced a new £16.20 million commitment to an affiliate of Affinity Global Real Estate, secured by a multi-let office building in Bristol branded as 'Spectrum'. The initial advance was £14.20 million, reflecting an LTV of 67.3%, with the balance of the commitment available for value-enhancing capital expenditure works, in line with the sponsor's business plan. The loan carries a four-year term, maturing May 2022.</p> <p>The sponsor has made positive progress on its business plan, with heads of terms agreed with prospective tenants for some of the vacant space within the building. If completed, these transactions should be accretive to both cash flow and value. Whilst the sponsor continues to lease up vacancy, the Company's interest is supported by a funded cash reserve to top up any shortfall from tenant rents.</p>			
Property profile		Debt profile	
Number of properties	1	Day one debt	£14,200,000
Property value (£)	£21,100,000	Debt outstanding	£14,200,000
Property value (£/sq. ft.)	£185	Original term	4.2 years
Property area (sq. ft.)	114,346	Maturity	May 2022
Number of tenants	9	Current LTV	67.3%
Weighted lease length	4.14 years	Current ICR	100%
		Loan exposure per sq. ft.	£124

Principal Risks and Uncertainties

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

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

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

Investment Adviser's Report

(continued)

Principal Risks and Uncertainties (continued)

The principal risks and uncertainties of the Company were identified in further detail in the Annual Report and Financial Statements for the year ended 31 January 2018. There have been no changes to the Company's principal risks and uncertainties for the six months ended 31 July 2018 and no changes are anticipated in the second half of the year. The Company's principal risk factors are fully discussed in the Company's Prospectus, available on the Company's website (www.lbow.co.uk) and should be reviewed by shareholders.

Subsequent Events

On 1 October 2018, the Company approved a dividend of 1.50 pence per ordinary share in respect of the quarter ended 31 July 2018, payable on 2 November 2018.

On 1 October 2018, the Company agreed a working capital facility with OakNorth Bank plc, which will enable the Company to borrow up to 20% of the portfolio, with a cap of £25m.

ICG-Longbow

1 October 2018

Directors' Responsibilities Statement

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

- The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- The Chairman's Statement and Investment Adviser's Report include a fair review of the information required by:
 - (i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Unaudited Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position and performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report and Financial Statements that could do so.

On behalf of the Board



Jack Perry
Chairman

1 October 2018

Condensed Consolidated Statement of Comprehensive Income

For the six month period to 31 July 2018

		1 February 2018 to 31 July 2018	1 February 2017 to 31 July 2017	1 February 2017 to 31 January 2018
	Notes	£ (Unaudited)	£ (Unaudited)	£ (Audited)
Income				
Income from loans		3,595,754	3,419,728	7,035,459
Other fee income from loans		392,331	992,285	1,042,285
Income from cash and cash equivalents		2,754	363	1,928
Total income		3,990,839	4,412,376	8,079,672
Expenses				
Investment advisory fees	11	609,293	551,138	1,141,405
Administration fees	11	85,000	85,000	170,000
Directors' remuneration	11	98,125	105,833	203,333
Luxco operating expenses		74,398	95,364	153,379
Broker fees		27,501	25,905	52,775
Audit fees		20,000	18,000	40,000
Regulatory fees		9,651	13,007	21,765
Listing fees		4,352	6,633	10,161
Legal & professional fees	6	306,436	405,983	372,840
Other expenses		53,527	58,545	117,187
Total expenses		1,288,283	1,365,408	2,282,845
Profit for the period before tax		2,702,556	3,046,968	5,796,827
Taxation		—	(99,718)	(98,541)
Profit for the period after tax		2,702,556	3,146,686	5,895,368
Total comprehensive income for the period		2,702,556	3,146,686	5,895,368
Basic and diluted Earnings per share (pence)	7	2.25	2.91	5.33

