

ICG LONGBOW



ICG-Longbow Senior Secured UK Property Debt Investments Limited

Interim Report and Unaudited Condensed
Interim Financial Statements

For the six months ended 31 July 2022

Company Number: 55917

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All capitalised terms are defined in the Glossary of Capitalised Defined Terms on pages 26 to 27 unless separately defined.

FINANCIAL HIGHLIGHTS

KEY DEVELOPMENTS

- Continuation of capital return to shareholders; distribution of £7.3 million (6.0 pence per ordinary share) made during the period, taking total capital distributions to £38.8 million (32.0 pence per ordinary share) since September 2021.
- Dividends paid and declared totalling 2.1 pence per share for the six-month period to 31 July 2022, reflecting approximately 6% annualised on the prevailing quarterly NAV, in line with the Board's guidance to date.
- Total loans outstanding of £74.7 million as at 31 July 2022, as the portfolio continues to reduce through loan repayments.
- No losses incurred or impairment provisions required on any portfolio investments.

PERFORMANCE

- NAV of £80.55 million as at 31 July 2022 (31 January 2022: £87.77 million).
- Profit after tax of £2.73 million for the six months ended 31 July 2022 (31 July 2021: £3.52 million).
- Earnings per share for the period of 2.25 pence (31 July 2021: 2.90 pence).
- Performance in line with expectations and commensurate with the ongoing reduction in the loan portfolio.

DIVIDEND

- Total dividends paid or declared for the period ended 31 July 2022 of 2.1 pence per share (31 July 2021: 3 pence per share), made up as follows:
 - Interim dividend of 1.1 pence per share paid in respect of quarter ended 30 April 2022; and
 - Interim dividend of 1.0 pence per share approved in respect of quarter ended 31 July 2022.

INVESTMENT PORTFOLIO

- As at 31 July 2022, the Company's investment portfolio comprised five loans with an aggregate principal balance of £74.7 million, representing 92.8% of the shareholders' equity (31 January 2022: six loans with an aggregate principal balance of £80.5 million, representing 91.8% of the shareholders' equity).
- Weighted average portfolio LTV as at 31 July 2022 was 69.3% (31 January 2022: 67.8%).
- As at 22 September 2022, the aggregate drawn balance was £73.7 million.
- The underlying portfolio borrowers continue to pursue business plans while working towards loan repayments.



Bliss Hotel – Southport Marine Suite

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.



Bliss Hotel – Southport Penthouse



Bliss Hotel – Southport terrace bar

CHAIRMAN'S STATEMENT



JACK PERRY CHAIRMAN

“The Investment Manager is taking all necessary steps to procure timely repayment of loans while protecting shareholders’ assets”

INTRODUCTION

On behalf of the Board, I am pleased to present the Interim Financial Statements for the Company for the six months ended 31 July 2022.

Economic and market conditions during the first half of the year were dramatically different from 2021, with sharp falls across global equity and bond markets. In addition to the geopolitical challenges caused by the Russian invasion of Ukraine, investors saw and continue to be concerned by high levels of inflation, rising interest rates, increasing volatility and a slowing economy. In the UK, CPI inflation reached 10.1% in July, a 40-year high, with rising energy and food prices the key contributors.

Global central banks have belatedly responded to inflationary pressures with sustained increases in interest rates, albeit it remains uncertain how effective these will be given the significant time lag between rate movements and pricing adjustments. It is also worth highlighting that, despite the increases, the Bank Rate of 1.75% as at the end of August 2022 remains extremely low by historical standards. Some shareholders may recall that when inflation reached double digits in 1979 and 1980, Bank Rate was at 14% and didn't fall to single digit levels on a sustained basis until the early 1990s.

The economic outlook for the coming winter looks to be challenging. The UK energy price cap rose by 80% in October, with some estimates forecasting that the average household energy bill could exceed £5,000 in 2023. In response, the new Prime Minister has announced an unprecedented support package, with a two year price cap equivalent to £2,500 for the average household, along with short term support for businesses. Nonetheless, mortgage bills and rents are rising, and food prices look to continue to trend higher as a second order effect of input price rises and supply chain disruptions.

The number of full-time employees continues to be close to record highs and job vacancies remain well above pre-pandemic levels, but showed the first signs of falling in June 2022. Nominal earnings growth was 5.1% in the three months to June 2022 although real earnings are falling. As a result industrial and labour relations have become strained, particularly in the public sector, with strike ballots and action becoming more widespread.

GDP fell modestly (by 0.1%) in Q2 2022, according to preliminary estimates, albeit showed growth of 0.2% in July. In August 2022, consensus forecasts predicted 2022 GDP growth of 3.6%, but growth for 2023 of only 0.5%. The Bank of England is more conservative, predicting that the UK will fall into recession in Q4 2022 with five quarters of contraction before a return to sluggish growth. Illustrating the challenge faced by policymakers, in this flat growth environment one forecaster (Citi) predicts inflation rates peaking at 18.6% in early 2023.

The Investment Manager comments further on property market conditions below. While the Company retains secure first ranking mortgage loans with, in the most part, significant borrower equity subordinate to our positions, it is not immune to the challenging macro market conditions. In particular, the reduced transaction volumes expected in UK markets and the cost and availability of debt financing may now mean that realisations are delayed beyond our prior expectations. In that context the repayment of the residual £6.0 million exposure from the Quattro loan during the period was pleasing and allowed the Company a full exit.

PORTFOLIO

Full repayment of the remaining £6.0 million Quattro loan was received, together with interest and fees of £0.5 million. After period end, modest repayments totalling £1.1 million were received on the Northlands loan, following the sale of some of the underlying properties.

Several of the Company's remaining investments have commenced sale or refinancing processes, as detailed further below, as the Sponsors work towards exit. We are conscious that these processes are taking longer in the current market with the result that certain of the loans may slip modestly past their maturity dates. As a responsible lender the Company and Investment Manager has been tolerant of this where there is confidence this is likely to be a short term issue and that the Sponsors are actively pursuing an exit in good faith. The Board will continue to notify shareholders of the likely prospects for and timing of capital returns as and when these investments repay.

As at the date of these accounts, outstanding loan balances were £73.7 million, with pro forma LTV of 69.3%.

CHAIRMAN'S STATEMENT (CONTINUED)

REVENUE AND PROFITABILITY

Income from the loan portfolio for the period totalled £3.61 million (31 July 2021: £4.67 million) as the Company's loan portfolio continued to reduce in line with its stated investment strategy. Profit for the period after tax was £2.73 million (31 July 2021: £3.52 million).