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

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

Condensed Consolidated Statement of Financial Position

As at 31 July 2018

	Notes	31 July 2018 £ (Unaudited)	31 January 2018 £ (Audited)	31 July 2017 £ (Unaudited)
Assets				
Cash and cash equivalents		8,937,259	6,486,150	10,571,446
Trade and other receivables		38,116	202,182	15,386
Loans advanced at amortised cost	5	113,437,717	112,331,666	101,390,922
Total assets		122,413,092	119,019,998	111,977,754
Liabilities				
Interest reserve		358,387	—	1,623,289
Other payables and accrued expenses		696,924	1,037,809	560,596
Total liabilities		1,055,311	1,037,809	2,183,885
Net assets		121,357,781	117,982,189	109,793,869
Equity				
Share capital		119,105,310	114,857,090	106,038,522
Retained earnings		2,252,471	3,125,099	3,755,347
Total equity attributable to the owners of the Company		121,357,781	117,982,189	109,793,869
Number of ordinary shares in issue at period/year end	8	121,302,779	117,042,779	108,219,250
Net Asset Value per ordinary share (pence)	7	100.05	100.80	101.46

The Interim Financial Statements were approved by the Board of Directors on 1 October 2018 and signed on their behalf by:



Jack Perry
Chairman



Patrick Firth
Director

1 October 2018

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

Condensed Consolidated Statement of Changes in Equity

For the six month period to 31 July 2018

	Notes	Number of shares	Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total £ (Unaudited)
As at 1 February 2018		117,042,779	114,857,090	3,125,099	117,982,189
Shares issued		4,260,000	4,302,600	—	4,302,600
Share issue costs		—	(54,380)	—	(54,380)
Profit for the period		—	—	2,702,556	2,702,556
Dividends paid	9	—	—	(3,575,184)	(3,575,184)
As at 31 July 2018		121,302,779	119,105,310	2,252,471	121,357,781

For the six month period to 31 July 2017

	Notes	Number of shares	Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total £ (Unaudited)
As at 1 February 2017		108,219,250	106,038,522	6,290,172	112,328,694
Profit for the period		—	—	3,146,686	3,146,686
Dividends paid	9	—	—	(5,681,511)	(5,681,511)
As at 31 July 2017		108,219,250	106,038,522	3,755,347	109,793,869

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

Condensed Consolidated Statement of Cash Flows

For the six month period to 31 July 2018

	1 February 2018 to 31 July 2018	1 February 2017 to 31 July 2017	1 February 2017 to 31 January 2018
	£	£	£
Notes	(Unaudited)	(Unaudited)	(Audited)
Cash flows generated from operating activities			
Profit for the period	2,702,556	3,146,686	5,895,368
Adjustments for non-cash items:			
Movement in other receivables	522,453	9,634	(177,162)
Movement in other payables and accrued expenses	(317,278)	(235,508)	241,027
Movement in tax payable	(23,607)	(102,438)	(101,760)
Dividends payable	—	1,623,289	—
Loan amortisation	(668,450)	(605,795)	(706,539)
	2,215,674	3,835,868	5,150,934
Loans advanced less arrangement fees	(14,985,050)	(1,100,000)	(11,940,000)
Loans repaid	5 14,547,449	10,258,135	10,258,135
Net loans advanced less arrangement fees	(437,601)	9,158,135	(1,681,865)
Net cash generated from operating activities	1,778,073	12,994,003	3,469,069
Cash flows used in financing activities			
Proceeds from issue of shares	4,302,600	—	9,000,000
Issue costs paid	(54,380)	—	(181,342)
Dividends paid	9 (3,575,184)	(5,681,511)	(9,060,441)
Net cash used in financing activities	673,036	(5,681,511)	(241,873)
Net movement in cash and cash equivalents	2,451,109	7,312,492	3,227,196
Cash and cash equivalents at the start of the period	6,486,150	3,258,954	3,258,954
Cash and cash equivalents at the end of the period	8,937,259	10,571,446	6,486,150

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six month period to 31 July 2018

1. General information

ICG-Longbow Senior Secured UK Property Debt Investments Limited is a non-cellular company limited by shares and was incorporated in Guernsey under the Companies Law on 29 November 2012 with registered number 55917 as a closed-ended investment company. The registered office and principal place of business of the Company is Heritage Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY, Channel Islands.

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

The unaudited condensed consolidated financial statements comprise the financial statements of the Group as at 31 July 2018.

The investment objective of the Group, as approved by the shareholders of the Company, is to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive quarterly returns, capital preservation and, over the longer term, a degree of capital appreciation.

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

2. Accounting policies

a) Basis of preparation

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

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

The Interim Financial Statements do not include all the information and disclosures required in the Annual Report and Financial Statements and should be read in conjunction with the Company's Annual Report and Financial Statements for the year ended 31 January 2018, which are available on the Company's website (www.lbow.co.uk). The Annual Report and Financial Statements have been prepared in accordance with IFRS as adopted by the EU.

The same accounting policies and methods of computation have been followed in the preparation of these Interim Financial Statements as in the Annual Report and Financial Statements for the year ended 31 January 2018.

b) Going concern

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

The Group is now substantially invested with loans advanced at amortised cost representing 93.47% of the total equity attributable to the owners of the Company and expects that the loan portfolio will generate enough cash flows to pay on-going expenses and returns to shareholders. The Directors have considered the cash position and performances of current investments made by the Group and have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the Interim Financial Statements.

The first continuation vote was held on 1 March 2017 and passed by the shareholders. The requirement for subsequent annual continuation votes has been amended so that any follow-on continuation resolutions shall be put to shareholders every five years.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

2. Accounting policies (continued)

c) Segmental reporting

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

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

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

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

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

3. Seasonal and cyclical variations

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

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

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

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

Impairment is considered to be the most critical accounting judgement and estimate that the Directors make in the process of applying the Group's policies and which has the most significant effect on the amounts recognised in the Interim Financial Statements (see note 5).

Revenue recognition is considered a significant accounting judgement and estimate that the Directors make in the process of applying the Group's accounting policies.

The Directors consider judgements and estimations in determining the fair value of prepayment options embedded within the contracts for loans advanced. The key factors considered in the valuation of prepayment options include the exercise price, the interest rate of the host loan contract, differential to current market interest rates, the risk free rate of interest, contractual terms of the prepayment option, and the expected term of the option.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

5. Loans advanced

	31 July 2018 Principal advanced £	31 July 2018 At amortised cost £	31 January 2018 Principal advanced £	31 January 2018 At amortised cost £
IRAF	—	—	11,935,000	12,150,584
Meadows	20,000,000	20,426,363	20,000,000	20,413,021
Northlands	8,500,000	8,649,951	7,577,250	7,690,133
Hulbert	6,565,000	6,695,529	6,565,000	6,666,450
Halcyon	6,423,280	6,576,239	8,600,000	8,730,605
Cararra	1,300,000	1,325,445	1,300,000	1,319,743
Ramada	7,982,500	8,111,295	7,982,500	8,077,179
Commercial Regional Space	22,400,000	22,584,859	22,400,000	22,556,213
BMO	15,793,727	15,787,483	15,793,727	15,770,768
Quattro	9,000,000	8,979,755	9,000,000	8,956,970
Affinity	14,200,000	14,300,798	—	—
	112,164,507	113,437,717	111,153,477	112,331,666

The Directors consider that the carrying value amounts of the loans, recorded at amortised cost in the Interim Financial Statements, are approximately equal to their fair value. No element of the loans is past due or impaired, and all investments are secured by way of a fully registered first legal charge over the property, and there is no subordinated debt or secondary charges registered. As a result, there has been no impact on the financial statements by the adoption of IFRS 9.

Amortised cost is calculated using the effective interest rate method, which takes into account all contractual terms (including arrangement and exit fees) that are an integral part of the loan agreement. As these fees are taken into account when determining initial net carrying value, their recognition in profit or loss is effectively spread over the life of the loan.

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

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

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

On 28 February 2018, the Group received a repayment of £11,935,000 on the IRAF loan. As part of this repayment, the Group received a total of £435,729 in interest and exit and prepayment fees in accordance with the terms of the loan agreement.

On 2 March 2018, the Group agreed a new facility of £16,200,000 to an affiliate of Affinity Global Real Estate (Affinity loan). The Affinity loan has a maturity date of May 2020 and is in accordance with the Company's revised investment policy, approved by shareholders at the EGM in March 2017. At 31 July 2018, £14,200,000 of the total facility had been drawn down.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

5. Loans advanced (continued)

On 5 March 2018, the Group advanced £922,750 on the Northlands loan and extended the coupon protection period of the total Northlands loan of £8.5 million.

On 28 June 2018, the Group received a partial repayment of £2,176,720 on the Halcyon loan.