In line with expectations, earnings per share for the period were lower at 2.25 pence (31 July 2021: 2.90 pence), reflecting the reduction in the loan portfolio during the period.

DIVIDEND PERFORMANCE

The Company paid a first interim dividend of 1.10 pence per share in respect of the quarter ended 30 April 2022 on 29 July 2022, and on 21 September 2022 declared a second interim dividend in respect of the quarter ended 31 July 2022 of 1.0 pence per share.

The Company's investments generated sufficient income to provide for a covered dividend during the reporting period. As advised previously, and while it remains prudent to do so, the Board is targeting continuation of the payment of an annualised 6% dividend based on the prevailing quarter's net asset value.

NAV AND SHARE PRICE PERFORMANCE

The Company's NAV reduced to £80.55 million as at 31 July 2022 (31 January 2022: £87.77 million), as a result of the repayment of the Quattro loan during the period, and subsequent distribution of capital. Allowing for the return of capital in the period of 6.0 pence per ordinary share, the NAV per share of 66.41 pence grew modestly over the period (31 January 2022: 72.35 pence per share).

The Company's share price ended the period at 57.50 pence per share, down from 71.40 pence as at 31 January 2022. The share price reflected, at period end, a 15.5% discount to the Company's NAV. The Board continues to believe the discount is unwarranted, given the equity buffer enjoyed by the Company's loan investments and the ongoing progress towards loan repayments (and thus capital distributions) as detailed by the Investment Manager below.

OUTLOOK

We are pleased to have been able to pay a covered dividend during the period, proportionate to the Company's NAV. As noted above, it is the Board's intention to continue to pay dividends from our net income and we are maintaining our guidance of targeting an annualised 6% based on the prevailing quarter's NAV.

The Board is aware that shareholders remain keen to understand the likely timing and quantum of future capital distributions. As highlighted previously, the loan maturity dates set out later in this report provide good indications, and all the Company's borrowers understand the relevant dates. Several of the properties securing the Company's loans are either being marketed for sale or in negotiations for refinancing. However the Board is mindful that these are commonly taking longer in the current market. These protracted processes may lead to delays in repayment, and consequently the potential for a slower return of capital. The Investment Manager is taking all necessary steps to procure timely repayment of loans while protecting shareholders' assets.

The Board will communicate with shareholders on a timely basis with progress on all future capital distributions.

JACK PERRY
Chairman

22 September 2022

INVESTMENT MANAGER'S REPORT

The Investment Manager's Report refers to the performance of the loans and the portfolio during the 6 months to 31 July 2022 and the general market conditions prevailing at that date. Any forward-looking statements in this report reflect the latest information available as at 22 September 2022.

INVESTMENT OBJECTIVE

The investment objective of the Company, as approved by the shareholders of the Company, was revised in January 2021 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
Investment 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 July 2022	
Share price (pence per share):	57.50
NAV (pence per share):	66.41
Premium/(Discount):	(15.5%)
Approved dividend (pence per share) ⁽¹⁾ :	1.0
Dividend payment date ⁽¹⁾ :	4 November 2022

Key portfolio statistics at 31 July 2022	
Number of investments:	5
Percentage capital invested ⁽²⁾ :	92.8%
Weighted avg. investment coupon:	7.34%
Weighted avg. LTV:	69.3%

⁽¹⁾ For the Quarter ended 31 July 2022, Ex-Dividend Date is 6 October 2022.

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

ONGOING CHARGES

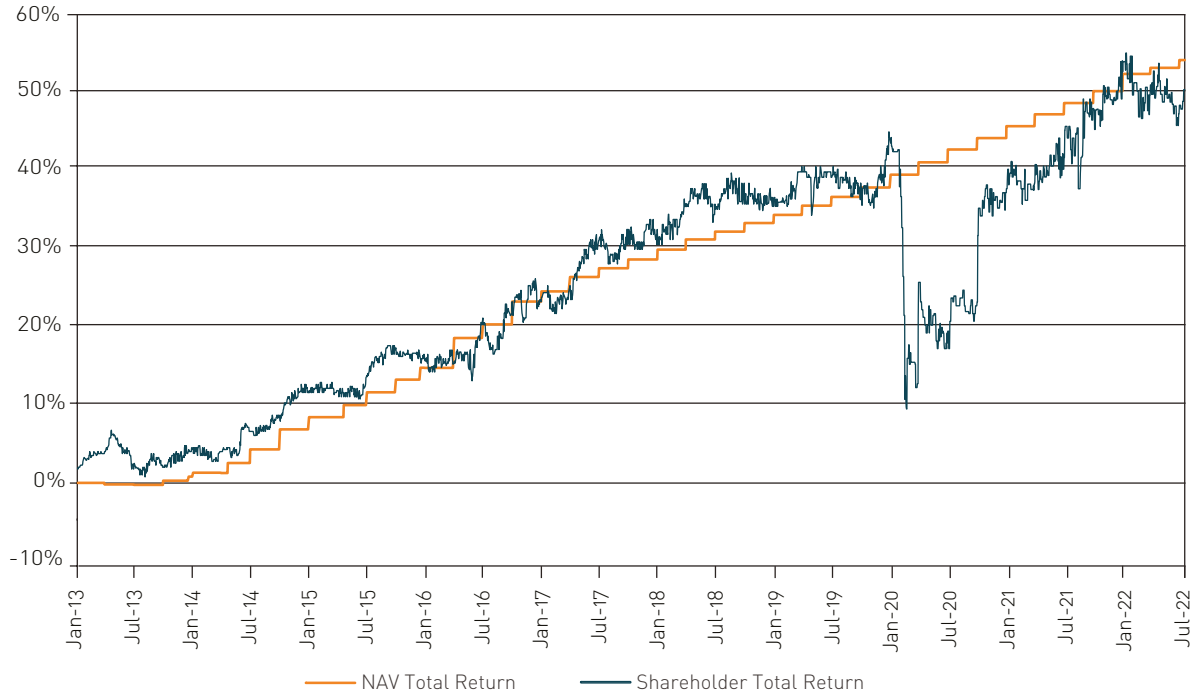
For the period ended 31 July 2022 the ongoing charges ratio of the Company was 1.95% (2021: 1.53%). The ongoing charges ratio has been calculated using AIC recommended methodology and is made up as follows:

	2022 £	2021 £
Ongoing annualised expenses	1,665,337	1,829,667
Weighted average NAV	85,436,151	119,204,001
Ongoing charges ratio	1.95%	1.53%

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition/disposal of investments, performance fees, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs. The ongoing charges ratio is calculated by dividing the annualised ongoing charges by the average NAV for the period. The Board notes that, whilst it is actively managing costs and reducing these where possible, the ongoing charges ratio has increased in line with expectations due to certain fixed costs which may not reduce proportionate to NAV during the period of realisation of the Company's investments.

INVESTMENT MANAGER'S REPORT (CONTINUED)

SHARE PRICE TOTAL RETURN V NAV TOTAL RETURN (FROM IPO TO 31 JULY 2022)



SUMMARY

As at 31 July 2022 the investment portfolio comprised five loans.

No new investments were made in the period and lending activity was limited to further advances totalling £0.6 million on the Northlands portfolio loan, in support of the borrower's business plan. The Company received repayment in full of the £6.0 million Quattro loan, with interest, exit and prepayment fees of £0.5 million.

As at the period end:

- Reduction in par value of the loan portfolio to £74.7 million (31 January 2022: £80.5 million)
- Weighted average LTV of 69.3% (31 January 2022: 67.8%)
- WA interest coupon of 7.34% (31 January 2022: 7.39%)
- NAV per share of 66.41 pence (31 January 2022: 72.35 pence)

PORTFOLIO

Portfolio statistics	31 July 2022	31 January 2022
Number of loan investments	5	6
Aggregate principal advanced	£74,749,557	£80,543,427
Weighted average LTV	69.3%	67.8%
Weighted average interest coupon p.a.	7.34%	7.39%
Weighted average unexpired loan term	0.60 years	0.97 years
Cash held	£3,068,145	£4,801,224

Following period end, the Company received a series of partial repayments of the Northlands loan, following sales of certain of the portfolio properties as the Sponsor works towards full repayment. These payments totalled £1.1 million in aggregate.

COMPANY PERFORMANCE

During the period the Company received repayment in full of the remaining £6.0 million balance of the Quattro loan, with interest and fees of £0.5 million. The portfolio LTV stood at 69.3% as at 31 July 2022, and was substantially stable during the period. The weighted average loan coupon was also largely unchanged, at 7.34%.

At period end, the Company had £3.1 million of cash, which is sufficient to cover the announced dividend for the quarter, in addition to its near-term liabilities and working capital needs.

The weighted average unexpired loan term reduced to approximately 0.6 years, reflecting the approaching near-term maturity dates of the majority of loans. As these loans repay, the Company intends to return capital to shareholders in line with its investment objective.

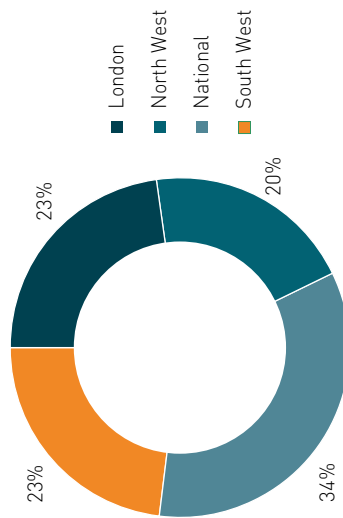
INVESTMENT MANAGER'S REPORT (CONTINUED)

INVESTMENT PORTFOLIO AS AT 31 JULY 2022

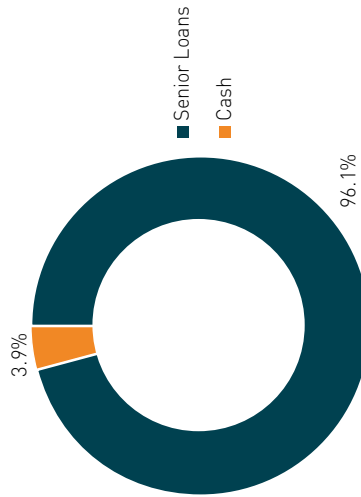
Project	Region	Sector	Term start	Unexp. Term (years)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding ⁽¹⁾ (£m)	Current LTV (%)
Affinity	South West	Office	Mar-18	0.00	14.20	67.3	17.30	68.4
Southport	North West	Hotel	Feb-19	0.71	12.50	59.5	15.00	96.2
Northlands	London	Mixed use	Aug-19	0.21	9.00	55.3	10.59	59.2
RoyaleLife	National	Residential	Sept-19	1.21	20.27	74.3	25.38	60.9
LBS	London	Office	Oct-19	0.21	4.92	69.3	6.47	58.5
Total/weighted average				0.60	60.89	66.4	74.75	69.3

⁽¹⁾ For the RoyaleLife facility, balance outstanding includes capitalised interest

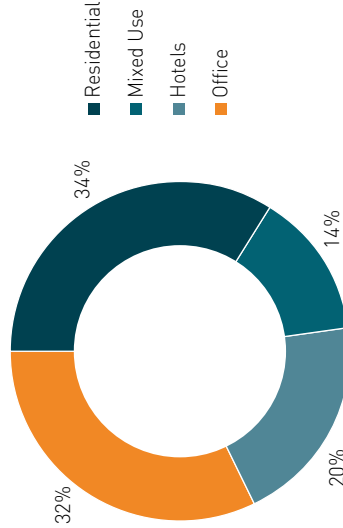
Regional Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



INVESTMENT MANAGER'S REPORT (CONTINUED)

ECONOMY AND FINANCIAL MARKET UPDATE

The economic story of the reporting period has been the rapid and sustained rise in inflation rates. While the problem is global, the UK has been particularly hard hit with headline CPI reaching 10.1% in July, a 40-year high, and forecasters predicting further increases. In the UK there is increasing alarm at the impact the expected material rises in the energy price cap will have on households. We are equally alert to the effect on businesses, where there is no such cap albeit where some Government support is expected.

Inflation means consumers are also suffering real wage cuts and, in many sectors, industrial action has become more widespread in the hope of securing improved pay settlements. With mortgage rates, rents, food and energy costs all increasing there is a real risk of a significant impact on consumer confidence. The ONS notes that households already appear to be cutting back on non-essential spending.