6. Legal and Professional Fees

	1 February 2018 to 31 July 2018 £	1 February 2017 to 31 July 2017 £
Costs in respect of Circular and publication of Prospectus	301,763	400,643
Other legal and professional fees	4,673	5,340
	306,436	405,983

7. Earnings per share and Net Asset Value per share

Earnings per share

	1 February 2018 to 31 July 2018	1 February 2017 to 31 July 2017
Profit for the period (£)	2,702,556	3,146,686
Weighted average number of ordinary shares in issue	120,008,304	108,219,250
Basic and diluted EPS (pence)	2.25	2.91
Adjusted basic and diluted EPS (pence)	1.93	1.99

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

The calculation of adjusted basic and diluted Earnings per share is based on the profit for the period, adjusted for one-off other fee income during the period totalling £392,331 (31 July 2017: £992,285).

There are no dilutive shares at 31 July 2018.

Net Asset Value per share

	31 July 2018	31 January 2018
NAV (£)	121,357,781	117,982,189
Number of ordinary shares in issue	121,302,779	117,042,779
NAV per share (pence)	100.05	100.80

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

8. Share capital

As at 31 July 2018, the Company had 121,302,779 (31 January 2018: 117,042,779) issued and fully paid ordinary shares with a par value of £1 each.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

9. Dividends

Dividends paid

	Dividend per share Pence	Total dividend £
1 February 2018 to 31 July 2018		
Interim dividend in respect of quarter ended 31 January 2018	1.50	1,755,642
Interim dividend in respect of quarter ended 30 April 2018	1.50	1,819,542
	3.00	3,575,184
1 February 2017 to 31 January 2018		
Interim dividend in respect of quarter ended 31 January 2017	1.50	1,623,289
Special dividend in respect of quarter ended 31 January 2017	2.25	2,434,933
Interim dividend in respect of quarter ended 30 April 2017	1.50	1,623,289
Interim dividend in respect of quarter ended 31 July 2017	1.50	1,623,289
Interim dividend in respect of quarter ended 31 October 2017	1.50	1,755,641
	8.25	9,060,441

10. Financial Risk Management

The Group through its investment in senior loans is exposed to a variety of financial risks. The main risks arising from the Group's financial instruments are: market risk (including currency risk and interest rate risk), credit risk and liquidity risk and are fully disclosed on pages 62 to 65 of the Annual Report and Financial Statements for 31 January 2018.

The Company's principal risk factors are fully discussed in the Company's Prospectus, available on the Company's website (www.lbow.co.uk) and should be reviewed by shareholders.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(continued)

11. Related Party Transactions and Directors' Remuneration

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

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

Directors

Mark Huntley, a Director of the Company, is also a consultant to the Administrator. During the period, the Company incurred administration fees in relation to services provided by the Company's Administrator of £85,000 (31 July 2017: £85,000) of which £44,167 (31 January 2018: £31,583) was outstanding at the period/year end. Mark Huntley also received a Director's fee for the period of £17,500 (31 July 2017: £19,375) of which £8,750 (31 January 2018: £7,500) was outstanding at the period/year end.

The Company Directors' fees for the period amounted to £98,125 (31 July 2017: £105,833) with outstanding fees of £49,375 (31 January 2018: £48,750) due to the Directors at 31 July 2018.

Investment Adviser

Investment advisory fees for the period amounted to £609,293 (31 July 2017: £551,138) of which £579,491 (31 January 2018: £865,836) was outstanding at the period/year end.

12. Subsequent events

On 1 October 2018, the Company approved a dividend of 1.50 pence per ordinary share in respect of the quarter ended 31 July 2018, payable on 2 November 2018.

On 1 October 2018, the Company agreed a working capital facility with OakNorth Bank plc, which will enable the Company to borrow up to 20% of the portfolio, with a cap of £25m.