As a result, the latest Bank of England forecasts for the UK economy make for bleak reading, with five quarters of economic contraction from Q4 2022 before a period of stagnant to weak growth in the medium term. Rate setters are thus having to weigh the need to get inflation down with the impact on wider economic conditions. While the Bank has come under criticism from some quarters for acting too late on inflation, rates are now rising in a sustained way with the expectation of significant further rises to come. Markets are currently implying that Bank Rate will reach 4% in 2023, and the benchmark 5-year swap rate rose 100bp between late July and late August, standing at around 3.5% at the time of writing.

The new Prime Minister, Liz Truss, faces a challenging in-tray. A significant package of measures to support consumer and business energy costs has already been announced. Further measures are expected in an emergency budget in the coming weeks. It remains to be seen whether this will have a positive economic impact but the overall outlook remains gloomy in the near term.

OCCUPATIONAL DEMAND/SUPPLY

According to recent data from CoStar, vacancy in London offices has risen by over 50% since the onset of the Covid pandemic, with 31 million sq ft of currently available space according to the research, compared to 20 million sq ft in Q1 2020. This points to weaker market conditions, yet data from Savills show that first half office take up was 13% above the 10 year average, at 5.2 million sq ft, and 70% of those occupiers looking for space are seeking to maintain or expand their footprints, with only 13% looking to downsize.

In the regional markets, Jones Lang LaSalle reports steady leasing activity in the 'Big Six' markets in H1 2022, slightly ahead of H1 2021 levels. Vacancy rates declined modestly, to 5.9% from 6.2% in the prior year, with upward pressure on rents remaining, led by Bristol which saw prime rents reach £42.50 per sq ft, a 13% increase on the prior year.

The industrial occupational markets continue to show strength. Take up for the first half of larger (100,000 sq ft+) units was 16.8 million square feet, 25% above the 5-year average, with a further 6.4 million sq ft under offer at the end of June. By comparison 35.4 million sq ft was leased in FY 2021, which was

the second highest year on record. According to Jones Lang LaSalle, UK vacancy rates are only 1.6%, and still only 5.3% if speculative construction is included. Given the ongoing supply/demand dynamics, upward pressure on rents remains, with prime rents increasing by 19% on average in the 12 months to June 2022.

While the Company has only negligible exposure to the retail markets, there have been some signs of market conditions improving. Vacancy rates in both shopping centres and on high streets fell modestly in Q2 2022, to 18.9% and 14.0% respectively, albeit these are well above the levels in other core property sectors. The picture is somewhat better in retail warehouse parks, where demand from discounters and foodstores continues and Allsops report a vacancy rate of 7.8% (and falling) as at May 2022. These vacancy rates are critical as, ultimately, until more than one occupier is competing for the same store, rental growth is unlikely to be realised. In many markets there is still a meaningful level of absorption required before growth can return.

PROPERTY INVESTMENT MARKET

Industrial market conditions changed dramatically during the period. Amazon's announcement in late April of a scaling back of its take up in the sector led to an immediate correction in the share prices of public market landlords, with SEGRO's share price falling from £13.42 at the end of April to £10.73 by 9th May. This sentiment fed into private markets relatively quickly, with buyers seeking discounts of 10% – 20% on previous asking prices. In many cases this has been accepted by vendors, noting that the buyer pool is also facing rising interest rate costs as well as a more challenging macro outlook. While substantial, these discounts only partially reverse the relentless pricing growth seen in the sector over the past few years. According to Knight Frank, industrial yields in August 2022 have returned to the levels seen in August 2021.

Office transaction volumes softened in Q2, with quarterly trades of £4.4bn (according to Lambert Smith Hampton) below the £5.2bn in Q1 and 10% below the five-year average. Market sentiment has softened, according to Knight Frank, with yields reported to have moved outwards by 25bp in August, although anecdotally we are hearing that depth of bidding is thinning and pricing levels are less certain. What is noticeable is that sales processes are taking longer to conclude, with the traditional summer slowdown contributing to the relative inertia. The sector does continue to show appeal however, driven by strong occupational market conditions in many markets. Sunlight House in Manchester, the Paragon building in Bristol, and the Kaleidoscope Building in London's Farringdon (leased to Tik-Tok) were notable completions in the summer months.

What has been remarkable during the period is the slowdown in monthly volumes. While May 2022 showed all-time high investment sales of £9.0bn (skewed by Brookfield's £3.3bn acquisition of the Student Roost platform), June levels fell to £2.2bn, according to Lambert Smith Hampton, the lowest level since the height of the pandemic. We anticipate that volumes will remain sluggish while both property and finance markets remain in a period of price discovery.

INVESTMENT MANAGER'S REPORT (CONTINUED)

FINANCE MARKETS

The relatively buoyant financing market conditions seen in Q1 2022 adjusted significantly towards the end of the period, driven by both geopolitical and macro concerns. According to Bank of England data, overall lending to property rose by £2.2bn, to £172.3bn, in the six months to June 2022. However, this will reflect deals originally agreed in 2021 and Q1 2022, and likely masks the most recent changes.

In particular, the key challenge has been the significant and sustained increase in funding costs, with the benchmark 5-year swap rate rising markedly, from around 1.25% at the end of January to around 3.5% at the time of writing. Moreover, the rate has shown significant volatility, with intra-day movements of over 25bp seen on several occasions.

The above leads to uncertainty for borrowers in what their financing costs (and thus projected equity returns) will look like, as well as challenges for lenders in forecasting interest coverage ratios. When allied to a 'wait and see' approach from more cautious lenders, the result is a slowdown in volumes and processes taking longer (and in some cases becoming abortive).

Notably, we are seeing increasing evidence of finance processes becoming fractured, particularly for larger transactions. HSBC was reported to have pulled a potential £380m CMBS issuance in May as a result of market conditions; the recovery in CMBS seen in 2021 appears largely to have stalled. The interest rate environment and ongoing price discovery of credit spreads means large institutions are disincentivised from originating loans to distribute. Anecdotally we are hearing that many bank balance sheets are near full for 2022 lending.

Notwithstanding the undoubted challenges in the market, there is by no means a credit crunch and debt still remains widely available, particularly for smaller and mid-market transactions. The annual financing property presentation by Savills, in June 2022, identified over 400 active lenders to the market, against 240 in 2018, with a continued evolution in the diversity of funding sources.

PORTFOLIO PROFILE AND ACTIVITY

The Company's investment portfolio was largely stable during the reporting period, with no new investments and the sole repayment being the exit of the remaining £6.0 million balance of the Quattro loan.

After period end we saw a series of partial repayments of the Northlands loan, totalling £1.1 million in aggregate, following the sale of certain of the portfolio properties.

The Company's weighted average LTV is now 69.3%, with a weighted average unexpired loan term of 0.6 years and longest maturity of 1.2 years. All the Company's borrowers are aware that their lender is winding down and as such are all working towards exiting the loans. Certain of these processes are well advanced although there is no doubt that transactions, whether sales or refinancings, are taking longer to complete in the current market given the uncertainties noted above.

The weighted average interest coupon is 7.34%, and this is supplemented by contractual arrangement fees paid at closing and exit fees upon repayment in certain instances. In addition, the RoyaleLife loan continues to benefit from call protection provisions which would provide shareholders with supplementary fees in the event of early repayment.

While markets remain in a price discovery mode with the pace of transactions slowing, we are satisfied with the credit profile of the Company's loans and are encouraged by our Sponsors' efforts to work towards sales and refinancing.

PORTFOLIO OUTLOOK

As at the date of these accounts, formal sales processes have been launched for the properties securing the Affinity, LBS and Southport loans, although in each case there can be no assurance that any sale will complete. We are aware that certain of our Sponsors have also been pursuing refinancing options as an alternative exit route. Despite the slowdown in transactional and finance market activity, the fourth quarter (in particular) tends to be the busiest in the property calendar and as such we remain optimistic on the prospects for further repayments in H2 2022, and the resulting opportunity to return capital to shareholders. We remain in active dialogue with Sponsors to facilitate timely repayments.

We are nonetheless mindful that the macro position is evolving quickly and are paying close attention to all our investments for signs of stress.

INVESTMENT MANAGER'S REPORT (CONTINUED)

LOAN PORTFOLIO

As set out above, as at 31 July 2022, the Company's portfolio comprised of five loans with an aggregate balance outstanding of £74.7 million.

A summary of each of the individual loans as at 31 July 2022 is set out below:

Affinity	
<p>On 28 February 2018, a new £16.2 million commitment was made, of which £14.2 million was advanced, to refinance a multi-let office property in Bristol, and to provide a £2.0 million capital expenditure facility to fund a refurbishment programme. Subsequently, the loan was increased to £16.7 million in support of the borrower's business plan and thereafter a further £1.0 million loan commitment was made to allow for further upgrade works to the property.</p> <p>The property is currently fully leased with a contracted rent of £2.5 million per annum. The Sponsor has continued to invest in the property, which was placed on the market for sale towards the end of the reporting period. The loan's original term expired in April 2022, however the Company has agreed a short-term loan extension to allow for the sales process to conclude or an alternative exit to be realised.</p>	

Property profile		Debt profile	
Number of properties	1	Day one debt	£14,200,000
Property value	£25,300,000	Debt outstanding	£17,299,963
Property value per sq. ft.	£221	Original term	4.2 years
Property area (sq. ft.)	114,364	Maturity	April 2022
Number of tenants	12	LTV as at 31 July	68.4%
Weighted lease length	2.5 years	Loan exposure per sq. ft.	£151

Southport	
<p>Initially a £15.0 million loan commitment, secured by a hotel and leisure complex in Southport, Merseyside. The initial loan to value ratio was 59.5%.</p> <p>During the Covid-19 pandemic the Investment Manager agreed to an element of interest capitalisation to support the loan Sponsor while the asset was closed for trade. Subsequently, a lease surrender agreement from one of the property's commercial tenants allowed for the repayment of previously capitalised interest, with the loan balance of £15.0 million consistent with the original commitment.</p> <p>The hotel adjoins the proposed new Southport Events Centre, and with the aim of capitalising on this proposed regeneration, along with robust summer trading, the property was placed on the market for sale in July 2022. Following the period end the Investment Manager has received an updated valuation which puts the Company's exposure at 96% LTV, in breach of covenant. However the Sponsor is progressing an offer for the asset in excess of this valuation and which would see the loan repaid in full. While there is no assurance this will complete, the Company has reserved all its rights in respect of the covenant breach and has taken steps to accelerate repayment.</p>	

Property profile		Debt profile	
Number of properties	1	Day one debt	£12,500,000
Property value (£)	£15,600,000	Debt outstanding	£15,000,000
Property value (£/bedroom)	£117,293	Original term	4 years
Property value (£/sq. ft.)	£343	Maturity	April 2023
Bedrooms	133	LTV as at 31 July	96.2%
Property area (sq. ft.)	45,430	Loan exposure per bedroom	£112,782

INVESTMENT MANAGER'S REPORT (CONTINUED)

LOAN PORTFOLIO (CONTINUED)

Northlands

In October 2019 the Company provided a £12.5 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 £9.0 million with a 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 provided a £3.5 million capital expenditure commitment. This commitment has been steadily drawn during the term.

Progress against business plan has been steady, and the Sponsor has been marketing certain assets for sale, alongside pursuing a refinancing of the balance of the portfolio, to work towards a repayment of the loan at its maturity date. As a result of these efforts, repayments of approximately £1.1 million were made after period end, using proceeds from property sales, reducing LTV to approximately 56.5%.

Property profile	
Number of properties	14
Property value	£17,906,500
Property value per sq. ft.	£147
Property area (sq. ft.)	121,285
Number of tenants	101
Weighted lease length	3.2 years

Debt profile	
Day one debt	£9,000,000
Debt outstanding	£10,593,576
Original term	3.0 years
Maturity	October 2022
LTV as at 31 July	59.2%
Loan exposure per sq. ft.	£87

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 Sponsor's home sales were adversely affected by Covid-19 and the subsequent lockdown restrictions, and as a result the Investment Manager agreed to capitalise some of the interest due on the loan, with the Sponsor also committing new equity capital into the business. The total outstanding loan balance is now £25.4 million, and is above the day 1 commitment owing to the capitalised interest.

Property profile	
Number of properties	10
Property value (£)*	£41,670,248
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 July	60.9%

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

INVESTMENT MANAGER'S REPORT (CONTINUED)

LOAN PORTFOLIO (CONTINUED)

LBS

In September 2019, the Company entered into a £6.5 million loan commitment with a fund advised by LBS Properties, and 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 for a full refurbishment of the property. The refurbishment works were completed ahead of schedule, a new tenant was secured for the majority of the space and an improvement in the valuation was recorded, with the LTV now 58.5%.

Loan performance was stable during the period and towards the end of the period the property was placed on the market for sale.