Glossary of Capitalised Defined Terms

"**Administrator**" means Estera International Fund Managers (Guernsey) Limited;

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

"**AEOI**" means Automatic Exchange of Information;

"**Affinity**" means Affinity Global Real Estate;

"**Annual Report and 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;

"**Audit Committee**" means the Audit and Operational Risk Management Committee, a formal committee of the Board with defined terms of reference;

"**BMO**" means BMO Real Estate Partners;

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

"**Brexit**" means the potential departure of the UK from the EU;

"**Cararra**" means Cararra Ground Rents;

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

"**Circular**" means the Circular of the Company dated 11 January 2017 regarding proposals for a change in investment objective and policy, a placing programme for 40 million shares and the continuation vote;

"**Commercial Regional Space**" means Commercial Regional Space Limited;

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

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

"**CVA**" means Company Voluntary Arrangement;

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

"**EGM**" means the Extraordinary General Meeting of the Company held on 1 March 2017;

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

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

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

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

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

Glossary of Capitalised Defined Terms

(continued)

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

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

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

"**GIIN**" means Global Intermediary Identification Number;

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

"**Halcyon**" means Halcyon Ground Rents;

"**Hulbert**" means Hulbert Properties;

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

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

"**ICG Private Funds**" means private real estate debt funds managed or advised by the Investment Adviser or its associates;

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

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

"**Interim Financial Statements**" means the unaudited interim condensed consolidated financial statements of the Group, including the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows, and associated notes;

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

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

"**Investment Adviser**" or "**ICG-Longbow**" means Intermediate Capital Managers Limited or its Associates;

"**Investment Advisory Agreement**" means Investment Advisory Agreement dated 31 January 2013 between the Company and the Investment Adviser, as amended and restated on 27 April 2017;

"**Investment Risk Committee**" means the Investment Risk Committee, a formal committee of the Board with defined terms of reference;

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;

"**IRAF**" means IRAF Portfolio;

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

"**JLL**" means Jones Lang LaSalle Incorporated;

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

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

"**LTV**" means Loan to Value ratio;

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

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

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

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

"**Meadow**" means Meadow Real Estate Fund II;

"**MIS**" means Moody's Investors Service Ltd, a credit rating agency registered in accordance with Regulation (EC) No 1060/2009 with effect from 31 October 2011;

"**MSCI**" means Morgan Stanley Capital Index;

"**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 Prospectus;

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

"**Northlands**" means Northlands Portfolio;

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

"**OECD**" means The Organisation for Economic Co-operation and Development;

"**Official List**" is the Premium Segment of the UK Listing Authority's Official List;

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

"**Prospectus**" means the prospectus published in May 2018 by the Company in connection with the placing programme;

Glossary of Capitalised Defined Terms

(continued)

"**Quattro**" means CNM Estates (New Malden) Limited, CNM Estates (Ewell Road) Limited, CNM Estates (Coombe Road) Limited and CNM Estates (Coz Lane) Limited;

"**Ramada**" means Ramada Gateshead;

"**Registrar**" 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;

"**RICS**" means the Royal Institution of Chartered Surveyors;

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

"**SPV**" means special purpose vehicle;

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

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

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

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

Directors and General Information

Board of Directors

Jack Perry (Chairman)
Stuart Beevor
Patrick Firth
Mark Huntley
Paul Meader

Audit and Operational Risk Committee

Patrick Firth (Chairman)
Stuart Beevor
Paul Meader

Investment Risk Committee

Paul Meader (Chairman)
Stuart Beevor
James Christie
Mark Huntley
David Mortimer

Management Engagement Committee

Jack Perry (Chairman)
Patrick Firth
Paul Meader

Nomination Committee

Jack Perry (Chairman)
Stuart Beevor
Patrick Firth
Mark Huntley
Paul Meader

Registered office

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

Identifiers

GIIN: 61G8VS.99999.SL.831
ISIN: GG00B8C23S81
Sedol: B8C23S8
Ticker: LBOW
Website: www.lbow.co.uk

Investment Adviser

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

Independent Auditor

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

Guernsey Administrator and Company Secretary

Estera International Fund
Managers (Guernsey) Limited
Heritage Hall
PO Box 225
Le Marchant Street
St. Peter Port
Guernsey
GY1 4HY

Luxembourg Administrator

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

Registrar

Link Market Services
(Guernsey) Limited
Mont Crevelt House,
Bulwer Avenue
St Sampsons
GY2 4LH
Guernsey

Corporate Broker and Financial Adviser

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

English Solicitors to the Company

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

Guernsey Advocates to the Company

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

Bankers

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

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

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

The Royal Bank of Scotland
International
Royal Bank Place
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Guernsey
GY1 4BQ

Cautionary Statement

The Chairman's Statement and Investment Adviser'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 Adviser'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 Adviser, 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 Adviser expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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For your Notes