Property profile	
Number of properties	1
Property value	£11,070,000
Property value per sq. ft.	£1,049
Property area (sq. ft.)	10,557
Number of tenants	1
Weighted lease length	8.0 years

Debt profile	
Day one debt	£4,922,000
Debt outstanding	£6,474,586
Original term	3.1 years
Maturity	October 2022
LTV as at 31 July	58.5%
Loan exposure per sq. ft.	£613

SUBSEQUENT EVENTS

Significant subsequent events have been disclosed in Note 11 to the Financial Statements on page 25.

ICG REAL ESTATE

22 September 2022

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 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 Manager'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 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

22 September 2022

PRINCIPAL RISKS AND UNCERTAINTIES

The Company 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 the underlying property on which its loans are secured.

The principal risks and uncertainties of the Company were identified in detail in the Annual Report and Financial Statements for the year ended 31 January 2022. However, the Ukrainian crisis, rising energy prices and the knock-on impacts on inflation and interest rates have had a profound impact on economic and certain market conditions in the six months ended 31 July 2022 and beyond, as further detailed in the Investment Manager's report on page 8.

In addition to regular risk reviews, emerging risks such as those mentioned above are considered as they arise, to assess any potential impact on the Company and to determine whether any actions are required.

As a result of such risks emerging, the Audit and Risk Committee has recently reviewed its assessment of the key risks faced by the Company, which are currently identified as the following:

- Realisation risk regarding the possibility of deteriorating market liquidity for certain assets and/or uncertainty over collateral values and accuracy of valuations which could result in lower amounts of capital realised than that originally expected.
- A borrower's inability to secure sale or refinancing of an underlying property as planned could frustrate the timely repayment of capital;
- Non-payment of interest could affect the ability of the Company to maintain a covered dividend as the orderly realisation of its investments progresses;
- Complications with the liquidation process could occur which may affect timing of the final distribution to shareholders;
- Heightened risk from macro factors and market conditions arising from current economic and geopolitical conditions.

CONDENSED STATEMENT OF **COMPREHENSIVE INCOME**

For the six month period to 31 July 2022

	Notes	1 February 2022 to 31 July 2022 £ (Unaudited)	1 February 2021 to 31 July 2021 £ (Unaudited)	1 February 2021 to 31 January 2022 £ (Audited)
Income				
Income from loans		3,611,439	4,640,240	9,310,030
Other fee income from loans		–	34,000	207,739
Total income		3,611,439	4,674,240	9,517,769
Expenses				
Investment Management fees	9	519,039	595,958	1,165,922
Other expenses	10	280,736	262,617	640,503
Reorganisation costs		–	156,800	129,941
Directors' remuneration	9	80,000	91,375	171,375
Finance costs		–	47,382	63,351
Total expenses		879,775	1,154,132	2,171,092
Profit for the period/year before tax		2,731,664	3,520,108	7,346,677
Taxation charge		–	2,079	10,912
Profit for the period/year after tax		2,731,664	3,518,029	7,335,765
Total comprehensive income for the period/year		2,731,664	3,518,029	7,335,765
Basic and diluted Earnings per Share (pence)	5	2.25	2.90	6.05

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 July 2022

	Notes	31 July 2022 £ (Unaudited)	31 January 2022 £ (Audited)	31 July 2021 £ (Unaudited)
Assets				
Loans advanced at amortised cost	4	77,976,950	83,257,529	108,468,063
Cash and cash equivalents		3,068,145	4,801,224	10,466,329
Trade and other receivables		529,620	502,485	1,620,797
Total assets		81,574,715	88,561,238	120,555,189
Liabilities				
Other payables and accrued expenses		1,021,864	793,223	1,427,105
Total liabilities		1,021,864	793,223	1,427,105
Net assets		80,552,851	87,768,015	119,128,084
Equity				
Share capital	6	80,298,422	87,576,589	119,115,310
Retained earnings		254,429	191,426	12,774
Total equity attributable to the owners of the Company		80,552,851	87,768,015	119,128,084
Number of ordinary shares in issue at period/year end	6	121,302,779	121,302,779	121,302,779
Net Asset Value per ordinary share (pence)	5	66.41	72.35	98.21

The Interim Financial Statements were approved by the Board of Directors on 22 September 2022 and signed on their behalf by:

JACK PERRY
Chairman

FIONA LE POIDEVIN
Director

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six month period to 31 July 2022

	Notes	Number of shares	Ordinary Share capital £ (Unaudited)	B Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total £ (Unaudited)
As at 1 February 2022		121,302,779	87,576,589	–	191,426	87,768,015
Profit for the year		–	–	–	2,731,664	2,731,664
Dividends paid	7	–	–	–	(2,668,661)	(2,668,661)
B Shares issued May 2022	6	121,302,779	(7,278,167)	7,278,167	–	–
B Shares redeemed & cancelled May 2022	6	(121,302,779)	–	(7,278,167)	–	(7,278,167)
As at 31 July 2022		121,302,779	80,298,422	–	254,429	80,552,851

For the six month period to 31 July 2021

	Notes	Number of shares	Share capital £ (Unaudited)	Retained earnings £ (Unaudited)	Total £ (Unaudited)
As at 1 February 2021		121,302,779	119,115,310	133,829	119,249,139
Profit for the period		–	–	3,518,029	3,518,029
Dividends paid	7	–	–	(3,639,084)	(3,639,084)
As at 31 July 2021		121,302,779	119,115,310	12,774	119,128,084

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

CONDENSED STATEMENT OF CASH FLOWS

For the six month period to 31 July 2022

	Notes	1 February 2022 to 31 July 2022 £ (Unaudited)	1 February 2021 to 31 July 2021 £ (Unaudited)	1 February 2021 to 31 January 2022 £ (Audited)
Cash flows generated from operating activities				
Profit for the period/year		2,731,664	3,518,029	7,335,765
Adjustments for non-cash items and working capital movements:				
Movement in other receivables		(27,135)	(386,963)	731,350
Movement in other payables and accrued expenses		228,641	(45,402)	(675,545)
Movement in tax payable		–	2,061	(1,679)
Loan amortisation		(513,291)	(608,726)	(1,321,983)
		2,419,879	2,478,999	6,067,908
Loans advanced, less arrangement fees		(162,434)	(3,938,975)	(1,643,473)
Loans repaid at par	4	5,956,304	6,791,749	30,420,038
Net loans repaid less arrangement fees		5,793,870	2,852,774	28,776,565
Net cash generated from operating activities		8,213,749	5,331,773	34,844,473
Cash flows used in financing activities				
Dividends paid	7	(2,668,661)	(3,639,084)	(7,278,168)
Return of Capital paid	6	(7,278,167)	–	(31,538,721)
Net cash used in financing activities		(9,946,828)	(3,639,084)	(38,816,889)
Net movement in cash and cash equivalents		(1,733,079)	1,692,689	(3,972,416)
Cash and cash equivalents at the start of the period/year		4,801,224	8,773,640	8,773,640
Cash and cash equivalents at the end of the period/year		3,068,145	10,466,329	4,801,224

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period to 31 July 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 unaudited condensed financial statements comprise the financial statements of the Company as at 31 July 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 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 2022, 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.

Prior to its dissolution on 18 January 2022, the subsidiary (ICG Longbow Senior Debt S.A.), was consolidated into the Company's accounts and the Company's financial statements were prepared on a consolidated basis, as the Group existed for the majority of the financial year ended 31 January 2022. The financial statements for the period ended 31 July 2022 have been prepared for the Company only, with comparative information comprising the results of the Group. Since the Company has taken responsibility for the remaining assets and liabilities of its subsidiary following its dissolution, the Directors consider these comparatives to be appropriate.

Other than as set out above, 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 2022.

The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The new standards or amendments to existing standards and interpretations, effective from 1 January 2022, did not have a material impact on the Company's interim condensed financial statements. It is not anticipated that any standard which is not yet effective, will have a material impact on the Company's financial position or on the performance of the Company's statements.

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 or shortly thereafter, 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 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 loans owned by the Company will be held to their maturity.

NOTES TO THE UNAUDITED CONDENSED 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 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE COMPANY'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 ongoing 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 Expected Credit Loss (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 one loan, Southport, has shown evidence of heightened credit risk. In assessing the ultimate ECL in relation to this loan, the Board has made assumptions regarding the collateral value and headroom over the principal loan amounts as well as the residual term of the loan.

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. 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 loan, 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 valuation and 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 loans in stage 1 nor for lifetime losses for those in stage 2, as any such impairment would be wholly insignificant to the Company.

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

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 2022: Enil).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. LOANS ADVANCED

(i) Loans advanced

	31 July 2022 Principal advanced £	31 July 2022 Fair value (at amortised cost) £	31 January 2022 Principal advanced £	31 January 2022 Fair value (at amortised cost) £
Northlands	10,593,577	10,800,042	10,431,142	10,548,056
Quattro	–	–	5,956,304	5,984,263
Affinity	17,299,963	17,728,572	17,299,964	17,706,033
Southport	15,000,000	15,215,550	15,000,000	15,348,830
RoyaleLife	25,382,017	27,683,694	25,382,017	27,145,110
LBS	6,474,000	6,549,092	6,474,000	6,525,237
	74,749,557	77,976,950	80,543,427	83,257,529

(ii) Valuation considerations

As noted above the Company is now in the process of an orderly wind down. It remains the intention of the Investment Manager and Directors to hold loans through to their repayment date. The Directors consider that the carrying value amounts of the loans, recorded at amortised cost in the Interim Financial Statements, are approximately equal to their fair value. For further information regarding the status of each loan and the associated risks see the Investment Manager's Report.

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 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.

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.

As the UK economy emerges from the impacts of Covid-19 the position of each underlying property has generally improved, notwithstanding the record levels of inflation and high interest rates. However as set out above and in the Investment Manager's report a recession is likely and the outlook is less certain than at 31 January 2022 although 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 currently consider any loan to be subject to specific impairment, or for there to be an immediate risk of not achieving full repayment, including arrears of interest over the residual term of each loan.

(iii) IFRS 9 – Impairment of Financial Assets

The internal credit rating of each loan as at 31 July 2022 has been reviewed. Of the two loans identified as Stage 2 assets at 31 January 2022, one has since repaid in full while the other is still identified as 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 July 2022

	Stage 1	Stage 2	Stage 3	Total
Principal advanced	59,749,557	15,000,000	–	74,749,557
Gross carrying value	62,761,400	15,215,550	–	77,976,950
Less ECL allowance	–	–	–	–
	62,761,400	15,215,550	–	77,976,950

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. LOANS ADVANCED (CONTINUED)

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

One loan was considered as Stage 2 loan as at 31 July 2022 (31 January 2022: two loans).

The Quattro loan, identified as Stage 2 as at 31 January 2022, was repaid in full in April 2022, following the combination of property sales and a refinance by the borrower.

The second Stage 2 loan, Southport, continues to be recognised as Stage 2 as at 31 July 2022. Whilst trading at the hotel is improving and a strong summer has been reported, a new red book valuation received after period end indicates the Company's exposure has increased to 96% LTV. The Sponsor placed the property on the market for sale in July 2022 and is now progressing an offer in excess of this valuation which would see the Company's Loan repaid in full before maturity, although there can be no assurance that this will complete. Whilst the sales price and valuation support a repayment of the loan in full, given the elevated LTV exposure and sector uncertainties, the Company has taken steps to accelerate repayment.

All other loans have shown no material deterioration since inception or over the course of the financial period 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.

(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 Real Estate's internal credit rating model and LGD is based on ICG Real Estate's track record of over £5.7 billion of senior and whole loans which would satisfy the Company's investment parameters.

All loans are expected to repay in full within their residual term, or following short term extensions granted by the Company in its sole discretion. 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 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 was particularly affected where properties were 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, lowered ICG's recovery expectations for non-performing loans. 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. It should be noted that the Company has very limited exposure to the retail sector.

With ICG's internal rating model a two-stage deterioration in rating would migrate the Southport Loan classification from Borderline to Substandard, with a model ECL of 1.8%, whilst a three-stage deterioration would result in a model ECL of 15.6%.

The majority of loans still benefit from strong equity value protection and could withstand a 20% fall in property values before being at risk of loss. The exception is Southport where the LTV is currently 96%, following receipt of an updated valuation of the hotel. Notwithstanding the current sales process which would see the Company's loan repaid in full, a 20% fall in underlying property values would result in a loss of approximately £2.5 million.

Stress test impact on Expected Credit Loss at 31 July

	31 July 2022	31 July 2021
One grade deterioration in credit rating	£74,000	£236,000
Two grade deterioration in credit rating	£363,000	£857,000
Three grade deterioration in credit rating	£2,496,000	£3,026,000

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

Earnings per share

	1 February 2022 to 31 July 2022	1 February 2021 to 31 July 2021
Profit for the period after tax (£)	2,731,664	3,518,029
Weighted average number of ordinary shares in issue	121,302,779	121,302,779
Basic and diluted EPS (pence)	2.25	2.90
Adjusted basic and diluted EPS (pence)	2.25	2.90

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 £Nil (31 July 2021: £Nil).

There are no dilutive shares at 31 July 2022 (31 January 2022: £Nil).

Net Asset Value per share

	31 July 2022	31 January 2022
NAV (£)	80,552,851	87,768,015
Number of ordinary shares in issue	121,302,779	121,302,779
NAV per share (pence)	66.41	72.35

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.

6. 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 July 2022 Number of shares	31 January 2022 Number of shares
Authorised		
Ordinary Shares of no par value	Unlimited	Unlimited
B Shares of no par value	Unlimited	Unlimited

	Total No	Total No
Ordinary Shares	121,302,779	121,302,779
B Shares		
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 issued May 2022	7,278,167	–
B Shares redeemed and cancelled May 2022	(7,278,167)	–
B shares	–	–

	31 July 2022 £	31 January 2022 £
Share capital brought forward	87,576,589	119,115,310
Repaid in the year	(7,278,167)	(31,538,721)
Share capital carried forward	80,298,422	87,576,589

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. SHARE CAPITAL (CONTINUED)

Return of Capital

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

The Directors announced one return during the period ended 31 July 2022 and have returned an amount of 6 pence per Ordinary Share to shareholders, being £7,278,167 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.

1 February 2022 to 31 July 2022	Return of Capital per share Pence	Total Return of Capital £
Return of Capital May 2022	6.00	7,278,167
	6.00	7,278,167

7. 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 period/year ended 31 July 2022 and 31 January 2022 are set out below:

1 February 2022 to 31 July 2022	Dividend per share Pence	Total dividend £
Interim dividend in respect of quarter ended 31 January 2022	1.10	1,334,331
Interim dividend in respect of quarter ended 30 April 2022	1.10	1,334,330
	2.20	2,668,661

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. DIVIDENDS (CONTINUED)

Rights attaching to Shares

The Company has a single class of Ordinary Shares which are not entitled to a fixed dividend. The company had one issue of redeemable B shares which were redeemed throughout the period ended 31 July 2022 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.

8. FINANCIAL RISK MANAGEMENT

The Company through its investment in senior loans is exposed to a variety of financial risks. The main risks arising from the Company's financial instruments are: market risk (including currency risk and interest rate risk), credit risk and liquidity risk and are fully disclosed on pages 54 to 58 of the Annual Report and Financial Statements for the year ended 31 January 2022.

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.

9. 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 Company Directors' fees for the period amounted to £80,000 (31 July 2021: £91,375) with outstanding fees at 31 July 2022 of £31,250 due to the Directors (31 January 2022: £31,250).

Investment Manager

Investment management fees for the period amounted to £519,039 (31 July 2021: Investment management/advisory fees £595,958) of which £512,712 was outstanding at the period/year end (31 January 2022: £289,107).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. OTHER EXPENSES

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

	1 February 2022 to 31 July 2022 £ (Unaudited)	1 February 2021 to 31 July 2021 £ (Unaudited)	1 February 2021 to 31 January 2022 £ (Audited)
Luxco operating expenses	–	(3,652)	95,358
Broker fees	–	25,275	76,925
Administration fees	125,843	114,896	205,285
Regulatory fees	10,947	14,557	16,524
Listing fees	8,248	6,255	14,573
Legal & professional fees	44,832	44,024	122,555
Audit fees	23,161	26,844	46,454
Other expenses	67,705	34,418	62,829
Total expenses	280,736	262,617	640,503

11. SUBSEQUENT EVENTS

Following the Ukrainian crisis, 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 affect the performance or repayment of the remaining loan.

There were no other material subsequent events.

GLOSSARY OF CAPITALISED DEFINED TERMS

“**Administrator**” means Ocorian Administration (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 Company or Group provided to the shareholders to describe their operations and financial conditions, together with their Financial Statements;

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

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

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

“**Circular**” means the Circular of the Company dated 16 December 2020, regarding proposal for 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;

“**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;

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

“**EGM**” means an Extraordinary General Meeting of the Company;

“**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;

“**Euros**” or “**€**” means Euros;

“**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 Company for the year to 31 January 2022, 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;

“**GMG**” means GMG Real Estate;

“**Group**” means the Company, ICG Longbow Senior Secured UK Property Debt Investments Limited together with its wholly owned subsidiary, ICG Longbow Senior Debt S.A (Luxco) which was liquidated on 18 January 2022;

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

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

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

“**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 financial statements of the Company, including the Condensed Statement of Comprehensive Income, the Condensed Statement of Financial Position, the Condensed Statement of Changes in Equity, the Condensed 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 Manager**” or “**ICG Real Estate**” means ICG Alternative Investment Limited;

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

“**IPO**” means the Company’s initial public offering of shares to the public, which completed on 5 February 2013;

“**ISIN**” means an International Securities Identification Number;

“**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;

GLOSSARY OF CAPITALISED DEFINED TERMS (CONTINUED)

“**LTV**” means Loan to Value ratio;

“**Luxco**” or “**Subsidiary**” means the Company’s wholly owned subsidiary, ICG-Longbow Senior Debt S.A. which was liquidated on 18 January 2022;

“**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;

“**MIS**” means Moody’s Investors Service;

“**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 Company 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;

“**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 FCA’s Official List;

“**ONS**” means Office of National Statistics;

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

“**PD**” means probability of default;

“**post-Covid**” means the period after 23 March 2020;

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

“**Quattro**” means Quattro Portfolio;

“**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;

“**RoyaleLife**” means the RoyaleLife portfolio;

“**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;

“**SONIA**” means Sterling Overnight Interbank Average Rate;

“**Southport**” means the Southport Hotel property;

“**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
Paul Meader
Fiona Le Poidevin

Audit and Risk Committee

Fiona Le Poidevin (Chairman)
Stuart Beevor
Paul Meader

Management Engagement Committee

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

Nomination Committee

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

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

PO 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

Depositary

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

Registrar

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

Corporate Broker and Financial Adviser

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

Identifiers

GIIN: 61G8VS.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

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

CAUTIONARY STATEMENT

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

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

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

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

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

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

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